

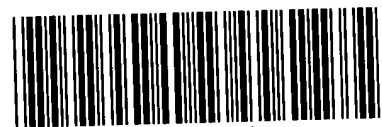
COMPANY NO: 06903140

REED SPECIALIST RECRUITMENT LIMITED

ANNUAL REPORT

◆ For the year ended 30th June 2021 ◆

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REED SPECIALIST RECRUITMENT LIMITED

CONTENTS

	Page
Company Information	2
Strategic Report	3
Report of the Directors	9
Statement of Directors' Responsibilities in respect of the Financial Statements	19
Independent Auditors' Report	20
Income Statement	24
Balance Sheet	25
Statement of Changes in Equity	26
Notes to the Financial Statements	27

REED SPECIALIST RECRUITMENT LIMITED

COMPANY INFORMATION

Directors James Reed MA, MBA, FCIPD
Lee Richards BSc, ACMA
Karen Jackson Assoc CIPD
Ian Nicholas BSc, FCIPD
Simon Baddeley

Registered office Academy Court
94 Chancery Lane
London
WC2A 1DT

Company number 06903140

Independent auditors PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers Barclays Bank PLC
1 Churchill Place
London
E14 5HP

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report on Reed Specialist Recruitment Limited (“the Company”) for the year ended 30th June 2021.

Review of the business

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

Trading results

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

The early part of the financial year was severely impacted by the effects of Covid-19 with lockdown measures leading to significantly fewer permanent placements and less temporary workers in bookings. However, from October 2020 onwards, sales volumes started to recover leading to a strong recovery in gross profit although performance within individual lines of business varied with the London & the South-East region being the slowest to recover and the Education business being affected by lockdown-driven school closures in the early part of 2021. Meanwhile, control of sales and administrative expenses meant these did not grow at the same pace as gross profit with overall member headcount around 25% below pre-Covid levels by the end of the financial year driving a significant improvement in profit before tax. Cash balances remained healthy as cash collection remained strong throughout the year. The business made use of government support in the early part of the financial year albeit at a much lower level than in the previous year.

Key performance indicators

	2021	2020
Gross margin	13.4%	13.0%
Net profit margin	1.5%	(0.2%)
Number of active business units	315	328
Co-member cost ratio	8.8%	10.0%
Current ratio	1.34	1.20

Notes to key performance indicators

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

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT (continued)

Future developments

The Directors do not expect significant changes to the business in the foreseeable future. No events took place post 30th June 2021 which require disclosure.

Principal risks

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

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

Reed has taken steps to ensure staff are retained as the economy recovers following the pandemic and demand and competition increases. Cyber risk has become important with the ever-increasing need to keep data secure. To mitigate these risks, the Company has implemented annual GDPR training for all co-members and made available data protection, processing, retention and destruction policies for co-members on the intranet.

Covid-19

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

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

As the restrictions were eased by the government in the Summer of 2020, the Company developed and introduced guidelines that allowed the office network to re-open on a Covid-secure basis. As offices re-opened co-members were invited to decide whether they wished to return to the office, continue working from home or wished to adopt a hybrid way of working. A majority of co-members preferred the hybrid model of working and these results have supported the development and adoption of Reed's dynamic working policy

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

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT (continued)

Consideration of climate change

In preparing the financial statements we have considered the impact of climate change. There has not been a material impact on the financial reporting judgments and estimates from our considerations, consistent with our assessment that climate change is not expected to have a meaningful impact on the viability of the group in the medium term.

Financial risks

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

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

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

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

Credit risk

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

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

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

Liquidity risk

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

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT (continued)

Foreign currency risk

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

Payment of creditors

The Company's policy for all suppliers is to fix terms of payment when agreeing to the terms of each business transaction, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days that the Company's year-end purchases represent was 27 days (2020: 22 days).

Pension costs

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

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

Section 172 Statement

This Statement sets out how the Board of Directors ("the Board") of Reed Specialist Recruitment Limited ("the Company") complies with the requirements of Section 172 of the Companies Act 2006 and how consideration of stakeholder interests has impacted the Board's activities and decision making during the financial year ending 30th June 2021 ("FY21").

