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REED

Annual Report
And Financial Statements

For the Year Ended 30 June 2020

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Reed Global Limited

Contents

Reed Global Limited

Company Information

Executive Directors	James Reed MA, MBA, FCIPD Nigel Marsh ACMA, MBA Ian Nicholas BSc, FCIPD (resigned 9 March 2020)
Non-Executive Directors	Anita Dougall BA Clifford Tompsett MA, FCA
Secretaries	Lucy Dudman LLB (resigned 9 January 2020) Siu Fai Yuen LLB
Registered office	Academy Court 94 Chancery Lane London WC2A 1DT United Kingdom
Company number	10169598
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Solicitors	Slaughter & May 1 Bunhill Row London EC1Y 8YY

The directors present their Strategic Report on the affairs of Reed Global Limited (the "Company") and its subsidiaries (collectively the "Group", "REED") and the consolidated financial statements for the year ended 30 June 2020.

Principal activities

The Company's principal activity is that of a holding company of trading subsidiaries. The Company receives income from its subsidiaries for the use of the Reed brand.

The Group's significant activities are the provision of specialist temporary, permanent and contract recruitment solutions, digital recruitment and learning, and, in partnership with local authorities and the government, the delivery of programmes that positively transform people and their communities. The directors do not envisage any major changes in the Group's activities in the next year to 30 June 2021.

Business review

Group turnover decreased in the year to £995.0m from £1,070.8m, with the Covid-19 pandemic and the resultant lockdown measures causing a turnover reduction in excess of 20% in the final quarter of the year. This reduction was most pronounced in contingent permanent placements, although contingent temporary bookings were also materially impacted. The Group has a number of local and government contracts and it engaged collaboratively with commissioners and key sub-contractors to ensure that contractual funding models maximised the provision of its core services as a key part of the pandemic response.

Gross margin reduced from 20.4% to 19.4% in the current year, reflecting the proportionately greater impact of the pandemic on higher margin negotiated business rather than longer term contracts.

The Group implemented various cost saving measures in the last quarter of the year to limit the impact of a decline in revenue, as well as making some use of government support as outlined in the Covid-19 disclosure in the "Principal Risks" section, below. Despite this, full year operating profits reduced by 44% to £7.0m versus £12.4m in the prior year. Cash collection continued to be strong throughout the year, which allowed the Group to maintain a strong cash position.

Results and dividends

The profit for the year is set out in the Consolidated Income Statement on page 19. The Group generated a profit before tax of £6.1m (2019: £12.3m). Interim dividends of £4.1m were declared on 7th October 2019 and paid during the year (2019: £4.1m) and no final dividend was declared. Return on capital employed fell from 11.6% in the prior year to 6.1% in the current year due to reduced profit after tax. The Group remains funded largely by its retained earnings and is unencumbered by external bank borrowings.

Future developments

The Group's response to the impact of Covid-19 is set out in this Strategic Report. That response ensured the Group was well positioned to deal with the challenges it faced during the last quarter of the year and has maintained our ability to position the Group for growth. As such, the directors do not expect significant changes to the business in the foreseeable future.

Key Performance Indicators

	2020	2019	2018
Gross margin	**19.4%**	20.4%	19.5%
Net profit margin before non-recurring items	**0.7%**	1.2%	1.4%
Number of business units	**468**	525	503
Employee cost ratio	**36.5%**	34.2%	33.7%
Current ratio	**125.0%**	135.1%	134.0%
Return on capital employed	**4.3%**	11.6%	17.4%
Earnings per share before non-recurring items	**1.79p**	4.97p	7.01p
EBITDA before non-recurring items	**£16.1m**	£15.8m	£18.7m

Notes to key performance indicators

- Gross margin is calculated as gross profit as a percentage of revenue
- Net profit margin is calculated as operating profit as a percentage of revenue
- Employee cost ratio represents the staff costs as a percentage of revenue

Notes to key performance indicators (continued)

- Current ratio is derived by dividing current assets by current liabilities, and is a good indicator of a Group's ability to meet short-term debt obligations; the higher the ratio, the greater the liquidity of the Group. Debentures are excluded from current liabilities as they were renewed after the year end 30 June 2020, till 31 December 2025.
- Return on capital employed is derived by dividing the recurring profit for the year by total shareholders' equity. (Non-recurring revenue is disclosed in respect of a VAT rebate in the year to 30 June 2018).
- Earnings per share is derived by the recurring profit for the year divided by the average number of shares in issue during the year
- EBITDA represents Earnings before Interest, Taxes, Depreciation and Amortisation and is derived from the recurring operating profit for the year plus depreciation and amortisation. In accordance with IFRS16 (effective 1 July 2019, see note 3) EBITDA for the year to 30 June 2020 includes the add-back of depreciation in respect of right-of-use assets of £6.2m. In prior periods, in accordance with IAS17, the corresponding lease rental cost is not added back to EBITDA.

Transactions in own shares

As of the reporting date, the Company held 529,412 (2019: 529,412) ordinary shares through its controlled funding of an Employee Benefit Trust. The nominal value of the shares is 10 pence.

Principal risks and uncertainties facing the Group

COVID-19 risk and business response

Covid-19 impacted the Group dramatically in March 2020 but it responded decisively. The Group 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 Group faced.

Throughout the pandemic, the Group used various means to control costs. A sector by sector review was conducted to assess how furlough could be most appropriately utilised to protect as many jobs as possible. Reduced hours were also implemented for many employees ("Co-Members") to help protect jobs and some members of the Board took a 100% salary cut. The Group also accelerated its investment in IT capability to maximise the effectiveness of Co-Members whilst working remotely.

The Group 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 a strong focus upon 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.

Other risks and business response

The Group is not materially exposed to any structural risk associated with the withdrawal of the UK from the European Union, although there are naturally economic risks associated with political uncertainty caused by the withdrawal. The Group seeks to address these risks as it has historically sought to address any risk associated with economic uncertainty, which is to manage its cost base and plan, should it become necessary, to adjust headcount and other significant items of expenditure in the event that trading performance deteriorates. However, the Group remains confident that opportunities exist for growth within its current operating environment.

The business is also exposed to changes in government policy in the markets in which it operates, though it seeks to mitigate these through positive engagement through industry forums and through external advisors.

The ever-increasing need to keep data secure, as highlighted by cyber security and the General Data Protection Regulations, is met by a range of mitigation actions to ensure the Group remains vigilant and compliant.

The risk of fraud is taken seriously. Prevalent in circumstances where high volumes of transactions are routinely processed, such as within a temporary recruitment model, this risk is mitigated through system automation, dedicated compliance and internal risk management teams and thorough vetting of our Co-Members in positions of trust, as well as through exception reporting.

The Group invests to ensure continued compliance with regulations and awareness of changes in government policy.

Financial instruments

The Group did not utilise any bank finance during the reporting period. The only source of external borrowing is that of the debentures which stood at £13.4 million at the end of the year (2019: £15.7 million) as disclosed in Note 20.

Financial instruments (continued)

The Group's operations are exposed to a variety of financial risks including the effects of changes in exchange rates, interest rates, credit risk and liquidity risk. The Group does not have material exposures in any of these areas and consequently does not use derivative instruments to manage these exposures.

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

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

Foreign currency risk

The Group and the vast majority of its trading operations are in the UK, where revenue and costs are in pounds sterling, meaning that the Group's exposure to foreign exchange risk is relatively low. Translation reserves presented in the Consolidated Statement of Financial Position arise on consolidation of those businesses forming part of the Group that transact in currencies other than pounds sterling. Movements in these reserves reflect the cumulative differences between the average rates applied to profits or losses and the prevailing rate as at the year-end at which balance sheet assets are translated.

Credit risk

The Group's principal financial assets are cash and trade debtors, the latter of which represent the Group's major exposure to credit risk in relation to the financial assets. Both are discussed in detail within Financial Risk Management (Note 22). Reporting in this area includes daily aged debt for every significant client as well as overall ledger profiles from the invoicing date taking into account pre-agreed payment terms.

The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with the exposure spread over a large number of customers. The risk to liquid funds is minimised by the credit checking of clients and a strong credit control function that profiles and manages credit risk in accordance with the client credit risk presented, the type of sale or past client experience. Bad debt exposure is minimal due to the Group's diverse spread of clients.

Liquidity risk

The Group's policy has been to ensure continuity of funding through the operation of its Treasury function, discussed in more detail in Financial Risk Management (Note 22).

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk on its debentures, which carry a floating interest rate pegged to movements in Libor, however this risk is not deemed significant.

Section 172 Statement

This Statement sets out how the Board of Directors of Reed Global Limited ("the Board") complies 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. REED comprises the Company and its subsidiaries, including Reed Specialist Recruitment Limited ("RSR"), Reed Online Limited ("Reed Online") and Reed in Partnership Limited ("Reed in Partnership").

Section 172 Statement (continued)

All REED Directors 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 has 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 principles 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 clients, employees, suppliers, central & local government, local communities and shareholders. A Stakeholder Map, identifying the key internal and external stakeholders and how the Company interacts with them, has been created and may be found on the Company's website.

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 REED's largest operating company (RSR), the closure of REED's two insurance operations in Malta, approval of a 2019 dividend to shareholders, and REED's response to the COVID-19 pandemic. The latter required REED 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 schemes such as the deferral of VAT and PAYE. Towards the end of FY20, the Board approved a decision to pay deferred PAYE of £29 million to HM's Government by the revised deadline.

In making these Principal Decisions, REED'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 REED's response to the Government implementing a blanket lockdown during the Covid-19 pandemic.

REED 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 Co-Members to help protect jobs and some members of the Board took a 100% salary cut to ensure stakeholder needs were prioritised. REED also accelerated its investment in IT capability to maximise the effectiveness of Co-Members whilst working remotely.

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

High-levels of customer service remained paramount during the pandemic, and additional resources and IT developments were applied by REED to support Government and key worker contracts that were central to the pandemic response. REED also launched a range of support schemes for its customers during the pandemic, to help as many customers as possible to weather the storm.

To support supply chains during the pandemic, REED 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, the REED Chairman.

This tailored approach minimised where possible the significant impact of Covid-19 on REED and its stakeholders, and allowed the business to preserve the livelihoods of as many employees as possible. 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.

REED is committed to being an employer of choice and to ensuring Co-Members' wellbeing and voice are front of mind. REED therefore operates programmes to listen to the views and feelings of Co-Members, which include monthly surveys that are facilitated centrally. These ensure that Directors of the various REED businesses 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 vlogs by the Managing Director of RSR. New digital communication routes have also been established utilising Microsoft Yammer as a quick and accessible channel for feedback.

Section 172 Statement (continued)

During FY20, REED adopted a Customer First strategy focusing on the development of customer relationships. In support of this, REED appointed a Customer Experience Officer to the Company 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.

RSR and Reed in Partnership also maintain 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 FY20. 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 FY20:

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, REED introduced enhanced Maternity Pay benefit across REED. Co-Members voted REED a great place to work with over 4.1 stars on Glassdoor, and REED 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.

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

Stemming from earlier feedback provided by Co-Members, REED installed beehives on the roof of the Reed Online office in Central London. Products from the bees were shared with all Co-Members during FY20.

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
RSR continues to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Across FY20, REED averaged a 15-day payment period to its suppliers.

Payment of creditors

The Group'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.

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.

On behalf of the Board on 22 December 2020

DocuSigned by:
James Reed
EDE3ECA1DDD14F6...
James ... CIPD
Chairman

Reed Global Limited

Directors' Report
Year ended 30 June 2020

The directors present their report on the affairs of the Group and Company audited financial statements and the independent auditors' report thereon for the year ended 30 June 2020.

Board of Directors

The directors who held office in the year are listed within Company Information presented on page 1 of these financial statements.

Membership of the Board of Directors consists of both Executive and independent Non-Executive Directors. The latter serve limited terms of office and are not selected from former members of the Group, both of which policies ensure their independence. The board meets at least once per calendar quarter and receives input from the various subsidiary boards.

