Staffline
Group PLC

Enabling the future of work

Annual Report & Accounts 2019

Who we are

Staffline is one of the UK's leading Recruitment and Training providers.

Our purpose

Enabling the future of work by developing and deploying a highly flexible, robust and skilled workforce.

What's inside

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Financial Highlights

Revenue	Reported operating (loss)	Reported (loss) before tax
£1,076.7m	£(39.9)m	£(48.1)m
(down 3.9%)	(2018 restated: £(14.7)m)	(2018 restated: £(17.8)m)
Underlying* operating (loss)/profit	**Underlying* (loss)/profit before tax**	**Reported (loss) after tax**
£(0.8)m	£(5.8)m	£(44.0)m
(2018 restated: £32.8m)	(2018 restated: £29.7m)	(2018 restated: £(16.0)m)
Underlying* diluted earnings per share	**Pre-IFRS16 net debt**	**Post-IFRS16 net debt**
(9.0)p	£59.5m	£67.9m
(2018 restated: 88.3p)	(2018: £63.0m)	(2018: £63.0m)

Highlights

Financial Highlights
- Revenue decreased (3.9)% to £1,076.7m (2018 restated: £1,120.9m)
- Underlying* operating loss of £(0.8)m (2018 restated: £32.8m profit)
- Reported operating loss of £(39.9)m (2018 restated: £(14.7)m)
- Reported loss before tax of £(48.1)m (2018 restated: £(17.8)m)
- On a pre-IFRS 16 basis net borrowings reduced by £3.5m to £59.5m (2018: £63.0m)
- On a post-IFRS 16 basis net borrowings were £67.9m

Operational Highlights
- The Group's credit facilities have been restructured in June 2020, post period-end
- Group leadership, finance and main board strengthened post year-end with the following appointments:
  - Ian Lawson as Executive Chairman in April 2020
  - Daniel Quint, Interim Chief Financial Officer, appointed to the Board in May 2020
  - Albert Ellis as Non-executive Director in March 2020 and as Chair of the Audit Committee in April 2020
  - Richard Thomson as Senior Non-executive Director and Chair of the Remuneration Committee in April 2020
- Implementation of corporate governance improvements following certain control failures and prior period reporting issues

Current Trading and Outlook
- The impact of COVID-19 has been mixed across the Group with surges of demand reported in key food distribution and production supply chains, offset by declines in demand from sectors where the Government's shutdown was most severe such as manufacturing, retail and classroom-based training programmes
- The Recruitment divisions have experienced significant variance between customer sectors
  - Strong response to the unprecedented surge in food sector demand utilising web-based platforms to connect displaced workers with vital roles required in the food supply chain, where demand continues to be strong
  - Conversely, demand from other sectors such as retail, automotive and manufacturing diminished considerably
  - Since the easing of lockdown, the Group has benefitted from a gradual recovery in demand for labour in non-food sectors including retail and manufacturing in line with our expectations
- PeoplePlus has continued to operate the majority of its services adhering to isolation measures
  - Most funding support provided has been on a cost only basis
  - Whilst business intake in 2020 has weakened, it is anticipated that the Government will launch new funding for training and retraining schemes, which PeoplePlus is well positioned to benefit from
- The Board remains cautiously optimistic that each of the three operating divisions will achieve a positive result in 2020 on an underlying operating profit basis

* Note: Underlying results exclude amortisation of intangible assets arising on business combinations, exceptional reorganisation, legal and refinancing costs, exceptional transaction costs, exceptional National Minimum Wage remediation and financial penalties, revised audit scope and increased audit fees, employee dispute settlements, goodwill impairment and the non-cash charge/credit for share-based payment costs.

Note: Net debt includes transaction costs of £nil (2018:£0.8m).

Company Overview

Recruitment

Specialists in providing complete labour solutions in food processing, manufacturing, e-retail, driving and the logistics sectors.

Revenue by sector 2019

Food and related	**56%**
Manufacturing	**15%**
Retail	**12%**
Driving	**12%**
Other	**5%**
Total	**100%**

Society is increasingly working with more flexibility. We provide choice for our workers and we help our customers to be more efficient by providing flexible workforces to meet their changing needs.

This has been particularly evident during the COVID-19 outbreak with many workers seeking alternative work in different sectors.

The Recruitment division has a presence across around 450 sites in the UK and finds work for on average c.40,000 people every day. We support the major supermarkets including Tesco, Morrisons and Sainsbury's and work with some of the biggest fashion and high street names such as Boohoo and Marks and Spencer.

Staffline is a leading provider of on-site managed drivers, dedicated to the specialist supply of LGV drivers to logistics and transport operations throughout the UK. We recruit, train and manage a flexible workforce across more than 40 on-site locations, serving customers such as Hermes and DHL.

Our large branch network supports clients through our Staffline, Express, Vital and Brightwork (Scotland) brands. Omega and Techsearch are our specialist engineering and technical recruitment businesses based in Stonehouse and Leeds, covering all the UK, plus our RPO business Datum based in Gloucestershire which supports a range of national construction, and FM businesses in the UK.

Live candidates on our database

c.900,000

Workers deployed every day (average)

c.40,000

Worker satisfaction level

83.1%

(2018:81.6%)

Applications via Artificial Intelligence

17.0%

Ireland

The Ireland division is a generalist recruitment solutions provider, operating in a branch network covering all major cities across Ireland, supplying public and private sector employers with candidates in both industrial and commercial roles.

PeoplePlus

The leading adult skills and training provider in the UK, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the country.

	FY19 Revenue Mix %	FY18 Revenue Mix %
Skills	**28%**	28%
Justice	**33%**	28%
Apprenticeships	**14%**	9%
Other (including Work Programme wind down)	**25%**	35%
Total	**100%**	100%

We are focussed on:

- Helping people into sustainable work;
- Building a skilled workforce for the future and developing careers;
- Rehabilitating ex-offenders into society and the workplace; and
- Enabling a healthy and diverse workforce and support for independent living.

Skills and Training

The market leading provider of Apprenticeships (both Levy and non-Levy), learning and development, adult education and health and well-being programmes to the private and public sector.

Justice and Community

The largest independent provider of education and training services for prisoners and ex-offenders, as well as individual support services for carers and people with disabilities, both at home and in the work place.

Employability

The market leading provider of programmes providing back-to-work education, skills support services to the unemployed and enterprise advice to individuals wanting to start their own business.

Share of prison education market

28%

Bid win rate (by volume)

47%

Share of national adult education market

6%

Share of apprenticeship standards starts in chosen sectors (2018/19 starts)

- Financial Services: 28%
- Retail Craft Disciplines: 30%
- Funeralcare: 78%
- Retail: 7%

Strategic priorities

Our purpose

To enable the future of work by developing and deploying a highly flexible, robust and skilled workforce.

Our vision

To build and develop the most reliable, flexible and integrated workforce in the country and to be the leading creator of opportunities, jobs and new ideas in the employability, skills and justice sectors.

Group Strategic Priorities

Our strategy in the near-term is to create a sustainable business that can benefit from its existing resources and capitalise on the significant opportunity that exists within our target markets. Our strategy is underpinned by:

Operational excellence

- Improve the financial position of the Group by:
- Strengthening the balance sheet
- Maximising profitability
- Reducing debt and increase cash generation
- Enhancing reporting processes
- Streamlining and sharing services across the Group

Optimised service offering

- Better understanding of our customers' objectives
- Secure opportunities with new customers
- Increase market share in our key quality sectors
- Operate with the highest standards of compliance

Leverage our brand

- Unify existing brands within Recruitment divisions under 'Staffline'
- Build on the strength of the PeoplePlus brand in its chosen markets
- Further leverage the Group's brand equity
- Drive synergies and opportunities across our Recruitment and PeoplePlus businesses

Develop and cultivate our talent

- Bring together our people across divisions
- Reduce organisational silos
- Leverage the best in our people's skills and experience across the Group

Recruitment Priorities

- Implement further automation of the recruitment journey, removing low value, high effort activities to free up our talent
- Drive performance, to further improve our customer service, worker engagement and retention and continue to reduce operating costs
- Extend our blue-collar candidate database from its industry leading level of c.900,000 candidates to maintain unrivalled access to the labour market
- Focus on commercial upsides and new business wins where our automation is valued as a premium offering

PeoplePlus Priorities

- Leverage our market-leading people, technology and content capabilities to help "Skill the Nation" as part of the UK national recovery and ongoing productivity challenge
- Maintain our tight bid disciplines to secure sustainable business growth and enable us to further diversify our revenue mix to drive high-quality earnings
- Continue to improve the efficiency of the operating platform, with increased use of automation across both front and back office operations
- Build on our transformed digital operating model in Apprenticeships to deliver a profitable, high-quality learner experience focused on our chosen sectors

Executive Chairman's Statement

Ian Lawson
Executive Chairman

Continued implementation of controls to establish a sustainable business

Introduction

I joined the Board on 25 April 2020 as Executive Chairman following a 15-month period in which the Group had experienced a number of significant operational issues. These operational issues created uncertainty particularly in respect of ensuring the Group had sufficient funding in-place, all of which was compounded by the COVID-19 pandemic and the varying impact on demand across the Group.

Over the last few months, we have made significant progress in creating a platform from which to future-proof the Group. Most significantly, the Group has successfully refinanced its credit facilities, which will provide support to our ongoing business activities. In addition, Staffline is benefitting from HMRC's VAT deferral, which improves the Group's liquidity through to the end of 2020, and has utilised the Government's furlough scheme where relevant, with respect to certain of the Group' permanent employees, as well as temporary workers.

The Group overall is being reshaped to ensure that it is sufficiently resilient with improvements being implemented in all key areas: corporate governance, financial reporting processes, management information channels and cross-selling and communication across all divisions. An Executive Management Team has been established which includes myself, Daniel Quint, Interim Group CFO, and our three highly experienced divisional Managing Directors. We are also, for the first time, reporting across three distinct business divisions: Recruitment GB, led by Frank Atkinson; Recruitment Ireland, led by Tina McKenzie; and PeoplePlus, led by Simon Rouse.

There is a real passion and commitment across the Group and our people believe we have a great opportunity to use the strengths and talents we have by working more closely together. This has been particularly evident during the current COVID-19 pandemic with the divisions coming together to create "Feed the Nation," a nationwide scheme supported by clients and the Government. This was when as a country, we needed, more than ever, to come together to keep essential services running and provide support for hard working employees who are doing everything they can to support customers during these challenging times. There was a marked increase in demand in the food sector and we responded well to the sudden and unpredicted surge in demand, utilising the size of the Group's database, geographic reach and investment in digital worker engagement.

The Group's near-term strategy is to create a sustainable business that can benefit from both its existing resources and talent, as well as capitalise on the significant opportunity that exists within our target markets. The new Board has set out the following near-term priorities to underpin this strategy, which are:

- **Operational excellence** – to improve the financial position of the Group through strengthening of the balance sheet, maximising profitability, reducing debt, increasing cash generation, enhancing reporting processes and streamlining and sharing services across the Group

- **Optimised service delivery** – better understanding of our customers' objectives and securing opportunities with new customers in order to increase market share in our key quality sectors whilst adhering to high standards of compliance
- **Leverage our brand** – unify our existing brands within the Recruitment divisions under 'Staffline,' build on the strength of the PeoplePlus brand in its chosen markets to leverage our brand equity, whilst driving synergies and opportunities across our Recruitment and PeoplePlus businesses to ultimately increase market share
- **Develop and cultivate our talent** – bring together our people across the divisions by reducing organisational silos, and leverage the best in our people's skills and experience across the Group

An example of this strategy in action, is the recent rebranding of Grafton Recruitment, the Company's Northern Ireland recruitment business, under the 'Staffline' brand, as we focus on unifying our operating divisions in order to generate further opportunities.

