

FINANCIAL STATEMENTS

Financial Statements for the Group including the report from the Independent Auditor.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYS PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hays plc'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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 30 June 2020; the Consolidated Income Statement, the Consolidated 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.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2019 to 30 June 2020.

The scope of our audit

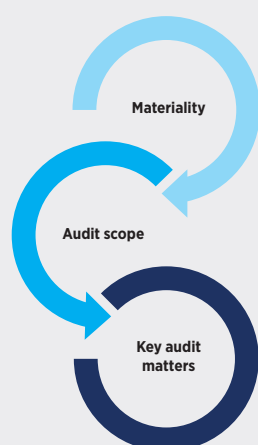
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, Pensions legislation, UK tax legislation, UK employment legislation and equivalent local laws and regulations applicable to significant components, 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 preparation of 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 posting inappropriate journal entries to increase revenue or manipulate expenditure and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

Our audit approach

Overview



- Overall Group materiality: £10.1 million (2019: £12.3 million), based on 5% of the average of the last three years' profit before tax adjusted for exceptional items.
- Overall Company materiality: £9.4 million (2019: £8.9 million), based on the lower of component materiality and 1% of total assets.
- 85% of Group net fees and 95% of Group profit before tax and exceptional items covered through full scope audit procedures.
- Australia, UK and Germany considered to be financially significant due to their relative contributions to the Group's net fees and profit before tax.
- As the Group and UK audit team, we maintained regular contact with significant component teams in Germany and Australia and evaluated the outcome of their audit work.
- Recoverability of trade receivables (Group).
- Goodwill impairment assessment (Group).
- Covid-19 (Group).

- Discussions with management, internal audit and local legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of trade receivables – Group</p> <p>Refer to page 73 (Audit Committee Report), Note 2, Note 3 and Note 18 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>At 30 June 2020, the total trade receivables balances net of provisions included in Note 18 was £521.2 million (2019: £649.3 million). The recoverability of trade receivables and the level of provisions for expected credit losses are considered to be a key risk due to the significance of these balances to the financial statements and the judgements required in making appropriate provisions.</p> <p>Given the current economic impact of Covid-19, there may be additional risk in the trade receivables balance as customers may be experiencing cash flow problems and recoverability may be in greater doubt.</p>	<p>In order to test the recoverability of trade receivables, we performed the following procedures:</p> <ul style="list-style-type: none"> – We evaluated the Group's credit control procedures and assessed and validated the ageing profile of trade receivables; – We assessed recoverability on a sample basis by reference to cash received subsequent to year-end, agreement to the terms of the contract in place and issue of credit notes post year-end, as necessary; – We considered the appropriateness of judgements regarding the level of expected credit loss for trade receivables and assessed whether the associated provisions were calculated in accordance with the Group's provisioning policies and/or whether there was evidence of management bias in provisioning, obtaining supporting evidence as necessary; and – We also challenged management as to whether the methodology applied in determining the appropriate expected credit loss provisions appropriately reflected the level of risk in the total receivables balance with consideration given to individual counter-party credit risk and the general economic conditions in each jurisdiction. <p>We did not encounter any issues through these audit procedures that indicated that provisioning in respect of trade receivables was inappropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYS PLC

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Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment – Group</p> <p>Refer to page 73 (Audit Committee Report), Note 2, Note 3 and Note 13 for the related disclosures on goodwill. The Group carried £209.0 million of goodwill at 30 June 2020 (2019: £227.2 million), following an impairment charge of £20.3 million recorded against the goodwill in its US business.</p> <p>The carrying value of goodwill is underpinned by the future cash flows of the underlying cash-generating units ('CGUs') and there is a risk that if these cash flows do not meet the directors' expectations, the goodwill may be impaired.</p> <p>We focused our assessment on the Hays US CGU and the associated £20.3m impairment recorded in the year. The residual carrying value of goodwill in this CGU after the impact of impairment and foreign exchange was £23.1 million (2019: £42.4 million).</p> <p>The Group continues to make material investment in the US business to accelerate growth in line with the Group's long-term strategy to build a strong presence in the US. This in combination with the challenging economic conditions caused by Covid-19 means the future performance of the business could vary significantly, resulting in a greater or smaller impairment than that recognised.</p>	<p>For those CGUs other than the US, we considered whether there was any indication that the associated goodwill could be impaired. In order to assess the recoverable amount of goodwill as at the balance sheet date, we performed review procedures, and calculated sensitivities using severe but plausible downsides, to assess the risk of material impairment in each CGU.</p> <p>We were satisfied that these CGUs did not require any impairment.</p> <p>Focusing on the Hays US business, we evaluated and challenged the directors' future cash flow forecasts and the process by which they were drawn up. We compared management's short-term forecast with the latest budget and found it to be reasonable. We challenged:</p> <ul style="list-style-type: none"> – the key assumptions for short- and long-term growth rates in the forecasts by comparing them with historical results, as well as economic and industry forecasts for the US recruitment market in light of Covid-19; and – the discount rate used in the calculations by assessing the cost of capital for the US business and comparing the discount rate to that expected by our internal valuation experts. <p>We performed sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows, and the short and longer term growth rates and profit margins forecast.</p> <p>We ascertained the extent to which a change in these assumptions, both individually or in aggregate, would result in a material change to the goodwill impairment, and considered the likelihood of such events occurring.</p> <p>Based on the procedures described above, we were satisfied that the impairment recorded against the US was materially reasonable.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Covid-19</p> <p>The Covid-19 pandemic has had a significant impact on the performance of the Hays Group during FY20, with the severity of the impact varying across Hays' global operations. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements.</p> <p>The key areas of the financial statements most impacted by the increased estimation uncertainty are described below:</p> <ul style="list-style-type: none"> (i) The directors have carefully considered the appropriateness of the going concern basis of preparation in the Group's financial statements. In doing so, they prepared a severe but plausible cash flow forecast that assumed the continuation of the weak trading performance experienced by the Group during Q4 FY20 for the whole of the going concern period. This showed that the Group could maintain a positive net cash position throughout the forecast period and that it would not need to draw on its available committed credit facilities. The directors therefore concluded in Note 2 that the going concern basis of preparation was appropriate; (ii) The recoverability of trade receivables has been considered in light of the increased uncertainty over customer liquidity and the ability of Hays to collect amounts due from customers; (iii) A £20.3 million impairment has been recorded against goodwill in the US. As explained in the previous Key Audit Matter, this reflects the Group's commitment to continue to invest in its US business to support its growth, but also takes into account the more challenging economic conditions caused by Covid-19; (iv) £7.0 million of restructuring expenses (as set out in Note 5) have been incurred in order to reduce operating costs in light of the pandemic. These costs have been presented as exceptional items in the Group's financial statements; (v) The forecasts of future taxable profits to support deferred tax assets in countries substantially impacted by the pandemic have been assessed as at 30 June 2020. A £12.6 million charge (as set out in Note 17) in respect of accelerated tax depreciation partly reflects a reassessment of the associated deferred tax position. (vi) The Hays' defined benefit pension scheme, as disclosed in Note 23, holds £948.4 million of assets as at 30 June 2020 including £56.2 million relating to real estate assets, the valuation of which could be more uncertain due to the pandemic. <p>In addition, management's ways of working, including the operation of controls, has been impacted as a result of a large number of staff having to work remotely. This has inevitably resulted in an increase in risk due to the remote accessing of IT systems and a potentially heightened cyber risk.</p>	<p>In response to the key areas identified as being significantly impacted by Covid-19, we performed the following procedures:</p> <ul style="list-style-type: none"> (i) We evaluated the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the net cash position forecast throughout the going concern period. We concluded that modelling a profitability and cash flow position that assumed a continuation of trading performance experienced in Q4 of FY20, when many of the countries in which the Group operates were in various states of government imposed lockdown, was an appropriately severe but plausible scenario. (ii) Refer to our first Key Audit Matter above for details of how we considered the impact of Covid-19 in our audit procedures over the recoverability of trade receivables; (iii) Refer to our second Key Audit Matter above for details of how we considered the impact of Covid-19 in our procedures over the recoverability of goodwill; (iv) In respect of the exceptional restructuring charges incurred in response to Covid-19 of £7.0 million, we assessed: <ul style="list-style-type: none"> – whether the associated provisions were determined appropriately in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets; and – whether the presentation of these costs as exceptional was consistent with the Group's accounting policy for exceptional items, as well as in line with recent FRC guidance regarding the disclosure of costs as exceptional items; <p>We did not identify any material issues in this respect.</p> <ul style="list-style-type: none"> v) We assessed the basis of the forecast taxable profits across the Group and considered whether these were consistent with the basis of forecasting the Group's other significant estimates. We did not identify any material issues in respect of the recognition of deferred tax assets. vi) We engaged with Hays' external investment managers to verify the existence and nature of pension assets, while using internal experts to assess the valuation and uncertainty of the valuations. We are satisfied that the valuation of the pension assets is reasonable. <p>We performed additional procedures to assess any control implications arising from the impact of the pandemic, including inquiries regarding the operation of IT and business process controls, and whether there had been any impact on the Group given the heightened cyber risk.</p> <p>Based on the inquiries performed and the results of our audit procedures, we did not identify any evidence of a material deterioration in the control environment.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYS PLC

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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which Hays operates.

The Group's 33 trading countries are structured across four reporting segments, Australia & New Zealand ('ANZ'), Germany, UK & Ireland ('UK&I') and Rest of World ('ROW').

Of the 33 trading countries, the UK, Germany and Australia together represent 64% of the Group's net fees and 70% of the Group's profit before tax and exceptional items. We therefore considered these three countries to be financially significant to the Group.

A further 17 other reporting units, including 16 trading countries, were also subject to full scope audits by PwC teams in each of these countries, representing 21% of Group net fees and 25% of Group profit before tax and exceptional items. In total, our full scope audit procedures covered 85% of the Group's net fees and 95% of the Group's profit before tax and exceptional items.

One holding company reporting unit was subject to a limited scope audit of tax balances.

Central review procedures were performed by the Group audit team on the remaining 14 countries that were not subject to full scope or specified audit procedures. These countries represented the remaining 15% of net fees and 5% of profit before tax and exceptional items for the Group.

Given the restrictions in overseas travel, we increased the frequency and extent of our oversight over component audit teams, particularly our significant component teams in Germany and Australia. This included regular video conferences and remote working paper reviews to direct and supervise the work of these teams, and to satisfy ourselves as to the appropriateness of the audit work performed.

The Group audit team also joined the audit clearance meetings for each of the 20 countries that were subject to full scope audit procedures, as well as holding calls with the regional management teams responsible for the 13 countries subject to central review procedures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£10.1 million (2019: £12.3 million).	£9.4 million (2019: £8.9 million).
How we determined it	5% of the average of the last three years' profit before tax adjusted for exceptional items.	1% of total assets, limited by the allocation of component materiality.
Rationale for benchmark applied	<p>We believe that profit before tax adjusted for exceptional items is the primary measure used by management and the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.</p> <p>We have applied a three-year average to the profit before tax (before exceptional items) of the financial years 2018 (£238 million), 2019 (£246 million) and 2020 (£126 million) due to the substantial impact that Covid-19 has had on the business in 2020.</p>	We believe that total assets is the most appropriate measure to assess a holding Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.75 million and £9.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (Group audit) (2019: £612,500) and £500,000 (Company audit) (2019: £500,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. 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.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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, Directors' Report and Corporate Governance Statement, 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, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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. (CA06).

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. (CA06).

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on page 59 about internal controls and risk management systems in relation to financial reporting processes and about share capital structures on page 120 in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06).

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 this information. (CA06).

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on page 59 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06).

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYS PLC

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The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 49 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 122, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 72 to 75 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities on page 122, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 9 November 2016 to audit the financial statements for the year ended 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 30 June 2017 to 30 June 2020.

Andrew Paynter

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

26 August 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2020 Before exceptional items	2020 Exceptional items (note 5)	2020	2019 Before exceptional items	2019 Exceptional items (note 5)	2019
Turnover	4	5,929.5	–	5,929.5	6,070.5	–	6,070.5
Net fees⁽¹⁾	4	996.2	–	996.2	1,129.7	–	1,129.7
Administrative expenses ⁽²⁾	6	(861.2)	(39.9)	(901.1)	(880.9)	(15.1)	(896.0)
Operating profit	4	135.0	(39.9)	95.1	248.8	(15.1)	233.7
Net finance charge	9	(8.8)	–	(8.8)	(2.5)	–	(2.5)
Profit before tax		126.2	(39.9)	86.3	246.3	(15.1)	231.2
Tax	10	(46.2)	7.4	(38.8)	(72.7)	3.2	(69.5)
Profit after tax		80.0	(32.5)	47.5	173.6	(11.9)	161.7
Profit attributable to equity holders of the parent company		80.0	(32.5)	47.5	173.6	(11.9)	161.7
Earnings per share (pence)							
– Basic	12	5.28p	(2.14p)	3.14p	11.92p	(0.82p)	11.10p
– Diluted	12	5.23p	(2.13p)	3.10p	11.77p	(0.80p)	10.97p

(1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

(2) Administrative expenses include impairment loss on trade receivables of £10.6 million (2019: £3.9 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

(In £s million)	2020	2019
Profit for the year	47.5	161.7
Items that will not be reclassified subsequently to profit or loss:		
Actuarial remeasurement of defined benefit pension schemes	21.3	(63.1)
Tax relating to components of other comprehensive income	(4.4)	12.3
	16.9	(50.8)
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	5.7	7.6
Tax relating to components of other comprehensive income	–	(0.7)
Other comprehensive income for the year net of tax	22.6	(43.9)
Total comprehensive income for the year	70.1	117.8
Attributable to equity shareholders of the parent company	70.1	117.8

CONSOLIDATED BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	2020	2019
Non-current assets			
Goodwill	13	209.0	227.2
Other intangible assets	14	48.9	38.4
Property, plant and equipment	15	31.4	33.0
Right-of-use assets	16	216.6	-
Deferred tax assets	17	11.1	24.0
Retirement benefit surplus	23	55.2	19.7
		572.2	342.3
Current assets			
Trade and other receivables	18	878.8	1,025.3
Corporation tax debtor		4.3	5.6
Cash and cash equivalents	19	484.5	129.7
Derivative financial instruments	20	0.1	-
		1,367.7	1,160.6
Total assets		1,939.9	1,502.9
Current liabilities			
Trade and other payables	22	(800.3)	(761.7)
Lease liabilities	16	(43.8)	-
Current corporation tax liabilities		(24.0)	(23.0)
Derivative financial instruments	20	-	(0.1)
Provisions	24	(16.8)	(1.1)
		(884.9)	(785.9)
Non-current liabilities			
Deferred tax liabilities	17	(6.9)	(8.4)
Lease liabilities	16	(184.9)	-
Provisions	24	(9.8)	(7.1)
		(201.6)	(15.5)
Total liabilities		(1,086.5)	(801.4)
Net assets		853.4	701.5
Equity			
Called up share capital	25	16.8	14.7
Share premium		369.6	369.6
Merger reserve	26	193.8	-
Capital redemption reserve		2.7	2.7
Retained earnings		161.0	206.7
Cumulative translation reserve		92.0	86.3
Equity reserve		17.5	21.5
Total equity		853.4	701.5

The Consolidated Financial Statements of Hays plc, registered number 2150950, as set out on pages 132 to 172 were approved by the Board of Directors and authorised for issue on 26 August 2020.