The primary committee of the board is the Group Audit and Risk Committee, chaired by Non-Executive Director Clifford Tompsett. This committee is tasked with ensuring good financial governance of the Group, including the engagement and oversight of independent auditors, as well as supervision and oversight of the general risk management framework of the Group. The Audit and Risk Committee meets at least once every calendar quarter and follows an agreed plan of work.

Directors' indemnities

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

Employee Engagement Statement

REED values input and feedback from its Co-Members and has numerous processes in place to capture the thoughts and views of its workforce. These include monthly 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.

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

Other Stakeholder Engagement Statement

REED 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. 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 year has helped to shape REED's commercial approach and strategy. REED have 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 REED's approach to preventing Modern Slavery.

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

Inclusion and Belonging – Our commitment

REED is committed to creating an inclusive and diverse 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.

Our Customers

REED seeks to promote Inclusion, not only among Co-Members, but also among our clients and candidates as an equal opportunities employer. A long-standing principle we hold is that 'no one is unemployable' and we stand by this through supporting people to find work as a vital public service. It is REED's policy to support people who hold Protected Characteristics (under the Equality Act 2010) both internally and externally through supporting recruitment practices based solely upon merit.

Our Co-Members

REED's 'Inclusion & Belonging Commitment' encourages inclusivity across our Workforce. In support of this, Co-Members are invited to complete Diversity Training, including an Unconscious Bias iLearn module which is designed to help them to recognise and combat any unconscious bias in the workplace.

We have implemented Diversity Reporting so we can be driven by data, whilst appointing Inclusion Board Sponsors to raise the profile of our commitment. We are also developing Co-Member Inclusion Resources to support the understanding of others within our organisation and appointing Inclusion Champions to help bring our commitment to life.

We have continued to build on James Reed's three pledges, made on International Women's Day 2018, to help support women in the workplace at REED.

REED has continued to utilise a range of external accreditations and partnerships to support us with best practice resources, support lines, networks and knowledge to make experiences better for Co-Members at work.

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.

Charitable activities

Charity is core to the values of the Group and of Sir Alec Reed, the Founder of REED.

Established in 1972, The Reed Foundation owns 18% of the issued share capital of the Company and uses the proceeds of this investment, in conjunction with other donations received, to support a range of charities. Foremost of these are The Big Give and Ethiopiaid, both founded by Sir Alec Reed.

The Big Give was established in 2007 and enables donors to find and support charitable projects in their field of interest. It also operates a match-funding mechanism, whereby donations by the public to particular charitable causes are doubled by Charity Champions, being individuals or organisations pledging money in support of their chosen charities. The Big Give has raised over £156m since its inception and operates the UK's largest online match funding campaign, its annual Christmas Challenge.

Ethiopiaid was established in 1989 with an original donation of £1m and has raised over £30m since its foundation. The vision of Ethiopiaid is of an Ethiopia free from poverty, in which every person has access to quality education, healthcare and a life of dignity. Each year, Ethiopiaid sends a team of REED Co-Members to Addis Ababa, with each participant pledging to raise over £2,500 for Ethiopiaid's charitable partners. These partners work in a range of areas, including: a rehabilitation centre for children who suffer from conditions such as polio and clubfoot; educational institutions; and facilities for vulnerable women who have suffered from sexual assault.

The Group is glad to support its charitable partners and looks forward to continuing to do so in the year ahead.

Political donations

The Group made no political donations during the year to 30 June 2020 (2019: nil).

Dividends

Dividends proposed and paid by the Company in the year amounted to £4.1m (declared 7th October 2019). During the year to 30 June 2019, the ultimate parent of the Group proposed and paid dividends of £4.1m.

Pension funds

Reed Executive Limited, a subsidiary of the Group, 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. This scheme had two trustees, namely Darren Murton and Nigel Marsh. The scheme may not invest in the shares of the Group. The audit of the scheme is currently undertaken by RSM UK Audit LLP and is thus completely separate from that of the Group.

Several other Group companies operate defined contribution schemes, provided by Scottish Widows, which are contract based and therefore not subject to audit.

Going concern basis

After making enquiries, the directors have formed a judgement that, at the time of approving the financial statements, there is a reasonable expectation that the Group 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.

The Directors of the Company 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 31st 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 31st December 2021, such that certain companies in the REED Group can meet their liabilities as they fall due.

Financial risk management

The Group's financial risk management policies and procedures, including the principal risks and uncertainties identified by the directors, are disclosed in the Strategic Report and within the notes to the financial statements, see Note 3.

Future developments

The future developments of the Group are disclosed in the Strategic Report on page 2.

Corporate Governance Statement

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

Set out below is further detail on how REED 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 REED 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 REED's application.

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

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 Board which defines the group purpose, values and strategy, and approves the strategies of subsidiary companies. 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. The Group is committed to the following values:

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

REED 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. REED's engagement channels include Co-Member surveys, exit interviews, absence monitoring, and wellbeing strategies. In support of its fair, open and honest culture, REED 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 details on REED's major strategic developments and how Directors have applied governance to Principal Decisions may be found in the Section 172 Statement within the Strategic Report.

Principal 2 - Board Composition

The Board comprises two executive Directors, including REED's Chairman, and two Independent Non-Executive Directors (NEDs). Ian Nicholas resigned from the Board 9th March 2020 and from the position of Chief HR Officer to be appointed as Managing Director of the Group's largest operating company, RSR.

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).

Nigel Marsh ACMA, MBA – Group Chief Financial Officer of REED.

Nigel Marsh has been the Group's Chief Financial Officer since being appointed to the main Board in 2014. Nigel joined REED in 2007 as Finance Director of the main recruitment business and progressed through a range of finance and commercial roles in the UK and internationally. He is also Trustee of an associated pension scheme and a not-for-profit, charitable website. Nigel's background is within commercial blue-chip organisations, including General Motors, Rolls Royce and FujiFilm. He is a Chartered Management Accountant and holds an Executive MBA from Ashridge Management College.

Anita Dougall BA – Independent Non-Executive Director.

Anita Dougall is a founder and CEO of Sagacity Solutions, an innovative technology company dedicated to helping organisations increase revenues and profitability, through the use of its' specialised solutions for Utilities, Water, Energy, Telco and Financial Services. Anita's operational expertise underpinned by advanced technology and data solutions allows her to add significant value to businesses by improving their customer experience and financial performance. Prior to setting up Sagacity, Anita held senior positions within the finance and commercial teams at One 2 One (T-Mobile and now EE), having started her career as an Energy analyst at NatWest Markets. Anita has a BA in Political Economy from Greenwich University.

Clifford Tompsett MA, FCA – Independent Non-Executive Director and Chairman of the Audit & Risk Committee.

Clifford Tompsett is a Fellow of the Institute of Chartered Accountants in England and Wales with over 40 years of experience advising companies and their boards on financial matters including financial reporting, internal controls, risk and governance. He is a former audit, capital markets and transaction partner at PricewaterhouseCoopers LLP where he worked for 37 years until he retired in 2017. More recently he has been the Senior Independent Director and Chairman of the Audit and Risk committee of Cello Health plc, is a Non-Executive Director and Chairman of the Audit Committee of Kismet Acquisition One Corp, a Nasdaq listed SPAC, and is a Trustee of RAFT, a medical research charity. He has an MA in Chemistry from Oxford University.

The REED Chairman leads the Board and is responsible for its overall effectiveness. By sitting as a Director on all REED companies, James Reed ensures strong governance is applied consistently across REED.

The appointment of the two Independent NEDs has broadened the skills, knowledge and experience available to the Board, in particular, their prior working experience brings expertise on governance, audit, accounting, innovation in technology, data analytics and improving customer experience. The Chairman facilitates a constructive relationship between the Executive and Non-Executive Directors enabling the Independent NEDs to discuss Board agendas ahead of meetings, challenge current practices, and the opportunity to communicate with senior executives outside of meetings. The appointment of an Independent NED to chair the Audit & Risk Committee has brought a fresh perspective and new ideas on REED's approach across a broad range of areas including governance, audit, risk and compliance.

The Company promotes diversity at work through its own recruitment processes and through the work of the subsidiary companies in helping people into work. The Board delegates day to day management and the implementation of agreed strategies to the Boards of the subsidiary companies. 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. Information includes key performance indicators in the form of Balanced Scorecards for each key trading entity.

The Board operates and delegates specific responsibilities to an Audit & Risk Committee, chaired by an Independent NED with extensive experience of financial reporting and risk management who is able to challenge and influence the Board. In addition to its Chairman, the Committee comprises the Group Chief Financial Officer, the Director of Group Finance and Tax, the Director of Group Risk and the Head of Legal. The Audit & Risk Committee has agreed written Terms of Reference and supports the Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control environment, and the integrity of REED's financial statements and the annual report. In the last 12 months, the Audit & Risk Committee have, inter alia, overseen the development of a new risk framework, approved updated group policies such as the approach to Corporate Criminal Offences, and reviewed the implementation of the new lease accounting standard (IFRS 16). The Committee also has oversight of the appointment and remuneration of the external auditors and agrees the scope of the audit. The Committee has an approved policy on the supply of non-audit services by the external auditor (PwC) and during the year recommended to the Board the appointment of RSM to act as the Group's principal tax adviser.

The Company normally has four quarterly Board meetings plus a further meeting to review the Annual Strategic Plan. However, this financial year during the COVID-19 pandemic the Group moved to monthly meetings, specifically between March and July in response to the unprecedented circumstances facing the business. There was full attendance at all Board and Audit and Risk Committee meetings held during the year. Further detail on how the Board has taken consideration of stakeholders and applied governance in line with REED's values may be found within the s.172 statement of the Strategic Report.

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 subsidiary companies to their Executive Boards, which meet monthly and are chaired by REED's Chairman.

Formal training on Directors' duties is 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 also 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 REED's governance processes.

Principal 4 - Opportunity and Risk

The Board has a focus on future opportunities for innovation and entrepreneurship. Short term opportunities are highlighted through the Board Meetings, executive reporting and subsidiary company Boards, whilst longer term strategic opportunities are reviewed through the annual Strategic Review process. There are a range of future strategic opportunities the Board are reviewing due to the evolving nature of the labour market, the future of work, and the impact of technological innovation.

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 REED's internal control framework. The Company has developed robust procedures to identify, monitor and manage risk. The risk identification process, risk frameworks, and monitoring are conducting by an internal function which reports to the Audit & Risk Committee.

The Company operates an Internal Audit Function designed to test the mitigation controls of principal risks. The Board delegates overall responsibility for the oversight of risk management to the Audit & Risk Committee.

RSR and Reed in Partnership hold certifications for ISO 9001 and ISO 14001 and incorporate these into their approaches to risk management.

Further detail of how REED have responded to potential risks may be found under within the Company's COVID-19 response in the Strategic Report.

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 REED.

The Board recognises the importance of closing the Gender Pay Gap, which is supported by clear policies across all subsidiary companies.

The Board is considering the formation of a Remuneration Committee over the next 12 months to add a further layer of governance to the current remuneration process.

Principal 6 - Stakeholder Relationships and Engagement

The Board believes in the importance of sustainable business and the role that private companies have in benefitting wider society. The Board is committed to creating a positive social, economic, and environmental impact. The Board 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 prospective 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 REED has on its customers through the service we provide, and this strong customer focus has been supported by the appointment of a Customer Experience Officer 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.

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

The Board understands the importance of communication across constituent groups. The Company has developed a Stakeholder Map to help identify, define, and engage with stakeholder groups. This 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 Board ensures there is no conflict of interest between key professional advisors covering both audit and tax. Formal conflict of interest reviews are conducted between the Board and both advisors.

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

REED 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 REED plays in government and wider society committees.

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

REED'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.

Environment

The Group's policy with regard to the environment is to ensure that it understands and effectively manages the actual and potential environmental impact of its activities. The Group's operations are conducted in such a way 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 has issued a statement of intent to demonstrate how it aims to deliver its commitment to continually improve its environmental performance, highlighting implementation and monitoring plans, as well as clarifying employee responsibility. The Group aims to act in accordance with the spirit of all relevant legislation and to set itself appropriate targets for long-term improvements.

The Group's current environmental targets are set against a 2019 baseline and are to be achieved by September 2022. Our targets are to:

1. Eliminate the use of single use plastics
2. Make year on year reductions in our waste
3. Make year on year reductions in our carbon emissions and maintain our Carbon Neutral status.