Operational review

The Group experienced challenging trading conditions across all divisions in 2019. In Recruitment, customer confidence was impacted by the delay to the publication of the 2018 full year results, together with a heightened level of uncertainty surrounding Brexit. In the second half, extremely weak consumer confidence impacted our end customers which fed through to demand for our services. Meanwhile, throughout the year, PeoplePlus was undergoing fundamental reorganisation and transition, heavily impacting the trading performance. Group revenue declined by (3.9)% to £1,076.7m (2018 restated: £1,120.9m), with the decline being partially offset by a full year's contribution from the acquisitions made in 2018.

Notwithstanding the extended audit, the Board has continued with detailed reviews to further improve the Group's internal controls. These reviews identified accounting errors relating to the preparation of the 2018 annual results, amounting to a reduction to the 2018 opening reserves position of £(0.9)m and a reduction of £(7.5)m to the 2018 reported profit after tax.

In order to strengthen the Group's balance sheet, in July 2019, we completed an equity capital raise which delivered net proceeds of £38.0m, of which £15.1m was allocated to settling historical National Minimum Wage liabilities. In June 2020, we agreed with our lenders a revised financing structure in respect of our main banking facilities, as described in the Financial Review.

Recruitment

In our Recruitment businesses, progress was made in 2019 against our digital transformation strategy, which has a number of key objectives, which are to:

- Implement further automation of the recruitment journey, removing low value, high effort activities to free up our talent
- Drive performance, to reduce operating costs, further improve our customer service and worker engagement
- Extend our pool of candidates from our industry leading database of c.900,000 candidates, to maintain unrivalled access to the labour market
- Focus on commercial upsides and new business wins where our automation is valued as a premium offering

The Group continues to promote digital engagement and will, over time, further differentiate our service offering. However, in the short term, the continued shortfall in industry regulation continues to provide competitors with the opportunity to under-price in the market. In particular, the widespread exploitation across our industry of legislative loopholes. We welcome the Government's announcement regarding the establishment of a Single Enforcement Agency to address these issues and would encourage it to accelerate this initiative. We anticipate that Staffline, which has re-engineered its operating model and refreshed its Board and management, would significantly benefit from the levelling of the competitive playing field.

Our Recruitment Ireland business continues to perform well, with levels of engagement continuing to be strong and an average client relationship of 5-10 years. Our Ireland division offers a 360° recruitment model including a high street branch network, specialist recruitment focusing on high-end sectors such as banking and finance, on-site solutions, RPO and HR consultancy. The business has over 1,000 active clients providing workers for the largest employer in Northern Ireland through to SME's.

Executive Chairman's Statement continued

PeoplePlus

2019 was a year during which the PeoplePlus business was entirely re-invented, closing down the Work Programme, and transforming into the UK's market-leading adult skills and training company, with prime positions in multiple sectors.

Key ongoing growth priorities include to:

- Leverage our market-leading people, technology and content capabilities to help "Skill the Nation" as part of the UK national recovery and ongoing productivity challenge
- Maintain our tight bid disciplines to secure sustainable business growth and enable us to further diversify our revenue mix to drive high-quality earnings
- Continue to improve the efficiency of the operating platform, with increased use of automation across both front and back office operations
- Build on our transformed digital operating model in Apprenticeships to deliver a profitable, high-quality learner experience focused on our chosen sectors

Significant re-organisation costs were incurred in the transition of PeoplePlus's operating model. However, the new PeoplePlus is formed of multiple service contracts across a number of sectors, with far less reliance on central government funding. Overall, we believe that PeoplePlus now has the characteristics of a business that will enjoy far higher quality of earnings and longevity.

Current trading

As a result of the rapid development of the COVID-19 pandemic, the Recruitment businesses experienced significant variance between sectors. There was an unprecedented increase in demand in the food and food supply chain sector, with a record 87,000 digital applications submitted through the www.staffline.co.uk and www.feedthenation.co.uk gateways in the month of March 2020, over 2.5 times that of February 2020.

Conversely, demand from other sectors such as retail, automotive and manufacturing declined considerably with the Group's limited exposure to professional recruitment also impacted. On a net basis, despite food sector customers representing approximately 56% of our client base, the growth in demand was not material enough to mitigate the temporary shutdown of the majority of other clients in non-food sectors. The demand in the food sector is now normalising and the relaxation of lockdown measures means additional sectors such as retail and manufacturing are beginning to re-open. However, it is too early to quantify what levels of demand Staffline will see from these industries in the short-term.

In PeoplePlus, whilst 2019 was a year of transition, 2020 was planned as a year of stabilisation as new contracts won in the previous year developed into maturity. With the COVID-19 pandemic, well-developed resilience plans and digital operating models, meant that we could continue to operate the majority of our services. However, loss of classroom delivery, and funder positions moving towards providing cost support impacted certain areas. The in-year new business intake has also weakened. Mitigating actions have been put in place to support management's continued drive to clear profitability notwithstanding the wider market disruption. In addition, it is anticipated that in light of the increase in unemployment as a result of COVID-19, that the Government will launch a round of funding for training and retraining schemes, which PeoplePlus, as one of the UK's leading training providers, is well-positioned to benefit from.

Across all three divisions cost saving initiatives, begun in the second half of 2019, have been significantly expanded in light of the challenging trading environment. Additionally, Group cost sharing initiatives are being explored to further reduce the overall cost base.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors have reviewed this basis and made full disclosure in note 3 to the Financial Statements, concluding that there is a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described in note 3, as well as the mitigating actions available to the Group as described in note 3, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

In light of the COVID-19 pandemic, we note the guidance from the FRC and BEIS regarding the timing of AGMs and grace periods expected to be given by retrospective legislation. The Company will hold its AGM after the usual six-month window, but as soon as reasonably practicable following the publication of the Annual Report, which is now expected to be published and sent to shareholders in July.

Outlook

The current macroenvironment is dominated by the global COVID-19 pandemic and I am pleased to report that all our facilities, where open, currently remain operational in line with Government advice. Whilst there has been an inevitable reduction in volumes in certain sectors, we have taken measures to mitigate the effect of these. Our priority is the health, safety and wellbeing of our employees, suppliers and customers. We have taken a number of actions, in line with government guidance, to facilitate this and continue to monitor the situation to ensure we are employing best practice.

The ultimate impact of the COVID-19 pandemic on the economy and Staffline is uncertain, and the Board does not underestimate the operational and macroeconomic challenges that lie ahead for the Company, so therefore the Company is not making a forecast for 2020. However, we take assurance from having well established, market-leading businesses with a committed workforce, and we are appreciative of the efforts of all the Group's lenders who have helped deliver the refinancing and provide a platform that gives us confidence we can navigate this uncertainty.

Ian Lawson
Executive Chairman
29 June 2020

Segment Review

Recruitment

Our innovative technologies deliver high levels of candidate attraction, retention and engagement. This drives our customer-centric approach and high levels of fulfilment.

Worker attraction

Our website (www.staffline.co.uk) is the most visited blue-collar workforce provider job site in the UK. It is fully search engine optimised with engaging video content helping to increase applications from visitors.

Our candidate engagement platform provides one hub for all the candidates' data, enabling highly targeted remarketing communications to our active database of around one million candidates. Our AI chatbot communicates to candidates by text or email to support applicants through all stages of the process.

We have a comprehensive approach to attracting candidates using our website, social media, paid advertising, search engines along with more traditional networks. We ensure content is delivered to each person in a way that addresses their individual needs.

Our digital platform uses algorithms identifying which worker is the best fit for each role, based on a combination of factors including previous assignment history, location, skills, previous productivity and attendance records. This maximises fulfilment rates as well as increasing lengths of service. See **http://www.feedthenation.com**.

Worker experience

Experience management is at the heart of our service. Have Your Say is our industry-leading experience management programme, which collects and analyses feedback from all levels of our workforce, with a view to making improvements.

Through short 30-second surveys sent to workers' smartphones, we learn exactly what people think of their workplace. This valuable, authentic feedback allows Staffline and our clients to implement the right changes.

The size and scale of our data pool means that findings are statistically robust. Our service allows employers to create the best workplace environment in which their employees can succeed. Engaged workers are more productive and stay with the Company longer.

Flexibility

Delivering Opportunities

Further evidence of the agility and scale of the business in action can be found at www.feedthenation.com

Marks and Spencer

Staffline has partnered with Marks and Spencer at their state-of-the-art distribution centre in Castle Donington since July 2017. The 2019 peak activity period presented a number of significant challenges to labour supply with a tightening regional labour market fuelled by Brexit speculation, increasing employment rates across the East Midlands and high levels of competitors in the region with a need for quick, high volume injections of labour to service business models. Despite these challenges, Staffline contributed to a record breaking year for Marks and Spencer and the Castle Donington distribution centre by supplying over 2,000 people during the peak activity periods at the end of 2019 (an increase of 350 heads compared to the prior year), with a total of 609,000 hours supplied over the period, a fulfilment rate of 109% and an attrition rate which had halved versus the prior year.

A number of factors contributed to our success:

- The ongoing relationship between Staffline and Marks and Spencer, in place since 2017, and the shared strategy to continually promote work opportunities at the distribution centre;
- Staffline's digital transformation programme whereby regional teams took full advantage of a suite of new innovations all of which benefit candidates at the front end of the recruitment and induction process, including the use of artificial intelligence in candidate attraction incorporating Staffline's website, social media channels and mail shots capitalising on the extensive regional database of colleagues, biometric passport scanning and a fully paperless registration process, all of which contribute to a continually improving speed to hire;
- Investment into the region's brand new Recruitment Centre in Derby, where 62% of the new starters were serviced.

At the close of 2019 and since commencement of supply in July 2017 Staffline has supplied 3.6 million hours to Marks and Spencer at the Castle Donington site, with a fulfilment rate of 102% and an employment engagement rating which has seen overall satisfaction levels increase in every quarter.

Boohoo

Staffline went through a successful retender with Boohoo for a further two year deal in August 2019, with the client moving from three suppliers to two.

Through the digital platform we completed the peak recruitment intake of 654 additional heads in November 2019, hitting the client's requirements two weeks earlier than expected.

Mass marketing was launched to all existing candidates on our database within an initial 20 mile radius, giving us an immediate impact and access to circa 9,000 candidates and filling our interview slots over one weekend.

As the automated system filled the interview schedules, it allowed the on-site team to focus on the pre-screening and engagement of interested candidates, ensuring that all applicants had a clear understanding of the roles and shifts required.

During the weekly operational meetings it became clear that the client's second agency supplying workers was not able to fulfil requirements. We supported the shortfalls and covered an additional 237 bookings that had been unfilled, with 205 additional new heads within a one week stretch.

We had a lower attrition rate, resulting in 150 less leavers than our competitor supplier on the same site, despite our higher headcount. Key to this success was the team having time to focus on the engagement and pre-screening up front whilst the automated system and resourcing team filled the schedules on their behalf.

The Boohoo on-site team were also able to support other sites during the Black Friday peak, successfully migrating staff to other locations to meet requirements.

boohoo

Segment Review

PeoplePlus

Transforming lives and business

The leading adult skills and training provider in the UK, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the country.

PeoplePlus Transformation

The trends driving our market are:

- Public and private sector focus on skills to tackle UK productivity
- Demand on health and social care services
- Policy focus on a rehabilitative criminal justice system
- Increased employer focus on employee health and wellbeing
- Increased devolution of budget and policy accountability to Mayors and Welsh & Scottish governments

Against these macro opportunities, our strategy, built on:

- High quality people
- Market leading content
- Distinctive technology solutions

has meant that we have been able to complete our transformation from an organisation in which Central Government funding was dominant (primarily the DWP Work Programme) to one whose aggregate position comprises a spread of services and clients and a broad revenue base with a balance of complexity and risk and underpinned by robust bid discipline and an effective commercial sales function, servicing:

- 3 central government departments (DfE, MoJ and DWP)
- 47 prisons through our prison education contract and WayOut TV
- 26 local authorities in England and Wales
- 11 local enterprise authority areas
- 4 combined mayoral authorities
- Welsh Government
- Scottish Government
- c. 300 private sector partners.