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

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

These duties are designed to ensure that directors act in such a way as to promote the long-term success of the company by delivering and creating sustainable shareholder value as well as contributing to wider society. The Reed Group ("Reed") comprises Reed Global Limited and its subsidiaries, including Reed Specialist Recruitment Limited ("RSR").

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Engaging with all our 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 and 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 in the following location on the Company's website <https://www.reed.com/corporate-governance>.

The requirements of Section 172 are well understood and adhered to by directors due to the nature, ethos, purpose, and vision of the organisation, which is further enhanced by its culture as a family business. In addition, all Reed Directors have received formal training on their responsibilities and accountabilities, and Principal Decisions have been defined and formalised as part of company Board meetings.

A number of Principal Decisions were taken by the Board across FY21. Examples of these decisions include the approval of the 2021 Strategic Plan and Investments, the approval of a new contract win which required a significant cash investment, and the Company's ongoing response to the Covid-19 pandemic. The latter was largely shaped by the forums created by the Board as part of its decision making at the start of the pandemic.

With the government easing restrictions in the summer of 2020, Reed developed and implemented guidelines to allow our office network to re-open on a Covid-secure basis. This included each office having an appointed officer responsible for Covid-safety and an approved risk assessment. When offices were re-opened, employees ("co-members") were invited to decide whether they would return to offices or continue to work at home or wished to adopt a hybrid way of working. Significant investment in technology enabled o-members to work remotely at the beginning of and throughout the pandemic. Co-member surveys showed the majority of employees preferred a hybrid model and these results have supported the development and adoption of Reed's dynamic working policy, which formalises this approach.

Co-members were directly engaged in forums created by the Board in response to the Covid-19 pandemic, with co-member views on key elements such as dynamic working arrangements being reflected in published policies.

The Corporate Governance, Stakeholder Engagement, and Employee Engagement Statements within the Report of the Directors further detail how Directors have considered and engaged with stakeholders in the light of their section 172 duties.

Environment

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

The Group's Streamlined Energy & Carbon Report may be found in the Reed Global Limited (10169598) annual report.

REED SPECIALIST RECRUITMENT LIMITED


STRATEGIC REPORT (continued)

Modern Slavery Statement

The Board has approved the Group's Modern Slavery Statement, which may be found on the Company's website.

Approval

The Strategic Report was approved by the Board on 14th December 2021 and signed on its behalf by:

DocuSigned by:

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Lee Richards BSc, ACMA
Director

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited annual report for the year ended 30th June 2021.

Dividends

No dividends were proposed or paid for the year (2020: £nil).

Directors

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

The Statement of Directors' Responsibilities in respect of the financial statements may be found on page 19.

Directors' indemnities

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

Employee Engagement

The Company values input and feedback from its 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.

Further details on how the Company pro-actively interacts and measures its engagement with employees may be found within the Stakeholder Map on the [Company's website](#), and within the Corporate Governance Statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

Other Stakeholder Engagement

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

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Other Stakeholder Engagement (continued)

The Board's continued response to the Covid-19 pandemic had direct links into key stakeholders, which helped shape many of the decisions taken. This included engaging with over 100 businesses via a series of webinars to input into the policy consultation with the UK Government for the 'All-Party Parliamentary Group (APPG) Inquiry – Review of Employee Screening' on how to improve screening and Digital Identity, of which Reed lead the consultation response. This helped shape remote hiring processes to ensure people would be able to find work remotely during Covid-19 and Reed continues to engage with stakeholders to work towards a long-term, post-pandemic solution.

Further details on how the Company interacts and measures its engagement with other stakeholders may be found within the Stakeholder Map on the [Company's website](#) and within the Corporate Governance statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

Co-members

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

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

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

Diversity and Belonging – Our commitment

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

Charitable donations and political contributions

Charitable donations of £10,000 were made in the year (2020: £156,000).