The Group has successfully achieved both the 2nd and 3rd targets in 2020 ahead of schedule.

In the UK, the Group was the first recruitment company to become CarbonNeutral®. Since 2005, the Group has offset through a variety of projects, including Hydropower in India and China, Methane Capture in Germany, Forestry in the UK and Heat Recovery in India. REED has also recently supported the Chengshan Wind Power Project (VCS) in China and the West India Wind Power Project.

The Group was one of the first to be awarded the European Code of Conduct for Data Centres. Our data centre utilises free cooling and cold air containment giving it one of the lowest PUE (Power usage effectiveness) ratings in Europe.

In February 2010, RSR was awarded ISO 14001 status. This is the recognised standard for Environment Management Systems in an organisation. ISO 14001 recognises the organisation's ability to control its impact on the environment and monitors its compliance with regulations. This has been successfully maintained.

Co-Members complete an iLearn called "REED and the Environment" when they join the company, through our online talent management system.

The Group is proud of its achievements to date. However, we are acutely aware that the ongoing challenge is to build on our past successes and to further improve our environmental performance.

Environmental Impact – Streamlined Energy and Carbon Reporting (SECR)

Overall emissions have decreased by 338 tonnes of CO2e, or 12%, from 2,784 tonnes of CO2e during the 2018/19 assessment period to 2,446 tonnes of CO2e during the 2019/20 assessment period. This decrease in emissions is mainly due to a reduction in traveling by rail and employee owned car. Electricity consumption (including transmission & distribution losses) accounts for the largest portion of emissions with 1,135 tonnes of CO2e, or 46% of the total emissions. Business travel in employee owned cars accounts for the second largest portion of emissions with 473 tonnes of CO2e, or 19% of the total emissions.

This year was the first year in which REED was required to comply with the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The table below sets out a summary of REED's UK energy usage, associated emissions and energy performance predominantly from REED's energy use in buildings and employees' business travel. As this is the first year of reporting, no prior year comparative figures are stated. A breakdown of the total emissions 2,446 tCO2e and 8,124,431 kWh is provided below:

Scope	2019/20 Summary by WBCSD/WRI Scope (Location-Based methodology, tCO2e)	2019/20 UK and offshore Energy Consumption (kWh)
Scope 1 - direct GHG emissions	389	1,734,933
Scope 2 – energy indirect emissions	1,045	4,481,100
Scope 3 – other indirect emissions	1,012	1,908,398
TOTAL	**2,446**	**8,124,431**

Intensity Metric	KPI
2,993 Full Time Equivalent Employees	0.817 tCO2e per Full Time Equivalent Employee (Location-Based)

This assessment has been carried out in accordance with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) Greenhouse Gas Protocol; a Corporate Accounting and Reporting Standard, including the GHG Protocol Scope 2 Guidance. GHG emissions have been reported by the three WBCSD/WRI Scopes. The location-based method applies average emission factors that correspond to the grid where consumption occurs. The intensity metric used is tonnes of CO2e per full time equivalent employee.

Disclosure of information to auditors

At the date of making this report each of the Company's Directors, as set out on page 1, 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 reappointed Group auditors during the year.

Approval

Approved by the Board of Directors on 22 December 2020 and signed on its behalf by:

DocuSigned by:
James Reed
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James Reed MA, MBA, FCIPD
Director

DocuSigned by:
Clifford Tompsett
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Clifford Tompsett MA, FCA
Director

Reed Global Limited

Statement of Directors' Responsibilities for the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Signed on behalf of the Board of Directors on 22 December 2020 by:

DocuSigned by:
James Reed
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James Reed MA, MBA, FCIPD
Director

DocuSigned by:
Clifford Tompsett
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Clifford Tompsett MA, FCA
Director

Reed Global Limited

Independent auditors' report to the members of Reed Global Limited
Year Ended 30 June 2020

Report on the audit of the financial statements

Opinion

In our opinion:

- Reed Global Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2020; the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated Cash Flow statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the 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 group 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.

Emphasis of matter - Group - Material uncertainty in relation to the valuation of investment property and freehold and agricultural land and buildings

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 (Critical accounting judgements and key sources of estimation uncertainty) and note 12 (Investment property and Property, plant and equipment) to the financial statements. These notes explain that there is material uncertainty in relation to the valuation of freehold and agricultural land and buildings of £6.8m and in relation to the valuation of investment properties of £20.5m included in the balance sheet as at 30 June 2020. The external valuers, employed by the company, have included a material valuation uncertainty clause in their reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

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 group's and 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 group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our 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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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 company 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
22 December 2020

Reed Global Limited

Consolidated Income Statement
Year Ended 30 June 2020

	Note	2020	2019
		£'000	£'000
Revenue	4	**994,979**	1,070,777
Cost of sales		**(801,704)**	(852,418)
Gross profit		**193,275**	218,359
Other operating income	5	**382**	337
Distribution costs		**(1,876)**	(2,295)
Sales and administrative expenses		**(184,822)**	(203,972)
Operating profit	6	**6,959**	12,429
Finance income	8	**583**	659
Finance costs	9	**(1,386)**	(812)
Share of results of joint venture	19	**(47)**	73
Profit before tax		**6,109**	12,349
Tax charge	10	**(2,571)**	(2,498)
Profit for the year		**3,538**	9,851
Attributable to:			
Equity holders of the parent		**3,200**	10,054
Non-controlling interests		**338**	(203)

All results for the Group in the current year are derived from continuing operations.

Non-controlling interests are attributable to the minority equity holders of Juxon Limited ("Juxon").

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements.

Reed Global Limited

Consolidated Statement of Comprehensive Income
Year Ended 30 June 2020

	2020	2019
	£'000	£'000
Profit for the year	**3,538**	9,851
Other comprehensive income/(expense)		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	**(124)**	(19)
Items that will not be reclassified to profit and loss		
Revaluation of land and buildings	**685**	-
Tax on revaluation of properties	**(884)**	
Unclaimed dividends	**40**	-
Remeasurements of post-employment benefit obligations	**(1,637)**	(1,179)
Income tax relating to these items	**257**	145
Other comprehensive expense for the year, net of tax	**(1,663)**	(1,053)
Total comprehensive income for the period	**1,874**	8,798
Total comprehensive income/(expense) for the period is attributable to:		
Equity holders of the parent	**1,537**	9,001
Non-controlling interests	**338**	(203)

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements.

Reed Global Limited

Consolidated Statement of Changes in Equity
Year Ended 30 June 2020

	Issued capital	Merger reserve	Own shares	Translation reserve	Revaluation reserve	Retained earnings	Non-controlling interest	Total equity and reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2018	19,814	(7,774)	(91)	(214)	3,972	62,280	1,656	79,643
Comprehensive income /(expense) for the year								
Profit/(Loss) for the year	-	-	-	-	-	10,054	(203)	9,851
Other comprehensive expense for the year	-	-	-	(19)	-	(1,035)	-	(1,054)
Fair value gain on acquisition of subsidiary	-	-	-	-	-	513	-	513
Total comprehensive expense for the year	**-**	**-**	**-**	**(19)**	**-**	**9,532**	**(203)**	**9,310**
Transactions with owners								
Dividend paid	-	-	-	-	-	(4,094)	-	(4,094)
Total Transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,094)**	**-**	**(4,094)**
Balance at 30 June 2019	**19,814**	**(7,774)**	**(91)**	**(233)**	**3,972**	**67,718**	**1,453**	**84,859**
Balance as at 1 July 2019	19,814	(7,774)	(91)	(233)	3,972	67,718	1,453	84,859
Comprehensive income /(expense) for the year								
Profit for the year	-	-	-	-	-	3,200	338	3,538
Other comprehensive income/(expense) for the year	-	-	-	(124)	685	(1,380)	-	(819)
Tax on revaluation of properties	-	-	-	-	(884)	-	-	(884)
Unclaimed dividends	-	-	-	-	-	40	-	40
Fair value gain on acquisition of subsidiary	-	-	-	-	-	-	-	-
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**(124)**	**(199)**	**1,859**	**338**	**1,874**
Transactions with owners								
Dividend paid	-	-	-	-	-	(4,094)	-	(4,094)
Total Transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,094)**	**-**	**(4,094)**
Balance at 30 June 2020	**19,814**	**(7,774)**	**(91)**	**(357)**	**3,773**	**65,483**	**1,791**	**82,640**

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements.

Reed Global Limited

Company Statement of Changes in Equity
Year Ended 30 June 2020

	Issued capital	Merger reserve	Own shares held	Retained earnings	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 July 2018	**19,814**	**2,386**	**(91)**	**24,933**	**47,042**
Comprehensive income for the year					
Profit for the year	-	-	-	14,888	14,888
Total comprehensive income for the year	**-**	**-**	**-**	**14,888**	**14,888**
Transactions with owners					
Dividend paid (note 29)	-	-	-	(4,094)	(4,094)
Total transactions with owners	**-**	**-**	**-**	**(4,094)**	**(4,094)**
Transactions with owners					
Balance as at 30 June 2019	**19,814**	**2,386**	**(91)**	**35,727**	**57,836**
Balance as at 1 July 2019	19,814	2,386	(91)	35,727	57,836
Comprehensive income for the year					
Profit for the year	-	-	-	2,753	2,753
Total comprehensive income for the year	**-**	**-**	**-**	**2,753**	**2,753**
Dividend paid (note 29)	-	-	-	(4,094)	(4,094)
Total transactions with owners	**-**	**-**	**-**	**(4,094)**	(4,094)
Balance as at 30 June 2020	**19,814**	**2,386**	**(91)**	**34,386**	**56,495**

Transactions in shares are detailed under Note 24 and the movements in the merger reserve are detailed under Note 25.

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements.

Reed Global Limited
Company number 10169598
Consolidated Statement of Financial Position
30 June 2020

	Note	2020	2019
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	11	**1,026**	1,099
Investment property	12a	**20,460**	19,195
Property, plant and equipment	12b	**31,210**	26,636
Investments in joint ventures	19	**2,795**	841
Financial investments	13	**6,300**	6,747
Deferred tax assets	14	**25**	1,535
Right-of-use assets	28	**27,486**	-
Total non-current assets		**89,302**	56,053
Current assets			
Trade and other receivables	16	**93,986**	126,313
Agricultural assets	17	**138**	170
Current tax receivables		**3,759**	3,604
Cash and cash equivalents		**67,739**	52,090
Total current assets		**165,622**	182,177
TOTAL ASSETS		**254,924**	238,230
EQUITY AND LIABILITIES			
Equity			
Share capital	24	**19,814**	19,814
Merger reserve	25	**(7,774)**	(7,774)
Own shares held	26	**(91)**	(91)
Translation reserve		**(357)**	(233)
Revaluation reserve		**3,773**	3,972
Retained earnings		**65,484**	67,718
Capital and reserves attributable to the owners		**80,849**	83,406
Non-controlling interests		**1,791**	1,453
Total equity		**82,640**	84,859
Current liabilities			
Trade and other payables	18	**124,494**	132,798
Provisions for liabilities and charges	21	**1,095**	785
Lease liabilities	28	**5,446**	-
Debentures	20	**13,367**	-
Current tax payable		**1,492**	1,286
Total current liabilities		**145,894**	134,869
Non-current liabilities			
Debentures	20	-	15,700
Provisions for liabilities and charges	21	**2,536**	2,397
Pension liability	23	**1,718**	405
Lease liabilities	28	**22,136**	-
Total non-current liabilities		**26,390**	18,502
TOTAL EQUITY AND LIABILITIES		**254,924**	238,230

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements. The consolidated financial statements on pages 19 to 64 were approved by the Board of Directors and authorised for issue on 22 December 2020 and signed on its behalf by:

DocuSigned by:
James Reed
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James [illegible] PD
Director

DocuSigned by:
Clifford Tompsett
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Clifford [illegible]
Director

Reed Global Limited

Company number 10169598
Company Statement of Financial Position
30 June 2020

	Note	2020	2019
ASSETS		**£'000**	£'000
Non-current assets			
Intangible assets	11	**13,037**	13,037
Investments in subsidiaries	15	**29,647**	29,647
Financial investments	13	**70**	80
Deferred tax assets		**63**	-
Total non-current assets		42,817	42,764
Current assets			
Trade and other receivables	16	**21,161**	22,689
Current tax receivables		**2,733**	2,729
Cash and cash equivalents		**3,880**	2,292
Total current assets		27,774	27,710
TOTAL ASSETS		**70,591**	70,474
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	24	**19,814**	19,814
Merger reserve	25	**2,386**	2,386
Own shares held	26	**(91)**	(91)
Retained earnings		**34,386**	35,727
Total equity		56,495	57,836
Current liabilities			
Trade and other payables	18	**14,096**	12,638
TOTAL EQUITY AND LIABILITIES		**70,591**	70,474

The profit for the Company for the year was £2.8m (2019: £14.9m).