Signed on behalf of the Board of Directors.

A R Cox

P Venables

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

(In £s million)	Called up share capital	Share premium	Merger reserve ⁽¹⁾	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ⁽²⁾	Total equity
At 1 July 2019	14.7	369.6	-	2.7	206.7	86.3	21.5	701.5
Currency translation adjustments	-	-	-	-	-	5.7	-	5.7
Remeasurement of defined benefit pension schemes	-	-	-	-	21.3	-	-	21.3
Tax relating to components of other comprehensive income	-	-	-	-	(4.4)	-	-	(4.4)
Net income recognised in other comprehensive income	-	-	-	-	16.9	5.7	-	22.6
Profit for the year	-	-	-	-	47.5	-	-	47.5
Total comprehensive income for the year	-	-	-	-	64.4	5.7	-	70.1
New shares issued	2.1	-	193.8	-	-	-	-	195.9
Dividends paid	-	-	-	-	(121.6)	-	-	(121.6)
Share-based payments	-	-	-	-	11.4	-	(4.0)	7.4
Tax on share-based payment transactions	-	-	-	-	0.1	-	-	0.1
At 30 June 2020	16.8	369.6	193.8	2.7	161.0	92.0	17.5	853.4

FOR THE YEAR ENDED 30 JUNE 2019

(In £s million)	Called up share capital	Share premium	Merger reserve ⁽¹⁾	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ⁽²⁾	Total equity
At 1 July 2018	14.7	369.6	-	2.7	213.0	78.7	21.8	700.5
Currency translation adjustments	-	-	-	-	-	7.6	-	7.6
Remeasurement of defined benefit pension schemes	-	-	-	-	(63.1)	-	-	(63.1)
Tax relating to components of other comprehensive income	-	-	-	-	11.6	-	-	11.6
Net expense recognised in other comprehensive income	-	-	-	-	(51.5)	7.6	-	(43.9)
Profit for the year	-	-	-	-	161.7	-	-	161.7
Total comprehensive income for the year	-	-	-	-	110.2	7.6	-	117.8
Dividends paid	-	-	-	-	(129.1)	-	-	(129.1)
Share-based payments	-	-	-	-	12.0	-	(0.3)	11.7
Tax on share-based payment transactions	-	-	-	-	0.6	-	-	0.6
At 30 June 2019	14.7	369.6	-	2.7	206.7	86.3	21.5	701.5

(1) The Merger reserve is generated under section 612 of the Companies Act 2006, as a result of the cash box structure used in the equity placing of new shares issued.

(2) The Equity reserve is generated as a result of IFRS 2 'Share-based payments'.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2020	2019
Operating profit		95.1	233.7
Adjustments for:			
Exceptional items ⁽¹⁾	5	39.9	15.1
Depreciation of property, plant and equipment		10.9	10.0
Depreciation of right-of-use lease assets ⁽²⁾		45.5	-
Amortisation of intangible assets		6.5	5.2
Loss on disposal of business assets		0.1	0.2
Net movements in provisions (excluding exceptional items)		6.9	0.8
Share-based payments		7.8	11.2
		117.6	42.5
Operating cash flow before movement in working capital		212.7	276.2
Movement in working capital:			
Decrease/(increase) in receivables		157.8	(9.1)
Increase/(decrease) in payables		41.6	(4.1)
Movement in working capital		199.4	(13.2)
Cash generated by operations		412.1	263.0
Cash paid in respect of exceptional items from current and prior year ⁽³⁾		(12.0)	(2.9)
Pension scheme deficit funding		(16.1)	(15.7)
Income taxes paid		(29.8)	(75.5)
Net cash inflow from operating activities		354.2	168.9
Investing activities			
Purchase of property, plant and equipment		(9.4)	(13.5)
Purchase of own shares		(0.2)	(0.1)
Purchase of intangible assets		(16.4)	(19.5)
Interest received		0.6	0.7
Net cash used in investing activities		(25.4)	(32.4)
Financing activities			
Interest paid		(2.0)	(3.4)
Lease liability principal repayment ⁽²⁾		(46.4)	-
Equity dividends paid		(121.6)	(129.1)
Proceeds from issue of new shares net of transaction costs		195.9	-
Proceeds from exercise of share options		0.6	1.9
Net cash from/(used in) financing activities		26.5	(130.6)
Net increase in cash and cash equivalents		355.3	5.9
Cash and cash equivalents at beginning of year		129.7	122.9
Effect of foreign exchange rate movements		(0.5)	0.9
Cash and cash equivalents at end of year		484.5	129.7

- (1) The adjustment to the Cash Flow Statement in the prior year to 30 June 2019 of £15.1 million has been re-presented and relates to the non-cash GMP Equalisation charge of £8.3 million and restructuring costs of £6.8 million of which £2.9 million was paid out in the year to 30 June 2019.
- (2) Following the adoption of IFRS 16 Leases, in order to compare Cash generated by operations for the year to 30 June 2020 of £412.1 million with the prior periods, the lease liability principal payment of £46.4 million reported in Financing activities should be deducted. The Cash generated by operations includes a corresponding £45.5 million depreciation non-cash adjustment relating to the right-of-use assets.
- (3) Cash paid in respect of exceptional items relates to £8.1 million in the current year and £3.9 million relating to the prior year. Cash paid in respect of exceptional items in the prior year of £2.9 million has been re-presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Hays plc is a Company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales and its registered office and principal place of business is 4th Floor, 20 Triton Street, London NW1 3BF.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretation Committee interpretations (IFRS IC) as adopted by the European Union and therefore comply with Article 4 of the European Union International Accounting Standard (IAS) Regulation. The Consolidated Financial Statements are presented in Sterling, the functional currency of Hays plc.

New standards and interpretations

The Consolidated Financial Statements have been prepared on the basis of the accounting policies and methods of computation applicable for the year ended 30 June 2020. These accounting policies are consistent with those applied in the preparation of the financial statements for the year ended 30 June 2019 with the exception of the following new accounting standards, amendments and interpretations which were mandatory for accounting periods beginning on or after 1 January 2019:

- IFRS 9 (amendments) Financial Instruments (effective 1 January 2019)
- IAS 19 (amendments) Employee Benefits (effective 1 January 2019)
- IAS 28 (amendments) Investments in Associates (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Annual Improvements to IFRSs 2017 (effective 1 January 2019)

Apart from IFRS 16 Leases, there have been no alterations made to the accounting policies as a result of considering all of the other amendments above that became effective in the period, as these were either not material or were not relevant.

Under IFRS 16 Leases, the Group has recognised within the Consolidated Balance Sheet a right-of-use asset and a lease liability for all applicable leases. Within the Consolidated Income Statement, operating lease rentals charges have been replaced with depreciation and interest expense. The impact of this change has been disclosed in note 16 to the Group Financial Statements.

IFRIC 23 Uncertainty over Income Tax Treatments, clarifies how to measure current and deferred tax assets and liabilities where there is uncertainty that affects the application of IAS 12 Income Taxes. The Group has undertaken a review of the current tax position and assessed that the adoption of IFRIC 23 does not have a material impact on the Group's results.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 July 2020. These new pronouncements are listed as follows:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material (effective 1 January 2020);
- IFRS 3 (amendments) Business Combinations – Definition of a business (effective 1 January 2020).

The directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group's operations or results.

The Group's principal accounting policies adopted in the presentation of these Financial Statements are set out below and have been consistently applied to all the periods presented.

2. Significant accounting policies

a. Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis with the exception of financial instruments and pension assets. Financial instruments have been recorded initially on a fair value basis and then at amortised cost. Pension assets and share-based payments have been measured at fair value.

b. Going concern

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. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Review, with details of the Group's treasury activities, long-term funding arrangements and exposure to financial risk included in notes 19 to 21 to the Consolidated Financial Statements.

As in prior years, the Board undertook a strategic business review in the current year which took into account the Group's current financial position and the potential impact of the principal risks set out in the Annual Report.

In addition, and in making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group's business model, future performance and liquidity. While the review has considered all the principal risks identified by the Group, the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios has been evaluated.

Financial position

At 30 June 2020 the Group had a net cash position of £484.5 million, or £366.2 million after deducting tax payments which had been deferred in agreement with local country tax regimes. In addition, the Group has a £210 million revolving credit facility with a suite of banks through to November 2024, with an option to extend to November 2025 subject to lender agreement. This facility is undrawn. In April 2020, the Group raised £196 million net of expenses through an equity placing, which has substantially strengthened the Group's financial position. The Group's operations were significantly impacted by the Covid-19 pandemic and lockdown in the majority of the Group's major markets through its fourth quarter (to 30 June 2020), with net fees down 34% versus prior year and with the Group's operating profit at around breakeven through this period. The Group had a strong working capital performance through its fourth quarter with significant management focus on cash collection reducing average trade debtor days in the year to 36 days (2019: 39 days) with the majority of clients continuing to pay to agreed terms. The Group also benefited from a cash inflow resulting from a reduction in its temp debtor book, as temp placement volumes reduced through the fourth quarter.

Stress testing

The Board approves an annual budget and reviews monthly management reports and quarterly forecasts. The output of the planning and budgeting processes has been used to perform a sensitivity analysis to the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison.

The sensitivity analysis modelled scenarios in which the Group incurred a sustained loss of business arising from a prolonged global downturn as a result of the Covid-19 pandemic, with a range of recovery scenarios considered. Our "Covid-19 Stress Case" scenario assumes that trading volumes for the year ending June 2021 remain broadly at the levels seen through our fourth quarter of the year ended June 2020, a period when most of our major markets were in lockdown and heavily impacted by the pandemic. After deducting the expected payment of £118.3 million of taxes which had been deferred in the year ended June 2020, the Stress Case scenario forecasts a strong cash position in excess of £300 million throughout the Going Concern period, with the revolving credit facility to remain undrawn with significant headroom against its banking covenants.

Set against these downside trading scenarios, the Board considered key mitigating factors including the geographic and sectoral diversity of the Group, its balanced business model across Temporary, Permanent and Contract recruitment services, and the significant working capital inflows which arise in periods of severe downturn, particularly in the Temporary recruitment business, thus protecting liquidity as was the case during the Global Financial Crisis of 2008/09 and which we again experienced in the year ended 30 June 2020.

In addition, the Group's history of strong cash generation, tight cost control and flexible workforce management provides further protection. The Group also has in place its £210 million revolving credit facility which is currently undrawn. In addition, during the year ended 30 June 2020 the Group was admitted into the Bank of England's uncommitted Covid Corporate Financing Facility (CCFF). While this provides access to an additional short-term form of financing of up to £600 million, based on all stress-test scenarios the Group is highly unlikely to utilise this facility, although it has until March 2021 in which to do so if required.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well-placed to manage its business risks. After making enquiries, the Directors have formed the judgment at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

c. Basis of consolidation

Subsidiaries are fully consolidated from the date on which power to control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group whereby the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The Financial Statements consolidate the accounts of Hays plc and all of its subsidiaries. The results of subsidiaries acquired or disposed during the year are included from the effective date of acquisition or up to the effective date of disposal as appropriate.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

d. Turnover

Turnover is measured at the fair value of the consideration received or receivable at the point in time and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Turnover arising from the placement of permanent candidates, including turnover arising from Recruitment Process Outsourcing (RPO) services, is recognised at the point in time the candidate commences full-time employment. Where a permanent candidate starts employment but does not work for the specified contractual period, an immaterial adjustment is made in respect of the required refund or credit note due to the client. The revenue recognised from a permanent placement is typically based on a percentage of the candidate's remuneration package.

Turnover arising from temporary placements, including turnover arising from Managed Service Programme (MSP) services, is recognised at the point in time that temporary workers are provided. In nearly all contract arrangements the Group acts as principal. Where the Group is acting as a principal, turnover represents the amounts billed for the services of the temporary workers, including the remuneration costs of the temporary workers. The commission included within the revenue recognised arising from temporary placements is typically based on a percentage of the placement's hourly rate.

Where Hays acts as principal in arrangements that invoice on the costs incurred with other recruitment agencies as part of the MSP service provided and manage the recruitment supply chain, turnover represents amounts invoiced on from other recruitment agencies, including arrangements where no commission is directly receivable by the Group.

In some limited instances, where the Group is acting as an agent in arrangements that invoice on behalf of other recruitment agencies as part of the MSP service provided, turnover represents commission receivable relating to the supply of temporary workers and does not include the remuneration costs of the other agency temporary workers.