No political contributions were made in the year (2020: £nil).

Risk management

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

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Going concern basis

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

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

The Directors of Reed Global Limited agreed after the balance sheet date that, should it be required, it intends to provide support for the meeting of liabilities as and when they fall due to Reed Specialist Recruitment Limited to continue in operation until at least 31st December 2022. That support is intended to include assistance to meet the liabilities of payment of intercompany debtors and intercompany creditors until 31st December 2022, such that certain companies in the Reed Group can meet their liabilities as they fall due.

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

Given the impact of possible future Covid-19 outbreaks, Reed Global Limited, the Reed group's ultimate parent company, undertook an exercise modelling for worst-case scenarios. Further detail of this modelling may be found in the financial statements of Reed Global Limited.

Corporate Governance Statement

Introduction

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

This Corporate Governance Statement explains how, for the year ended 30th June 2021, the Company has managed its corporate governance responsibilities by applying the Wates Corporate Governance Principles in compliance with The Companies (Miscellaneous Reporting) Regulations 2018.

Principle 1: Purpose and Leadership

An effective board develops and promotes the purpose of a company and ensures that its values strategy and culture align with that purpose.

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principle 1: Purpose and Leadership (continued)

In the early 1960s, Reed pioneered specialist recruitment in the UK. Seven decades on, we have become the world's largest family-run recruitment business, with offices spanning across the UK, Europe and East Asia. With access to the UK's largest candidate database and expertise across 20 specialist sectors, we are committed to ensuring that people are at the heart of everything we do to ensure we fulfil our purpose: improving lives through work.

There are three core values at Reed:

We are Fair, Open and Honest

- we treat everyone with fairness and respect
- we act with integrity
- we are true to our commitments

We Take Ownership

- we respond swiftly to execute our promises
- we take responsibility for providing solutions
- we hold ourselves accountable for our actions

We Work Together

- we work in partnership and build sustainable trusted relationships
- we value a diverse workforce and respect the contributions of all
- we support our customers and colleagues in achieving their goals

The Company's annual strategy was confirmed early in the financial year under the direction of the Board. The strategy clearly defines priorities, direction and targets for all co-members, to understand and enable teams to set their priorities and make the right choices based on Reed's overall goals.

Reed ensures its purpose and values are clearly articulated to co-members via effective channels of engagement, including co-member surveys. It is through these engagement channels that Reed has implemented its inclusion and belonging strategy, "*Being yourself at work. Every. Single. Day*". We have appointed diversity champions across Reed to raise the voice of our co-members and steer our commitment to inclusion and belonging to drive initiatives such as improving diversity reporting; women in leadership; race and ethnicity mentoring schemes; and disability awareness.

Ian Nicholas, the Company Managing Director, frequently vlogs to maintain his visible presence within the Company, promoting its ethos, inclusion & belonging, engagement alongside providing updates on the Company performance against the strategic plan and launching new co-member initiatives.

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principle 2: Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of the board should be guided by the scale and complexity of the company.

The leadership and responsibility for the overall effective running of the Board sits with the Company's Managing Director. The Board is comprised of five Directors including Reed's Chairman, James Reed, and Directors of Reed Global Limited regularly attend the Company's Board meetings to bring independent thinking to the Board's decision making. The Board's size is appropriate to facilitate prompt and effective decision making.

A short biography for each Board member, detailing their appropriate skills, background, experience, and knowledge is below

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. 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).

Ian Nicholas BSc, FCIPD - Global Managing Director

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

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

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principle 2: Board Composition (continued)

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

Lee Richards BSc, ACMA - Finance Director

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

Karen Jackson Assoc CIPD - Human Resources Director

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

Simon Baddeley - Managing Director of Business Services

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

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

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

The Board has adopted standardised documentation and receive key performance indicators in the form of Balanced Scorecards for the Company covering financial, commercial, people, and social responsibility matters in a timely fashion ahead of each meeting.