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements. The consolidated financial statements on pages 19 to 64 were approved by the Board of Directors and authorised for issue on 22 December 2020 and signed on its behalf by:

DocuSigned by:
James Reed
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James Reed MA, MBA, FCIPD
Director

DocuSigned by:
Clifford Tompsett
424E7094BFB4415...

Clifford Tompsett MA, FCA
Director

Reed Global Limited

Consolidated Cash Flow Statement
30 June 2020

	Note	2020	2019
		£'000	£'000
Cash flows from operating activities			
Operating profit	6	**6,959**	12,344
Adjustments for:			
Depreciation of property, plant and equipment	12b	**2,900**	2,758
(Gain)/loss on disposal of PPE		**(196)**	27
(Gain) / loss on fair value revaluation of investment property	12a	**(1,265)**	683
Loss / (gain) on fair value revaluation of financial investments	13	**86**	(18)
Amortisation and impairment of intangible assets	11	**73**	625
Amortisation of right-of-use assets		**6,190**	-
Cash contributions to pension scheme	23	**(329)**	(329)
(Decrease) / increase in provisions	21	**(121)**	659
Operating cash flows before movements in working capital		**14,297**	16,749
Decrease in agricultural assets	17	**32**	54
Decrease in receivables	16	**29,639**	4,571
(Decrease) / Increase in payables	18	**(7,904)**	22
Cash generated from operations		**36,064**	21,396
Income taxes paid		**(1,638)**	(5,515)
Net cash generated from operating activities		**34,426**	15,881
Cash flows from investing activities			
Interest received	8	**140**	121
Purchase of intangible assets	11	**-**	(10)
Purchase of investment property and property, plant and equipment	12	**(6,592)**	(8,764)
Proceeds from the sale of financial investments	13	**2,356**	2,392
Payments made to acquire financial investments	13	**(1,995)**	(2,244)
Payments made to acquire subsidiary company		-	(107)
Cash acquired on acquisition of subsidiary		**-**	256
Dividends received from joint ventures		**-**	151
Equity dividends paid		**(4,094)**	(4,094)
Unclaimed dividends received		**40**	-
Net cash used in investing activities		**(10,145)**	(12,299)
Cash flows from financing activities			
Principal lease payments	28	**(5,360)**	-
Interest payments on leases	28	**(587)**	-
Repayment of debentures	20	**(2,333)**	-
Other finance costs paid	9	**(351)**	(292)
Net cash used in financing activities		**(8,631)**	(292)
Net increase in cash and cash equivalents		**15,649**	3,290
Cash and cash equivalents at beginning of year		**52,090**	48,800
Cash and cash equivalents at end of year		**67,739**	52,090

The accounting policies and notes on pages 26 to 64 are an integral part of these financial statements.

1. General information

Reed Global Limited is a Company limited by shares, incorporated in England & Wales and domiciled in the United Kingdom. Its registered office is Academy Court, 94 Chancery Lane, London, United Kingdom WC2A 1DT.

2. Basis of preparation

These financial statements cover the period from 1 July 2019 to 30 June 2020 with comparative figures for the 12 months ended 30 June 2019.

The Group's consolidated financial statements have been prepared on a going concern basis and are prepared and presented in accordance with International Financing Reporting Standards as adopted by the EU (all references in these financial statements to IAS, IFRS or SIC/IFRIC and / or their interpretations refer to those adopted by the EU, "IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The majority of the turnover and profits arose in the United Kingdom from recruitment activities. Operations in currencies other than the functional currency are included in accordance with the policies set out in Note 3.

The financial statements have been prepared on a historical cost basis, except for the following:
• *certain financial assets and liabilities, certain classes of property, plant and equipment and investment property – measured at fair value* and
• defined benefit pension plan – plan assets measured at fair value.

The Company's individual financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

Disclosure exemptions – Parent company individual financial statements

In preparing its individual financial statements under FRS 101, the Company has taken advantage of the following disclosure exemptions as permitted by FRS 101:

(i) IFRS 7, 'Financial Instruments: disclosures';
(ii) Paragraphs 91 to 99 of IFRS 13, 'Fair Value Management' (disclosure on valuation techniques and inputs used for fair value measurement of assets and liabilities);
(iii) The following paragraphs of IAS 1, 'Presentation of financial statements':
  a. 10(b and d), (income statement, statement of comprehensive income and statement of cash flows);
  b. 16 (statement of compliance with all IFRS);
  c. 38A (requirement for a minimum of two primary financial statements, including cash flow statements);
  d. 38B-D (additional comparative information);
  e. 111 (cash flow statement information);
  f. 134-136 (capital management disclosures);
(iv) IAS 7, 'Statement of cash flows';
(v) Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors';
(vi) Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
(vii) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The Group meets its day-to-day working capital requirements through its cash balance. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, support the directors' view that the Group is able to operate within the level of its current cash balance.

As part of the Group's response to Covid-19, a comprehensive review was undertaken of trading forecasts and cash balance projections. Those projections were expanded to model the impact, on the Group's cash balance, of a reasonable worst case scenario. The model included a sensitivity analysis of the impact on group cash of both turnover deterioration and a material increase in trade debtor days outstanding. The group experienced severe pressure on turnover during the fourth quarter of the year ended June 2020, when most markets were in lockdown due to the pandemic. Rather than the sustained turnover recovery that we have since experienced, we have stress tested

2. Basis of preparation (continued)

Going concern (continued)

our reasonable worst case scenario by modelling turnover reductions to December 2021, in excess of those seen during the fourth quarter of the year ended June 2020.

That model, which extended to December 2021, demonstrated that it is reasonable to conclude that the Group holds sufficient cash reserves to finance all continuing operations, without recourse to external debt, including a £30m credit facility which is available to the Group. That credit facility is secured beyond the going concern review period and remains undrawn.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 6. The Directors' Report describes the financial position of the Group, its cash flows, its financial risk management objectives and its exposure to credit risk and liquidity risk.

After making enquiries the directors have a reasonable expectation that the Group has adequate cash resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for future financial years, and were not applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group. In each case, the Group is assessing the impact of the change in standard and the timing of its adoption.

3. Summary of significant accounting policies

The significant accounting policy set out below has been applied consistently by the Group entities to all periods presented in these consolidated financial statements.

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 Group, with the exception of IFRS 16 which is described below. The Group entities have applied the following standard and amendment for the first time for its annual reporting period commencing 1st July 2019:

IFRS 16 – Leases

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 1 January 2019. The Group has adopted IFRS 16 for the financial year ending 30 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 Group. Short-term and low-value leases are recognised as an expense on a straight-line basis over the lease term.

The Group 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 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 Group 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 %.

3. Summary of significant accounting policies (continued)

IFRS 16 – Leases (continued)

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June 2020. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra Group balances and transactions are eliminated in preparing the consolidated financial statements.

Property, plant and equipment

Items of property, plant and equipment are disclosed at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This is with the exception of Freehold and agricultural land and buildings which is held at market value based on open market value and the aggregate surplus/deficit on revaluation is transferred to the revaluation reserve down to depreciated historic cost

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over the expected useful lives of the assets concerned. However, motor vehicles are depreciated over three years after allowing for a 20% residual value.

The periods over which depreciation is charged are:

Freehold buildings	50 years
Leasehold premises	Length of lease
Computer equipment	Three to five years, according to the expected useful life of the asset
Motor vehicles	Three years
Fixtures and fittings	Three to eight years, according to type of asset
Land	No depreciation charged

Where there is evidence of impairment, items of property, plant and equipment are written down to the recoverable amount. Any such write down is charged to operating income.

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.

Surplus properties
Where premises are no longer occupied or used for the purposes of the business and are considered unlikely to be reoccupied in the future, a provision is made for the present value of future rentals, less rents receivable from sub-tenants over the remaining lease term.

3. Summary of significant accounting policies (continued)

Revenue

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. Specific income recognition policies for each material segment of the Group are detailed below. In all cases, revenue is recognised to the extent that it is probable that the economic benefits will flow to the invoicing company and the revenue can be reliably measured.

RSR: Provision of recruitment and HR services within and outside of the UK

Turnover is recognised to the extent that the prescribed IFRS 15 revenue recognition criteria has been met by RSR 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.

Rental income
Rental income arising from operating leases where some of RSR's leased properties would otherwise be empty is accounted for on a straight-line basis over the lease term.

Reed Online: Online provision of recruitment and training services

Reed Online derives its revenues from three sources:

a) service fees for access to Reed Online's job posting, course listing and CV database services, with enhancements available to customers depending upon service features they wish made available to them;
b) performance fees for cost per lead, cost per enquiry or cost per application services, whereby customers pay for the response that they receive to either job or course listings; and
c) ecommerce sales, whereby Reed Online sells access either to courses provided by third parties or to its job listing and CV database services

Turnover is measured at the fair value of the consideration received or receivable for supply of the services supplied as outlined above, stated net of value added taxes and to the extent that there is a right to consideration. Reed Online recognises revenue when performance obligations in the related customer contracts are satisfied.

Performance obligations are either satisfied at a point in time or over time, depending upon the nature of the services provided and in line with the contract held with the customer.

Reed Online's sales are non-cancellable and do not contain refund provisions, save for ecommerce sales of courses to consumers which are protected by statutory rights, nor provisions to roll any unused allocation of services into future contracts.

Customers are typically invoiced monthly. Advanced payments are recorded on the balance sheet as a liability within creditors due within one year until the performance obligation has been satisfied.

Revenue arising from service fees for access to job posting or CV database services

Service fees are recognised rateably over the contract term beginning on the commencement date of each contract, which matches the directors' best estimate as to when performance obligations within the underlying customer contracts are satisfied.

3. Summary of significant accounting policies (continued)

Revenue (continued)
Reed Online: Online provision of recruitment and training services (continued)

Revenue arising from performance fees

Performance fee revenues are recognised at the time that the performance is delivered, when the customer receives the agreed type of response to their advertisement.

Revenues arising from ecommerce sales

Ecommerce revenue is recognised at the time of the ecommerce transaction, which is either when a consumer purchases a course or when an individual job listing is purchased.

Reed in Partnership: Delivery of public services to improve an individual's employment opportunities, health and wellbeing and inspire young people to fulfil their potential

Turnover is stated exclusive of value added tax and represents services supplied within the United Kingdom. Turnover is recognised as members are placed in the various stages of the employment process. Accrued income arises due to timing differences between outcomes evidenced but not yet claimed with government departments. Where income is received in advance, this is deferred and released on a straight-line basis over the life of the contract.

Juxon: Farming, management of investment property and provision of property services

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The criteria used for revenue recognition is as follows:

Harvest income
Income from the harvest of wheat, oilseed rape and oats are credited to profit and loss in the year it is harvested and sold. Government subsidies are also received and are credited to profit and loss once the conditions have been met for the receipt of the particular subsidy.

Rental income
Rents receivable from properties leased under operating leases are credited to profit and loss in the period it is earned in accordance with the terms of the lease.

Contract farming income
Amounts received under a Contract Farming Agreement entered in to between Juxon and a related party are credited to the income statement in the period in which it is earned, according to the terms of the underlying agreement.

Grant Income

Amounts received by the Company which are not consideration for services rendered and are freely given with no expectation of services to provided in return are excluded from turnover and included within other operating income.