Revenue recognition

The main areas of judgment in revenue recognition relate to (i) cut-off as revenue is recognised for permanent placements on the day a candidate starts work and temporary placement income over the duration of the placement; and (ii) the recognition of temporary contractual arrangements where Hays act on a gross basis (principal basis) rather than a net basis (agent basis).

The factors considered by management on a contract by contract basis when concluding the Company is acting as principal rather than agent are as follows:

- The client has a direct relationship with Hays;
- Hays has the primary responsibility for providing the services to the client, and engages and contracts directly with the temporary worker and other recruitment companies;
- Hays has latitude in establishing the rates directly or indirectly with all parties; and
- Hays bears the credit risk on the receivable due from the client.

Net fees are described in note 2 (e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2. Significant accounting policies continued

e. Net fees

Net fees represent turnover less the remuneration costs of temporary workers for temporary assignments and remuneration of other recruitment agencies. For the placement of permanent candidates, net fees are equal to turnover.

f. Exceptional items

Exceptional items, as disclosed on the face of the Consolidated Income Statement, are items which due to their material non-recurring nature have been classified separately and are highlighted separately in the notes to the Consolidated Financial Statements. The Group considers this provides additional useful information and assists in understanding the financial performance achieved by the Group. Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the year and the extent to which results are influenced by material non-recurring items. These may include items such as a major restructure of the business operations or a material impairment of goodwill. Items described as “before exceptional items” are alternative performance measures.

g. Foreign currencies

On consolidation, the tangible and intangible assets and liabilities of subsidiaries denominated in foreign currencies are translated into Sterling at the rates ruling at the balance sheet date. Income and expense items are translated into Sterling at average rates of exchange for the period. Any exchange differences which have arisen from an entity's investment in a foreign subsidiary, including long-term loans, are recognised as a separate component of equity and are included in the Group's translation reserve.

On disposal of a subsidiary, any amounts transferred to the translation reserve are included in the calculation of profit and loss on disposal. All other translation differences are dealt with in the Consolidated Income Statement.

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

h. Retirement benefit costs

The expense of defined benefit pension schemes and other post-retirement employee benefits is determined using the projected-unit credit method and charged to the Consolidated Income Statement as an expense, based on actuarial assumptions reflecting market conditions at the beginning of the financial year. All remeasurement gains and losses are recognised immediately in reserves and reported in the Consolidated Statement of Comprehensive Income in the period in which they occur. Past service costs, curtailments and settlements are recognised immediately in the Consolidated Income Statement.

The Group has chosen under IFRS 1 to recognise in retained earnings all cumulative remeasurement gains and losses as at 1 July 2004, the date of transition to IFRS. The Group has chosen to recognise all remeasurement gains and losses arising subsequent to 1 July 2004 in reserves and reported in the Consolidated Statement of Comprehensive Income.

The retirement benefit surplus/obligation recognised in the Consolidated Balance Sheet represents the fair value of scheme assets as reduced by the present value of the defined benefit obligation.

The Hays Pension Scheme Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted and agreements to make funding contributions do not give rise to any additional liabilities in respect of the Scheme.

Payments to defined contribution schemes are charged as an expense in the Consolidated Income Statement as they fall due.

i. Share-based payments

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

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

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

j. Borrowing costs

Interest costs are recognised as an expense in the Consolidated Income Statement in the period in which they are incurred. Arrangement fees incurred in respect of borrowings are amortised over the term of the agreement.

k. Taxation

The tax expense comprises both current and deferred tax.

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

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

Temporary differences arise where there is a difference between the accounting carrying value in the Consolidated Balance Sheet and the amount attributed to that asset or liability for tax purposes. Temporary differences arising from goodwill and, except in a business combination, the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit, are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group operates in many countries and is therefore subject to tax laws in a number of different tax jurisdictions. The amount of tax payable or receivable on profits or losses for any period is subject to the agreement of the tax authority in each respective jurisdiction and the tax liability or asset position is open to review for several years after the relevant accounting period ends. In determining the provisions for income taxes, management are required to make judgments and estimates based on interpretations of tax statute and case law, which it does after taking account of professional advice and prior experience.

Uncertain tax positions

Uncertainties in respect of enquiries and additional tax assessments raised by tax authorities are measured using management's best estimate of the likely outcome. The amounts ultimately payable or receivable may differ from the amounts of any provisions recognised in the Consolidated Financial Statements as a result of the estimates and assumptions used. While the majority of the tax payable balance relates to uncertain tax provisions, management does not consider there to exist a significant risk of material adjustment within the next financial year because the tax provisions cover a range of matters across multiple tax jurisdictions with a variety of timescales before such matters are expected to be concluded.

I. Goodwill

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

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

On disposal of a business the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 July 2004) has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill arising on acquisitions prior to 1 July 1998 was written off direct to reserves under UK GAAP. This goodwill has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

m. Intangible assets

Intangible assets acquired as part of a business combination are stated in the Consolidated Balance Sheet at their fair value as at the date of acquisition less accumulated amortisation and any provision for impairment. The directors review intangible assets for indications of impairment annually. There are no significant intangible assets other than computer software.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets. Directly attributable costs that are capitalised as part of the software include employee costs and appropriate overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Internally generated intangible assets are stated in the Consolidated Balance Sheet at the directly attributable cost of creation of the asset, less accumulated amortisation. Intangible assets are amortised on a straight-line basis over their estimated useful lives up to a maximum of 10 years. Software incorporated into major Enterprise Resource Planning (ERP) implementations that support the recruitment process and financial reporting process is amortised over a life of up to seven years. Other software is amortised between three and five years.

n. Property, plant and equipment

Property, plant and equipment is recorded at cost, net of depreciation and any provision for impairment. Depreciation is provided on a straight-line basis over the anticipated useful working lives of the assets, after they have been brought into use, at the following rates:

Freehold land – No depreciation is provided.

Freehold buildings – At rates varying between 2% and 10%.

Leasehold properties – The cost is written off over the unexpired term of the lease.

Plant and machinery – At rates varying between 5% and 33%.

Fixtures and fittings – At rates varying between 10% and 25%.

o. Trade and other receivables

Trade and other receivables are initially measured at the transaction price and then at amortised cost after appropriate allowances for estimated irrecoverable amounts have been recognised in the Consolidated Income Statement. An allowance for impairment is made based on historical credit loss experience adjusted for forward-looking factors specific to the debtors and economic environment, as evidence of a likely reduction in the recoverability of the cash flows.

p. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

q. Trade payables

Trade payables are measured initially at transaction price and then at amortised cost.

r. Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at fair value and subsequently measured at amortised cost.

Finance charges, including premiums payable on settlement or redemption and direct-issue costs, are accounted for on an accrual basis in the Consolidated Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

s. Derivative financial instruments

The Group may use certain derivative financial instruments to reduce its exposure to foreign exchange movements. The Group held three foreign exchange contracts at the end of the current year (2019: two) to facilitate cash management within the Group. The Group does not hold or use derivative financial instruments for speculative purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2. Significant accounting policies continued

The fair values of foreign exchange swaps are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. It is the Group's policy not to seek to designate these derivatives as hedges. All derivative financial instruments not in a hedge relationship are classified as derivatives at fair value in the Consolidated Income Statement.

Fair value measurements

The information below sets out how the Group determines fair value of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

t. Leases

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is

remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, motor vehicles and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

u. Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

v. Government grants

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised net against the related costs for the period in which they are intended to compensate.

3. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Financial Statements requires judgment, estimations and assumptions to be made that affect the reported value of assets, liabilities, revenues and expenses. Judgments, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In applying the Group's accounting policies, the directors have identified that the following areas are the critical accounting judgments and key sources of estimation uncertainty.

Critical accounting judgments

Profit before exceptional items

Management consider that this alternative performance measure provides useful information for shareholders on the Group's underlying performance and is consistent with how the business performance is measured internally by the chief operating decision maker. Profit before exceptional items and earnings per share before exceptionals are not recognised measures under EU adopted IFRS and may not be directly comparable with adjusted measures used by other companies.

The classification of items excluded from profit before exceptionals requires judgment, including considering the nature, circumstances, scale and impact of a transaction upon the Group's results. The details of items treated as exceptional items are disclosed in note 5 to the Consolidated Financial Statements.

Estimation uncertainty

Goodwill impairment

Goodwill is tested for impairment at least annually. In performing these tests assumptions are made in respect of future growth rates and the discount rate to be applied to the future cash flows of cash-generating units (CGUs). These assumptions are set out in note 13 to the Consolidated Financial Statements. There was an impairment of £20.3 million (2019: £nil) recognised in the current year as an exceptional item in respect of the US business acquired in December 2014. Management have determined that there has been no impairment required to any of the other CGUs and does not consider there to exist a significant risk of any material adjustments.

Pension accounting

Under IAS 19 'Employee Benefits', the Group has recognised a pension surplus of £55.2 million (2019: £19.7 million). A number of assumptions have been made in determining the pension position and these are described in note 23 to the Consolidated Financial Statements.

Provisions in respect of recoverability of trade receivables

As described in note 18, provisions for impairment of trade receivables have been made. In reviewing the appropriateness of these provisions, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current and future economic conditions.

4. Segmental Information

IFRS 8 Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess their performance.

As a result, the Group segments the business into four regions, Australia & New Zealand, Germany, United Kingdom & Ireland and Rest of World. There is no material difference between the segmentation of the Group's turnover by geographic origin and destination.

The Group's operations comprise one class of business, that of qualified, professional and skilled recruitment.

Turnover, net fees and operating profit

The Group's Management Board, which is regarded as the chief operating decision maker, uses net fees by segment as its measure of revenue in internal reports, rather than turnover. This is because net fees exclude the remuneration of temporary workers, and payments to other recruitment agencies where the Group acts as principal, which are not considered relevant in allocating resources to segments. The Group's Management Board considers net fees for the purpose of making decisions about allocating resources. The Group does not report items below operating profit by segment in its internal management reporting. The full detail of these items can be seen in the Group Consolidated Income Statement on page 132. The reconciliation of turnover to net fees can be found in note 6.

(In £s million)	2020	2019
Turnover		
Australia & New Zealand	1,545.6	1,461.5
Germany	1,513.5	1,704.8
United Kingdom & Ireland	1,641.3	1,761.3
Rest of World	1,229.1	1,142.9
	5,929.5	6,070.5

(In £s million)	2020	2019
Net fees		
Australia & New Zealand	170.5	198.5
Germany	259.8	299.8
United Kingdom & Ireland	225.6	263.8
Rest of World	340.3	367.6
	996.2	1,129.7

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4. Segmental Information continued

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Operating profit						
Australia & New Zealand	48.2	–	48.2	66.4	(0.3)	66.1
Germany	53.2	(12.6)	40.6	91.3	(2.1)	89.2
United Kingdom & Ireland	16.6	(2.2)	14.4	48.9	(9.0)	39.9
Rest of World	17.0	(25.1)	(8.1)	42.2	(3.7)	38.5
	135.0	(39.9)	95.1	248.8	(15.1)	233.7

Net trade receivables

For the purpose of monitoring performance and allocating resources from a balance sheet perspective, the Group's Management Board monitors trade receivables net of provisions for impairments only on a segment by segment basis. These are monitored on a constant currency basis for comparability through the year. These are shown below and reconciled to the totals as shown in note 18.

(In £s million)	As reported internally	Foreign exchange	2020	As reported internally	Foreign exchange	2019
Australia & New Zealand	80.7	0.5	81.2	108.8	(1.3)	107.5
Germany	172.3	2.0	174.3	197.4	2.5	199.9
United Kingdom & Ireland	118.1	0.1	118.2	183.5	0.2	183.7
Rest of World	146.1	1.4	147.5	154.7	3.5	158.2
	517.2	4.0	521.2	644.4	4.9	649.3

Major customers

In the current year and prior year there was no customer that exceeded 10% of the Group's turnover.

5. Exceptional items

During the year, the Group incurred an exceptional charge of £39.9 million (2019: £15.1 million). As described in note 13, the Group has recognised a non-cash exceptional charge of £20.3 million resulting from the partial impairment of the carrying value of goodwill in relation to the US business that was acquired in December 2014. The goodwill impairment charge is a material non-cash item that on the basis of its size and non-recurring nature is considered to be exceptional.

In January 2020, the Group undertook a restructure of its business operations in Germany in order to provide a greater focus and alignment to the mid-sized enterprises known as the Mittlestand, together with a dedicated large Corporate Accounts division at a cost of £12.6 million. In addition, following the subsequent Covid-19 pandemic, and the immediate reduction in demand for recruitment services, the business operations of several other countries across the Group were restructured, primarily to reduce operating costs. The restructuring exercise led to the redundancy of a number of employees, including senior management positions and incurred costs of £7.0 million. The restructuring charges in Germany and in response to Covid-19 are considered exceptional given the size of the charges incurred and that they resulted in significant restructuring changes to the business operations. The cash impact from the restructuring exceptional charge as at the balance sheet date was £8.1 million, with a further £11.5 million cash outflow expected during the financial year to 30 June 2021. In total the exceptional charge generated a tax credit of £7.4 million (2019: £3.2 million).

In the prior year, following a legal judgment ruling against Lloyds Banking Group in October 2018 on the equalisation of guaranteed minimum pensions (GMP) for men and women in UK defined pension plans, the Group recognised an exceptional (non-cash) charge of £8.3 million. In addition, management performed a comprehensive operational cost review exercise, principally across the European country operations. The exercise incurred restructuring costs of £6.8 million.