A formal effectiveness review of the Board took place in June 2021 and has assessed that the Board is competent and well run and has the potential to become more effective by taking forward some key observations. These included a review of the number of statutory directors to see if additional resource is needed, a review of how the Board receives information on risks, and the inclusion of competitor information as part of the Board packs.

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement

Principle 3: Director responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

The Board has a programme of monthly meetings, plus an additional meeting for strategic planning.

The Board is responsible for establishing the culture, values and framework within which Reed operates, and is responsible to stakeholders for the direction and oversight of the Company to ensure its long-term success. It provides leadership, oversees strategy, ensures the necessary resources are available and sets policies, key operational initiatives, and standards.

Every Board Director has a clear understanding of their accountabilities and responsibilities. All Directors have access to the Company Secretary for assistance and advice. The Company Secretary is responsible for ensuring that Board procedures are complied with.

The Board delegates day-to-day management of the operating divisions to their Senior Leadership Team. Statutory and non-statutory directors who attend Board meetings have an annual appraisal and quarterly reviews of progress against targets to maintain accountability. Board members receive regular and timely business reports on areas such as financial performance, strategy, operations, and environmental impact, each supported by Key Performance Indicators to keep the Board informed of the Company's performance, position, and long-term sustainable success.

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

Principle 4: Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Board has a focus on future opportunities for innovation and entrepreneurship. Short-term opportunities are highlighted through Board Meetings, executive reporting, and co-member initiatives such as Reed Think, whilst longer term strategic opportunities are reviewed through the annual Strategic Review process. The Board continues to be supportive of the work of the Director of Group Risk & Screening to campaign on behalf of workers to digitise ID checking, which was successfully applied to online right to work checks at the beginning of the pandemic. There is a range of future strategic opportunities that the Board reviews regularly due to the evolving nature of the labour market, the future of work, and the impact of technological innovation.

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principle 4: Opportunity and Risk (continued)

The Board has responsibility for determining the nature and extent of the principal risks the Company is facing, the overall risk appetite, and the Company's internal control framework.

The Company has developed robust procedures to identify, monitor and manage risk via a Risk Assurance Committee, which meets quarterly and receives reports from the subsidiary companies on any emerging or established risks which are considered to have an impact on stakeholders or may impact the Company's business objectives. During 2021 the Group appointed a Risk and Governance Manager to support it in developing its evolving procedures to identify, monitor and manage risk.

The Board oversees an Internal Audit Function to test the mitigation controls of principal risks. The Company holds certifications for ISO 9001 and ISO 14001 and incorporate these into their approaches to risk management.

Principle 5: Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Remuneration is based on performance, behaviours, demonstration of company culture and values, and achievement of business goals. Remuneration is linked to the adherence to 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 the business.

The Board has considered the appropriateness of forming a Remuneration Committee and continues to regard existing remuneration policies and processes as appropriate to the needs of the business.

Principle 6: Stakeholder Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

As a family-run group of companies, Reed has a strong emphasis on corporate responsibility and a track record of social impact, philanthropy, and sustainability and is committed to being a Carbon Neutral organisation and complies with ISO14001, which assesses environmental impact. Our commitment to social impact is driven by our company purpose: 'Improving lives through work', and we have three pillars of social impact. Further information around the Reed

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principle 6: Stakeholder Engagement (continued)

Group's corporate social responsibility commitments can be found at <https://www.reed.com/our-social-impact>.

The Company understands the importance of communication across constituent groups. The Company has developed a Stakeholder Map to help identify, define, and engage with stakeholder groups. This map outlines the interests, issues, and methods of communication with each group and can be found at [Corporate Governance | Reed](#).

For co-members, the Company collects monthly survey results, operates idea initiatives, as well as having whistleblowing processes in place as routes for anonymous feedback to be reported. There is also two-way communication via the Chairman's online blog and digital communication routes have also been established utilising Microsoft Yammer as a quick and accessible channel for questions, discussions, and feedback.

For all principal decisions, the Company engages with and obtains feedback as appropriate from any affected stakeholder groups. Reed also has extensive Evaluation of Service processes in place across customers and employees.