Grant income is generally net against the related expense on a receipts basis. Where grant income is linked to a claim that the company has the right to make the Company recognises the grant income in its income statement when it is entitled to make the claim and it is probable that the claim will result in an inflow of economic benefit to the Company.

Investment income

Investment income comprises the returns on funds invested and is recognised as it accrues in profit or loss, using the effective interest method. Income includes interest income and fair value movements and is net of investment expenses and charges.

3. Summary of significant accounting policies (continued)

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property is measured at fair value. Where the underlying property is not used in the rendering of services or for administrative tasks, any change therein is recognised in profit and loss. Where the property is used in the rendering of services or for administrative tasks, any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

External valuation experts review valuations periodically. Investment properties are revalued annually at open market values (determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors). Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the income statement for the year.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16 and per the revaluation policy set out in the first paragraph of this policy.

Agricultural assets

Biological assets held by the Group are treated in accordance with the provisions of IAS 41 – Agriculture.

Consumable biological assets comprise of crops, including wheat, oil seed rape and oats. The total cropped area at the reporting date is 206ha (2019: 206ha). Crops held at the reporting date have been revalued in accordance with the provisions of IAS 41 in order to recognise the fair value of the assets. The revaluation is based on the biological transformation of the crops through growth since the date of plantation, changes to the expected yield based on the market price, and expected costs to sell.

There have been no significant events in the current year that have materially affected the value of biological assets.

Intangible assets

Intangible assets represent software which is amortised on a straight-line basis over its useful life, estimated at three years and recorded in Administrative expenses. An intangible asset is recognised only if both of the following conditions are met:

(i) an asset is created that can be identified
(ii) it is probable that the asset created will generate future economic benefits

The Company's British Isles trademarks and licenses have an indefinite useful life, as permitted by IAS 38, which is assessed for impairment on an annual basis.

Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) is expected to have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about one or more of the following events:

1. significant financial difficulty of the issuer or debtors
2. a breach of contract, such as a default or delinquency in payments
3. the probability that the issuer or debtor will enter bankruptcy or other financial reorganisation
4. observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, as applicable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than agricultural assets, investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss, except for that arising on the impairment of Goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company.

3. Summary of significant accounting policies (continued)

Currencies (continued)

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in currencies other the individual subsidiary's functional currency are revalued at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the reporting date, where they are held other than in the Group's functional currency. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of an entity are treated as assets and liabilities of the entity and translated at the closing rate.

Pension costs

Reed Executive Limited, a subsidiary of the Group, 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. This scheme was closed to new members with effect from 4th April 1995 and was closed to future accrual with effect from 5th April 2012. Several other Group companies operate defined contribution schemes.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the Income Statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of the other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they occur.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately within Non-current assets or Non-current liabilities on the face of the Consolidated Statement of Financial Position.

For defined contribution schemes the amount charged to the Income Statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Statement of Financial Position.

Current and deferred tax

The tax expense recorded in the Consolidated Income Statement represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

3. Summary of significant accounting policies (continued)

Current and deferred tax (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of provisional Goodwill
or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

The Group has applied IFRS 9 in respect of the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

(a) Classification of financial assets

It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Reclassifications

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost of amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held –to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

(b) Recognition and derecognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3. Summary of significant accounting policies (continued)

Financial Instruments (continued)

(c) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

(d) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. When the effect of discounting is immaterial payables are stated at their nominal value. The directors consider that the carrying amount of trade and other payables approximates their fair value.

(e) Cash and cash equivalents

In the consolidated statement of cashflows, cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(f) Ordinary share capital

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties taking control).

When a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to or from the Group and their amount can be measured reliably.

Interests in joint ventures and associates are accounted for using the equity method. The Consolidated Income Statement includes the Group's share of the post-tax profits or losses of the joint ventures based on their financial statements for the year. In the Consolidated Statement of Financial Position, the Group's interests in joint ventures are shown as a non-current asset in the Consolidated Statement of Financial Position, representing the Group's investment in the share capital of the joint ventures, as adjusted by changes in the Group's share of the net assets or liabilities less provision for any impairment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments

Investments in the Company's own financial statements are stated at cost less provision for impairment

3. Summary of significant accounting policies (continued)

Debentures

Loan notes issued by Juxon are regarded as liabilities in accordance with the substance of the contractual arrangement and the definitions of a financial liability. Debentures are held at unamortised cost and interest payable to holders is recognised in profit and loss as it accrues.

Provisions

Provisions are recognised when a Group company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Leases – Group as a lessee

(a) Year ended 30 June 2020

At inception of the contract, the Group 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, except for short-term leases and leases of low-value assets. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position. All right-of-use assets recognised in the period are in respect of buildings.

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.

(b) 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.

Critical accounting judgements and key sources of estimation and uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom precisely equal the related actual results. Key risks, and assumptions relating to pensions and property revaluations are disclosed in notes 22 and 23. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

3. Summary of significant accounting policies (continued)
Critical accounting judgements and key sources of estimation and uncertainty (continued)

(a) Retirement benefits

Reed Executive Limited operates a defined benefit pension scheme in the UK which is valued by a qualified independent actuary based on assumptions as further disclosed in Note 23.

(b) Property, Plant and Equipment

A freehold investment property of Reed Property Limited was valued as £6.8m as disclosed in Note 12(b). This valuation was on an open market basis at 19th October 2020 by Bonsor Penningtons Limited in line with the guidance issued by the RICS stating that valuations performed from 31 March 2020 should include a material valuation uncertainty clause. Such a clause has been included in the internal valuation of investment property. Management have conducted a review of the local commercial property market and have concluded that property values and rent yields as at 30th June 2020 are consistent with this valuation.

(c) Investment property

The Group's investment property portfolio is re-valued annually. The fair values are based on market values, being the price that would be received to sell the property in an orderly transaction between market participants at the measurement date.

The investment properties of Juxon were valued at £20.5m as at 30 June 2020 by an external valuer, as disclosed Note 12(a). In light of the COVID-19 pandemic, the Royal Institute of Chartered Surveyors (RICS) announced that valuations of investment properties performed from 31 March 2020 should include a "material valuation uncertainty" clause as per VPS 3 and VPGA 10 of the RICS Red Book Global, as disclosed in Note 12(a). This does not imply that the valuation cannot be relied upon but rather ensures transparency of the fact that in the unprecedented circumstances which existed at the balance sheet date less certainty can be attached to the valuation than would otherwise have been the case. Consequently there is a higher likelihood that the assumptions upon which the valuations have been based prove to be inaccurate; Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

(d) Provisions

As disclosed above, provisions are recorded at the directors' best estimate of the expenditure required to settle the present obligation at the reporting date. Contractual, observed or data from past performance may be used in determining the level of provision required.

(e) IFRS16 Leases

A right-of-use asset and a corresponding lease liability is recognised with respect to all lease arrangements in which the Group is a lessee, except for short-term leases and leases of low-value assets, as further disclosed in Note 28. The lease liability is calculated based on the director's best estimate of lease term after taking into account options to extend or terminate each lease. The lease liability has been discounted at the director's best estimate of the incremental borrowing rate.

(f) IFRS9
The directors have assessed the recoverability of intercompany debtors on a company by company basis and have used their judgement establishing the appropriate level of impairment in accordance with IFRS9.

3. Summary of significant accounting policies (continued)
Critical accounting judgements and key sources of estimation and uncertainty (continued)

(g) Key accounting judgements

- Revenue recognition – Reed Online, a group undertaking, has recognised its revenue on a straight-line basis over the length of the contract, where turnover is not impacted by IFRS 15 this is recognised at point of sale. This approach is consistent with prior periods and there is no real cost of delivery. The directors of Reed Online carried out a detailed assessment of this estimate following the outbreak of COVID-19. Given the systems available at the time of the assessment, it was not possible to determine that usage was always on a straight-line basis, however this remains the directors' best estimate and they are satisfied that turnover is not materially misstated.

4. Revenue

Revenue represents the amount receivable for services rendered during the year, net of any indirect taxes as follows:

	2020	2019
	£'000	£'000
By geographical segment:		
United Kingdom	**982,010**	1,053,259
Other countries	**12,969**	17,518
	994,979	1,070,777

5. Other operating income

	2020	2019
	£'000	£'000
Gains on disposal of fixtures, equipments and motor vehicles	-	1
Other operating income	**382**	336
	382	337

6. Operating profit

Operating profit has been arrived at after charging the following:

	2020	2019
	£'000	£'000
(Gains) / losses on fair value on investment property (note 12 (a))	**(1,265)**	683
Grant income	**(11,739)**	-
Depreciation of property, plant and equipment (note 12 (b))	**2,900**	2,758
Charitable donation	**156**	251
Amortisation and impairment of intangible assets (note 11)	**73**	625
Right-of-use asset depreciation	**6,190**	-
Auditors' remuneration	**350**	320

Grant income is £11,739k claimed from HMRC in respect of the Coronavirus Job Retention Scheme. This amount includes £8,214k claimed in respect of temporary employees for which no turnover was generated during the period of the claim. A corresponding wages cost has been recorded within sales and administrative expenses.

6. Operating profit (continued)

During the year, the Group and its subsidiaries obtained the following services from the Company's auditors and its associates:

	2020	2019
	£'000	£'000
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	**19**	19
Fees payable to the Company's auditors and its associates for other services		
The audit of the Company's subsidiaries	**331**	301
Tax and legal advisory services	**40**	151
Tax compliance services	**12**	8
	402	479

7. Directors and employees

	2020	2019
	£'000	£'000
Directors' emoluments	**1,563**	1,877
Directors' pension contributions	**2**	1
	1,565	1,878

Directors' emoluments include amounts paid to directors for their services to the Company.

Highest paid director

The emoluments received by the highest paid director in the year amounted to:

	2020	2019
	£'000	£'000
Emoluments (including benefits)	**986**	1,243

The monthly average number of persons employed including directors and contractors was as follows:

	2020	2019
	No.	No.
Permanent	**3,178**	3,281
Temporary	**9,859**	10,740
	13,037	14,021

7. Directors and employees (continued)

	2020	2019
	No.	No.
Direct staff	2,220	2,531
Administrative staff	958	750
Temporary staff	9,859	10,740
	13,037	14,021

The aggregate remuneration comprised:

	2020	2019
	£'000	£'000
Wages and salaries	340,109	333,935
Social security costs	30,555	28,982
Other pension costs	4,593	3,442
Grant income	(11,739)	-
	363,518	366,359

Grant income is £11,739k claimed from HMRC in respect of the Coronavirus Job Retention Scheme, see Note 6.

8. Finance income

	2020	2019
	£'000	£'000
Interest on bank deposits	137	115
Other interest received	3	6
Interest income on pension scheme assets	443	538
	583	659

9. Finance costs

	2020	2019
	£'000	£'000
Interest on debentures	250	284
Lease interest payable	587	-
Interest expense on pension scheme liabilities	448	521
Other interest payable	101	7
	1,386	812

The Group adopted IFRS 16 for the financial year ending 30th June 2020 using the modified retrospective approach (simplified). The Group 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.