6. Operating profit

The following costs are deducted from turnover to determine net fees:

(In £s million)	2020	2019
Turnover	5,929.5	6,070.5
Remuneration of temporary workers	(4,626.7)	(4,661.4)
Remuneration of other recruitment agencies	(306.6)	(279.4)
Net fees	996.2	1,129.7

Operating profit is stated after charging the following items to net fees of £996.2 million (2019: £1,129.7 million):

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Staff costs (note 8)	647.8	17.6	665.4	677.5	14.8	692.3
Depreciation of property, plant and equipment	10.9	–	10.9	10.0	–	10.0
Depreciation of right-of-use assets	45.5	–	45.5	–	–	–
Amortisation of intangible assets	6.5	–	6.5	5.2	–	5.2
Impairment loss on goodwill	–	20.3	20.3	–	–	–
Operating lease rentals payable	–	–	–	49.8	–	49.8
Short-term and low-value leases	3.1	–	3.1	–	–	–
Impairment loss on trade receivables	10.6	–	10.6	3.9	–	3.9
Auditor's remuneration (note 7)						
– for statutory audit services	1.4	–	1.4	1.4	–	1.4
– for other services	0.1	–	0.1	0.1	–	0.1
Other external charges	135.3	2.0	137.3	133.0	0.3	133.3
	861.2	39.9	901.1	880.9	15.1	896.0

Operating profit is stated net of £7.7 million income received from governments globally in respect of job support schemes following the Covid-19 pandemic.

7. Auditor's remuneration

(In £s million)	2020	2019
Fees payable to the Company's Auditor's for the audit of the Company's annual Financial Statements	0.4	0.3
Fees payable to the Company's Auditor's and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	1.0	1.1
Total audit fees	1.4	1.4
Half year review	0.1	0.1
Total non-audit fees	0.1	0.1

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8. Staff costs

The aggregate staff remuneration (including executive directors) was as follows:

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Wages and salaries	552.5	16.0	568.5	575.5	5.7	581.2
Social security costs	70.5	1.6	72.1	73.7	0.8	74.5
Other pension costs	17.0	–	17.0	17.1	8.3	25.4
Share-based payments	7.8	–	7.8	11.2	–	11.2
	647.8	17.6	665.4	677.5	14.8	692.3

Average number of persons employed during the year (including executive directors):

(Number)	2020	2019
Australia & New Zealand	1,389	1,456
Germany	2,433	2,485
United Kingdom & Ireland	3,505	3,542
Rest of World	4,050	4,027
	11,377	11,510

Closing number of persons employed at the end of the year (including executive directors):

(Number)	2020	2019
Australia & New Zealand	1,199	1,418
Germany	2,246	2,512
United Kingdom & Ireland	3,333	3,545
Rest of World	3,660	4,034
	10,438	11,509

9. Net finance charge

(In £s million)	2020	2019
Interest received on bank deposits	0.6	0.7
Interest payable on bank loans and overdrafts	(1.7)	(2.4)
Other interest payable	(0.3)	(0.1)
Interest on lease liabilities	(5.3)	–
Pension Protection Fund levy	(0.2)	(0.2)
Net interest on pension obligations	(1.9)	(0.5)
Net finance charge	(8.8)	(2.5)

10. Tax

The tax (expense)/credit for the year is comprised of the following:

Current tax

(In £s million)	2020	2019
Current tax expense in respect of the current year	(33.7)	(69.7)
Adjustments recognised in the current year in relation to the current tax of prior years	1.7	1.1
	(32.0)	(68.6)

Deferred tax

(In £s million)	2020	2019
Deferred tax charge in respect of the current year	(6.5)	(0.8)
Adjustments to deferred tax in relation to prior years	(0.3)	(0.1)
	(6.8)	(0.9)
Total income tax expense recognised in the current year	(38.8)	(69.5)

Current tax expense for the year is comprised of the following:

(In £s million)	2020	2019
UK	(1.1)	(9.7)
Overseas	(32.6)	(60.0)
	(33.7)	(69.7)

The income tax expense for the year can be reconciled to the accounting profit as follows:

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Profit before tax	126.2	(39.9)	86.3	246.3	(15.1)	231.2
Income tax expense calculated at 19.0% (2019: 19.0%)	(24.0)	7.6	(16.4)	(46.8)	2.9	(43.9)
Net effect of items that are non-taxable/(non-deductible) in determining taxable profit	(0.1)	(0.3)	(0.4)	(4.0)	-	(4.0)
Effect of unused tax losses not recognised for deferred tax assets	(1.8)	(0.2)	(2.0)	(1.5)	-	(1.5)
Effect of tax losses not recognised for deferred tax utilised in the year	(0.2)	-	(0.2)	1.0	-	1.0
Effect of tax losses now recognised for deferred tax	1.5	-	1.5	0.6	-	0.6
Effect of other timing differences not recognised for deferred tax assets	(8.4)	(1.4)	(9.8)	(0.6)	-	(0.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13.7)	1.7	(12.0)	(21.9)	0.3	(21.6)
Effect of share-based payment charges and share options	(0.9)	-	(0.9)	(0.5)	-	(0.5)
	(47.6)	7.4	(40.2)	(73.7)	3.2	(70.5)
Adjustments recognised in the current year in relation to the current tax of prior years	1.7	-	1.7	1.1	-	1.1
Adjustments to deferred tax in relation to prior years	(0.3)	-	(0.3)	(0.1)	-	(0.1)
Income tax expense recognised in the Consolidated Income Statement	(46.2)	7.4	(38.8)	(72.7)	3.2	(69.5)
Effective tax rate for the year	36.6%	18.5%	45.0%	29.5%	21.2%	30.1%

The tax rate used for the 2020 reconciliations above is the corporate tax rate of 19.0% (2019: 19.0%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Tax continued

Income tax recognised directly in equity

(In £s million)	2020	2019
Current tax		
Excess tax deductions relating to share-based payments	0.2	0.7
Deferred tax		
Excess tax deductions relating to share-based payments	(0.1)	(0.1)
Total income tax recognised in equity	0.1	0.6

Income tax recognised in other comprehensive income

(In £s million)	2020	2019
Current tax		
Contributions in respect of defined benefit pension scheme	-	1.4
Charge in respect of foreign exchange	-	(0.7)
Deferred tax		
Actuarial (gain)/loss in respect of defined benefit pension scheme	(4.4)	10.9
Total income tax recognised in other comprehensive income	(4.4)	11.6

11. Dividends

The following dividends were paid by the Group and have been recognised as distributions to equity shareholders in the year:

	2020 pence per share	2020 £s million	2019 pence per share	2019 £s million
Previous year final dividend	2.86	41.9	2.75	40.0
Previous year special dividend	5.43	79.7	5.00	72.9
Current year interim dividend	-	-	1.11	16.2
	8.29	121.6	8.86	129.1

There were no dividends paid by the Group in respect of the year ended 30 June 2020. On 2 April 2020, due to the escalating impact of the Covid-19 pandemic and considering the uncertainties arising on the impact of the Group's earnings, the Company announced the decision to cancel the 1.11 pence per share interim dividend that was proposed on 20 February 2020 and which was due to be paid on 9 April 2020. Given macroeconomic uncertainty and the fact the Company traded at breakeven profitability in our fourth quarter, the Board is not proposing a final dividend for the current year.

	2020 pence per share	2020 £s million	2019 pence per share	2019 £s million
Interim dividend (paid)	-	-	1.11	16.2
Final dividend (proposed)	-	-	2.86	42.0
Special dividend (proposed)	-	-	5.43	79.7
	-	-	9.40	137.9

12. Earnings per share

For the year ended 30 June 2020	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
Before exceptional items:			
Basic earnings per share	80.0	1,514.4	5.28
Dilution effect of share options	-	15.7	(0.05)
Diluted earnings per share	80.0	1,530.1	5.23
After exceptional items:			
Basic earnings per share	47.5	1,514.4	3.14
Dilution effect of share options	-	15.7	(0.04)
Diluted earnings per share	47.5	1,530.1	3.10

For the year ended 30 June 2019	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
Before exceptional items:			
Basic earnings per share	173.6	1,456.2	11.92
Dilution effect of share options	-	18.3	(0.15)
Diluted earnings per share	173.6	1,474.5	11.77
After exceptional items:			
Basic earnings per share	161.7	1,456.2	11.10
Dilution effect of share options	-	18.3	(0.13)
Diluted earnings per share	161.7	1,474.5	10.97

The weighted average number of shares in issue for both years exclude shares held in treasury.

Reconciliation of earnings

(In £s million)	2020	2019
Earnings before exceptional items	80.0	173.6
Exceptional items (note 5)	(39.9)	(15.1)
Tax credit on exceptional items (note 10)	7.4	3.2
Total earnings	47.5	161.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. Goodwill

(In £s million)

	2020	2019
Cost		
At 1 July	227.2	223.2
Exchange adjustments	2.1	4.0
Impairment loss for the year	(20.3)	–
At 30 June	209.0	227.2

Goodwill arising on business combinations is reviewed and tested on an annual basis or more frequently if there is indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount. The recoverable amounts of the CGUs are determined from value-in-use calculations.

The key assumptions for the value-in-use calculations are as follows:

Assumption	How determined
Operating profit	The operating profit is based on the latest one-year forecasts for the CGUs approved by the Group's Management Board, and medium-term forecasts which are compiled using expectations of fee growth, consultant productivity and operating costs. The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management and extrapolates cash flows in perpetuity based on the long-term growth rates and expected cash conversion rates.
Discount rates	<p>The pre-tax rates used to discount the forecast cash flows range between 6.4% and 11.8% (2019: 7.1% and 12.9%) reflecting current market assessments of the time value of money and the country risks specific to the relevant CGUs.</p> <p>The discount rate applied to the cash flows of each of the Group's operations is based on the weighted average cost of capital (WACC), taking into account adjustments to the risk-free rate for 20-year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high-quality local corporate bond rates may be used.</p> <p>These rates are adjusted for a risk premium to reflect the increased risk of investing in equities and, where appropriate, the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.</p>
Growth rates	<p>The medium-term growth rates are based on current management forecasts. Following the immediate impact of the Covid-19 pandemic, the demand for recruitment services across the Group declined significantly. However, while the outlook remains uncertain, there are signs of stability and therefore the medium-term growth rates reflect an expectancy of net fee growth recovery over the next five years. The growth estimates reflect a combination of both past experience and the macroeconomic environment, including GDP expectations driving fee growth.</p> <p>The long-term growth rates are based on management forecasts, which are consistent with external sources of an average estimated growth rate of 2.0% (2019: 2.0%), reflecting a combination of GDP expectations and long-term wage inflation driving fee growth.</p> <p>GDP growth is a key driver of our business, and is therefore a key consideration in developing long-term forecasts. Wage inflation is also an important driver of net fees, as net fees are derived directly from the salary level of candidates placed into employment. Based on past experience a combination of these two factors is considered to be an appropriate basis for assessing long-term growth rates.</p>

Impairment reviews were performed at the year end by comparing the carrying value of goodwill with the recoverable amounts of the CGUs to which goodwill has been allocated. Before impairment testing, the carrying value in respect of the US business, which is part of the Rest of World segment was £43.4 million. The US business had been performing in line with expectations up until the Covid-19 pandemic but as disclosed in previous years, the business had limited headroom on the carrying value of goodwill. The Group continues to make material investment in the US business to accelerate growth in line with the Group's long-term strategy to build a strong presence in the US in order to maximise the long-term growth opportunities available in the market. As a result of this ongoing investment, against a difficult market backdrop, Management have revised the cash flow forecast for the US CGU resulting in a reduction of its recoverable amount through the recognition of an exceptional impairment loss against goodwill of £20.3 million. The recoverable amount is considered to be in line with its value-in-use which is considered higher than its fair value less cost of disposal. The key assumptions that were applied to the US CGU were as follows: A pre-tax WACC of 7.9%, an average medium-term growth rate of 6.4% and a long-term growth rate of 2.0%. The sensitivity of an adverse 0.5% change in absolute terms to each of these assumptions in isolation would result in a reduction in its value-in-use by £2.6 million, £0.1 million and £1.3 million respectively. The sensitivity of a favourable 0.5% change in absolute terms to each of these assumptions in isolation would result in an increase in its value-in-use by £2.8 million, £0.1 million and £1.5 million respectively.

Management have determined that there has been no impairment to any of the other CGUs and in respect of these a sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be reasonably possible by management. This included a change in the pre-tax discount rate of up to 5% and changes in the long-term growth rate of between 0% and 2% in absolute terms.

The sensitivity analysis shows that no impairment would arise in isolation under each scenario for any of the CGUs.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. The carrying amount of goodwill has been allocated as follows:

(In £s million)	2020	2019
Germany	52.5	51.9
United Kingdom & Ireland	93.1	93.1
Rest of World	63.4	82.2
	209.0	227.2

14. Other intangible assets

(In £s million)	2020	2019
Cost		
At 1 July	143.0	122.9
Exchange adjustments	1.1	1.0
Additions	16.4	19.5
Disposals	(0.4)	(0.4)
At 30 June	160.1	143.0
Amortisation		
At 1 July	104.6	99.1
Exchange adjustments	0.5	0.5
Charge for the year	6.5	5.2
Disposals	(0.4)	(0.2)
At 30 June	111.2	104.6
Net book value		
At 30 June	48.9	38.4
At 1 July	38.4	23.8

All other intangible assets relate mainly to computer software, and of the additions in the current year, £13.4 million relate to internally generated assets (2019: £11.6 million).

The estimated average useful life of the computer software related intangible assets is seven years (2019: seven years). Software incorporated into major Enterprise Resource Planning (ERP) implementations is amortised on a straight-line basis over a life of up to seven years. Other software is amortised on a straight-line basis between three and five years.

There were no capital commitments at the year end (2019: £nil).