Further details on how the Company interacts with its stakeholders may be found within the 'Section 172 Statement' and within the 'Employee Engagement Statement' and the 'Other Stakeholder Engagement Statement'.

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 its corporate governance obligations under The Companies (Miscellaneous Reporting) Regulations 2018. We expect there to be continued evolution in the oversight of risk during the upcoming financial year to allow for the further enhancement of its identification, monitoring and management processes.

Disclosure of information to auditors

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

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

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Disclosure of information to auditors (continued)


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 Reed group auditors during the year.

Approval

The report of the Directors was approved by the Board on 14th December 2021 and signed on its behalf by:

DocuSigned by:

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Lee Richards BSc, ACMA
Director

REED SPECIALIST RECRUITMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

REED SPECIALIST RECRUITMENT LIMITED

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 30 June 2021; the Income Statement; and the Statement 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REED SPECIALIST RECRUITMENT LIMITED

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

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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

REED SPECIALIST RECRUITMENT LIMITED

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection, tax and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and review of minutes, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's tax compliance controls along with review of correspondence with tax authorities and understanding of the applicable tax laws;
- Challenging assumptions made by management in determining their material judgements and accounting estimates;
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement, journal entries with unusual words and number of journal entries posted by staff members.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

REED SPECIALIST RECRUITMENT LIMITED

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 December 2021

REED SPECIALIST RECRUITMENT LIMITED

INCOME STATEMENT

For the year ended 30th June 2021

	Note	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Turnover	3	805,103	857,890
Cost of sales		<u>(697,193)</u>	<u>(746,292)</u>
Gross profit		107,910	111,598
Sales and administrative expenses		(95,383)	(116,372)
Other operating income		<u>2,595</u>	<u>3,402</u>
Operating profit/(loss)	4	15,122	(1,372)
Income from shares in group undertakings		-	-
Interest receivable		8	-
Interest payable and similar expenses	5	<u>(320)</u>	<u>(407)</u>
Profit /(loss) before taxation		14,810	(1,779)
Tax (charge)/credit on profit/(loss)	7	<u>(2,655)</u>	<u>153</u>
Profit/(loss) for the financial year		<u><u>12,155</u></u>	<u><u>(1,626)</u></u>

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

All results are from continuing operations.

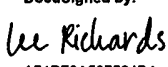
REED SPECIALIST RECRUITMENT LIMITED

BALANCE SHEET

As at 30th June 2021

	Note	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Fixed assets			
Goodwill	9	6,807	6,807
Tangible assets	10	6,305	4,908
Right of use assets	19	13,293	15,546
Investments	11	34	34
		<u>26,439</u>	<u>27,295</u>
Current assets			
Debtors	12	106,791	117,610
Cash at bank and in hand		19,899	7,281
		<u>126,690</u>	<u>124,891</u>
Creditors: Amounts falling due within one year	13	<u>(94,496)</u>	<u>(103,896)</u>
Net current assets		32,194	20,995
Total assets less current liabilities		58,633	48,290
Creditors: Amounts falling due after more than one year	14	(11,613)	(13,104)
Provisions for liabilities	15	<u>(1,805)</u>	<u>(2,126)</u>
Net assets		<u>45,215</u>	<u>33,060</u>
Capital and reserves			
Called up share capital	17	24,500	24,500
Retained earnings		<u>20,715</u>	<u>8,560</u>
Total shareholders' funds		<u>45,215</u>	<u>33,060</u>

The financial statements of Company number 06903140 on pages 24 to 43 were approved by the board on 14th December 2021 and signed on its behalf by:

DocuSigned by:

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Lee Richards BSc, ACMA
 Director

REED SPECIALIST RECRUITMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2021

	Called up share capital £'000	Retained earnings £'000	Total share holders' funds £'000
As at 1st July 2019	24,500	10,186	34,686
Loss for the financial year	-	(1,626)	(1,626)
At 30th June 2020	<u>24,500</u>	<u>8,560</u>	<u>33,060</u>
At 1st July 2020	24,500	8,560	33,060
Profit for the financial year	-	12,155	12,155
At 30th June 2021	<u>24,500</u>	<u>20,715</u>	<u>45,215</u>

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

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

The financial statements of Reed Specialist Recruitment Limited (the "Company") for the year ended 30th June 2021 were authorised for issue by the board of Directors on 14th December 2021 and the balance sheet was signed on the board's behalf by Lee Richards. Reed Specialist Recruitment Limited is incorporated and domiciled in England and Wales.