Creating brighter futures through apprenticeships

This year we have supported Amazon with inducting their 500th apprentice, with plans to support Amazon to recruit a further 1,000 apprentices across their business in 2020.

PeoplePlus has worked with Amazon since early 2017 supporting their operations division across their national network of 21 fulfilment centres. We have delivered a range of programmes for Amazon, including Business Improvement Techniques, Team Leader/Supervisor, Software Developer and Network Technician.

PeoplePlus provide an end-to-end solution to Amazon, which includes recruitment advertisements, candidate screening and assessment of all applicants prior to assessment days, which Amazon currently runs. Our main programme has seen approximately 300 new roles created across Amazon fulfilment centres, with new recruits joining as trainee operations operatives.

We have recently seen our first cohorts completing the Improvement Techniques apprenticeship with 80% of the cohorts progressing into Team Leader roles and joining the Team Leader/Supervisor programme. All apprentices who successfully complete their programme attend an Amazon graduation day at their Head Office in London and the current success rate for all programmes is above the national average.

We have also provided a fully managed service to Amazon since 2018 for their technical and IT apprenticeship delivery. Amazon have been delighted with this model, which allows for a single, consistent approach while streamlining communication lines.

In 2019 we supported Amazon with inducting their 500th apprentice. During 2020, Amazon are planning to bring in a further 1,000 apprentices covering over 10 programmes.

“Throughout the course, I thought there was a good balance between classroom study, practical sessions and one-to-one coaching, which suited my style of learning.

I am thoroughly enjoying my new role at Amazon and my next aim is to complete a safety apprenticeship in the future, in order to progress further into a Safety Specialist role.”

Kirsty Mallinder
Amazon, Business Improvement Techniques Level 2

Re-defining skills training by harnessing employer intelligence

Our Intelligent Routeway Framework (“IRF”) is a ground-breaking approach to coordinating and aligning employer requirements with the capabilities and expertise of the UK training sector.

PeoplePlus wanted to address the issue found by many users of skills training services: that their training was not equipping them with the skills needed to get into available work. Our IRF solution allows a rapidly growing network of training provider partners to match their training efforts to available roles which PeoplePlus derives from our analysis of employer vacancies and workforce forecasting information. Simultaneously, the IRF provides a unique service for employers - allowing them access to funded training to support their recruitment requirements. The service is available nationwide, but supports hyper-local employment needs and can help overcome individual candidate barriers to work.

The result - providers running courses based on market intelligence and candidates fully equipped with the skills they need to meet employer requirements - creates a ‘win-win’ situation not only for providers, employers and the candidates themselves, but for the bodies tasked with overseeing training support who can be reassured that investment channelled through the IRF is being targeted with maximum effectiveness.

Since its introduction in April 2019, PeoplePlus has helped training providers to support almost 3,000 candidates gain new employment skills.

“We’ve been working with People Plus for the past couple of years and in 2019 we joined the IRF. For us, this was the missing piece to the jigsaw. Orangebox takes great pride in outstanding training and we were looking for exciting job opportunities to match our delivery that would support our learners’ progression into sustained employment. Our relationship and partnership with PeoplePlus has gone from strength to strength and we have been able to offer job opportunities to hundreds of learners with leading employers, thanks to the IRF.”

Simon Corbett
CEO of OrangeBox

Financial Review

Strengthening controls and financial stability

Introduction

2019 was a challenging year for the Group, with weak consumer confidence affecting the recruitment businesses and the PeoplePlus division undergoing fundamental transformation following the Work Programme wind-down. Total revenue for the year decreased by (3.9)% to £1,076.7m (2018 restated: £1,120.9m).

The Group is split into three divisions and will be reported as such from the current year: Recruitment GB, flexible blue-collar recruitment; Recruitment Ireland, generalist recruitment; and PeoplePlus, an adult skills and training provider.

Revenues in our Recruitment GB division declined by £(67.0)m or (7.4)%. Customer confidence was impacted by the delay to the publication of the 2018 full year results in the first half of 2019, as well as the impact of the uncertainty around the first Brexit deadline of 31 March 2019. In the second half, ongoing uncertainty surrounding Brexit continued to impact the business with lower than anticipated demand from end consumers. When striving for certainty, customers increased their permanent staff at the expense of their temporary workforce. The typical peak trading months in Q4 included the second Brexit deadline of 31 October 2019 as well as the general election on 12 December 2019. Both of these events caused further economic and political uncertainty, contributing to the weakness experienced in trading. Q4 2019 hours worked were 17.4 million compared to 20.8 million in 2018, a (16)% decline. Revenue generated from temporary recruitment accounted for 99% of total revenue compared to 1% from permanent recruitment. Gross profit generated from temporary recruitment accounted for 94% of the total, with 6% of gross profit generated from permanent recruitment.

Revenues in our Recruitment Ireland division increased by £42.4m or 40.3% due to the full year contribution from Grafton Recruitment, acquired in July 2018. Had Grafton Recruitment been owned for the whole of the 2018 comparative period, total Recruitment Ireland revenues would have been broadly flat year-on-year. The political and economic uncertainty related to Brexit, and the general election referred to above, had specific impact on Recruitment Ireland in the context of the Brexit issues relating to the Irish border, which became a significant factor in the Brexit negotiations. Revenue generated from temporary recruitment accounted for 99% of total revenue compared to 1% from permanent recruitment. Gross profit generated from temporary recruitment accounted for 87% of the total, with 13% of gross profit generated from permanent recruitment.

PeoplePlus revenues decreased by £(19.6)m or (18.2)% with the fundamental transformation of the business. The wind-down of the Work Programme reduced revenue by £(27.5)m. This was partly offset by revenue growth in other sectors, principally in Justice, which saw revenue growth of £5.8m, and in Apprenticeships, with revenue growth of £4.3m.

The sales mix between the operating divisions was broadly unchanged over the year, with the recruitment businesses accounting for 92% of 2019 revenue (2018 restated: 90%).

	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Group Costs 2019 £m	Total Group 2019 £m	Recruitment GB Restated 2018 £m	Recruitment Ireland Restated 2018 £m	PeoplePlus Restated 2018 £m	Group Costs Restated 2018 £m	Total Group Restated 2018 £m
Revenue	**841.1**	**147.7**	**87.9**	**–**	**1,076.7**	908.1	105.3	107.5	–	1,120.9
Gross profit	**56.6**	**15.6**	**14.3**	**–**	**86.5**	65.9	10.5	40.4	–	116.8
Segment underlying operating profit/(loss)	**4.5**	**4.3**	**(7.1)**	**(2.5)**	**(0.8)**	16.3	4.1	14.8	(2.4)	32.8

Overall gross profit decreased by (25.9)% to £86.5m (2018 restated: £116.8m) with gross profit margins reducing to 8.0% (2018 restated: 10.4%). This margin reduction is primarily a result of the lower gross profit margins which are achieved under the new PeoplePlus operating model. PeoplePlus achieved a gross margin of 16.3% in 2019, which compares to 37.6% in 2018, largely due to the Work Programme contract. The gross margin for Recruitment GB decreased to 6.7% (2018 restated: 7.3%). The increase in the National Minimum Wage in April 2019, from £7.83 to £8.21 per hour for over 25s, does not impact absolute gross profit but does negatively impact the gross margin percentage achieved and this dynamic will continue with the increase in April 2020 to £8.72 per hour for over 25s. The gross margin for Recruitment Ireland increased slightly to 10.6% (2018 restated: 10.0%) driven by the division's decision not to bid for lower margin opportunities.

Reported loss before taxation was £(48.1)m in 2019 (2018 restated: £(17.8)m). Reflecting the challenges faced in the year, underlying operating loss was £(0.8)m (2018 restated: £32.8m profit). Total non-underlying charges before tax were £42.3m (2018 restated: £47.5m) as described below. Finance charges were £8.2m (2018 restated: £3.1m). This included £3.2m (2018: £nil) of non-underlying finance charges relating to the accounting for the June 2019 refinancing of the credit facilities, also described below.

The underlying loss before tax for 2019 was £(5.8)m (2018 restated: £29.7m profit). Underlying (loss) / profit before taxation as a percentage of revenue fell to (0.5)% (2018 restated: 2.6%). The reported loss after tax for 2019 was £(44.0)m (2018 restated: £(16.0)m).

Non-underlying administrative charges

In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles ("GAAP") under which the Group reports. The Directors believe that these non-GAAP measures assist with the understanding of the performance of the business. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as a means of comparing performance year-on-year.

Non-underlying items of income or expenditure are items that are non-recurring or of a particular size or nature such that they require separate identification. Non-underlying items are included in total reported results but are excluded from underlying results. These items can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. It should be noted that whilst the amortisation of intangible assets arising on business combinations has been added back, the revenue from those acquisitions has not been eliminated.

Non-underlying charges before tax have decreased to £42.3m in 2019 (2018 restated: £47.5m) as shown below. They include exceptional restructuring costs in 2019 of £1.3m relating to the reorganisation of Recruitment GB into a geographically focussed operating structure, £1.0m of legal investigation professional fees for the independent investigation conducted by Osborne Clarke LLP, a release of £0.7m reflecting the net impact of increased National Minimum Wage ("NMW") remediation costs, reduced financial penalties and related professional fees , revised audit scope and increased audit fees of £0.8m, transaction costs of £0.9m related to the Group exploring strategic options, costs of £1.4m relating to the settlement of a dispute with an ex-employee regarding share incentives payable, legal costs of £1.0m in respect of a historic claim against A4E India, refinancing costs totalling £3.2m (including expensing old transaction costs of £0.6m, the June 2019 amendment fee of £1.2m and the recognition of a future exit fee of £1.4m as required by IFRS9 in relation to the new financing package as entered into in June 2019), a £10.9m charge for the amortisation of intangible assets arising on business combinations, a £22.3m goodwill impairment charge, and a share-based payment charge of £0.2m.

Financial Review
continued

The charge in the year for amortisation of intangible assets arising on business combinations relates principally to the following acquisitions: the A4e business (£1.4m charge: asset fully amortised), Vital Recruitment (charge £3.2m: asset will be fully amortised by February 2023), Milestone (£1.0m charge: asset will be fully amortised by September 2020) , Passionate about People (charge £2.3m: asset will be fully amortised by October 2023), Grafton (£1.3m: asset will be fully amortised by June 2023), Brightwork (charge £0.7m: asset will be fully amortised by April 2022).

Non-underlying charges	2019 £m	2018 restated £m
Reorganisation costs	**1.3**	10.6
Impairment of intangible fixed assets (reorganisation related)	**–**	2.5
Impairment of tangible fixed assets (reorganisation related)	**–**	1.5
Legal investigation professional fees	**1.0**	–
NMW remediation and financial penalties	**(0.7)**	15.9
Revised audit scope and increased audit fees	**0.8**	2.1
Transaction costs – business acquisitions and strategic options	**0.9**	1.9
Employee dispute settlement	**1.4**	–
Legal costs	**1.0**	–
Finance costs – refinancing arrangement fees and exit fees	**3.2**	–
Amortisation of intangible assets arising on business combinations	**10.9**	11.8
Goodwill impairment	**22.3**	–
Share-based payment charges (equity and cash-settled)	**0.2**	1.2
Total non-underlying charges before tax	**42.3**	47.5

Taxation

The total tax credit for the year of £4.1m (2018: £1.8m), which amounts to 8.5% (2018: 10.1%) of the loss for the year, relates principally to the recovery of UK tax losses in previous years and on the movement of deferred tax balances. The Group has no current Corporation Tax liability in respect of either the current or prior years and as a result is anticipating a refund of amounts that were paid on account. An element of losses incurred during 2018 will be set against taxed profits in previous years, which will also result in a refund. Remaining tax losses carried forward in the Recruitment GB and PeoplePlus divisions have not been recognised as a deferred tax asset.