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15. Property, plant and equipment

(In £s million)	Leasehold properties (short)	Plant and machinery	Fixtures and fittings	Total
Cost				
At 1 July 2019	25.3	48.0	32.5	105.8
Exchange adjustments	–	0.2	–	0.2
Capital expenditure	1.8	6.7	0.9	9.4
Reclassification	–	1.2	(1.2)	–
Disposals	(0.2)	(3.6)	(0.2)	(4.0)
At 30 June 2020	26.9	52.5	32.0	111.4
Accumulated depreciation				
At 1 July 2019	14.4	37.1	21.3	72.8
Exchange adjustments	–	0.2	–	0.2
Charge for the year	2.9	5.6	2.4	10.9
Reclassification	–	0.7	(0.7)	–
Disposals	(0.2)	(3.5)	(0.2)	(3.9)
At 30 June 2020	17.1	40.1	22.8	80.0
Net book value				
At 30 June 2020	9.8	12.4	9.2	31.4
At 1 July 2019	10.9	10.9	11.2	33.0

There were no capital commitments at the year end (2019: Enil).

(In £s million)	Leasehold properties (short)	Plant and machinery	Fixtures and fittings	Total
Cost				
At 1 July 2018	21.1	43.5	30.0	94.6
Exchange adjustments	0.2	0.3	0.4	0.9
Capital expenditure	5.2	4.9	3.4	13.5
Disposals	(1.2)	(0.7)	(1.3)	(3.2)
At 30 June 2019	25.3	48.0	32.5	105.8
Accumulated depreciation				
At 1 July 2018	13.0	32.6	19.7	65.3
Exchange adjustments	0.2	0.2	0.3	0.7
Charge for the year	2.4	5.0	2.6	10.0
Disposals	(1.2)	(0.7)	(1.3)	(3.2)
At 30 June 2019	14.4	37.1	21.3	72.8
Net book value				
At 30 June 2019	10.9	10.9	11.2	33.0
At 1 July 2018	8.1	10.9	10.3	29.3

16. Lease accounting under IFRS 16

(In £s million)	Right-of-use assets			Total lease assets	Lease liabilities
	Property	Motor vehicles	Other assets		
As at 1 July 2019	227.3	10.4	0.4	238.1	(245.8)
Foreign exchange	1.0	–	–	1.0	(1.0)
Lease additions	20.2	6.8	–	27.0	(27.0)
Lease disposals	(3.9)	(0.1)	–	(4.0)	4.0
Depreciation of right-of-use lease assets	(39.0)	(6.4)	(0.1)	(45.5)	–
Lease liability principal repayments	–	–	–	–	46.4
Interest on lease liabilities	–	–	–	–	(5.3)
As at 30 June 2020	205.6	10.7	0.3	216.6	(228.7)
Maturity analysis					
Year 1					(43.8)
Year 2					(35.9)
Year 3					(30.4)
Year 4					(27.0)
Year 5					(23.9)
Onwards					(67.7)
As at 30 June 2020					(228.7)
Current					
Current					(43.8)
Non-current					(184.9)
As at 30 June 2020					(228.7)

IFRS 16 Leases was adopted by the Group on 1 July 2019 and applied the modified retrospective approach whereby the right-of-use asset at the date of initial application was measured at an amount equal to the lease liability with no restatement to prior years. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. There were no adjustments recognised in retained earnings as at the transition date.

The Group's leasing activities primarily relate to leased offices and motor vehicles, and under IAS 17 they were previously accounted for as an operating lease. On adoption of IFRS 16 Leases, the Group has recognised a right-of-use asset of £238.1 million, relating primarily to property leases, which has been adjusted by £7.7 million for prepaid lease payments and incentives relating to the relevant leases that were recognised on the balance sheet at 30 June 2019. The opening balance on transition is the present value of the remaining future minimum lease payments, discounted using an incremental borrowing rate at 1 July 2019, including any early termination or extension options only if they were deemed reasonably certain to be adopted. The weighted average incremental borrowing rates applied to the lease liabilities on 1 July 2019 was 2.3%. The Group has applied the following practical expedients within the standard:

- IFRS 16 has been applied to contracts that were previously identified as leases when applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.
- Not to capitalise a right-of-use lease asset or lease liability where the lease expires before 30 June 2020.
- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on an assessment of whether a lease is onerous.
- The treatment of initial direct costs.
- The use of hindsight in determining the lease terms in the context of extension or termination options.

The new accounting policies of the Group upon adoption of IFRS 16, are set out in note 2 (t) to the Group Financial Statements.

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16. Lease accounting under IFRS 16 continued

Changes in amounts recognised in the Condensed Consolidated Income Statement

Set out below is the impact of IFRS 16 Leases on profit before tax:

(In £s million)	2020
Depreciation of right-of-use lease assets	(45.5)
Operating lease charges	47.4
Impact on operating profit	1.9
Interest on lease liabilities	(5.3)
Impact on profit before tax	(3.4)

The financial impact of IFRS 16 on the Group's profit before tax for the year was not material. Group profit before tax decreased by £3.4 million. Group operating profit increased by £1.9 million due to depreciation charges of £45.5 million under IFRS 16 being lower than under IAS 17 operating lease charges. This was offset by £5.3 million non-cash interest cost in relation to the lease liabilities. The impact on the Group's basic and diluted earnings per share calculations as at 30 June 2020 were both reduced by 0.12 pence respectively. IFRS 16 did not have any impact on the underlying commercial performance of the Group, nor the cash flows generated during the year.

Reconciliation between closing IAS 17 lease commitments and IFRS 16 opening lease liability

Set out below is the impact on the changes on adoption between IAS 17 lease commitments and IFRS 16 lease liability.

(In £s million)	Total
Operating lease commitments as disclosed at 30 June 2019	216.0
Discount	(23.2)
Discounted using lessee's IBR rate at date of initial application	192.8
Contracts reassessed as service agreements	(2.9)
Adjustments as a result of a different treatment of an extension and termination options	55.9
Lease liability recognised as at 1 July 2019	245.8

The adjustments as a result of a different treatment of an extension and termination options primarily relate to leases that were previously disclosed as a commitment based on an early termination option.

17. Deferred tax

Deferred tax assets and liabilities in relation to:

(In £s million)	1 July 2019	(Charge)/ credit to Consolidated Income Statement	(Charge)/ credit to other comprehensive income	(Charge)/ credit to equity	Exchange difference	30 June 2020
Accelerated tax depreciation	6.5	(12.6)	-	-	(0.2)	(6.3)
Acquired tangibles and intangibles	(3.7)	3.7	-	-	-	-
Retirement benefit obligation	(3.4)	(2.7)	(4.4)	-	-	(10.5)
Share-based payments	2.4	(1.1)	-	(0.1)	-	1.2
Provisions	4.0	4.9	-	-	0.1	9.0
Tax losses	1.1	2.0	-	-	-	3.1
Other short-term timing differences	8.7	(1.0)	-	-	-	7.7
	15.6	(6.8)	(4.4)	(0.1)	(0.1)	4.2

(In £s million)	1 July 2018	(Charge)/ credit to Consolidated Income Statement	(Charge)/ credit to other comprehensive income	(Charge)/ credit to equity	Exchange difference	30 June 2019
Accelerated tax depreciation	9.8	(3.2)	–	–	(0.1)	6.5
Acquired tangibles and intangibles	(3.0)	(0.6)	–	–	(0.1)	(3.7)
Retirement benefit obligation	(14.3)	–	10.9	–	–	(3.4)
Share-based payments	3.1	(0.6)	–	(0.1)	–	2.4
Provisions	3.3	0.7	–	–	–	4.0
Tax losses	–	1.1	–	–	–	1.1
Other short-term timing differences	7.0	1.7	–	–	–	8.7
	5.9	(0.9)	10.9	(0.1)	(0.2)	15.6

Deferred tax assets and liabilities are offset where the Group has a legal enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

(In £s million)	2020	2019
Deferred tax assets	11.1	24.0
Deferred tax liabilities	(6.9)	(8.4)
Net deferred tax	4.2	15.6

The deferred tax asset of £11.1 million (2019: £13.4 million) arise in the other jurisdictions (primarily Australia) in which the Group operates.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse – being the rates enacted or substantively enacted for those relevant periods. The rates used are 19% for the UK and 30% in Australia.

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

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

(In £s million)	Gross 2020	Tax 2020	Gross 2019	Tax 2019
Tax losses (revenue in nature)	139.4	31.4	138.6	33.9
Tax losses (capital in nature)	22.1	4.2	22.1	3.8
	161.5	35.6	160.7	37.7

(In £s million)	Gross 2020	Tax 2020	Gross 2019	Tax 2019
Unrecognised deductible temporary differences	77.3	15.9	15.6	3.7

In tax losses (revenue in nature) £0.8 million is due to expire in 2023, £5.2 million in 2033 and £9.8 million in 2037. The remaining tax losses have no fixed expiry date.

Unrecognised taxable temporary differences associated with investments and interests

Taxable temporary differences in relation to investments in subsidiaries, for which deferred tax liabilities have not been recognised are attributable to the following:

(In £s million)	2020	2019
Foreign subsidiaries	5.7	8.4
Tax thereon	0.3	0.5

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18. Trade and other receivables

(In £s million)	2020	2019
Trade receivables	542.9	664.9
Less provision for impairment	(21.7)	(15.6)
Net trade receivables	521.2	649.3
Accrued income	301.5	320.2
Prepayments and other debtors	56.1	55.8
	878.8	1,025.3

Due to their short-term nature, the directors consider that the carrying amount of trade receivables approximates to their fair value. The average credit period taken is 36 days (2019: 39 days).

Accrued income primarily arises where temporary workers have provided their services but the amount incurred and margin earned thereon has yet to be invoiced on to the client due to timing.

The ageing analysis of the trade receivables not impaired is as follows:

(In £s million)	2020	2019
Not yet due	449.8	548.8
Up to one month past due	56.0	83.6
One to three months past due	15.4	16.9
	521.2	649.3

The Group's exposure to foreign currency translation is primarily in respect of the Euro and the Australian Dollar. The sensitivity of a 1 cent change in the year-end closing exchange rates in respect of the Euro and Australian Dollar would result in a £2.4 million and £0.5 million movement in trade receivables respectively.

The movement on the provision for impairment of trade receivables is as follows:

(In £s million)	2020	2019
At 1 July	15.6	13.8
Exchange movement	0.2	0.1
Charge for the year	10.6	3.9
Uncollectable amounts written off	(4.7)	(2.2)
At 30 June	21.7	15.6

The ageing of impaired trade receivables relates primarily to trade receivables over three months past due.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and the risk of customer default. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables. An impairment analysis is performed centrally using a provision matrix to measure the expected credit losses. An allowance for impairment is made based on historical credit loss experience adjusted for forward-looking factors specific to the debtors and economic environment, as evidence of a likely reduction in the recoverability of the cash flows. Due to the global financial uncertainty arising from the Covid-19 pandemic, Management have increased the expected loss rates for trade receivables based on judgment as to the impact of the pandemic. In addition, certain customers within the sectors in which we operate have been identified as having a significantly elevated risk and have been provided for on a specific basis. This has resulted in an increased charge for the impairment provision recognised in the income statement during the year and the overall provision held. The Group reduces risk through its credit control process and by contractual arrangements with other recruitment agencies in situations where the Group invoices on their behalf. The Group's exposure is spread over a large number of customers.

The risk disclosures contained on page 49 to 56 within the Strategic Report form part of these Financial Statements.

19. Cash and cash equivalents

(In £s million)

	2020	2019
Cash at bank and in hand	484.5	129.7

The year end cash balance of £484.5 million benefited from £118.3 million of deferred payments in respect of payroll and other taxes, as agreed with several country governments in response to the Covid-19 pandemic. These will be fully repaid during the year to 30 June 2021, therefore resulting in an underlying Group cash balance of £366.2 million.

The effective interest rate on short-term deposits was 0.2% (2019: 1.3%). The average maturity of short-term deposits was one day (2019: one day).

Capital management

The Board's long-term priorities for free cash flow are to fund investment and development, maintain a strong balance sheet and paying a sustainable core dividend at a level that is affordable and appropriate. Given the high level of market uncertainty and volatility resulting from the Covid-19 pandemic, and the fact the Group traded at breakeven profitability in the fourth quarter, the Board is not proposing a final dividend for the current year. The Board remain acutely aware of the importance of dividends to shareholders and aim to restore dividend payments as soon as is appropriate and remains committed to paying a sustainable and progressive core dividend. Further details including the Group's policy on uses of excess free cash flow and payment of dividends can be found in the Finance Director's Review on page 41.

The capital structure of the Group consists of net cash/(debt), which is represented by cash and cash equivalents, bank loans and overdrafts (note 21) and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings. The Group is not restricted to any externally imposed capital requirements.

Risk management

A description of the Group's treasury policy and controls is included in the Finance Director's Review on page 41.

Cash management and foreign exchange risk

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash concentration arrangement which provides visibility over participating country bank balances on a daily basis. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or invested in overnight money market funds. As the Group holds a Sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management to reduce the Group's exposure to foreign exchange risk.

The Group's operating profit exposure to foreign currency translation is primarily in respect of the Euro and the Australian Dollar. The sensitivity of a 1 cent change in the average exchange rates for the year in respect of the Euro and Australian Dollar would result in a £0.7 million and £0.3 million change in operating profit respectively.

The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

Interest rate risk

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to fluctuating interest rates by selectively hedging interest rate risk using derivative financial instruments, however there were no interest rate swaps held by the Group during the current or prior year. Cash and cash equivalents carry interest at floating rates based on local money market rates.

Counterparty credit risk

Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks and money market funds that have an acceptable credit profile and limits its exposure to each institution accordingly.

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20. Derivative financial instruments

(In £s million)	2020	2019
Net derivative asset/(liability)	0.1	(0.1)

As set out in note 19 and in the treasury management section of the Finance Director's Review on page 41, in certain cases the Group uses derivative financial instruments to manage its foreign exchange exposures as part of its day-to-day cash management.

As at 30 June 2020, the Group had entered into three forward exchange contract arrangements with a counterparty bank (2019: two forward contracts). The fair market value of the contracts as at 30 June 2020 gave rise to a profit resulting in the presentation of a net derivative asset of £0.1 million (2019: liability £0.1 million) in the Consolidated Balance Sheet.