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

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

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

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

2. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30th June 2021.

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

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

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

Going concern

These financial statements have been prepared on the going concern basis.

The Company's business activities, together with factors likely to impact its future development, financial position, and its risk exposure management and response to the Covid-19 pandemic are outlined on pages 4 to 6 of the Strategic Report.

Having made suitable enquiries, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policy and disclosures

New and amended standards and interpretations adopted by the Company

No new accounting standards, or amendments to accounting standards, of IFRIC interpretations that are effective for the year ended 30th June 2021, have had a material impact on the Company.

New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not yet effective for financial periods ended 30th June 2021. These have not been early adopted by the Company. The Company's directors are of the opinion that there are no new requirements that will have a significant impact on the Company's financial statements in the period of initial application.

Judgements and key sources of estimation uncertainty

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

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

Significant accounting policies

a) Intangible assets - goodwill

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

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

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

b) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment. Management assesses both external and internal factors for any indication of impairment, such as a decline in market value or worse economic performance than expected for the entity invested in

c) Tangible fixed assets

Leasehold improvements, fixtures, fittings, motor vehicles and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

c) Tangible fixed assets (continued)

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

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

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

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

d) Impairment of non-financial assets

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

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

e) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

e) Provisions for liabilities (continued)

material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

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

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

(f) Company as a lessee

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

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

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

g) Trade and other debtors

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

h) Cash at bank and in hand

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

i) Income taxes

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

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

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

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

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

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

j) Turnover recognition

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

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

Rendering of services

Turnover represents the provision of temporary and permanent workers to customers and clients. Turnover is recognised on the satisfaction of performance obligation which is on

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

2. ACCOUNTING POLICIES (CONTINUED)**Significant accounting policies (continued)**

j) Turnover recognition (continued)

delivery of the services for temporary workers and upon commencement of a placement for permanent workers. Turnover is stated as invoiced and is net of discounts and rebates and excluding VAT.

k) Dividends

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

l) Dilapidations

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

m) Government grants

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

3. TURNOVER

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

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Depreciation of fixed assets		
- leasehold improvements	625	400
- other owned assets	1,101	1,197
- Right of use assets	3,279	3,334
Operating lease rentals		
Auditors' remuneration		
- audit of the Company's financial statements	130	130
Government support relating to Covid-19	<u>(2,595)</u>	<u>(3,402)</u>

The total fee payable to the auditors in the year was £210k (2020: £163k). £nil fees (2020: £nil) were received by the auditors in the current accounting year in relation to the provision of non-audit services.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Lease interest	317	319
Other interest payable	<u>3</u>	<u>88</u>
	<u>320</u>	<u>407</u>

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

6. DIRECTORS & EMPLOYEES**(a) Directors' remuneration**

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Total Directors' emoluments	<u>1,239</u>	<u>706</u>
Highest paid Director – emoluments	746	313
Highest paid Director – pension contributions	<u>1</u>	<u>1</u>
	No.	No.
The following number of Directors are accruing retirement benefit under:		
Defined benefit scheme	<u>-</u>	<u>-</u>
Group personal pension scheme	<u>5</u>	<u>5</u>

There were 5 Directors serving during the current year (2020: 6).