The amortisation charge relating to intangible assets arising on business combinations is not deductible under UK corporation tax and is therefore added back to taxable profits. A deferred tax liability is recognised in respect of consolidated intangible assets. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year. No deferred tax is recognised on JSOP charges. An element of acquisition-related expenses and HMRC settlement costs incurred in 2018 were also treated as non-deductible.

Key performance indicators

The Group monitors a number of performance indicators:	2019	2018 restated
Revenue	**£1,076.7m**	£1,120.9m
Year on year total revenue (decline) / growth	**(3.9)%**	17.0%
Gross profit margin as a % of revenue	**8.0%**	10.4%
Recruitment GB gross profit	**£56.6m**	£65.9m
Recruitment GB gross profit margin as a % of revenue	**6.7%**	7.3%
Recruitment Ireland gross profit	**£15.6m**	£10.5m
Recruitment Ireland gross profit margin as a % of revenue	**10.6%**	10.0%
PeoplePlus gross profit	**£14.3m**	£40.4m
PeoplePlus gross profit margin as a % of revenue	**16.3%**	37.6%
Reported (loss) before tax	**£(48.1)m**	£(17.8)m
Underlying (loss) / profit before tax	**£(5.8)m**	£29.7m
Underlying (loss) / profit before tax as a % of revenue	**(0.5)%**	2.6%
Pre-IFRS16 net debt including unamortised transaction costs	**£59.5m**	£63.0m
Post-IFRS16 net debt including unamortised transaction costs	**£67.9m**	£63.0m
Hours worked by temporary workers in Recruitment GB	**68.6m**	73.0m
Hours worked by temporary workers in Recruitment Ireland	**9.4m**	6.7m

Earnings per share

Statutory basic and diluted loss per share were both (96.3)p (2018 restated: both (61.2)p).

The weighted average number of shares (basic) has been increased by 20,642,000 (2018: increased by 546,000) shares to take account of the effect of the placing and open offer in July 2019 whereby 40,986,097 new ordinary shares were issued.

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic and diluted loss per share both being (9.0)p (2018 restated: both 88.3p).

Prior year restatements and review of internal controls

Following the extended 2018 audit, the Board has continued with detailed reviews to further improve the Group's internal controls. As previously announced, these reviews identified accounting errors relating to the preparation of the 2018 annual results. The 2017 statement of financial position, being the 2018 opening reserves, and the 2018 income statement, 2018 statement of financial position and 2018 cash flow statement (presented as comparatives in the 2019 Financial Statements) contain prior year adjustments. Overall, the 2018 opening reserves position has been decreased by £(0.9)m and the total 2018 income statement impact was a £(7.5)m reduction in profit after tax. See note 3 for further details.

The Recruitment GB division acquired several businesses in 2018 and within a short timeframe endeavoured to integrate the acquired finance functions, whilst at the same time changing some critical IT systems covering operations, payroll and finance. This, combined with high staff turnover, resulted in weaknesses in the balance sheet control environment, which have now been rectified.

After the end of the reporting period, management's review of internal controls identified a material misstatement within reported accrued income and costs for the year ended 31 December 2019, which contributed towards profit guidance for 2019 being reduced earlier this year. On further investigation, this material misstatement was traced to the deliberate manual manipulation of internal reports which were used in the accrued income and accrued cost accounting process.

While the impact was relatively small in the context of Group revenue, on identification of the issue, the Board was immediately notified and an investigation took place covering the control environment and substantiation of accrued income and costs. Control improvements have now been implemented, including additional segregation of duties. The individual involved with the issue is no longer employed by the Group. Importantly, no external funding rules were broken as a result of this issue. It has no impact on the Board's outlook and the incident has now been fully resolved.

Statement of financial position, cash generation and financing

The Group's total equity decreased by £(6.8)m over the year from the 2018 restated position. This is as a result of the total comprehensive loss for the year of £(44.7)m offset by the equity raise in July 2019 which delivered net proceeds of £38.0m. The transition to IFRS 16 on 1 January 2019 also decreased equity by £(0.1)m.

The movement in net debt is shown in the table below. The movement in working capital includes a decrease in trade and other receivables of £24.6m, primarily due to the decline in trading, and a decrease in trade and other payables and provisions of £23.8m, primarily due to a reduction in VAT liabilities due to weak trading and payment timing.

Movement in net debt (including unamortised transaction fees)	**2019 £m**	2018 restated £m
Opening net debt (pre IFRS16)	**(63.0)**	(16.5)
Underlying EBITDA (pre IFRS16)	**3.3**	37.6
Non-underlying items	**(5.9)**	(31.7)
Movements in working capital	**1.0**	14.3
Taxation and interest paid, and movement in capitalisation transaction fees	**(7.9)**	(8.6)
Capital investment (net of disposals)	**(5.1)**	(6.4)
Cash flows relating to acquisitions	**(7.2)**	(49.6)
Net proceeds from equity issue	**38.0**	–
Payments in to restricted funds for NMW	**(12.7)**	–
Dividends paid	**–**	(7.1)
Net proceeds from JSOP	**–**	5.0
Closing net debt (pre IFRS16)	**(59.5)**	(63.0)
IFRS16 lease liabilities	**(8.4)**	–
Closing net debt (post IFRS16)	**(67.9)**	(63.0)

The Group ended the year with pre-IFRS16 net debt of £59.5m compared to the £63.0m at the end of 2018 (including unamortised transaction costs). Post-IFRS16 net debt was £67.9m at 31 December 2019. The unamortised transaction costs were written off in the year, at the time of the 2019 refinancing.

The table below reconciles underlying EBITDA (earnings before interest, taxation, depreciation and amortisation), used in the net debt analysis above, to operating loss.

Reconciliation of operating loss to EBITDA	**2019 £m**	2018 restated £m
Operating loss	**(39.9)**	(14.7)
Non-underlying costs	**39.1**	47.5
Underlying operating (loss) / profit	**(0.8)**	32.8
Depreciation	**7.3**	4.8
Underlying EBITDA	**6.5**	37.6
Principal repayment of lease liabilities	**(3.2)**	–
Underlying EBITDA (pre IFRS16)	**3.3**	37.6

Note: Underlying results exclude amortisation of intangible assets arising on business combinations, exceptional reorganisation, legal and refinancing costs, exceptional transaction costs, exceptional National Minimum Wage remediation and financial penalties, revised audit scope and increased audit fees, employee dispute settlements, goodwill impairment and the non-cash charge/credit for share-based payment costs.

Financial Review
continued

The Group's headroom relative to available committed banking facilities as at 31 December 2019 was £43.7m (31 December 2018 restated: £52.4m) as set out below:

	2019 £m	2018 £m
Cash at bank	**25.0**	16.2
Cash at bank held outside of facility*	**–**	(3.8)
Overdraft facility unutilised	**18.6**	25.0
Committed revolving credit facility unutilised	**0.1**	15.0
Banking facility headroom	**43.7**	52.4

* excluded from headroom in 2018

Refinancing: Amendments to Credit Facilities June 2019

Following discussions with the lenders of the revolving credit facility ("RCF"), the Company and the lenders agreed on 26 June 2019 to certain amendments to the RCF. In summary:

	Previous arrangement	New arrangement
Revolving Credit Facility ("RCF")	£95m	£95m
Overdraft	£25m	£25m
Accordion	£30m	–
Total Facility	**£150m**	**£120m**
Expiry date	July 2022	July 2022
Option to extend by one year	Yes	No longer available

The lenders agreed to a waiver of all quarterly financial covenant tests for the quarter ending 30 June 2019.

The key revised terms to the RCF were:
i) Relaxation of the September and December 2019 leverage covenants followed by a gradual reduction of the leverage covenant to net debt of less than 2x EBITDA by 31 December 2020;
ii) Restrictions on new material share, business and asset acquisitions until January 2021;
iii) No dividends to be declared by the Company for the 2019 and 2020 financial years;
iv) Repayment and cancellation of revolving facility commitments by £10m on both 15 November 2019 and 15 November 2020;
v) Net proceeds of the July 2019 share issue in excess of £30m were to be used to reduce, and cancel, the Credit Facilities available.

In consideration of these amendments, a fee was paid to the lenders and certain other changes were made to the Credit Facilities (including the removal of the Accordion option and the ability to request the lenders to extend the Credit Facilities for an additional 12 months beyond July 2022). The expiry date for the Credit Facility remains in July 2022. The Company agreed to pay the lenders an exit fee based on a percentage of the outstanding commitments when the Credit Facility expires or, if sooner, refinanced.

All borrowings drawn down were repayable on a monthly basis. Interest accrued on the borrowings at between 2.25% and 3.50% plus LIBOR, depending upon the level of adjusted leverage. In addition, a commitment charge of 40% of the interest liability accrued on the RCF not utilised. At the year end the unutilised amount totalled £0.1m.

Total underlying finance charges were £5.0m for the year (2018: £3.1m), of which £3.2m related to the interest costs for the RCF, £1.5m related to interest on customer financing arrangements and £0.3m related to interest discounting the IFRS 16 lease liabilities.

In December 2019, the Company agreed an amendment to the Credit Facilities which included:
i) The deferral of testing covenants at December 2019; and
ii) The agreement to waive any potential covenant breaches and defaults arising as a result of the prior year adjustments.

Subsequently, between January and May 2020, the Company agreed amendments to the Credit Facilities which included further deferrals of covenant testing and the reporting of such testing.

Refinancing: Amendments to Credit Facilities June 2020

Following discussions with the lenders of the revolving credit facility, the Company and the lenders agreed on 26 June 2020 to a revised financing structure. In summary:

	Previous arrangement	New arrangement
Revolving credit facility ("RCF")	£78.2m	£30.0m
Overdraft	£25.0m	–
Receivables Finance Facility ("RFF") (invoice discounting) – maximum	–	£73.2m
Total Facility	**£103.2m**	**£103.2m**
Expiry date	July 2022	July 2022

The previous RCF was reduced from £95.0m to £78.2m with cancellations in July 2019 and November 2019.

The key terms of the new facilities are below, with other terms of the RCF remaining in place:
i) Repayment and cancellation of RCF commitments by £10m on 31 July 2020;
ii) The RFF can initially be drawn down against the receivables of the Recruitment GB division and the Northern Ireland part of the Recruitment Ireland division;
iii) Interest on the RFF accruing at 3.50% plus Bank of England base rate;
iv) Minimum EBITDA and minimum liquidity covenants until a return to leverage, interest and asset cover covenants in January 2022;
v) Restrictions on new material share, business and asset acquisitions until July 2022; and
vi) No dividends to be declared by the Company until July 2022.

In consideration of these amendments, a fee was paid to the lenders of £0.7m.

The Group is also funded through customer financing agreements with some of its key customers. In addition, the Group has an uncommitted separate receivables financing facility with a maximum value of £25m.

Dividend policy

As a condition of refinancing the credit facility, no dividends will be declared by the Company for the 2019 financial year.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors have reviewed this basis and made full disclosure in note 3 to the Financial Statements, concluding that there is a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described in note 3, as well as the mitigating actions available to the Group as described in note 3, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Impact of amendments to International Financial Reporting Standards: IFRS 16 Leases

IFRS 16 Leases is effective for accounting periods beginning on or after 1 January 2019. Therefore, these financial statements cover the first year to which the transition to IFRS 16 is applicable. The Group has adopted the modified retrospective approach to transition, meaning that the cumulative transitional adjustments to assets, liabilities and equity have been recognised on 1 January 2019 and no comparative figures have been restated. For the rest of the 2019 financial year, all leasing arrangements that are covered by the provisions of IFRS 16 have been accounted for in line with this new accounting standard.