Some of the derivative assets and liabilities meet the offsetting criteria of IAS 32 paragraph 42. Consequently, the qualifying gross derivative assets are set off against the qualifying gross derivative liabilities.

The Group does not use derivatives for speculative purposes and all transactions are undertaken to manage the risks arising from underlying business activities. These instruments are classified as Level 2 in the IFRS 7 fair value hierarchy.

Categories of financial assets and liabilities held by the Group are as shown below:

(In £s million)	2020	2019
Financial assets		
Trade receivables less provision for impairment	521.2	649.3
Accrued income	301.5	320.2
Cash and cash equivalents	484.5	129.7
Derivative financial instruments	0.1	-
	1,307.3	1,099.2
Financial liabilities		
Trade creditors	179.9	239.2
Other creditors	45.3	58.0
Accruals	424.9	394.8
Derivative financial instruments	-	0.1
	650.1	692.1

21. Bank loans and overdrafts

Risk management

A description of the Group's treasury policy and controls is included in the Finance Director's Review on page 41.

Committed facilities

The Group has in place a £210 million unsecured revolving credit facility to November 2024. The facility includes an option to extend for a further year to 2025 subject to lender agreement. The financial covenants within the facility remain unchanged and require the Group's interest cover ratio to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. There have been no breaches to the covenants. Under the terms of the agreement, the Group has the option to calculate the financial covenants on a basis that either include or exclude the impact of IFRS 16. The interest rate of the facility is based on a ratchet mechanism with a margin payable over LIBOR in the range of 0.70% to 1.50%.

At 30 June 2020, £210 million of the committed facility was undrawn (2019: £210 million undrawn).

Uncommitted facilities

Following the escalation of the Covid-19 pandemic in April 2020, the Group applied for and was admitted into the Bank of England's uncommitted Covid Corporate Financing Facility (CCFF). While this provides access to an additional short-term form of financing of up to £600 million, based on current forecasts the Group is unlikely to utilise this facility, although it has until March 2021 in which to do so if required.

Interest rates

The weighted average interest rates paid were as follows:

	2020	2019
Bank borrowings	1.8%	2.0%

For each 25 basis point fall or rise in the average LIBOR rate in the year there would be a reduction or increase in profit before tax by approximately £0.1 million.

22. Trade and other payables

(In £s million)	2020	2019
Current		
Trade creditors	179.9	239.2
Other tax and social security	150.2	69.7
Other creditors	45.3	58.0
Accruals	424.9	394.8
	800.3	761.7

The directors consider that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 30 days (2019: 31 days).

Other tax and social security include £118.3 million in relation to deferred payments agreed with the relevant country tax authorities following the outbreak of the Covid-19 pandemic. These will be fully paid in the year to June 2021.

Accruals primarily relate to the remuneration costs for temporary workers and other agencies that have provided their services but remuneration has yet to be made due to timing.

23. Retirement benefit surplus/obligations

The Group operates a number of retirement benefit schemes in the UK and in other countries. The Group's principal schemes are within the UK where the Group operates one defined contribution scheme and two defined benefit schemes. The majority of overseas arrangements are either defined contribution or government-sponsored schemes and these arrangements are not material in the context of the Group results. The total cost charged to the Consolidated Income Statement in relation to these overseas arrangements was £11.8 million (2019: £12.1 million).

UK Defined Contribution Scheme

The Group's principal defined contribution retirement benefit scheme is the Hays Group Personal Pension Plan which is operated for all qualifying employees and is funded via an employee salary sacrifice arrangement, and for qualifying employees additional employer contributions. Employer contributions are in the range of 3% to 12% of pensionable salary depending on the level of employee contribution and seniority.

The total cost charged to the Consolidated Income Statement of £5.2 million (2019: £5.0 million) represents employer's contributions payable to the money purchase arrangements. There were no contributions outstanding at the end of the current year or prior year. The assets of the money purchase arrangements are held separately from those of the Group.

UK Defined Benefit Schemes

The Group's principal defined benefit schemes are the Hays Pension Scheme and the Hays Supplementary Scheme both in the UK. The Hays Pension Scheme is a funded final salary defined benefit scheme providing pensions and death benefits to members. The Hays Supplementary Scheme is an unfunded unapproved retirement benefit scheme for employees who were subject to HMRC's earnings cap on pensionable salary. The Schemes were closed to future accrual from 30 June 2012 with pensions calculated up until the point of closure. The Schemes are governed by a Trustee board, which is independent of the Group and are subject to full actuarial valuation on a triennial basis.

The last formal actuarial valuation of the Hays Pension Scheme was performed at 30 June 2018 and quantified the deficit at c.£44 million. A revised deficit funding schedule was agreed with effect from 1 July 2018 which maintained the annual contribution at its previous level, subject to a 3% per annum fixed uplift over a period of just under six years. During the year ended 30 June 2020, the Group made a contribution of £15.7 million to the Hays Pension Scheme (2019: £15.3 million) in accordance with the agreed deficit funding schedule. The cash contributions made during the year mainly related to deficit funding payments.

In respect of IFRIC 14, The Hays Pension Scheme Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted and agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

Following the landmark legal judgment against Lloyds Banking Group in October 2018, ruling on the equalisation of guaranteed minimum pensions (GMP) for men and women in UK defined benefit pension plans, we continue to review our own position with the Hays Pension Scheme Trustees. The initial estimate indicated that the Schemes' liabilities will increase by circa. 1.17% (£8.3 million) and accordingly this was recorded as an exceptional charge in the prior year results as described in note 5.

The defined benefit schemes expose the Group to actuarial risks, such as longevity risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity-specific or scheme-specific risks.

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23. Retirement benefit surplus/obligations continued

The net amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

(In £s million)	2020	2019
Present value of defined benefit obligations	(893.2)	(807.4)
Less fair value of defined benefit scheme assets:		
Equities	2.1	89.3
Bonds and gilts	152.8	124.3
Absolute return funds	20.8	37.3
LDI funds	424.7	241.6
Real estate	56.2	53.1
Buy-in policy and other insurance policies	275.9	263.5
Cash	15.9	18.0
Total fair value of defined benefit scheme assets	948.4	827.1
Net asset arising from defined benefit obligation	55.2	19.7

(In £s million)	Quoted	Unquoted	Total
Asset category			
Equities	–	2.1	2.1
Bonds and gilts	–	152.8	152.8
Absolute return funds	20.8	–	20.8
LDI funds	689.5	(264.8)	424.7
Real estate	–	56.2	56.2
Buy-in policy and other insurance policies	–	275.9	275.9
Cash	15.9	–	15.9
Total scheme assets	726.2	222.2	948.4

The Trustee board is responsible for determining the Hays pension schemes investment strategy, after taking advice from the Schemes' investment advisor Mercer Limited. The investment objective for the Trustee of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the defined benefit scheme as they fall due. The current strategy is to hold investments that share characteristics with the long-term liabilities of the Scheme. The majority of assets are invested in a Liability Driven Investments (LDI) portfolio and corporate bonds and gilts. The Scheme also holds a bulk purchasing annuity policy (buy-in) contract with Canada Life Limited in respect of ensuring all future payments to existing pensioners of the Hays defined Scheme as at 31 December 2017. The Scheme assets do not include any directly held shares issued by the Company or property occupied by the Company.

The fair value of financial instruments has been determined using the fair value hierarchy. Where such quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted if necessary, is used. Where quoted prices are not available and recent transactions of an identical asset on their own are either unavailable or not a good estimate of fair value, valuation techniques are employed using observable market data and non-observable data.

In relation to the LDI funds the valuations have been determined as follows:

- Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included in the Financial Statements at the fair value of the repurchase price as a liability. The assets sold are reported at their fair value reflecting that the Scheme retains the risks and rewards of ownership of those assets.
- The fair value of the forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.
- Swaps represent current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

The analysis of the LDI funds included within the pension scheme assets is as follows:

(In £s million)	Quoted	Unquoted	Total
LDI funds summary valuation			
Government bonds	213.8	–	213.8
Government index-linked	473.0	–	473.0
Interest rate swaps	–	67.3	67.3
Liquidity	2.7	–	2.7
Gross funds	689.5	67.3	756.8
Repurchase agreements	–	(275.5)	(275.5)
Asset swaps	–	(32.1)	(32.1)
RPI swaps	–	(24.5)	(24.5)
Gross liabilities	–	(332.1)	(332.1)
Total LDI funds	689.5	(264.8)	424.7

The LDI portfolio is managed by Insight (a Bank of New York Mellon company) under an active mandate and uses government bonds and derivative instruments (such as interest rate swaps, inflation swaps and gilt repurchase transactions) to hedge the impact of interest rate and inflation movements in relation to the long-term liabilities.

Under the Schemes' LDI strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from the fall in discount rate. Similarly if interest rates rise, the LDI investments will fall in value, as will the liabilities because of the increase in the discount rate. The extent to which the liability interest rate and inflation risk is not fully matched by the LDI funds represents the residual interest rate and inflation risk the Scheme remains exposed to.

In addition to the above risk, the LDI portfolio forms part of a diversified investment portfolio for the Scheme, with this diversification seeking to reduce investment risk.

The Scheme is subject to direct credit risk because the Scheme invests in segregated mandates with the Insight LDI portfolio. Credit risk arising on bonds held directly within the LDI portfolio is mitigated by investing mostly in government bonds where the credit risk is minimal.

Credit risk arising on the derivatives held in the LDI mandate depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps held in the LDI portfolio is reduced by collateral arrangements.

The change in the present value of defined benefit obligations was:

(In £s million)	2020	2019
Change in benefit obligation		
Opening defined benefit obligation at 1 July	(807.4)	(716.9)
Administration costs	(2.5)	(2.7)
Past service cost – GMP Equalisation cost	–	(8.3)
Interest on defined benefit scheme liabilities	(17.8)	(18.9)
Net remeasurement losses – change in experience assumptions	(8.1)	(13.5)
Net remeasurement gains – change in demographic assumptions	–	4.6
Net remeasurement losses – change in financial assumptions	(90.1)	(82.0)
Value of Aviva insurance policies	–	(8.5)
Benefits and expenses paid	32.7	38.8
Closing defined benefit obligation at 30 June	(893.2)	(807.4)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	(879.9)	(795.4)
Plans that are wholly unfunded	(13.3)	(12.0)
Total	(893.2)	(807.4)

The defined benefit Schemes' liability comprises 63% (2019: 65%) in respect of deferred Scheme participants and 37% (2019: 35%) in respect of retirees.

The weighted average duration of the UK defined benefit Scheme liabilities at the end of the reporting year is circa 21 years (2019: 21 years).

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23. Retirement benefit surplus/obligations continued

The change in the fair value of defined benefit Schemes assets was:

(In £s million)	2020	2019
Change in the fair value of scheme assets		
Fair value of plan assets at 1 July	827.1	792.8
Interest income on defined benefit scheme assets	18.4	21.1
Return on scheme assets	119.5	27.8
Employer contributions (towards funded and unfunded schemes)	16.1	15.7
Value of Aviva insurance policies	-	8.5
Benefits and expenses paid	(32.7)	(38.8)
Fair value of plan assets at 30 June	948.4	827.1

During the year the Company made deficit funding contributions of £15.7 million (2019: £15.3 million) into the funded Hays Pension Scheme, and made pension payments amounting to £0.4 million (2019: £0.4 million) in respect of the unfunded Hays Supplementary Scheme. The amount of deficit funding contributions expected to be paid into the funded Hays Pension Scheme in the year to 30 June 2021 is £16.2 million. Following the closure of the Schemes in 2012 future service contributions are no longer payable.

The net expense recognised in the Consolidated Income Statement comprised:

(In £s million)	2020	2019
Net interest credit	0.6	2.2
Administration costs	(2.5)	(2.7)
Past service cost – GMP Equalisation cost	-	(8.3)
Net expense recognised in the Consolidated Income Statement	(1.9)	(8.8)

The net interest credit and administration costs in the current year and prior year were recognised within finance costs. The Past service cost – GMP Equalisation adjustment was included as an exceptional item within the Income Statement in the prior year.

The amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

(In £s million)	2020	2019
The return on plan assets (excluding amounts included in net interest expense)	119.5	27.8
Actuarial remeasurement		
Net remeasurement losses – change in experience assumptions	(8.1)	(13.5)
Net remeasurement gains – change in demographic assumptions	-	4.6
Net remeasurement losses – change in financial assumptions	(90.1)	(82.0)
Remeasurement of the net defined benefit surplus/(liability)	21.3	(63.1)

A roll forward of the actuarial valuation of the Hays Pension Scheme to 30 June 2020 and the valuation of the Hays Supplementary Pension Scheme has been performed by an independent actuary, who is an employee of Deloitte LLP.

The key assumptions used at 30 June are listed below.

	2020	2019
Discount rate	1.60%	2.25%
RPI inflation	2.85%	3.20%
CPI inflation	2.15%	2.20%
Rate of increase of pensions in payment	2.80%	3.10%
Rate of increase of pensions in deferment	2.15%	2.20%

The discount rate has been constructed to reference the Deloitte AA corporate bond curve (which fits a curve to iBoxx Sterling AA corporate data). The corporate bond yield curve has been used to discount the Scheme cash flows using the rates available at each future duration and this had been converted into a single flat rate assumption to give equivalent liabilities to the Scheme's cash flows. The duration of the Scheme's liabilities using this approach is circa 21 years.

The RPI inflation assumption has been set as gilt market implied RPI appropriate to the duration of the liabilities (circa 21 years) less a 0.2% per annum inflation risk premium. The CPI inflation assumption has been determined as 0.7% per annum below the RPI assumption (2019: 1.0%). The reduction in year of 30 basis points considers the UK Statistics Authority announcement of the planned changes to the calculation on RPI to bring it in line with CPIH from 2030 at the latest. The financial impact of the change in CPI assumption on the Schemes' liabilities was estimated to be £15 million.