10. Tax charge

The tax charge for the year is made up as follows:	**2020**	2019
	£'000	£'000
Current tax		
Current tax on profits for the year	**1,681**	3,043
Adjustments in respect of prior years	**(94)**	(166)
Foreign taxation	**244**	309
Foreign taxes adjustments in respect of prior years	**3**	(797)
Total current tax charge	**1,834**	2,389
Deferred tax (note 14)		
Origination and reversal of temporary differences	**96**	(76)
Adjustments in respect of prior periods	**729**	185
Effect of tax rate change on opening balance	**(88)**	-
Total deferred tax	**737**	109
Total tax charge for the period	**2,571**	2,498

Income tax in the United Kingdom is calculated at a basic rate of 19% (2019: 19%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The Group tax charge for the year is reconciled to the tax calculated at the applicable statutory rate as follows:

	2020	2019
	£'000	£'000
Profit before tax	**6,109**	12,349
Corporation tax at the domestic tax rate of 19% (2019: 19%)	**1,161**	2,346
Tax effect of:		
Non-deductible expenses	**451**	305
Adjustment to tax related to previous periods	**638**	(778)
Non taxable income	**325**	-
Other differences	**(224)**	453
Effect of different tax rates in other jurisdictions and undistributed profits	**220**	172
Tax charge	**2,571**	2,498

11. Intangible asset

Of the Group:

	Software and purchased goodwill
	£'000
Cost	
Balance at 01 July 2018	5,626
Additions	741
Disposals	-
Balance at 30 June 2019	6,367
Additions	-
Disposals	(49)
Balance at 30 June 2020	**6,318**
Accumulated amortisation	
At 1 July 2018	4,643
Disposals	-
Amortisation for the year	625
Balance at 30 June 2019	5,268
Disposals	(49)
Amortisation for the year	73
Balance at 30 June 20	**5,292**
Carrying amount	
30-Jun-20	**1,026**
30-Jun-19	1,099
30-Jun-18	983

11. Intangible asset (continued)
Of the Company:

	Intellectual Property £'000
Cost	
Balance at 01 July 2018	-
Additions	13,037
Balance at 30 June 2019	13,037
Additions	-
Balance at 30 June 2020	**13,037**
Amortisation	
Balance at 01 July 2018	-
Amortisation for the year	-
Balance at 30 June 2019	-
Amortisation for the year	-
Balance at 30 June 2020	-
Carrying amount	
30-Jun-20	**13,037**
30-Jun-19	13,037

12. Investment property and Property, plant and equipment

(a) Investment property

	Investment property £'000
Fair value	
At 01 July 2018	19,878
Revaluations	(683)
At 30 June 2019	19,195
Revaluations	1,265
Balance at 30 June 2020	**20,460**

Juxon originally purchased investment properties held at fair value at a cost of £22.5m (2019: £22.5m).

Investment properties held by Juxon were independently valued as £20.5m by Mark Charter (MRICS FAAV Partner and RICS Registered Valuer) and Ross Kent (MRICS FAAV Associate and RICS Registered Valuer) of Carter Jonas as at 30 June 2020, based on market value. This revaluations of investment properties held by Juxon came with material uncertainty from the valuer as disclosed in note 3 to the financial statements.

12. Investment property and Property, plant and equipment (continued)

(b) Property, plant and equipment

	Freehold and agricultural land and buildings	Leasehold premises	Fixtures, equipment & motor vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 01 July 2018	16,000	8,943	13,375	38,318
Additions	6,667	1,121	1,021	8,809
Disposals	-	(138)	(5)	(143)
Variances arising on translation	-	27	6	33
At 30 June 2019	22,667	9,953	14,397	47,017
Revaluation	685	-	-	685
Additions	1,528	1,901	3,163	6,592
Disposals	-	(259)	(159)	(418)
Variances arising on translation	-	35	(22)	13
Balance at 30 June 2020	**24,880**	**11,630**	**17,379**	**53,889**
Accumulated depreciation				
At 01 July 2018	1,429	5,640	10,655	17,724
Charge for the year	125	1,090	1,543	2,758
Disposals	-	(116)	(1)	(117)
Variances arising on translation	-	11	5	16
At 30 June 2019	1,554	6,625	12,202	20,381
Charge for the year	138	893	1,869	2,900
Disposals	-	(252)	(362)	(614)
Variances arising on translation	-	16	(4)	12
Balance at 30 June 2019	**1,692**	**7,282**	**13,705**	**22,679**
Carrying amount				
30-Jun-20	**23,188**	**4,348**	**3,674**	**31,210**
30-Jun-19	21,113	3,328	2,195	26,636
30-Jun-18	14,571	3,303	2,720	20,594

Freehold land and buildings includes land not subject to depreciation, which is held at cost of £4,957,318 (2019: £ 4,957,318).

As disclosed in Note 3, a freehold investment property was valued, £6.8m, on an open market basis at 19th October 2020 by Bonsor Penningtons Limited in line with the guidance issued by the RICS stating that valuations performed from 31 March 2020 should include a material valuation uncertainty clause. Such a clause has been included in the internal valuation of investment property. Management have conducted a review of the local commercial property market and have concluded that property values and rent yields as at 30th June 2020 are consistent with this valuation.

13. Financial investments

Of the Group:

	2020	2019
	£'000	**£'000**
Balance as at 1 July	**6,747**	6,877
Additions	**1,995**	2,244
Disposals	**(2,356)**	(2,392)
Net fair value gains/(losses)	**(86)**	18
Closing balance at 30 June	**6,300**	6,747

Investments at cost	6,368	6,792
Accumulated fair value losses	(68)	(45)
Investments at fair value	**6,300**	6,747

The Group held investments at fair value at year end that were acquired at a cost of £6.4m (2019: £6.8m) and carry a fair value loss of £68k (2019: £45k).

Of the Company:

	2020	2019
	£'000	**£'000**
Balance as at 1 July	**80**	80
Net fair value (losses)/gains	**(10)**	-
Closing balance at 30 June	**70**	80

Investments at cost	80	80
Accumulated fair value (losses)/gains	(10)	-
Investments at fair value	**70**	**80**

The Company held investments at fair value at year end that were acquired at a cost of £80k (2019: £80k) and carry a fair value gain of £10k (2019: Nil). Financial investments are held and valued in accordance with the policies set out in note 22.

14. Deferred tax assets

	2020	2019
	£'000	£'000
Depreciation in excess of capital allowances	**1,115**	1,132
Tax losses	**353**	106
Other temporary differences	**152**	228
Deferred tax on revaluation reserve	**(1,922)**	-
Deferred tax on pension deficit	**327**	69
Deferred tax assets	**25**	1,535
Asset at start of year	**1,535**	1,499
Amount charged to the Income Statement	**(737)**	(109)
Amount (charged)/credited to the Statement of Comprehensive Income	**(627)**	145
Utilisation of tax losses	**(146)**	-
Asset at end of year	**25**	1,535

Changes to UK corporation tax rates were substantively enacted as part of Finance Bill 2016. These included reducing the Corporation tax main 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 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%.

15. Subsidiaries and other investments

Group undertaking	**Nature of business**	**Registered Office / Country of incorporation**	**Shares held**
Reed Executive Limited*	Provision of management services to related companies	United Kingdom	100%
Reed Specialist Recruitment Limited	Provision of recruitment and HR services	United Kingdom	100%
Reed Online Limited*	Online recruitment specialists, operator of reed.co.uk	United Kingdom	100%
Reed in Partnership Limited	Provision of public services	United Kingdom	100%
Reed Learning Limited*	Provision of professional training	United Kingdom	100%
Reed Professional Services LLP	Provision of recruitment and HR services	United Kingdom	100%
Juxon Limited*	Farming and investment property management	United Kingdom	75%
Finem Limited*	Intermediate holding company	United Kingdom	100%
Reed Property Limited*	Holding company for land and property	United Kingdom	100%
Reed Staffing Services Limited	Provision of recruitment and HR services	United Kingdom	100%
Reed Wellbeing Limited	Delivers preventative health contracts	United Kingdom	100%
Reed Private Equity Limited	Venture and development capital companies	United Kingdom	100%
Reed Talent Solutions Limited	Provision of recruitment services	United Kingdom	100%
Reed Employment Limited	Dormant company	United Kingdom	100%
Reed in Partnership (Pathways to work) Limited	Dormant company	United Kingdom	100%

15. Subsidiaries and other investments (continued)

Group undertaking	Nature of business	Registered Office / Country of incorporation	Shares held
Reed in the Community CIC	Dormant company	United Kingdom	100%
Reed Digital Ventures Limited	Dormant company	United Kingdom	100%
Reed Recruitment Limited	Dormant company	United Kingdom	100%
Reed Service Limited	Dormant company	United Kingdom	100%
Reed.co.uk Limited	Dormant company	United Kingdom	100%
James Reed & Partners Limited	Dormant company	United Kingdom	100%
Centres For Assessment Limited	Dormant company	United Kingdom	100%
Reed Digital Recruitment Limited	Dormant company	United Kingdom	100%
Reed Healthcare Limited	Dormant company - dissolved 3 September 2019	United Kingdom	100%
Reed Managed Services Limited	Dormant company - dissolved 3 September 2019	United Kingdom	100%
Reed Insurance Limited	Underwriting general business of insurance	Malta	100%
Reed Insurance Brokerage Limited	Intermediary for the Reed Group insurance policies	Malta	100%
Reed Malta (Holdings) Limited*	Intermediate holding company	Malta	100%
Reed Specialist Recruitment (Global) Limited*	Holding company for international recruitment businesses	Malta	100%
Reed in Partnership (Global) Limited*	Intermediate holding company	Malta	100%
Reed Specialist Recruitment Malta Limited	Provision of recruitment and HR services	Malta	100%
Reed Personnel Services Czech Republic s.r.o.	Provision of recruitment and HR services	Czech Republic	100%
Reed Magyarorszag Kft	Provision of recruitment and HR services	Hungary	100%
Reed Specialist Recruitment Ireland Ltd	Provision of recruitment and HR services	Republic of Ireland	100%
Reed Korea Co Limited	Provision of recruitment and HR services	South Korea	100%
Reed Personnel Services Poland Sp. z o. o.	Provision of recruitment and HR services (company ceased to trade on 31 October 2019)	Poland	100%
Reed in Partnership Australia	Dormant company	Australia	100%
Reed Personnel Services Pty Ltd	Dormant company	Australia	100%
Shanghai Reed Recruitment Limited	Dormant company	China	100%

Shares in companies marked with a (*) were owned directly by the Company. All other companies were owned directly or indirectly by a subsidiary of the Company. The percentage of shares held in each subsidiary is the same for 2020 and 2019.

Investments held by the company excluding joint ventures comprise:

	2020	2019
	£'000	£'000
Investments in subsidiaries	**29,647**	29,647

16. Trade and other receivables

Trade and other receivable balances owed to the Group:	2020	2019
	£'000	£'000
Trade debtors	**76,916**	109,660
Other debtors	**7,292**	1,625
Prepayments	**3,679**	13,092
Contract assets - accrued income	**6,099**	1,936
	93,986	126,313

Other debtors includes grant income of £4.8m not received as at year-end 30 June 2020.

Trade and other receivable balances owed to the Company	2020	2019
	£'000	£'000
Amounts due from other group companies	**21,131**	22,684
Prepayments	**30**	5
	21,161	22,689

Amounts due from other Group companies are unsecured and are repayable on demand.

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.

17. Agricultural assets

	2020	2019
	£'000	£'000
Growing crops		
Balance brought forward	**170**	224
Net additions at cost	**16**	13
Revaluation of crops through movements in fair value	**(48)**	(67)
As at 30 June	**138**	170

Agricultural asset revaluations are based upon the effects of growth and changes in expected yield at prevailing market prices, less costs to sell.

18. Trade and other payables

Balances owed by the Group	**2020**	2019
	£'000	£'000
Trade creditors	**34,863**	64,971
Other creditors	**21,665**	19,825
Social security costs and other taxes	**50,217**	29,202
Accruals	**6,219**	11,226
Contract liabilities - Deferred income	**11,530**	7,574
	124,494	132,798

Other creditors comprise salaries and related liabilities as at year end 30 June 2020.

Balances owed by the Company	**2020**	2019
	£'000	£'000
Trade creditors	**59**	-
Other creditors	**55**	242
Social security costs and other taxes	**963**	462
Accruals and deferred income	**554**	238
Amounts due to other group companies	**12,465**	11,696
	14,096	12,638

Amounts due to Group companies are unsecured and are repayable on demand.

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.

The Group has adopted IFRS 16 for the financial year ending 30 June 2020 using the modified retrospective approach (simplified). The Group 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.

19. Investments in joint ventures

	2020	2019
	£'000	£'000
Summary statement of financial position attributable to the Group:		
Total assets	**3,246**	982
Total current liabilities	**(423)**	(118)
Total non-current liabilities	**(28)**	(23)
Total investment in joint ventures	**2,795**	841
Summary statement of comprehensive income attributable to the Group:		
Revenue	**3,552**	5,642
Cost of sales	**(1,369)**	(842)
Administrative expense	**(2,218)**	(4,699)
Interest receivable	**13**	20
(Loss) / profit before tax	**(22)**	121
Taxation	**(25)**	(48)
Loss / profit after tax	**(47)**	73

Joint venture	Nature of Business	Country of Incorporation	Shares held in 2020	Shares held in 2019
Reed Ozel Istihdam Hizmetleri A.S.	Recruitment services	Turkey	50%	50%
The Reed NCFE Partnership LLP	Employment services	United Kingdom	50%	50%
EGS Limited	Employment services	United Kingdom	50%	50%
JoinedUp Group Limited	Workforce management	United Kingdom	25%	0%

The Reed NCFE Partnership LLP was active during the year-ended 30 June 2020 until it was dissolved on 26 November 2019.