(a) Staff costs

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Wages and salaries	63,403	77,010
Social security costs	6,362	7,371
Other pension costs (note 18)	<u>1,223</u>	<u>1,447</u>
	<u>70,988</u>	<u>85,828</u>

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

6. DIRECTORS AND EMPLOYEES**(b) Staff numbers**

	Year ended 30th June 2021 Number	Year ended 30th June 2020 Number
Direct staff	1,268	1,686
Administrative staff	343	387
	<u>1,611</u>	<u>2,073</u>

7. TAX ON PROFIT/(LOSS)**(a) Analysis of tax for the year**

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Current tax:		
UK corporation tax on profit/(loss) for the year	2,944	-
Adjustments in respect of previous years	-	(66)
	<u>2,944</u>	<u>(66)</u>
Deferred tax:		
Origination and reversal of timing differences	55	24
Adjustments in respect of previous years	(50)	4
Effect of tax rate change on opening balance	(294)	(115)
	<u>(289)</u>	<u>(87)</u>
Total tax (credit)/charge on (loss)/profit for the year	<u>2,655</u>	<u>(153)</u>

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

7. TAX ON PROFIT/(LOSS) (CONTINUED)**(b) Factors affecting the tax for the year**

The tax assessed for the year differs to the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
Profit/(loss) before taxation	<u>14,810</u>	<u>(1,779)</u>
Theoretical tax at UK corporation tax standard rate of 19.00% (2020: 19.00%)	2,814	(338)
Effects of:		
Expenses not deductible for tax purposes	118	272
Remeasurement of deferred tax for changes in tax rates	(281)	(115)
Fixed asset differences	54	60
Adjustments in respect of previous years	-	(66)
Adjustments to deferred tax in respect of previous periods	(50)	4
Other differences	<u>-</u>	<u>30</u>
Total tax charge/(credit) on profit/(loss) for the year	<u>2,655</u>	<u>(153)</u>

8. DEFERRED TAX

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Depreciation in excess of capital allowances	943	834
Other timing differences	226	153
Losses and other deductions	<u>-</u>	<u>80</u>
Deferred tax asset	<u>1,169</u>	<u>1,067</u>
Asset at beginning of year	1,067	980
Amount credited to income statement	289	87
Adjustment for Group relief	<u>(187)</u>	<u>-</u>
Asset at end of year (note 12)	<u>1,169</u>	<u>1,067</u>

Changes to the UK corporate tax rates were substantively enacted as part of Finance Act 2020. These included the reversal of the previously enacted reductions to the main rate to maintain the rate at 19% from 1st April 2020.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

8. DEFERRED TAX (CONTINUED)

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporate tax system were announced in the March 2021 UK Budget Statement. The main rate of corporation tax will be increased to 25% from 1st April 2023. This rate was substantively enacted on 24th May 2021 and, therefore, is reflected in these financial statements as at the 30th June 2021 balance sheet date.

The impact of these changes is immaterial to the Company's results.

9. GOODWILL

	Goodwill £'000
Cost	
As at 1st July 2020 and 30th June 2021	<u><u>10,212</u></u>
Accumulated amortisation	
As at 1st July 2020	(3,405)
Charge for the year	-
As at 30th June 2021	<u><u>(3,405)</u></u>
Net book value	
As at 30th June 2021	<u><u>6,807</u></u>
As at 30th June 2020	<u><u>6,807</u></u>

Goodwill was recognised as a result of the acquisition of the trade and assets of Reed Employment Limited, Reed Personnel Services Limited and Reed Managed Services Limited. Goodwill has been tested for impairment by the measurement of future cash flows. Cash flows were discounted at a weighted pre-tax cost of capital of 8.6%.

These calculations use discounted cash flow projections together with management projections for five years. These cash flows are based on extrapolations from budgets and forecasts. The key assumptions used in the cash flows are the sales growth (5% increase annually for 3 years) and pre-tax discount rate (8.6%) and relate to one sole CGU, which is Reed Specialist Recruitment Limited. These are based on market expectations and information available from companies in a similar industry. The Directors believe that currently all 'reasonably likely' changes in the key assumptions referred to above would not give rise to an impairment charge.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

10. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures, fittings, computer equipment & motor vehicles £'000	Total £'000
Cost			
As at 1st July 2020	6,349	14,775	21,124
Additions	2,052	1,071	3,123
As at 30th June 2021	8,401	15,846	24,247
Accumulated depreciation			
As at 1st July 2020	4,237	11,979	16,216
Charge for the year	625	1,101	1,726
As at 30th June 2021	4,862	13,080	17,942
Net book value			
As at 30th June 2021	3,539	2,766	6,305
As at 30th June 2020	2,112	2,796	4,908

11. INVESTMENTS

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Cost and net book value	34	34

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

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

12. DEBTORS

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Amounts falling due within one year		
Trade debtors	68,117	69,529
Amounts receivable from group undertakings	27,365	37,490
Corporation tax	2,968	1,630
Deferred tax (see note 8)	1,169	1,067
Other debtors	289	1,835
Prepayments and accrued income	6,883	6,059
	<u>106,791</u>	<u>117,610</u>

Interest is charged at a rate of 0% on amounts receivable from group undertakings repayable on demand. The expected credit loss included in Trade debtors figure is £696k (2020: £655k).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Trade creditors	34,577	29,634
Amounts owed to group undertakings	15,805	27,311
Lease liability	2,444	2,648
Social security costs and other taxes	28,662	33,266
Other creditors	7,847	6,951
Accruals and deferred income	5,161	4,086
	<u>94,496</u>	<u>103,896</u>

Amounts owed to group undertakings are repayable on demand at an annual interest rate of 0% payable on the outstanding balance.

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

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Lease liability	<u>11,613</u>	<u>13,104</u>

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

15. PROVISIONS FOR LIABILITIES

	Dilapidations £'000	Total £'000
As at 1st July 2020	2,126	2,126
Additional provisions	221	221
Provision utilised	(542)	(542)
As at 30th June 2021	<u>1,805</u>	<u>1,805</u>

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

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

16. EQUITY DIVIDENDS PAID

No dividend was declared or paid by the board in the year (2020: £nil).

17. CALLED UP SHARE CAPITAL

	£
Authorised, called up, allotted and fully paid Ordinary shares of £1 each	
As at 1st July 2020	24,500,002
Shares issued at par	-
As at 30th June 2021	<u>24,500,002</u>

18. PENSION COSTS

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

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

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

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

19. LEASING COMMITMENTS

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

Property, plant and equipment

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

Leases – company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by 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.

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.

(i) Amounts recognised in the balance sheet

<i>Right-of-use assets</i>	£'000
<i>Cost</i>	
As at 1st July 2020	18,880
Additions	1,026
As at 30th June 2021	<u>19,906</u>
<i>Depreciation</i>	
As at 1st July 2020	3,334
Charge	3,279
As at 30th June 2021	<u>6,613</u>

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

19. LEASING COMMITMENTS (continued)

(i) Amounts recognised in the balance sheet (continued)

Right of use assets

Net book value as at 30th June 2021	<u><u>13,293</u></u>
Net book value as at 30th June 2020	<u><u>15,546</u></u>

(ii) Amounts recognised in the balance sheet

<i>Lease liabilities</i>	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Current	2,444	2,648
Non-current	11,613	13,104
	<u><u>14,057</u></u>	<u><u>15,752</u></u>

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

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

	Year ended 30th June 2021 £'000	Year ended 30th June 2020 £'000
<i>Depreciation charge on right-of-use assets</i>		
Buildings Charged in the year	3,279	3,334
30th June	<u><u>3,279</u></u>	<u><u>3,334</u></u>
Interest expense	317	319
Expenses relating to short-term leases	<u><u>317</u></u>	<u><u>319</u></u>

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2021

19. LEASING COMMITMENTS (continued)

Future minimum lease payments as at 30th June 2021 are as follows:

	As at 30th June 2021 £'000	As at 30th June 2020 £'000
Within one year	2,705	2,942
Two to five years	8,174	9,038
After five years	4,193	4,980
	15,072	16,960
Impact of finance expenses	(1,015)	(1,208)
Carrying amount of liability	14,057	15,752

20. CONTROLLING PARTY

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

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