The life expectancy assumptions have been updated and calculated using bespoke 2018 Club Vita base tables along with CMI 2017 projections (smoothing factor of 8 and assuming improvements have peaked) and a long-term improvement rate of 1.5% per annum. On this basis a 65-year-old current pensioner has a life expectancy of 23.0 years for males (2019: 23.0 years) and 24.4 years for females (2019: 24.4 years). Also on the same basis, the life expectancy from age 65 years of a current 45-year-old deferred member is 25.0 years for males (2019: 25.0 years) and 27.3 years for females (2019: 27.3 years).

A sensitivity analysis on the principal assumptions used to measure the Schemes' liabilities at the year end is:

	Change in assumption	Impact on Schemes
Discount rate	+/- 0.5%	-£87m/+£100m
Inflation and pension increases (allowing for caps and collars)	+/- 0.5%	+£61m/-£56m
Assumed life expectancy at age 65	+1/-1 year	+£35m/-£34m

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation to one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Consolidated Balance Sheet.

24. Provisions

(In £s million)	Restructuring	Other	Total
At 1 July 2019	-	8.2	8.2
Amounts provided during the year	19.6	6.9	26.5
Utilised	(8.1)	-	(8.1)
At 30 June 2020	11.5	15.1	26.6
Current			16.8
Non-current			9.8
At 30 June 2020			26.6

Restructuring provisions are as disclosed in note 5. Other provisions relate to exposures arising from business operations overseas including a redundancy provision of £4.1 million in relation to circa 420 Temp employees in Germany.

25. Called up share capital

Called up, allotted and fully paid Ordinary shares of 1 pence each

	Share capital number (thousand)	Share capital £s million
At 1 July 2019	1,464,097	14.7
Issued in the year	218,020	2.1
At 30 June 2020	1,682,117	16.8

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company is allowed to hold 10% of issued share capital in treasury.

During the year, new Ordinary shares were issued in the capital of the Company. On 9 September 2019, 7.5 million Ordinary shares were issued through a block listing in order to satisfy employee share awards that had vested. On 2 April 2020, 210.5 million shares were issued through a non-pre-emptive placing and subscription of Ordinary shares at a placing price of 95 pence per share.

As at 30 June 2020, the Company held 4.4 million (2019: 5.4 million) Hays plc shares in treasury. The shares held in treasury are used to satisfy the exercises in relation to equity-settled share-based payment awards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

26. Merger reserve

	£s million
At 1 July 2019	–
Movement in the year	193.8
At 30 June 2020	193.8

In accordance with section 612 of the Companies Act 2006, the Merger reserve was generated as a result of the cash box structure used in the non-pre-emptive equity placing and subscription of Ordinary shares arising from the issue of 210.5 million shares on 2 April 2020 at a placing price of 95 pence per share. The placing gave rise to net proceeds received of £195.9 million after broker and legal costs of £4.1 million.

27. Share-based payments

During the year, £7.8 million (2019: £11.2 million) was charged to the Consolidated Income Statement in relation to equity-settled share-based payments.

Share options

At 30 June 2020 the following options had been granted and remained outstanding in respect of the Company's Ordinary shares of 1 pence each under the Company's share option schemes:

	Number of shares	Nominal value of shares £	Subscription price pence/share	Date normally exercisable
Hays UK Sharesave Scheme				
	463,283	4,633	143	2020
	358,591	3,586	171	2021
	1,019,147	10,191	135	2022
	1,841,021	18,410		
Hays International Sharesave Scheme				
	256,671	2,567	143	2020
	439,435	4,394	171	2021
	560,933	5,609	135	2022
	1,257,039	12,570		
Total Sharesave options outstanding	3,098,060	30,980		

The Hays International Sharesave Scheme is available to employees in Australia, New Zealand, Germany, the Republic of Ireland, Canada, Hong Kong, Singapore and the United Arab Emirates.

Details of the share options outstanding during the year were as follows:

	2020 Number of share options (thousand)	2020 Weighted average exercise price (pence)	2019 Number of share options (thousand)	2019 Weighted average exercise price (pence)
Sharesave				
Outstanding at the beginning of the year	5,582	143	5,641	136
Granted during the year	–	–	2,418	135
Forfeited during the year	(1,824)	149	(703)	142
Exercised during the year	(538)	107	(1,728)	111
Expired during the year	(122)	110	(46)	143
Outstanding at the end of the year	3,098	146	5,582	143
Exercisable at the end of the year	720	143	692	107

The weighted average share price for all options exercised during the year was 157p (2019: 155p).

The options outstanding as at 30 June 2020 had a weighted average remaining contractual life of 1.3 years.

Performance Share Plan (PSP) and Deferred Annual Bonus (DAB)

The PSP is designed to link reward to the key long-term value drivers of the business and to align the interests of the executive directors and approximately 360 of the global senior management population with the long-term interests of shareholders. PSP awards are discretionary and vesting is dependent upon the achievement of performance conditions measured over either a three-year period with a two-year holding period or a one-year period with a two-year holding period. The fair value of both the PSP and DAB awards are calculated using the share price as at the date the shares are granted.

Only the executive directors and other members of the Management Board participate in the DAB which promotes a stronger link between short-term and long-term performance through the deferral of annual bonuses into shares for a three-year period.

Further details of the schemes for the executive directors can be found in the Remuneration Report on pages 106 to 108.

Details of the share awards outstanding during the year are as follows:

	2020 Number of share options (thousand)	2020 Weighted average fair value at grant (pence)	2019 Number of share options (thousand)	2019 Weighted average fair value at grant (pence)
Performance Share Plan				
Outstanding at the beginning of the year	19,129	166	19,664	152
Granted during the year	7,773	146	5,612	201
Exercised during the year	(6,614)	132	(4,526)	154
Lapsed during the year	(2,373)	169	(1,621)	150
Outstanding at the end of the year	17,915	170	19,129	166

The weighted average share price on the date of exercise was 148p (2019: 203p).

The options outstanding as at 30 June 2020 had a weighted average remaining contractual life of 1.9 years.

	2020 Number of share options (thousand)	2020 Weighted average fair value at grant (pence)	2019 Number of share options (thousand)	2019 Weighted average fair value at grant (pence)
Deferred Annual Bonus				
Outstanding at the beginning of the year	2,195	181	1,940	162
Granted during the year	753	147	949	206
Exercised during the year	(595)	138	(694)	162
Outstanding at the end of the year	2,353	181	2,195	181

The weighted average share price on the date of exercise was 151p (2019: 205p).

The options outstanding as at 30 June 2020 had a weighted average remaining contractual life of 1.3 years.

28. Related parties

Remuneration of key management personnel

The remuneration of the Management Board and non-executive directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures' and represents the total compensation costs incurred by the Group in respect of remuneration, not the benefit to the individuals. Further information about the remuneration of executive and non-executive directors is provided in the Directors' Remuneration Report on pages 98 to 105.

(In £s million)	2020	2019
Short-term employee benefits	6.5	9.4
Share-based payments	3.5	4.2
	10.0	13.6

Information relating to pension fund arrangements is disclosed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

29. Disaggregation of net fees

IFRS 15 requires entities to disaggregate revenue recognised from contracts with customers into relevant categories that depict how the nature, amount and cash flows are affected by economic factors. As a result, we consider the following information to be relevant:

	Australia & New Zealand	Germany	United Kingdom & Ireland	Rest of World	Group
Temporary placements	71%	83%	61%	34%	59%
Permanent placements	29%	17%	39%	66%	41%
Private sector	65%	88%	69%	99%	83%
Public sector	35%	12%	31%	1%	17%
Accountancy & Finance	10%	15%	21%	13%	15%
IT & Engineering	13%	68%	12%	31%	33%
Construction & Property	21%	5%	18%	10%	12%
Office Support	11%	0%	11%	5%	6%
Other	45%	12%	38%	41%	34%
Total	100%	100%	100%	100%	100%

30. Subsequent events

There were no subsequent events to report.

HAYS PLC COMPANY BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	Company 2020	Company 2019
Non-current assets			
Intangible assets		0.5	0.5
Property, plant and equipment		0.9	0.9
Investment in subsidiaries	4	743.9	743.9
Trade and other receivables	5	38.0	67.4
Deferred tax assets	6	2.3	1.0
Retirement benefit surplus	9	55.2	19.7
		840.8	833.4
Current assets			
Trade and other receivables	7	6.2	33.0
Cash and bank balances		274.2	22.2
		280.4	55.2
Total assets		1,121.2	888.6
Current liabilities			
Trade and other payables	8	(112.7)	(67.6)
Net current assets		167.7	(12.4)
Total assets less current liabilities		1,008.5	821.0
Non-current liabilities			
Deferred tax liabilities	6	(10.5)	(3.4)
Provisions	10	(9.4)	(6.6)
		(19.9)	(10.0)
Total liabilities		(132.6)	(77.6)
Net assets		988.6	811.0
Equity			
Called up share capital	11	16.8	14.7
Share premium		369.6	369.6
Merger reserve	12	193.8	-
Capital redemption reserve		2.7	2.7
Retained earnings		388.3	402.6
Equity reserve		17.4	21.4
Total equity		988.6	811.0

The Financial Statements of Hays plc, registered number 2150950, set out on pages 165 to 172 were approved by the Board of Directors and authorised for issue on 26 August 2020.

Signed on behalf of the Board of Directors.

A R Cox

P Venables

HAYS PLC COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

(In £s million)	Called up share capital	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Equity reserve	Total equity
At 1 July 2019	14.7	369.6	–	2.7	402.6	21.4	811.0
Remeasurement of defined benefit pension schemes	–	–	–	–	21.3	–	21.3
Tax relating to components of other comprehensive income	–	–	–	–	(4.6)	–	(4.6)
Net income recognised in other comprehensive income	–	–	–	–	16.7	–	16.7
Profit for the year	–	–	–	–	79.0	–	79.0
Total comprehensive income for the year	–	–	–	–	95.7	–	95.7
New shares issued	2.1	–	193.8	–	–	–	195.9
Dividends paid	–	–	–	–	(121.6)	–	(121.6)
Share-based payments	–	–	–	–	11.4	(4.0)	7.4
Tax on share-based payment transactions	–	–	–	–	0.2	–	0.2
At 30 June 2020	16.8	369.6	193.8	2.7	388.3	17.4	988.6

FOR THE YEAR ENDED 30 JUNE 2019

(In £s million)	Called up share capital	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Equity reserve	Total equity
At 1 July 2018	14.7	369.6	–	2.7	512.8	21.7	921.5
Share premium for new shares issued	–	–	–	–	–	–	–
Remeasurement of defined benefit pension schemes	–	–	–	–	(63.1)	–	(63.1)
Tax relating to components of other comprehensive income	–	–	–	–	11.8	–	11.8
Net expense recognised in other comprehensive income	–	–	–	–	(51.3)	–	(51.3)
Profit for the year	–	–	–	–	57.6	–	57.6
Total comprehensive income for the year	–	–	–	–	6.3	–	6.3
Dividends paid	–	–	–	–	(129.1)	–	(129.1)
Share-based payments	–	–	–	–	12.0	(0.3)	11.7
Tax on share-based payment transactions	–	–	–	–	0.6	–	0.6
At 30 June 2019	14.7	369.6	–	2.7	402.6	21.4	811.0

NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The Financial Statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by Section 408 of the Companies Act 2006, the Company's Income Statement has not been presented. The Company, as permitted by FRS 101, has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, certain disclosures regarding the Company's capital, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, certain related party transactions and the effect of future accounting standards not yet adopted. Where required, equivalent disclosures are provided in the Group Financial Statements of Hays plc.

New and amended accounting standards effective during the year

There have been no new or amended accounting standards or interpretations adopted during the year that have had a significant impact on the Company Financial Statements.

The significant accounting policies and significant judgments and key estimates relevant to the Company are the same as those set out in note 2 and note 3 to the Group Financial Statements with the addition of the following accounting policies.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment. The subsidiary undertakings which the Company held at 30 June 2020 are described in the Investment in Subsidiaries note 4.

Financial guarantee arrangements

Where the Company enters into financial guarantee arrangements to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Intercompany and other receivables

Intercompany and other receivables are initially measured at fair value. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses. The Group measures impairment losses using the expected credit loss model in accordance with IFRS 9.

2. Employee information

There are no staff employed by the Company (2019: none). Therefore no remuneration has been disclosed. Details of directors' emoluments and interests are included in the Remuneration Report on pages 98 to 105 of the Annual Report.

3. Profit for the year

Hays plc has not presented its own Income Statement and related notes as permitted by Section 408 of the Companies Act 2006. The profit for the financial year in the Hays plc Company Financial Statements is £79.0 million (2019: profit £57.6 million).

4. Investment in subsidiaries

(In £s million)	2020	2019
Cost		
At 1 July	743.9	743.9
Provision for impairment		
Charge during the year	-	-
Total		
At 30 June	743.9	743.9

Investments in subsidiaries are stated at cost less any impairment in recoverable value.

The principal subsidiary undertakings of the Group are listed in note 13.

NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS

CONTINUED

5. Trade and other receivables: amounts falling due after more than one year

(In £s million)	2020	2019
Prepayments	1.1	1.2
Amounts owed by subsidiary undertakings	36.9	66.2
	38.0	67.4

The Company charges interest on amounts owed by subsidiary undertakings at a rate of three-month LIBOR plus 1%. The amounts owed by subsidiary undertakings are unsecured.