Daniel Quint
Interim Chief Financial Officer
29 June 2020

Section 172

New Directors receive an induction on the Group's operations. They can obtain professional advice on their duties, from an independent advisor, at the Group's expense. The Board confirms that, during the year, it has had regard to the matters set out below.

Details as to how the Directors have fulfilled their duties are set out below.

Fullfilling our duty

Risk management

The Board recognises the importance of identification, evaluation and management of the Group's risks. The principal risks and uncertainties of the Group are detailed on pages 19 to 23. The Group's going concern statement is included in the Financial Review on page 17, the Directors' Report on page 38 and in note 3.

Employees

The Board is committed to the Group being a responsible employer and to creating a working environment where employees are engaged, informed and involved. The Group's employment policies are contained in the Corporate and Social Responsibility statement on page 24.

Community and the environment

The Board recognises its responsibilities in achieving good environmental practice and making positive contributions to the community. The relevant practices are set out in the Corporate and Social Responsibility statement on page 24.

Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interest of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders. Its strong customer relationships are vital to the business. The Group's purpose and vision are set out on page 3 and its ethics policies are set out in the Corporate and Social Responsibility statement on page 25.

Shareholders

The Board is committed to open communication with shareholders to help them understand the Group's strategy and objectives. The Group's engagement with shareholders is set out in the Corporate Governance statement on page 34.

Section 172

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

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

Principal Risks and Uncertainties

The Staffline Group plc Board of Directors has completed a robust and detailed assessment of the Group's risk management processes and the Group's risk register. The most significant risks to which, in the opinion of the Directors, the Group is exposed are described below.

The Board's view of direction of travel of risk:

- **Increased since prior year**
- **Reduced since prior year**
- **Similar to prior year**

Managing our risks

Risk management framework

The Group is exposed to a variety of potential risks and uncertainties which require ongoing monitoring and management in order to mitigate against any adverse impact on long-term performance. The Board recognises that effective risk management is a critical part of achieving our strategic objectives. It employs a variety of systems and policies to respond effectively to these risks and uncertainties to protect the continued strategic success of the Group. Risk registers are maintained within both divisions of the Group, which are consolidated twice a year, with the output formally reviewed by the Audit and Risk Committee.

The Board reviews risks and uncertainties under four principal types:

- Financial
- Operational and compliance
- Reputational
- Strategic and market-related

Financial

1. Liquidity risk and compliance with banking facility agreements

Risk

The Group's £103.2m financing facilities were amended and partially refinanced on 26 June 2020, that resulted in £73.2m of the revolving credit facilities being replaced with a receivables financing facility and a £30.0m revolving credit facility being retained, reducing to £20.0m on 31 July 2020. The Group has to comply with a minimum earnings covenant (tested quarterly from 31 December 2020 to 31 December 2021), reverting back to the original covenant package from 1 January 2022 to the end of the facilities, and a minimum look-forward liquidity covenant (tested weekly). The amended revolving credit facility and receivables financing facility now include a cross-default clause that is triggered if there is a withdrawal, or reduction in the facility size and/or advance rate, of the £25.0m uncommitted (non-recourse) invoice discounting facility.

The Group's liquidity forecast (considering its available financing facilities) has identified that, absent the successful implementation of mitigating actions, there is a liquidity issue in March 2021 when the deferred VAT falls due as well as a potential breach of the Group's minimum look-forward liquidity covenant under the recently amended revolving credit facility and receivables financing facility. In addition, it should be noted that there is a risk of a potential breach of the Group's new minimum earnings covenant if trading performance is sufficiently below forecast.

Mitigation

The group finance team forecast and monitor cash flows and banking facilities on a daily and weekly basis and comply with the other information undertakings required within its financing facilities. The Group also performs a rolling 13-week cashflow forecast on a weekly basis to identify potential pinch points and ensure that sufficient cash reserves (including undrawn facilities) are in place to meet the short-term liabilities of the business. Close relationships have been developed with our banks and key customers (whereby accelerated receipts can be requested if required).

As at 26 June 2020, the Group had cash at bank of £39.9m (excluding amounts held in an escrow account to fund outstanding liabilities in relation to National Minimum Wage ("NMW")), an undrawn commitment of £nil under its revolving credit facilities and an unutilised facility of £0.7m under its receivables financing facility, resulting in aggregate available liquidity of £40.6m.

Sufficient headroom is currently forecast in liquidity and all financial covenants for the remainder of 2020 which provides the Group with sufficient time to resolve the funding gap and potential minimum liquidity covenant breach. The Directors have identified a number of mitigating actions to resolve the funding gap and minimum liquidity covenant breach including the implementation of a turnaround

Principal Risks and Uncertainties
continued

Financial

	Risk	Mitigation
1. Liquidity risk and compliance with banking facility agreements continued	It should also be noted that the uncommitted nature of the Group's £25.0m (non-recourse) invoice discounting facility, accompanied by the cross-default clause included in its amended revolving credit facility and receivables financing facility, represents a material uncertainty in respect of the Group's financing and liquidity during the period to 31 December 2021. The combination of the circumstances mentioned above represents a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described above as well as the mitigating actions available to the Group (including the turnaround plan), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.	plan, entry into discussions with HMRC to further defer some (or all) of the deferred VAT falling due on or before 31 March 2021 and other options to replace the Group's existing financing facilities and/or recapitalise the Group (including the possibility of a future equity capital raise, replacement third party financing and/or disposals). Regarding the minimum earnings covenants, these have been set based on the Group's downside case. If required, the Directors will enter into discussions with its financing providers in respect of any potential covenant breaches. The Group has been in active discussions with its lenders and achieved covenant deferrals and amendments during 2019 and 2020. If the cross-default clause were to be triggered, the Directors have a 28 day cure period to enter into discussions with its lenders to commence actions to resolve this matter, which could include the reinstatement of the facility, replacement of the facility with new third party financing and/or an equity capital injection.

Operational and compliance

	Risk	Mitigation
2. Impact of COVID-19 pandemic	The COVID-19 outbreak is a current risk with uncertainty created in the global economy. A downturn in the economic conditions of the UK and Republic of Ireland, in particular, could lead to reduced consumer spend, creating volatile demand which may have a knock-on impact on the demand for Staffline services.	Staffline works closely with its customers to understand their future needs. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty. The back-to-work education and skills support services delivered by PeoplePlus could be in higher demand should unemployment rates rise. Staffline's scale, together with its differentiated technology-driven strategy, provides resilience against market and economic uncertainty.
3. National Minimum Wage compliance	The payment of the National Minimum Wage ("NMW") is a legal requirement which must cover all working time including preparation time, security checks and the provision of personal protective equipment. The payment of the NMW is regulated by HMRC which is tasked with enforcing compliance with the regulations. This can include site audits to check compliance. During 2018, HMRC commenced a market-wide review into compliance with the NMW regulations. Staffline was included within this review and breaches were identified relating to prior years. The main inquiry is settled, but the Group continues to review practices at a small number of other work sites on a 'self-assessment' basis.	The Group continues to ensure that all employees have been educated on the NMW regulations. This covers both existing and new employees. We regularly audit sites that pay the NMW to ensure that practice is compliant with the regulations, including preparation time with a focus on high-risk sites. We actively engage with customers to discuss the requirements of the regulations.

The Board's view of direction of travel of risk:

- Increased since prior year
- Reduced since prior year
- Similar to prior year

Operational and compliance

	Risk	Mitigation
4. Pressure on Recruitment margins (Increased since prior year)	Increasingly competitive marketplace with increasing cost of resourcing labour and legislative factors could lead to downward pressure on margins. The implementation of IR35 tax reforms is likely to lead to material margin erosion within the Driving sector. Legislation has been passed and is due to come into force in April 2021. Competitors are adopting a strategy of unsustainable pricing based on non-compliance through use of tax and pension 'schemes' and a lack of enforcement, creating an uneven playing field and unfair commercial advantage.	The new strategy is to grow sales with the right customers that: pay appropriate pay rates, focus on retention by putting the worker first, and pay appropriate margins for our class leading service. In order to achieve this, we have: (i) produced a value proposition chain that clearly explains why a customer should choose Staffline and pay more for a better service; (ii) Implemented a Commercial Function to work with the divisional directors to address poor commercials and strategic new wins; and (iii) invested in class-leading technology. All of the above should ensure that we are able to put profitability back into the business.
5. IT security and stability (Similar to prior year)	As with all large scale businesses, including those in the market sectors in which we operate, we are reliant on our IT systems to support and operate our business. There could be serious business interruption if there is a hardware or software failure. The Recruitment division carries out material weekly payroll runs for our temporary labour workforce. A payroll failure (site or BACS software) would potentially lead to contractors not being paid on time, which also leads to additional reputational damage. Our IT infrastructure and support systems need to sufficiently support the business in its day-to-day operations, whilst also supporting the growth and diversification plans which are being implemented in-year. Disaster Recovery protocols and capabilities need to be in place across the estate.	Each division has a Disaster Recovery plan in place in the event of a major internal failure of our IT systems. IT systems in the Group's divisions are segregated, enabling divisional business continuity plans (reviewed and updated at least annually) which include the utilisation of the other division's physical locations. A back-up replica system has been put in place and business interruption insurance is maintained. System monitoring for unauthorised software and clear messaging regarding software implementation is currently in place. Delayed manual payroll payments could be made and we have good relationships with our banks to help resolve any issues.

Reputational

	Risk	Mitigation
6. PeoplePlus – Ofsted Grade 2 rating not maintained (Similar to prior year)	PeoplePlus is regulated by Ofsted for the quality of provision of teaching across a number of contracts, including the Apprenticeship Levy. Ofsted grades the quality of the teaching from 1 (Outstanding) to 4 (Inadequate). A rating of 4 can result in a loss of Government funding and removal from the register of apprenticeship training providers ("RoATP").	An Ofsted monitoring visit took place in March 2019 and confirmed 'reasonable progress' - covering Apprenticeships & Adult Education, stabilising our Grade 2 positioning. We have a dedicated Quality Director to ensure quality is maintained and standards across the business remain high. We have an independent Chair of our Quality Improvement Board to provide external scrutiny.

Principal Risks and Uncertainties
continued

Strategic and market-related

	Risk	Mitigation
7. Business development strategy	Following its recent transformation to a skills and training provider, the PeoplePlus division must strengthen its position in each of its relatively new sectors, including Apprenticeships, Justice and Skills. The recruitment divisions must continue to develop the pipeline of opportunities and win new business in order to achieve its targeted sales.	In PeoplePlus, confidence levels in performance continue with a consistently high bid win-rate (40% by value of results in 2019). This reflects the benefits of tightened processes in relation to tenders, with specialist, permanent bid writing resource supporting all sectors. A Head of Public Affairs has been appointed to drive thought leadership in advance of anticipated commissioning activity. The Apprenticeships business has been transformed to utilise the digital platform and target a value proposition. In Recruitment, our commitment to improving processes and implementing best practice procedures will demonstrate to the industry our genuine desire to do the right thing and will reinstate our positive reputation in the market and with existing and potential new customers.
8. Shortage of staffing resource	Candidate attraction was challenging prior to the COVID-19 outbreak, with UK unemployment rates at around 4% (the lowest levels since 1975). Any future low unemployment rates and continued uncertainties around Brexit and foreign labour leading to a reduction in net migration, could present a risk that our recruitment divisions will not be able to obtain sufficient resource to fulfil its contractual obligations.	Through the investment in our market-leading customer experience platform, providing worker attraction and retention technology, we believe we will continue to attract the highest-quality temporary labour workers in the right volumes to supply our customers' needs now and in the future. In addition, we are supporting our EU nationals in the UK with regard to maintaining their UK status.