20. Debentures

	2020	2019
	£'000	**£'000**
Current loan notes		
Loan notes 31 December 2020	**13,367**	-
Total loans notes	**13,367**	-
Non-current loan notes		
Loan notes 31 December 2020	-	**15,700**
Total loans notes	-	**15,700**

All loan notes in issue bear interest of 1% over Libor and are held at unamortised cost. No financial or operational covenants apply to the loan notes and therefore there were no breaches of covenants in the year. The obligation to repay loan note holders lies with Juxon. As at the 30 June 2020, the loan notes were due for redemption on 31 December 2020 and in the process of being extended. On the 8th December 2020 the redemption date for all loan notes was formally extended, by written resolution, to 31 December 2025.

21. Provisions for liabilities and charges

	Surplus Property	Dilapidations	Other provisions	Total
	£'000	£'000	£'000	£'000
At 30 June 2018	**23**	**2,331**	**157**	**2,511**
Additional provisions	(23)	565	447	989
Unused amounts reversed		(64)	(23)	(87)
Provision utilised	-	(231)	-	(231)
At 30 June 2019	-	2,601	581	3,182
Additional provisions	-	1,021	52	1,073
Unwinding of discount	-	11	-	11
Unused amounts reversed		(88)	(156)	(244)
Provision utilised	-	(391)	-	(391)
At 30 June 2020	**-**	**3,154**	**477**	**3,631**

	2020	2019
	£'000	£'000
Included in:		
Current liabilities	**1,095**	785
Non - Current liabilities	**2,536**	2,397
	3,631	3,182

The dilapidations provision arises from the contractual obligations to restore leased premises to their original condition on termination of the lease. The provision is calculated for each individual property lease based on its floor space, and is utilised or released as each lease reaches its termination date and the property is vacated.

22. Financial risk management

Overview

The Company is a holding company and therefore its principal risks are those of the Group. The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most significant components of those financial risks for the Group are:
- currency risk
- credit risk
- interest rate risk
- liquidity risk
- Covid-19

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's objectives in relation to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Through its Audit and Risk Committee, training and management standards and procedures, the Group aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

Where possible, the Group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

22. Financial risk management (continued)

Currency risk

The Group is exposed to currency risk by virtue of its overseas trading. However, overseas entities accounted for only 1.3% of revenues in the year (2019: 1.6%). These exposures are considered immaterial to the Group and are therefore not assessed in further detail.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group's receivables from customers, cash held with financial institutions and financial investments.

The Group's exposure to credit risk as at the end of the reporting period is as follows:

	2020	2019
	£'000	£'000
Non-current assets		
Financial investments (note 13)	**6,300**	6,747
Current assets		
Trade and other receivables excluding prepayments	**90,307**	113,222
Cash and cash equivalents	**67,739**	52,090
	164,346	172,059

Although the Group is exposed to credit risk in respect of its financial investments, it seeks to manage this risk by only undertaking transactions with reputable counterparties. The Group holds investment-grade fixed income securities and investments in equities, a low proportion of which are unrated. The overall portfolio contains assets rated between AA and B-, as well as assets that are unrated, as assessed by Standard and Poor's (2019: AAA to B). Investment managers are required to report frequently on the performance of the various portfolios held by the Group and the Group uses such reporting to take decisions regarding the appointment of investment managers and the investment parameters it provides to those managers. All financial investments held by the Group are quoted on open, active, liquid markets, and therefore financial investments are held at fair value based upon current market prices.

Credit risk is minimal as the sales ledger is in a good position with debtor days managed at a consistently low level. The Group is well placed to collect on the outstanding debt and has adequate provision for any doubtful debt.

Included in the Group's trade receivables are the following debtors which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable.

	2020	2019
	£'000	£'000
One month or less	**2,110**	**3,492**
Between one and two months	**524**	**1,039**
Over two months	**342**	**143**
	2,976	**4,674**

Based on historic default rates, the Group believes that no impairment is necessary in respect of the above receivables.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the characteristics of each individual customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. The Group's revenue is mainly generated through sales transactions concluded with customers situated in the United Kingdom.

22. Financial risk management (continued)

The amounts due by the Group's customers, included in trade receivables, are analysed as follows:

	2020	2019
	£'000	£'000
United Kingdom	**75,282**	107,097
Other	**1,634**	2,563
	76,916	109,660

Companies within the Group have established a credit policy under which the majority of customers are analysed individually for credit worthiness before payment terms and terms of service to each respective company are offered.

The majority of the Group's customers have been transacting with the Group for at least the past three years. In monitoring customer credit risk, customers are grouped according to their characteristics, including whether they are an individual or legal entity, their credit rating profile, the nature and volume of the service rendered, past experience with the customer and the billing method.

The maximum exposure to credit risk for net trade receivables at the respective reporting dates was as follows:

	2020	2019
	£'000	£'000
Largest debtor	**9,608**	15,994
Largest two debtors	**13,402**	21,163
Largest three debtors	**16,023**	25,293
Total trade debtors	**76,916**	109,660

The ageing profile of net trade receivables for the Group was as follows:

	2020	2019
	£'000	£'000
Current	**73,940**	104,717
1 -30 Days Past Due	**2,110**	3,492
31 -60 Days Past Due	**524**	1,039
61 -90 Days Past Due	**342**	412
91 -180 Days Past Due	**-**	-
181 -360 Days Past Due	**-**	-
361+ Days Past Due	**-**	-
	76,916	109,660

The Group does not hold any collateral in respect of trade and receivables.

22. Financial risk management (continued)

Trade receivables (continued)

Movement in the provision for doubtful debts was as follows:

	2020	2019
	£'000	£'000
Balance at beginning of year	703	1,016
Amount written off	(754)	(538)
Additional amounts provided for	1,133	225
Balance at end of year	1,082	703

Balances are written off when the probability of recovery is assessed as being remote. When Covid-19 first impacted, there were concerns that the Group would see an increase in non-collectable debt, however, this has not materialised. Therefore, the Group has not seen any negative impact on its ECL on the balances recognised as at year end.

Cash at bank

The Group's cash is placed primarily with four quality financial institutions which are graded A2 to Aa3 by Moody's in terms of their credit rating. Management does not expect any institution to fail to meet repayments of amounts held in the name of Group entities.

Interest rate risk

The Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the Group to cash flow interest risk. Assets issued at fixed rates expose the Group to fair value interest rate risk.

The Group invests in a well-diversified portfolio of debt securities issued by corporate and financial institutions. These assets expose the Group to fair value interest rate risk as they carry a fixed rate of interest and are measured at fair value.

The Group is exposed to cash flow interest rate risk on its debentures which carry a floating interest rate.

Sensitivity to changes in interest rates is minimal with the only source of external borrowing being the £13.4 million in debentures. The interest payable is currently at 1% over Libor. At 1 April 2020 three-month Libor was quoted at 0.644%. Had Libor stood at 1.644% on the first day of the prior quarter, the resultant quarterly interest charge to the Group would have been £88,359, whereas the quarterly interest charge to the Group would have been £33,419 had Libor stood at 0%. Impact of interest rate being 1% lower or higher would be £133,674 per annum.

Liquidity risk

The Group is exposed to liquidity risk through the course of its trading operations. The main source of risk arises from the conduct of temporary recruitment services, whereby the Group typically makes payment to temporary workers and other third parties engaged in this line of service before receipt of client funds. Liquidity risk is managed through the Group's Treasury operations and through close engagement with our banking partners and careful management of terms with both suppliers and customers.

Cash forecasting is performed in the operating entities of the Group and are aggregated by the Group's Treasury function. This function monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs. The Group pools surplus cash and invests surpluses within interest bearing current accounts. The Group's cash cycle is characterised by large but predictable fluctuations resulting from the payment cycle of its suppliers and national tax authorities. To manage the risk of these cyclical flows, the Group tends not to invest in anything other than immediate access bank accounts, other than investments held for the purposes of regulatory compliance.

At the reporting date, the Group had no financial liabilities other than trade and other payables. All trade and other payables were current in nature.

22. Financial risk management (continued)

Capital risk management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of items presented within equity in the Consolidated Statement of Financial Position.

The value of financial assets and liabilities

At 30 June 2020 and 30 June 2019 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities. The values of all assets held by the Group are based upon unadjusted, quoted prices as at the reporting date and are therefore considered to be Level 1 financial assets.

The fair value of non-current financial assets and non-current financial liabilities that are not measured at fair value are not materially different from their carrying amounts.

Covid-19 Risk

Covid-19 impacted REED's largest operating company (RSR) dramatically in March 2020 but it responded decisively. RSR 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 RSR faced.

Throughout the pandemic, RSR 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.

RSR 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 RSR could robustly withstand the financial pressures of Covid-19 and be positioned for future growth.

23. Retirement benefit scheme

Reed Executive Limited (the "Sponsor"), as subsidiary of the Group, sponsors the Reed Executive Pension Scheme, a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust which is legally separate from the Sponsor. Trustees are appointed by both the Sponsor and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the Sponsor. The Trustees are also responsible for the investment of the Scheme's assets.

The Scheme is a registered scheme under UK legislation (the Pensions Acts 1995 and 2004) and is subject to the scheme funding requirements. The Scheme was established from 4 April 1966 under trust and is governed by the Scheme's trust deed and rules dated 27 January 2012.

The Scheme closed to future accrual with effect from 5 April 2012. Prior to that date members accrued an annual pension of 1/80th of final pensionable salary for each year of pensionable service after 4 April 1978, plus 1/60th of final pensionable salary for each year of pensionable service up to 3 April 1978. The Scheme also provides the option to commute pension and a 50% spouse's pension on the death of a member.

Responsibility for making good any deficit within the scheme lies with the Sponsor and this introduces a number of risks for the Sponsor. The major risks are: interest rate risk; inflation risk; investment risk; longevity risk. The Sponsor and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The trustees manage governance and operational risks through a number of internal controls policies, including a risk register. The Scheme does not expose the Sponsor to any unusual Scheme-specific or Sponsor-specific risks.

23. Retirement benefit scheme (continued)

The Scheme has previously completed a Pension Increase Exchange ("PIE") exercise where the Scheme pensioners were given the opportunity to exchange the level of pension increases relating to their Pre-97 excess pension for additional pension which does not increase.

The Sponsor pays additional contributions in respect of funding deficits as determined by regular actuarial valuations, which are usually carried out every three years. The most recent formal actuarial valuation of the Scheme was as at 4 April 2019, this revealed a funding deficit of £1,466,000. In the Recovery Plan dated June 2017, the Sponsor has agreed to pay contributions with the view to eliminating the shortfall by 3 April 2022.

In accordance with the Schedule of Contributions dated 19 June 2017 the Sponsor is expected to pay contributions of £329,000 over the next accounting period. In addition, the Sponsor is expected to meet the cost of administrative expenses for the Scheme, including all levies. The contributions paid by the Sponsor are reviewed every 3 years as part of each formal actuarial valuation.

Actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The liabilities at the reporting date have been calculated by updating the results of the 2019 formal actuarial valuation of the Scheme for the assumptions as detailed in these disclosures. Allowance has been made for expected mortality over the period, as well as actual movement in financial conditions since the valuation date.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 60 years. The average duration of the liabilities is approximately 15 years.