6. Deferred tax

(In £s million)	2020	2019
Deferred tax assets	2.3	1.0
Deferred tax liabilities	(10.5)	(3.4)
Net deferred tax	(8.2)	(2.4)

7. Trade and other receivables: amounts falling due within one year

(In £s million)	2020	2019
Corporation tax debtor	4.2	29.7
Prepayments	2.0	3.3
	6.2	33.0

8. Trade and other payables

(In £s million)	2020	2019
Accruals	20.1	17.0
Amounts owed to subsidiary undertakings	92.6	50.6
	112.7	67.6

Amounts owed to subsidiary undertakings are repayable on demand. The Company is charged interest on amounts owed to subsidiary undertakings at a rate of three-month LIBOR less 1%.

9. Retirement benefit surplus/obligations

(In £s million)	2020	2019
Net asset arising from defined benefit obligation	55.2	19.7

The details of this UK scheme, for which Hays plc is the sponsoring employer, are set out in note 23 to the Group Financial Statements.

10. Provisions

(In £s million)	
At 1 July 2019	6.6
Charged to the income statement	2.8
At 30 June 2020	9.4

Provisions comprise of potential exposures arising as a result of business operations. It is not possible to estimate the timing of payments against the provisions.

11. Called up share capital

Called up, allotted and fully paid Ordinary shares of 1 pence each

	Share capital number (thousand)	Share capital £s million
At 1 July 2019	1,464,097	14.7
Issued in the year	218,020	2.1
At 30 June 2020	1,682,117	16.8

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company is allowed to hold 10% of issued share capital in treasury.

During the year, new Ordinary shares were issued in the capital of the Company. On 9 September 2019, 7.5 million Ordinary shares were issued through a block listing in order to satisfy employee share awards that had vested. On 2 April 2020, 210.5 million shares were issued through a non-pre-emptive placing and subscription of Ordinary shares at a placing price of 95 pence per share.

As at 30 June 2020, the Company held 4.4 million (2019: 5.4 million) Hays plc shares in treasury. The shares held in treasury are used to satisfy the exercises in relation to equity-settled share-based payment awards.

12. Merger reserve

	£s million
At 1 July 2019	–
Movement in the year	193.8
At 30 June 2020	193.8

In accordance with section 612 of the Companies Act 2006, the Merger reserve was generated as a result of the cash box structure used in the non-pre-emptive equity placing and subscription of Ordinary shares arising from the issue of 210.5 million shares on 2 April 2020 at a placing price of 95 pence per share. The placing gave rise to net proceeds received of £195.9 million after broker and legal costs of £4.1 million.

NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS

CONTINUED

13. Subsidiaries

	Registered Address and Country of Incorporation
Hays Specialist Recruitment (Australia) Pty Limited	Level 13, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia
Hays Österreich GmbH	Europaplatz 3/5, 1150 Wien, Austria
Hays Professional Solutions Österreich GmbH	Europaplatz 3/5, 1150 Wien, Austria
Hays NV	B – 8500 Kortrijk, Brugsesteenweg 255 box 2, Belgium
Hays Services NV	B – 8500 Kortrijk, Brugsesteenweg 255 box 2, Belgium
Hays Alocação Profissional Ltda	Rua Pequetita, No.215, 13th Floor, São Paulo, Brazil
Hays Recruitment and Selection Ltda	Rua Pequetita, No.215, 13th Floor, São Paulo, Brazil
Hays Trabalho Temporário Ltda	Rua Pequetita, No.215, 13th Floor, São Paulo, Brazil
Hays Specialist Recruitment (Canada) Inc.	1500 Don Mills Road, Suite 402, North York, Ontario, M3B 3K4, Canada
Hays Especialistas En Reclutamiento Limitada	Cerro El Plomo 5630, Of. 1701, Las Condes, P.O. 7560742, Santiago, Chile
Hays Specialist Recruitment (Shanghai) Co. Limited* (90% owned)	Unit 0304, 19/F Shui On Plaza, 333 Huaihai Road, Lot No.7 Luwan District, Shanghai 200020, CN, O, China
Hays Colombia SAS	AK 45 No. 108-27 Torre 2 Oficina 1105, Bogotá, Colombia
Hays Czech Republic s.r.o	Olivova 4/2096, 110 00 Praha 1, Czech Republic
Hays Information Technology s.r.o	Olivova 4/2096, 110 00 Praha 1, Czech Republic
Hays Specialist Recruitment (Denmark) A/S	Kongens Nytorv 8, 1050 København K, Denmark
H101 Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Commercial Services Limited (In Liquidation)	55 Baker Street, London, W1U 7EU, UK
Hays Group Holdings Limited †	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Healthcare Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Holdings Ltd †	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays International Holdings Limited †	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Life Sciences Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Nominees Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Overseas Holdings Limited †	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Pension Trustee Limited †	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Recruitment Services Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Social Care Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Specialist Recruitment (Holdings) Limited†	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Specialist Recruitment Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Hays Stakeholder Life Assurance Trustee Limited†	4th Floor, 20 Triton Street, London, NW1 3BF, UK
James Havard Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Krooter Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Oval (1620) Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Paperstream Limited	4th Floor, 20 Triton Street, London, NW1 3BF, UK
Recruitment Solutions Group Limited (IOM)	First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man
Hays BTP & Immobilier SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Clinical Research SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Consulting SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Corporate SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Est SASU	6, rue Clovis – 51100 Reims, France
Hays Executive SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Finance SASU	147 boulevard Haussmann, 75008 Paris, France
Hays France SAS	147 boulevard Haussmann, 75008 Paris, France
Hays Ile de France SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Life Sciences Consulting SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Life Sciences Services SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Media SASU	147 boulevard Haussmann, 75008 Paris, France

Registered Address and Country of Incorporation

Hays Méditerranée SASU	369/371 Promenade des Anglais – Immeuble Crystal Palace, 06000 Nice, France
Hays Nord SASU	45 rue de Tournai – 59000 Lille, France
Hays Ouest SASU	36 boulevard Guist'Hau, 44000 Nantes, France
Hays Outsourced Solutions SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma Consulting SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma Services SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma Technology SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma Technology Consulting SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Pharma Technology Services SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Services SASU	147 boulevard Haussmann, 75008 Paris, France
Hays Centre Est SASU	57 rue Servient – 69003 Lyon, France
Hays Sud Ouest SASU	23 rue Lafayette, 31000 Toulouse, France
Hays Talent Solutions SASU	23 rue Lafayette, 31000 Toulouse, France
Hays Travail Temporaire SASU	147 boulevard Haussmann, 75008 Paris, France
Hays AG	Willy-Brandt-Platz 1-3, 68161 Mannheim, Germany
Hays Talent Solutions GmbH	Völklinger Straße 4, 40219 Düsseldorf, Germany
Hays Holding GmbH	Willy-Brandt-Platz 1-3, 68161 Mannheim, Germany
Hays Technology Solutions GmbH	Willy-Brandt-Platz 1-3, 68161 Mannheim, Germany
Hays Professional Solutions GmbH	Völklinger Straße 4, 40219 Düsseldorf, Germany
Hays Verwaltungs GmbH	Willy-Brandt-Platz 1-3, 68161 Mannheim, Germany
Hays Beteiligungs GmbH & Co. KG	Willy-Brandt-Platz 1-3, 68161 Mannheim, Germany
Hays Hong Kong Limited	Unit 6604-06, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Hays Specialist Recruitment Hong Kong Limited	Unit 6604-06, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Hays Hungary Kft.	1054 Budapest, Szabadság tér 7, Bank Center, Hungary
Hays Professional Services Kft	1054 Budapest, Szabadság tér 7, Bank Center, Hungary
Hays Business Solutions Private Limited (Gurgaon)	Buildings 9B, 11th Floor, DLF Cyber City, Gurgaon, Haryana-HR, India, 122002
Hays Specialist Recruitment Private Limited	Office No. 2102, Space Inspire Hub, Adani Western Height, J.P. Road, Four Bungalows, Andheri West, Mumbai 400053, Maharashtra, India
Hays Business Services Ireland Limited	26/27a Grafton St, Dublin 2, Ireland
Hays Specialist Recruitment (Ireland) Limited	26/27a Grafton St, Dublin 2, Ireland
James Harvard (Ireland) Limited	26/27a Grafton St. Dublin 2
Hays Professional Services S.r.l	Corso Italia 13, CAP 20122, Milano, Italy
Hays Solutions S.r.l	Corso Italia 13, CAP 20122, Milano, Italy
Hays S.r.l	Corso Italia 13, CAP 20122, Milano, Italy
Hays Resource Management Japan K.K.	Izumi Garden Tower 28F 1-6-1 Roppongi, Minato-ku, Tokyo 106-6028, Japan
Hays Specialist Recruitment Japan K.K.	Izumi Garden Tower 28F 1-6-1 Roppongi, Minato-ku, Tokyo 106-6028, Japan
Hays Finance (Jersey) Limited	44 Esplande St, Helier, Jersey JE4 9WG
Hays S.a.r.l	65 Avenue de la Gare – L 1611, Luxembourg
Hays Travail Temporaire Luxembourg	65 Avenue de la Gare – L 1611, Luxembourg
Agensi Pekerjaan Hays (Malaysia) Sdn. Bhd. *(49% owned)	B4-3A-6, Solaris Dutamas, No 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia
Hays Solution Sdn. Bhd.	B4-3A-6, Solaris Dutamas, No 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia
Hays Specialist Recruitment Holdings Sdn. Bhd.	B4-3A-6, Solaris Dutamas, No 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia
Hays Flex. S.A. de C.V.	Avenida Paseo de las Palmas No. 405, 1003, Colonia Lomas de Chapultepec VII Seccion, C.P. 11000, México,CD.MX.

NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS

CONTINUED

13. Subsidiaries continued

	Registered Address and Country of Incorporation
Hays Servicios S.A. de C.V.	Avenida Paseo de las Palmas No. 405, 1003, Colonia Lomas de Chapultepec VII Seccion, C.P. 11000, México,CD.MX.
Hays, S.A. de C.V.	Avenida Paseo de las Palmas No. 405, 1003, Colonia Lomas de Chapultepec VII Seccion, C.P. 11000, México,CD.MX.
Hays B.V.	Ellen Pankhurststraat 1G, NL-5032 MD, Tilburg, Netherlands
Hays Holdings B.V.	Ellen Pankhurststraat 1G, NL-5032 MD, Tilburg, Netherlands
Hays Services B.V.	Ellen Pankhurststraat 1G, NL-5032 MD, Tilburg, Netherlands
Hays Temp B.V.	Ellen Pankhurststraat 1G, NL-5032 MD, Tilburg, Netherlands
Hays Specialist Recruitment (NZ) Limited	Level 12, Pwc Tower, 188 Quay Street, Auckland, 1010 , New Zealand
Hays Document Management (Private) Limited (in liquidation)	6th Floor, AWT Plaza, I.I Chundrigar Road, Karachi, Pakistan
Hays Outsourcing Sp. z.o.o.	ul. Marszałkowska 126/134, 00-008 Warszawa, Poland
Hays Poland Sp. z.o.o.	ul. Marszałkowska 126/134, 00-008 Warszawa, Poland
Hays Poland Centre of Excellence sp. z.o.o.	ul. Marszałkowska 126/134, 00-008 Warszawa, Poland
HaysP Recrutamento Selecção e Empresa de Trabalho Temporário Unipessoal LDA	Avenida da Republica, no 90 – 1º andar, fração 4, 1600-206 – Lisbon, Portugal
Hays Specialist Recruitment Romania SRL	Premium Plaza 63-69 Dr. Iacob Felix Street, 7th floor Bucharest 011033 Romania
Hays Business Solutions Limited Liability Company	Room 35, premises 1, 3 floor, bld. 2,2, Paveletskaya Square, Moscow, 115054, Russia
Hays IT Solutions Limited Liability Company	Room 35, premises 1, 3 floor, bld. 2,2, Paveletskaya Square, Moscow, 115054, Russia
Hays Specialist Recruitment Limited Liability Company	Room 35, premises 1, 3 floor, bld. 2,2, Paveletskaya Square, Moscow, 115054, Russia
Hays Specialist Recruitment P.T.E Limited	80 Raffles Place, #27-20 UOB Plaza 2, Singapore
Hays Business Services S.L.	Paseo de la Castellana 81, 28046 Madrid, Spain
Hays Personnel Espana Empresa de Trabajo Temporal SA	Paseo de la Castellana 81, 28046 Madrid, Spain
Hays Personnel Services España SA	Paseo de la Castellana 81, 28046 Madrid, Spain
Hays Specialist Recruitment AB	Stureplan 4 C, 114 35, Stockholm, Sweden
Hays (Schweiz) AG	Nüscherstrasse 32, CH-8001 Zurich, Switzerland
Hays Talent Solutions (Schweiz) GmbH	Nüscherstrasse 32, CH-8001 Zurich, Switzerland
Hays FZ-LLC	Block 19, 1st Floor, Office F-02, Knowledge Village, Dubai 500340, United Arab Emirates
3 Story Software LLC	63 Bridge Street New Milford, CT, 06776 USA
Hays Holding Corporation	160 Greentree Dr. Suite 101 Dover DE 19904 USA
Hays Specialist Recruitment LLC	4350 W Cypress Street Suite 1000 Tampa FL 33607 USA
Hays Talent Solutions LLC	4350 W Cypress Street Suite 1000 Tampa FL 33607 USA
Hays U.S. Corporation	4350 W Cypress Street Suite 1000 Tampa FL 33607 USA
Hays Holdings U.S. Inc.	4350 W Cypress Street Suite 1000 Tampa FL 33607 USA

As at 30 June 2020, Hays plc and/or a subsidiary or subsidiaries in aggregate owned 100% of each class of the issued shares of each of these companies with the exception of companies marked with an asterisk (*) in which case each class of issued shares held was as stated.

Shares in companies marked with a (†) were owned directly by Hays plc. All other companies were owned by a subsidiary or subsidiaries of Hays plc.

14. Other related party transactions

Hays plc has taken advantage of the exemption granted under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into and trading balances outstanding that were owed to Hays plc at 30 June 2020 with other related parties were £1.7 million (2019: £1.4 million).