The Board's view of direction of travel of risk:

- **Increased since prior year**
- **Reduced since prior year**
- **Similar to prior year**

Strategic and market-related

9. Brexit

The outcome of the UK referendum to leave the EU has created an environment of uncertainty in the Recruitment industry.

This ongoing Brexit uncertainty is impacting the UK labour market and led to some customers transferring a significant volume of their temporary workforce into permanent employment to mitigate the risk of that labour market tightening. Typically, this reaction to uncertainty tends to reverse over time, but we expect it will continue to impact temporary worker demand in the short term.

A proportion of these "temp to perm" transfers have occurred in the higher margin driving sector, resulting in an overall margin dilution.

These and other potential Brexit risks, such as future immigration policy, are regularly discussed by the Board of Directors as part of the wider pre-existing risk assessment process.

Whilst the departure from the EU creates multiple uncertainties and potential risks, the likelihood and full impact of which are unknown at present, we feel that through our investment in technology, the size of our geographic footprint and our expertise in sourcing new labour, that Staffline is in a strong position to continue to prosper in the future.

It is also possible that Brexit will impact on other key pre-existing risks, potentially increasing their likelihood and/or impact although we do not expect Brexit to lead to unforeseen adjustments to our business model.

Risk	Mitigation
A further tightening of the labour market – the uncertainty over the final Brexit outcome has led to a reduction in the number of EU citizens coming to the UK for employment. This trend is likely to continue unless the final Brexit outcome includes membership of the customs union – which would necessitate continued free movement. A further tightening of the labour market would reduce the overall pool of blue-collar workers available, but the impact would be greater on Staffline's competitors that have less engaged workforces. This risk could be offset by the consequences of the COVID-19 situation, which could conversely expand the available labour market.	The investment Staffline has made in its customer experience platform, to make it the provider of choice for blue-collar temporary workers in the UK, is intended to mitigate this risk. Within the UK there are currently c.3.6m EU migrant workers doing jobs that need to be done. Discussions with the Home Office indicate that it is expected that a significant proportion of these migrant workers will achieve Settled Status. Indeed, a stated target is that 100% of the EU migrant workers currently in the UK will remain, having achieved Settled Status. Staffline is working closely with the Home Office in support of this outcome. The Group has deployed a unique worker engagement strategy that is driven by a sophisticated IT platform. Through our market-leading worker attraction and retention methodology, we will continue to attract the highest-quality temporary workers from this pool of existing workers in sufficient volumes to supply our customers' needs. We believe that in all Brexit scenarios we are uniquely positioned to continue to supply our customers with the workforces that they require.
Economic uncertainty – the Brexit process has created economic uncertainty. This cannot be readily quantified, particularly whilst the Brexit outcome is yet to be finalised. Political uncertainty hinders legislation and policy creation (for example, National Minimum Wage changes); Economic uncertainty leads to unreliable and/or volatile future growth rates and a reduction in business confidence which may delay key strategic or operational decisions; and a lack of consumer confidence reduces consumer spend, creating volatile demand which may have a knock-on impact on the demand for Staffline services.	Staffline works closely with its customers to understand their future needs. There is a continued structural shift towards more flexible labour forces as supply chains become more competitive. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty. Staffline's scale, together with its differentiated technology-driven strategy, provides resilience against market and economic uncertainty.

Corporate and Social Responsibility Statement

Culture and people

At Staffline we place great importance on the role we play in helping support local communities and the environment surrounding us. We understand the importance of integrating our business values and operations to meet the expectations of our stakeholders. These include clients, Government departments, employees, flexible workers, regulators, investors and suppliers. We recognise that our social, economic and environmental responsibilities to our stakeholders are integral to our business. We aim to demonstrate these responsibilities through our actions and within our corporate policies.

The Group has implemented a robust Environmental and Sustainability monitoring system, which is supported by a clear strategy and development plan. In addition, our Energy Saving Opportunity Scheme ("ESOS") audit results are continually being reviewed and the opportunities to reduce our environmental impact are being acted upon. This will continue to focus on our energy consumption, waste, travel and use of sustainable materials. We carry out building and energy audits on an ongoing basis, to identify areas for improvement and opportunities to reduce our carbon footprint.

In conjunction with our General Data Protection Regulation compliance work, we are striving to move towards paperless offices. We continue to work closely with our suppliers and customers to improve the efficiency of the distribution process and thus reduce their carbon footprint.

ISO 9001 and ISO 27001 certifications

Our organisation has grown significantly over the last decade, both organically and through acquisition. To ensure that we maintain control over our processes we have renewed our ISO 9001 certification for our management systems. The PeoplePlus business has achieved ISO 27001 certification and Cyber Essentials UK accreditation for the security of its IT systems, which represents an important certification given that we deal with the personal details of many hundreds of thousands of people.

People

We focus on driving a high-performance culture and the Group continues to review talent and succession planning at all levels to support our agility and to enable further growth. As a commercially focused business we regularly review our headcount to ensure that our lean operating model is fit for purpose.

Developing our people is key to us as an organisation and we have many ways of encouraging this. Our ethos supports nurturing talent within the business at all levels and encourages self-development which in turn aids succession planning, supporting the strategic growth of the Group.

We continue to place great emphasis on the training and development of our people, and we review our training needs on an ongoing basis in line with our vision, values and ambition to be an employer of choice. We continue to work closely with the REC for both accredited recruitment qualifications, and industry knowledge. The Recruitment division launched a number of apprenticeship programmes for our internal employees, working closely with the PeoplePlus division as core apprenticeship provider.

A number of leadership development events have been held in both divisions throughout 2019. The aim of these is to ensure our management fully understand the aims and objectives of our business in order to enhance their knowledge and engagement, empowering them to work within these parameters to grow their individual business areas and their people.

We also support and encourage our employees to help local community organisations and activities.

Gender pay gap reporting ("GPGR")

Gender pay gap reporting ("GPGR") Full disclosures of our 2019 gender pay gap can be found on our website at: www.stafflinegroupplc.co.uk/aboutus/gender-pay-gap-report/.

On 5 April 2019, in total Staffline employed c. 2,700 monthly paid permanent employees and c. 41,600 weekly paid temporary contractors. Overall, amalgamating all business areas and including the temporary workforce, our mean gender pay gap is 9.1% (2018 restated: 5.9%). These results are affected by 94% of employees being contractors. 64% of our contractors are male and 36% female. On their own, the temporary workers mean gender pay gap is 8.2% (2018 restated: 5.2%) and none receives any bonus. All are paid the same hourly rate for the same work, irrespective of gender. The gap derives purely from the mix of roles performed by the workers and in particular the workers involved in the higher paid driving sector who are predominantly male. In the opinion of the Directors, it is more meaningful to report data for the permanent employees only. For this group of employees, the mean gender pay gap is 16.1% (2018: 17.4%), with more females than males, by 4.9% (2018: 9.0% more males than females) receiving a bonus.

Health and safety

Staffline continues to take a proactive approach to the health, safety and welfare of its employees and contractors. Our commitment to health and safety is strong and is demonstrated by the regular reviews taking place by senior management, the outcomes of which are cascaded across the business.

The Group actively monitors all aspects of health and safety, with the health and safety management systems reviewed annually to ensure they remain aligned to the needs of the business and allow the Group to demonstrate that our corporate responsibilities are being appropriately discharged.

Compliance

We take compliance with legislation and industry standards extremely seriously. We offer a total commitment to all our clients ensuring that all our workers, whether or not they are working in areas covered by the legislation, are recruited and supplied to the standards required by the Gangmasters and Labour Abuse Authority ("GLAA").

Our commitment gives our clients the assurance that all UK ethical and legal standards are met in full at all times. We operate a confidential helpline for our workers to report any concerns and conduct regular surveys to ensure we are achieving our own high standards. We are a business partner, active member and supporter of the Stronger Together initiative to help prevent exploitation and trafficking of workers. We actively work with our clients to encourage strong partnerships with the authorities to help reduce the risk of modern slavery in our supply chains. We are also actively engaged with anti-slavery networks to help reduce modern slavery taking place in the UK.

Our governance measures are comprehensive but proportionate, and focus on minimising the risk of breaches and upholding the protection of personal data. Our Data Protection Officer will inform and monitor compliance and the Group will implement tools as appropriate that support the process, and will provide necessary security and ongoing delivery of objectives.

The Strategic Report on pages 1 to 25 was approved by the Board and signed on its behalf by:

Ian Lawson
Executive Chairman
29 June 2020

Inside this section

Governance

Corporate governance statement

Our vision and values

Our Group vision is to build and develop the most reliable integrated workforce in the country and be the leading creator of opportunities, jobs and new ideas in the employability, skills and justice sectors. We do this through our brand values of:

- **Teamwork: working together across the business to achieve more for our customers**
- **Respect: taking time to understand, trust and support each other to achieve shared success**
- **Commitment: demonstrating a relentless and driven ambition to exceed expectations**
- **Reliability: fulfilling all our customer requirements, getting the job done**
- **Creativity: solving problems and suggesting new ideas and insights**
- **Integrity: doing things the right way, for the right reason, ethically, honestly, every time**

Chairman's Introduction

I am pleased to present the Group's Corporate Governance Report for the year ended 31 December 2019.

The Board believes that sound governance, both in the boardroom and throughout the Group, is fundamental to the long-term success of the business. It is committed to high standards of governance and the fostering of an effective governance framework.

Throughout the year, the Group has continued projects to improve its internal controls. This has included a rigorous internal review process which has identified accounting errors relating to the preparation of the 2018 annual results. These errors are described in note 3 of the Financial Statements and amount to a reduction to the 2018 opening reserves position of £(0.9)m and a reduction of £(7.5)m to the 2018 reported profit after tax.

To further improve the sound governance of the Group and embed the focus on internal controls, we are currently in the process of appointing a Head of Internal Audit. This new role will have a business-wide mandate and will be responsible for delivering an annual internal audit plan, approved by the Audit and Risk Committee, as well as performing ad hoc invstigations.

The Board believes that the recent changes significantly improve the corporate governance structure of the Group.

On 17 September 2019, Richard Thomson was appointed to the Board as a Non-Executive Director bringing with him a wealth of commercial and financial experience. Richard was appointed as the Senior Independent Director on 24 April 2020. On 17 March 2020, Albert Ellis was appointed to the Board as Non-Executive Director, bringing with him significant experience of the recruitment sector and the listed environment. I was appointed to the Board as Executive Chair on 25 April 2020 and Daniel Quint was appointed to the Board on 18 May 2020, continuing as Interim Chief Financial Officer, after joining the Group on 18 December 2019.

The following pages of this Corporate Governance Report set out how the Group has complied with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code") and the activities of each Board Committee.

Ian Lawson
Executive Chairman
29 June 2020

Board of Directors

Ian Lawson
Executive Chairman

Appointed to the Board as Executive Chairman in April 2020, Chairman of the Nominations Committee and a member of the Audit and Risk and Remuneration Committees.

Ian brings over 15 years' public company board-level experience across both the support services and engineering sectors. He retired from Severfield PLC in January 2018 after serving over four years as Chief Executive, and prior to this he was a main board director of Kier Group PLC from 2005 to 2013, with responsibilities for the Services, Property and Residential Divisions. Ian is also the Non-Executive Chairman of Billington Holdings Plc and NJDR Group Ltd and Non-Executive Director of Tolent Plc. Ian is a fellow of the Royal Institute of Chartered Surveyors and a fellow of the Chartered Institute of Building. As Executive Chairman, Ian oversees both the operational and strategic running of the business.

Albert Ellis
Non-Executive Director

Appointed to the Board in March 2020, Chairman of the Audit and Risk Committee and a member of the Nominations and Remuneration Committees.