The amounts recognised in the statement of financial position are as follows:

	2020	2019	2018
	£'000	£'000	£'000
Present value of scheme liabilities	**(21,805)**	(20,743)	(19,255)
Fair value of scheme assets	**20,087**	20,338	19,683
Funded status	**(1,718)**	(405)	428
Net amount recognised at year end	**(1,718)**	(405)	428

(before any adjustment for deferred tax)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2020	2019
	£'000	£'000
Service cost:		
Past service cost and loss/(gain) on settlements and curtailments	**-**	-
Net interest expense/(credit)	**5**	(17)
Charge/(credit) recognised in the Consolidated Income Statement	**5**	(17)

23. Retirement benefit scheme (continued)

	2020	2019
	£'000	£'000
Re-measurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	**278**	(376)
Loss arising from changes in financial assumptions	**1,937**	1,654
Gain arising from changes in demographic assumptions	**(372)**	(99)
Experience (gain)/loss	**(206)**	-
Charge recorded in the Consolidated Statement of comprehensive income	**1,637**	1,179
Total defined benefit cost	**1,642**	1,162

The principal actuarial assumptions used were:

	2020	*2019*
Liability discount rate	**1.40%**	2.20%
Inflation assumption - RPI	**2.95%**	3.40%
Revaluation of deferred pensions:		
Pre 6 April 2009	**2.95%**	3.40%
Post 5 April 2009	**2.50%**	2.50%
Increases for pensions in payment:		
Pre 6 April 1997 Pension (Fixed 2.5%)	**2.50%**	2.50%
6 April 1997 to 5 April 2005 (RPI max 5%)	**2.90%**	3.30%
Post 5 April 2005 (RPI max 2.5%)	**2.10%**	2.25%
Proportion of employees opting for early retirement	**0%**	0%
Proportion of employees commuting pension for cash	**0%**	0%
Mortality assumption - pre retirement	**SAPS S3 PxA CMI 2017 projections 1.25% long term improvements**	SAPS S2 PxA CMI 2015 projections 1.25% long term improvements
Mortality assumption - male post retirement	**SAPS S3 PMA CMI 2019 projections 1.25% long term improvements**	SAPS S2 PMA CMI 2017 projections 1.25% long term improvements
Mortality assumption - female post retirement	**SAPS S3 PFA CMI 2019 projections 1.25% long term improvements**	SAPS S2 PFA CMI 2017 projections 1.25% long term improvements
Expected age at death of current pensioner at age 60:	**30/06/2020**	30/06/2019
Male aged 60 at year end:	**86.5**	87.0
Female age 60 at year end:	**89.1**	89.4
Expected age at death of future pensioner at age 60:		
Male aged 40 at year end:	**88.0**	88.5
Female age 40 at year end:	**90.6**	90.9

23. Retirement benefit scheme (continued)

	2020 £'000	2019 £'000
Changes in the present value of assets over the period:		
Fair value of assets at start of period	**20,338**	19,683
Interest income	**443**	538
Return on assets (excluding amount included in net interest expense)	**(278)**	376
Contributions from the employer	**329**	329
Benefits paid	**(745)**	(588)
Fair value of assets at end of period	**20,087**	20,338
Actual return on assets over the period	**165**	914
Changes in the present value of liabilities over the period:		
Liabilities at start of period	**20,743**	19,255
Interest cost	**448**	521
Re-measurement losses/(gains):		
Actuarial losses arising from changes in financial assumptions	**1,937**	1,654
Actuarial gains arising from changes in demographic assumptions	**(372)**	(99)
Other experience items	**(206)**	-
Benefits paid	**(745)**	(588)
Liabilities at end of period	**21,805**	20,743

The split of the scheme's liabilities by category of membership is as follows:

	2020 £'000	2019 £'000
Deferred pensioners	**8,865**	9,224
Pensions in payment	**12,940**	11,519
	21,805	20,743

	2020	2019
Average duration of the scheme's liabilities at the end of the period (years)	**15.0**	15.0
This can be subdivided as follows:		
Deferred pensioners	**19.0**	19.0
Pensions in payment	**13.0**	13.0

The major categories of scheme assets are as follows:	2020 £'000	2019 £'000
Return seeking		
UK Equities	**7,204**	7,270
Overseas Equities	**4,916**	4,928
Return seeking subtotal	**12,120**	12,198
Debt instruments		
Corporates	**6,054**	6,033
Gilts	**1,804**	1,968
Debt instruments subtotal	**7,858**	8,001

23. Retirement benefit scheme (continued)

	2020 £'000	2019 £'000
Other		
Cash and net current assets	**109**	139
Total market value of assets	**20,087**	20,338

Projected P&L cost items for year ending:

	30/06/2021 £000s	30/06/2020 £000s
Service cost – inc. current & past service costs, settlements	-	-
Service cost – administrative cost	-	-
Net interest on the net defined benefit liability	22	5
	22	5

The equity and debt instruments all have quoted prices in active markets.

The scheme has no investments in the Group or in property occupied by the Group.

The Sponsor is due to contribute £329,000 per annum over the period from 4 April 2019 to 3 April 2022, as per the Schedule of Contributions signed following the 4 April 2019 actuarial valuation.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £326k (increase by £333k) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £134k (decrease by £149k). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £993k if all the other assumptions remained unchanged.

24. Share capital

Of the Group:	2020	2019
Issued and fully paid	£'000	£'000
198,140,562 (2019: 198,140,562) ordinary shares of 10 pence each	**19,814**	19,814
Total issued and fully paid share capital	**19,814**	19,814

Of the Company:	2020	2019
Issued and fully paid	£'000	£'000
198,140,562 (2019: 198,140,562) ordinary shares of 10 pence each	**19,814**	19,814
Total issued and fully paid share capital	**19,814**	19,814

24. Share capital (continued)

Share rights

The ordinary shares have the right to receive dividends, return of capital on liquidation and have the right to receive notice of and attend, speak during and vote at any meeting of the shareholders.

25. Merger reserve

	2020 Company £'000	2019 Company £'000	**2020 Group £'000**	2019 Group £'000
Merger reserve arising on business combinations	**2,386**	2,386	**(7,774)**	(7,774)

26. Own shares held

Own shares held by the Group and by the Company:	**2020**	2019
	£'000	£'000
Shares acquired	**(91)**	(91)

The Reed Employment Benefit Trust ("Reed EBT") holds shares in the Company. The number of ordinary shares held by the Reed EBT at 30 June 2020 was 529,412 (2019: 529,412). The shares were previously held to satisfy options under the Group's share option scheme, a scheme that is now closed and under which the Group has no remaining obligations.

27. Transactions with related parties

The Group enters into transactions with other entities that fall within the definition of a related party as set forth by IAS 24.

Transactions between subsidiaries within the Group, which are related parties, were eliminated on consolidation and are not disclosed in this note. The Group entered into transactions in the ordinary course of business with its joint ventures (Note 19) in the current and the prior year. Recharges of direct costs amounting to £2k (2019: £2,191k) were recorded by the Group to these joint ventures during the year.

The Group also entered into transactions with related parties connected to Juxon, a 75% subsidiary of the Group. Juxon received services of a value amounting to £150k (2019: £150k) and had balances receivable from those same related parties amounting to £41k (2019: Nil). Juxon rendered services to other connected parties amounting to £237k (2019: £204k) in the year. No balances were owed by Juxon to related parties at the balance sheet date (2019: nil). All transactions were conducted on an arm's length basis.

All key management personnel are directors and their remuneration is disclosed in Note 7. A dividend of £561k was paid during the year in respect of ordinary shares held in favour of the Company's directors (2019: £561k).

During the year, charitable donations of £0.2m (2019: £0.3m) were paid to UK registered charities under the control of connected parties.

The loan notes disclosed in Note 20 and interest on loan notes disclosed in Note 9 are all due to certain shareholders.

28. Lease Commitments

In the current year, the Group has applied IFRS 16 which is effective for annual periods that begin on or after 1 January 2019 using the modified retrospective approach (simplified). 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.

28. Lease Commitments (continued)

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 Group 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 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 Group in the ordinary course of business. The Group incurred the following charges under operating leases rentals:

	2020	2019
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	-	6,739

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£'000	£'000
Within one year	-	5,108
Between one and five years	-	12,185
Over five years	-	5,049

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

	2020	2019
	£'000	£'000
Within one year	**520**	**521**
Between one and five years	**456**	**457**
Over five years	**395**	**463**

The Group has no finance lease commitments (2019: nil). There are no capital commitments for the Group (2019: nil).

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.

28. Lease Commitments (continued)

(i) Amounts recognised in the balance sheet

	Right-of-use assets (Buildings) £'000
Right-of-use assets	
At 1 July 2019	22,995
Additions	10,681
Depreciation	(6,190)
At 30 June 2020	**27,486**

	At 30 June 2020	At 01 July 2019
	£'000	£'000
Lease Liabilities		
Current	**5,446**	6,614
Non-current	**22,136**	15,681
	27,582	22,295

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

	2020
	£'000
Depreciation charge on of right-of-use assets	
Buildings	(6,190)
	(6,190)
Interest expense	(587)
Rent concession (included in administrative expenses)	23

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

	At 30 June 2020	At 30 June 2019
	£'000	£'000
Not later than one year	**5,981**	-
Later than one year and not later than five years	**17,727**	-
Later than five years	**5,658**	-
Total gross payments	**29,366**	-
Impact of finance expenses	**(1,784)**	-
Carrying amount of liability	**27,582**	-

28. Lease Commitments (continued)

The Group has adopted IFRS 16 for the financial year ending 30 June 2020 using the modified retrospective approach (simplified). The Group 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.

The total cash outflow for leases in 2020 was £5,947k.

Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 30 June 2019	22,342
Discounted using the lessee's incremental borrowing rate of at the date of initial application	
Add: adjustments as a result of different treatment	2,920
Less: effect of discounting using the lessee's incremental borrowing rate of 2% at the date of initial application	(1,853)
Leases exited ahead of term	(631)
Short-term leases	(483)
Lease liability recognised as at 1 July 2019	**22,295**
Of which are:	
Current lease liabilities	6,614
Non-current lease liabilities	15,681
Total lease liability as at 1 July 2019	**22,295**

29. Net debt reconciliation

	2020	2019
	£'000	£'000
Cash and cash equivalents	**67,739**	52,090
Financial investments	**6,300**	6,747
Debentures	**(13,367)**	(15,700)
Lease liabilities	**(27,582)**	-
Net debt	**33,090**	43,137
Cash and liquid investments	74,039	58,837
Gross debt – fixed interest rates	(27,582)	-
Gross debt – variable interest rates	(13,367)	(15,700)
Net debt	**33,090**	43,137

29. Net debt reconciliation (continued)

	Debentures	Leases	Sub-total	Cash/bank	Liquid investments	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net debt as at 01 July 2018	(15,700)	-	(15,700)	48,800	6,877	**39,977**
Cash flows	-	-	-	3,290	(148)	**3,142**
Other changes	-	-	-	-	18	**18**
Net debt as at 30 June 2019	(15,700)	-	(15,700)	52,090	6,747	43,137
Lease liability recognised as at 1 July 2019	-	(22,295)	**(22,295)**	-	-	**(22,295)**
Cash flows	2,333	5,947	**8,280**	15,649	(361)	**23,569**
New leases	-	(11,257)	**(11,257)**	-	-	**(11,257)**
Other changes	-	23	**23**	-	(86)	**(63)**
Net debt as at 30 June 2020	**(13,367)**	**(27,582)**	**(40,949)**	**67,739**	**6,300**	**33,090**

Other changes include non-cash movements, including rent concessions and fair value movements on investments.

30. Dividends

Group and Company	**2020**	2019
	£'000	£'000
Equity - ordinary		
Final paid (2020): 2.1p (2019: 2.1p) per 10p share	**4,094**	4,094
	4,094	4,094

31. Audit Exemption

The Company's subsidiaries listed below have claimed an audit exemption under section 479A of Companies Act 2006 in respect of their own financial statements for the year ended 30 June 2020. As a condition of the audit exemption that it will claim, the Company has *guaranteed all outstanding liabilities of the companies as at 30 June 2020.*

Company	**Company Number**
Reed Talent Solutions Limited	11875450
Reed Private Equity Limited	11819909
Reed Learning Limited	03946675

32. Statutory information and ultimate controlling party

The Company is the ultimate parent company of the Group, and is a limited liability company, incorporated in the United Kingdom. No ultimate controlling party of the Group exists.