Albert brings considerable experience in the staffing and human capital sector having spent over 21 years at Harvey Nash, the technology recruitment and IT solutions group. Albert held the position of Group Chief Executive Officer for 14 years, and prior to that, Chief Financial Officer. Prior to that, Albert also held a number of senior finance roles within Hays Plc, the FTSE 250 recruitment company. Albert is a qualified Chartered Accountant and is also currently a Trustee of Asia House.

Richard Thomson
Senior Independent Director

Appointed to the Board in September 2019, Chairman of the Remuneration Committee and a member of the Audit and Risk and Nominations Committees.

Richard has over eighteen years' experience as an independent director and board-level advisor. He began his career at Rothschild where he spent seven years, followed by five years at Alcentra, a global asset management firm, and more recently acting as Turnaround Director and Advisor on multiple situations. Richard has two masters degrees from St Catherine's College Oxford and holds the Securities Institute diploma from The Chartered Institute for Securities and Investment as well as the Financial Times Non-executive Director diploma, and is a member of The Institute for Turnaround.

Daniel Quint
Interim Chief Financial Officer

Appointed to the Board in May 2020.

Daniel is an experienced CFO and a Fellow of the Institute of Chartered Accountants in England and Wales. With over 10 years' board level experience with private and public companies, Daniel also spent five years at Robert Walters plc, one of the world's leading professional recruitment consultancies, where he held the role of Finance Director (UK, Middle East and Africa). Most recently, Daniel was Interim CFO at AIM-listed Young & Co.'s Brewery, P.L.C. Prior to this, Daniel spent three years as CFO of SPIE UK, the leading energy, safety and environmental solutions provider.

Senior Management Team

Frank Atkinson

Managing Director, Recruitment GB

Having joined the business in late 2019 as Chief Operating Officer, Frank was appointed to the role of Group Managing Director in April 2020.

Frank brings a wealth of corporate leadership experience within FTSE businesses. He joined Staffline from Sky where he served as Sales and Commercial Director for the Commercial division of the UK and ROI business having joined the PLC in 2010. Prior to that Frank was a main UK Board Director of the membership division of Homeserve PLC, leading the Customer Sales, Retention and Claims Handling operations for 7 years as a Financial Conduct Authority Approved Person. Prior to this Frank spent 7 years in the business process outsourcing sector. Frank leads the operational and strategic delivery of the GB recruitment businesses focusing on performance turnaround.

Simon Rouse

Managing Director, PeoplePlus

Simon joined the Group as Managing Director of PeoplePlus in November 2017, to lead the transformation of the business into a leading skills and training provider following the conclusion of the Work Programme.

Simon has 25 years' experience having held executive leadership roles within financial services, the public sector and business services. Prior to joining Staffline, Simon was a Portfolio Managing Director at Capita, leading a number of public sector and private sector contracts including the highly successful workplace pensions Automatic Enrolment programme. His career in financial services spanned 15 years with Barclays and Santander in retail and corporate banking roles, and he has also held a number of Financial Conduct Authority Approved Person roles. His roles at Barclays included Head of Strategy for the Commercial Banking division, National Performance Director of the branch network and London Retail and Business Banking Director. Simon also has significant experience of working with public body boards following his time in the NHS and as Operations Director of the Financial Ombudsman Service.

Tina McKenzie

Managing Director, Recruitment Ireland

Tina launched Staffline Ireland in 2013 as a start-up after running Randstad companies across the UK for over 11 years.

Tina is a high profile and multi award winning Managing Director with 25 years' experience in the recruitment industry. As Staffline Ireland's first employee, Tina has grown the business to where it is today with revenues of over £150 million. Tina also launched PeoplePlus NI in 2014; successfully delivering contracts for the Justice Department, ESF, the Department of Economy and the Department for Communities. Tina chairs the Federation of Self Employed & Small Businesses (FSB) in Northern Ireland, is a member of the UK FSB Policy Board, chairs the Department of Economy sub group on the response to COVID-19 and holds the office of Honorary Consul to Finland for Belfast.

Corporate governance code

Staffline Group plc (the "**Company**") is an AIM listed company and is committed to maintaining the highest standards of corporate governance throughout its operations and ensuring that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value.

Therefore, and in compliance with the updated AIM Rules for Companies, the Company has chosen to formalise its governance policies by complying with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "**QCA Code**"). Staffline Group plc, being a UK registered and listed company, is subject to the City Code on Takeovers and Mergers.

Details of the QCA Code and how the Company complies with it is detailed below:

1. Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy is to drive the long-term growth of the business. The strategic priorities for the Group are set out on page 3.

The Group is split into three divisions: Recruitment GB; Recruitment Ireland; and PeoplePlus.

The Recruitment GB division is a provider of flexible blue-collar workers across a wide range of industries. The Recruitment Ireland division is a generalist recruitment solutions provider, operating in a branch network covering all major cities across Ireland. The PeoplePlus division is a training provider, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the UK. A company overview is provided on page 2.

The principal risks faced by the Group in achieving this strategy are detailed on pages 19 to 23.

2. Seek to understand and meet shareholder needs and expectations

The Board is responsible for representing and promoting the interests of the Group's shareholders and is accountable to them for the long-term success of the Group.

All shareholders are normally encouraged to attend the Annual General Meeting, although current restrictions due to COVID-19 mean that attendance will not be permitted in the current year. Shareholders will be invited to vote by proxy, the results of will be published on the website following the meeting.

In addition to the formal institutional meetings held at the interim and year end, the Executive Directors meet existing and prospective investors throughout the year as part of the ongoing investor relations engagement strategy. The Chair also meets key shareholders during the year to discuss corporate governance issues and to listen to any concerns that are raised. A dedicated email address, investors@staffline.co.uk, exists to enable all current and prospective shareholders to contact the Group directly. The Board recognises that, whilst the majority of the shareholders are large institutions, attention should also be paid to private shareholders.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises its social, economic and environmental responsibilities to wider stakeholders and is committed to act in a way which it considers to be most likely to promote the success of the Group for the benefit of its members as a whole, having particular regard to:

1. The likely consequences of any decision on the long term;
2. The interests of the Group's employees and flexible workers;
3. Fostering business relationships with customers, suppliers, regulators and investors;
4. Reducing the risk of modern slavery in our supply chains;
5. The impact of operations on the community and the environment;
6. Maintaining a reputation for high standards of business conduct; and
7. The need to act fairly between members of the Company.

This underpins the Board's ability to set the overall strategic direction of the Group and support its core values, policies and procedures, which in turn, creates an environment in which the business and its employees can act with integrity and effectiveness, whilst driving profitable growth.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' interests, the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board is in the process of appointing a new Head of Internal Audit to strengthen the risk management processes within the Group. The Group has an independent compliance audit team responsible for checking legality to work and compliance with industry body standards (e.g. GLAA and REC). Appropriate levels of ongoing training are maintained within the Payroll team to ensure compliance with relevant legislation and procedures. From a financial point of view, authority levels are in place and there is regular review of financial information at all management levels and up to the Board.

Our Principal Risks and Uncertainties report can be found on pages 19 to 23 of the Annual Report.

5. Maintain the Board as a well-functioning, balanced team led by the chair

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. It has a formal schedule of matters reserved for its decision. The Board delegates certain functions to its three principal committees: the Audit and Risk Committee; the Remuneration Committee; and the Nominations Committee.

Audit and Risk Committee

Responsible for the integrity of the Company's financial statements and performance, ensuring the necessary internal controls and risk management systems are in place and effective. The Audit and Risk Committee meets at least twice each year.

Remuneration Committee

Responsible for the review, recommendation and implementation of the Group's remuneration strategy, its framework and costs. The Remuneration Committee meets on an ad hoc basis.

Nominations Committee

Responsible for ensuring that the Company has the executive and non-executive Board leadership it requires. The Nominations Committee meets as and when required.

Details of the members of the Board are set out on page 28.

There is an appropriate combination of Executive and Non-executive Directors, with two Executive and two Non-Executive Directors. The Executive Chair leads the Board and is responsible for developing and delivering the Group's strategy within the policies and values established by the Board. The Chief Financial Officer is responsible for managing the financial risks, reporting and planning of the Group. The composition of the Board provides the expertise and experience needed, while maintaining efficient Board meetings. Mike Watts resigned as Chief Financial Officer from the Board in December 2019 and Daniel Quint has been appointed as Interim Chief Financial Officer. Chris Pullen resigned as Chief Executive Officer on 26 April 2020 and Ian Lawson was appointed as Executive Chairman on 25 April 2020.

The Board meets at least six times each year. The Board meeting attendance for the seven Board meetings held in 2019 is below:

Director	Number of meetings attended
John Crabtree (Chair until 17 September)[1]	3
Tracy Lewis (Chair from 17 September)[2]	7
Ed Barker[3]	6
Chris Pullen[4]	7
Richard Thomson[5]	3
Mike Watts[6]	6
Dawn Ward[7]	7

1 John Crabtree resigned from the Board on 17 September 2019 and missed one meeting due to sickness
2 Tracy Lewis resigned on 24 April 2020
3 Ed Barker missed one meeting due to other commitments and resigned on 31 January 2020
4 Chris Pullen resigned on 26 April 2020
5 Richard Thomson was appointed to the Board on 17 September 2019
6 Mike Watts resigned from the Board on 18 December 2019
7 Dawn Ward resigned from the Board on 23 April 2020

Directors are given timely and relevant management information before each Board meeting. Directors are able to obtain independent professional advice in the course of their duties, at the Group's expense. All Directors submit themselves for re-election annually.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises four Directors, with two independent Non-Executive Directors and two Executive Directors, with a range of different experience and backgrounds. Biographical details of the Directors are set out on page 28. The Nominations Committee is responsible for the appointment of Directors but ensures that the whole Board is involved in the process.

The Board believes that the recent changes significantly improve the corporate governance structure of the Group.

On 17 September 2019, Richard Thomson was appointed to the Board as a Non-Executive Director bringing with him a wealth of commercial and financial experience. Richard was appointed as the Senior Independent Director on 24 April 2020.

On 17 March 2020 Albert Ellis was appointed to the Board as a Non-Executive Director, bringing with him significant experience of the recruitment sector and the listed environment. Albert is a chartered accountant and is Chair of the Audit and Risk Committee.

Ian Lawson was appointed to the Board as Executive Chair on 25 April 2020. Ian has over 15 years' public company board-level experience

Daniel Quint was appointed to the Board on 18 May 2020, continuing as Interim Chief Financial Officer, after joining the Group on 18 December 2019.

Directors are encouraged to keep their skills up to date by attending appropriate courses. A number of Directors are either currently, or have previously been, members of other boards where new skills can be learned.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Chair conducts an internal review process to evaluate Board performance. A questionnaire is used which focuses on the remit and key issues facing the Board. In particular, the Board considers how it discharges its strategic remit and reviews key issues facing the Group. The process requires each Director to consider and complete a questionnaire, evaluating the Board's performance in the following areas:

Delivering growth in long-term shareholder value:

1. Setting out the vision and strategy;
2. Managing and communicating risk and implementing internal control;
3. Articulating strategy through corporate communications and investor relations;
4. Meeting the needs and objectives of shareholders;
5. Meeting stakeholder and social responsibilities; and
6. Using cost-effective and value-added arrangements.

Corporate Governance Code continued

Maintaining a flexible, efficient and effective management framework within an entrepreneurial environment:

1. Developing structures and processes;
2. Being responsible and accountable;
3. Having balance on the Board;
4. Having appropriate skills and capabilities on the Board;
5. Evaluating Board performance and development; and
6. Providing information and support.

An effective Board:

1. Works as a team led by the Chair;
2. Has a Chair who demonstrates responsibility for corporate governance;
3. Develops and clearly articulates the strategy of the Company;
4. Evaluates its performance and acts on the conclusions;
5. Regularly informs and engages with shareholders; and
6. Has a balance of skills, experience and independence.

Completed questionnaires are submitted to and reviewed by the Chair. A summary of findings is then presented to the Board in a manner that does not identify individual specific responses, ensuring that the follow-up discussion with the entire Board is open. The highest and lowest scores are reviewed, as are the differences evident between the responses of Executive and Non-Executive Directors. Action plans are then put in place to address the key concerns highlighted by Directors.

8. Promote a corporate culture that is based on ethical values and behaviours

Our corporate values are:

- Teamwork: working together across the business to achieve more for our customers;
- Respect: taking time to understand, trust and support each other to achieve shared success;
- Commitment: demonstrating a relentless and driven ambition to exceed expectations;
- Reliability: fulfilling all our customer requirements, getting the job done;
- Creativity: solving problems and suggesting new ideas and insights; and
- Integrity: doing things the right way, for the right reason, ethically, honestly, every time.

These values are driven by the Board and are at the heart of all our processes and decisions.

We take compliance with legislation and industry standards extremely seriously. We are committed to reducing the threat of modern slavery and human trafficking and work with likeminded organisations to try to achieve this. This is described in the Corporate and Social Responsibility section, along with our commitment to health and safety and our approach to General Data Protection Regulations.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is responsible to shareholders for:

- Setting the Group's strategy;
- Maintaining the policy and decision-making process around which the strategy is implemented;
- Ensuring that necessary financial and human resources are in place to meet strategic aims;
- Monitoring performance against key financial and non-financial indicators;
- Providing leadership whilst maintaining the controls for managing risk;
- Overseeing the system of risk management; and
- Setting values and standards in corporate governance matters.

The Chair is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders.

As noted under Principle 5, the Board delegates certain functions to its three committees:, the Audit and Risk Committee; the Remuneration Committee; and the Nominations Committee.

Audit and Risk Committee

The Audit and Risk Committee has responsibility for:

1. The Company's financial reporting;
2. Narrative reporting ensuring that the financial performance of the Group is properly monitored and reported on;
3. Whistleblowing arrangements;
4. Internal financial controls – identifying and commissioning specific internal control reviews;
5. Appointment of external auditors;
6. The external audit process – meeting the external auditors and reviewing any reports from them regarding accounts and internal control systems; and
7. The approval of external disclosures.

It also oversees:

1. The Group's Risk Register (see pages 19 to 23), risk appetite and tolerance;
2. Developments in relevant legislation and regulation; and
3. The Group's system of internal controls and risk management.

The Audit Committee meets at least twice each year. The meeting attendance for the eight meetings held in 2019 is below, along with the key agenda items:

Director	Number of meetings attended
Ed Barker (Chair)[1]	8
Dawn Ward[2]	8
Tracy Lewis[3]	8
Richard Thomson[4]	2

1 Ed Barker resigned on 31 January 2020
2 Dawn Ward resigned on 23 April 2020
3 Tracy Lewis resigned on 24 April 2020
4 Richard Thomson was appointed to the Audit Committee on 17 September 2019

Key items considered by the Committee

- Audit tender and appointment of new auditor;
- Annual audit plan;
- Year end audit findings;
- Audit fees;
- Results announcement and Annual Report, including form of the audit opinion;
- Interim results announcement;
- Letters of Representation;
- Appropriateness of applying the going concern basis of preparation in the Financial Statements;
- Key accounting judgements and estimates;
- Risk Register;
- Project to improve internal controls; and
- Prior year adjustments.

The focus on internal controls has identified accounting errors relating to the preparation of the 2018 annual results. These errors are described in note 3 of the Financial Statements and amount to a reduction to the 2018 opening reserves position of £(0.9)m and a reduction of £(7.5)m to the 2018 reported profit after tax.

Furthermore, after the end of the reporting period, management's review of internal controls identified a material misstatement within reported accrued income and costs for the year ended 31 December 2019, which contributed towards profit guidance for 2019 being reduced earlier this year. On further investigation, this material misstatement was traced to the deliberate manual manipulation of internal reports which were used in the accrued income and accrued cost accounting process.

While the impact was relatively small in the context of Group revenue, on identification of the issue, the Board was immediately notified and an investigation took place covering the control environment and substantiation of accrued income and costs. Control improvements have now been implemented, including additional segregation of duties. The individual involved with the issue is no longer employed by the Group. Importantly, no external funding rules were broken as a result of this issue. It has no impact on the Board's outlook and the incident has now been fully resolved.

The key audit matters considered by the Committee:

- Accuracy and completeness of opening balances
- Transition to IFRS16 'Leases'
- Revenue recognition
- Non-underlying items presentation
- Valuation of goodwill and intangible assets
- Accuracy and completeness of provisions
- Valuation of investments held by the Company
- Valuation of the intercompany receivables held by the Company

Remuneration Committee

The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives in a manner that is aligned to shareholder interests, while also complying with the requirements of regulation. In addition to reviewing and agreeing Directors' remuneration, the Committee also approves proposed remuneration packages for new appointments and remuneration changes for all employees where their basic gross salary is £100,000 or above.

The members of the Committee are all Non-Executive Directors. Except as shareholders and Directors, none of the members has any personal financial interest in the Group.

The Remuneration Committee meets on an ad hoc basis. The meeting attendance for the five meetings held in 2019 is below, along with the 2019 Key Agenda Items:

Director	Number of meetings attended
Dawn Ward (Chair)[1]	5
Tracy Lewis[2]	5
Ed Barker[3]	4
John Crabtree[4]	3
Richard Thomson[5]	1

1 Dawn Ward appointed Chair of Remuneration Committee on 18 October 2019 and resigned 23 April 2020
2 Tracy Lewis stepped down as Chair of Remuneration Committee on 18 October 2019, after assuming position as Chair of the Board, and resigned on 24 April 2020
3 Ed Barker missed one meeting due to other commitments and resigned on 31 January 2020
4 John Crabtree missed one meeting due to sickness and resigned on 17 September 2019
5 Richard Thomson was appointed to the Remuneration Committee on 17 September 2019

Key Items considered by the Committee

- Approval of any bonuses for Executive Directors;
- Discussion on Executive and Non-executive Director remuneration levels;
- Approval to offer remuneration packages to proposed senior appointments; and
- Current share option schemes.

The Group's current remuneration policies are set out in the Report on Remuneration on pages 35 to 37.

Corporate Governance Code continued

Nominations Committee

The Nominations Committee reviews the structure and composition of the Board and its Committees, particularly the skills, knowledge and experience of Directors. Succession planning and approval of Board appointments form an important part of the Committee's responsibilities.

The Nominations Committee meets as and when required. The meeting attendance for the two meetings held in 2019 is below, along with the key agenda items:

Director	Number of meetings attended
Dawn Ward (Chair)[1]	2
Tracy Lewis[2]	2
Ed Barker[3]	2
John Crabtree[4]	1
Chris Pullen[5]	2
Mike Watts[6]	1
Richard Thomson[7]	1

1 Dawn Ward appointed Chair of Nominations Committee on 18 October 2019 and resigned on 23 April 2020
2 Tracy Lewis stepped down as Chair of Nominations Committee on 18 October 2019, after assuming position as Chair of the Board, and resigned on 24 April 2020
3 Ed Barker resigned on 31 January 2020
4 John Crabtree resigned on 17 September 2019
5 Chris Pullen resigned on 26 April 2020
6 Mike Watts resigned on 18 December 2019
7 Richard Thomson was appointed to the Remuneration Committee on 17 September 2019

Key Items considered by the Committee

- Approval of appointment of Richard Thomson as a Non-Executive Director;
- Approval of appointment of Albert Ellis as a Non-Executive Director;
- Approval of appointment of Ian Lawson as Executive Chairman; and
- Approval of appointment of Daniel Quint as Interim Chief Financial Officer.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is responsible for representing and promoting the interests of the Group's shareholders and is accountable to them for the long-term success of the Group.

The Executive Directors endeavour to hold regular meetings with institutional shareholders. They also update on the performance of the Group to shareholders and wider stakeholders at the interim and annual results presentations.

The Executive Directors also hold regular meetings and maintain an ongoing dialogue with the Group's lenders.

Details of the governance structure and work of the Board committees are included in the Annual Report.

Report on remuneration

Policy on Executive Directors' remuneration

The Executive Directors' remuneration packages are designed to attract, motivate and retain Directors of the high calibre needed to help the Group successfully compete in its market-place. The Group's policies are to pay Executive Directors a salary at market levels for comparable jobs in the sector whilst recognising the relative size and complexity of the Group.

The performance management of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Remuneration Committee. No Director plays a part in any decision about his or her own remuneration. Executive Directors are permitted to accept appointments outside the Group subject to prior Board approval. The remuneration packages of Executive Directors are comprised of a basic salary, pension and car allowances and a performance-related bonus as well as share-based payment schemes as described below.

The remuneration of the Directors, which was all paid by the Group, is detailed on page 37 of these financial statements.

Basic salary

Salaries for the Executive Directors are reviewed by the Remuneration Committee at specific times or when an individual changes position or responsibility. In deciding appropriate levels, the Committee takes into account objective research on comparable companies, general market conditions and business and personal performance.

With effect from 1 January 2019, the following increases were approved by the Remuneration Committee:

Director	Previous salary £000 p.a.	Increase £000 p.a.	Current salary £000 p.a.
C Pullen[1]	295	30	325
M Watts[2]	180	40	220

1 C Pullen resigned on 26 April 2020
2 M Watts was appointed to the Board on 24 January 2018 and resigned on 18 December 2019

No other increases for Chris Pullen or Mike Watts were approved after 1 January 2019.

Ian Lawson's salary, following his appointment on 25 April 2020, was agreed to be £195,000 p.a. on the basis of a three day per week time commitment, ratcheting down to £100,000 p.a. on the basis of a one day per week time commitment, or upon the appointment of a Chief Executive Officer.

Daniel Quint continues to be paid on the basis of being Interim Chief Financial Officer.

Annual bonus

Annual bonuses are awarded at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion, the Committee takes into account the underlying profit before taxation performance against budget. The Committee believes that incentive compensation should recognise the growth and profitability of the business, which are tied to the interests of shareholders.

A total bonus of £nil (2018: £nil) has been accrued in respect of Executive Directors. The bonus for Executive Directors was based on achieving targeted Group underlying profit for the year before taxation of £40.0m. For the full year, achievement of 100% of target would result in 50% of basic salary being paid, payments being made on a graduated basis from achievement of 90% of target (below which no bonus is payable) up to 110% at which 100% of basic salary will be paid as a bonus. The actual underlying result before tax was a loss of £(5.8)m and thus no bonuses were payable to Chris Pullen or Mike Watts (2018: bonuses voluntarily waived).

Directors' share options

In November 2019, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2019. Eligible employees were invited to subscribe for options over Staffline's ordinary shares of 10p each ("Ordinary Shares") with an exercise price of 76.664p, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2019 and are exercisable between 1 December 2022 and 1 June 2023. One Director, Mike Watts, who resigned on 18 December 2019, participated in the Company's 2019 SAYE scheme. The individual option grant for Mike Watts pursuant to the 2019 SAYE scheme was 23,479 shares.

Joint Share Ownership Plan 2018

In October 2017, the Remuneration Committee approved a Joint Share Ownership Plan ("JSOP") to provide additional incentives to certain senior executives, covering the five-year period ending 31 December 2022.

The JSOP shares are held jointly between the Directors and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the Directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the Directors and the Staffline Group plc Employee Benefit Trust.

From the date of award, the right to sell the JSOP shares was not at the discretion of the executives but instead at the discretion of the Employee Benefit Trust. On disposal of the shares, the amount received by the executives is calculated based on certain business performance conditions, as follows:

1. A range of underlying diluted EPS of between 180.0p and 200.0p required in the financial year 2022 (maximum 50% of the award). No shares vest if the EPS is below 180.0p in that year.
2. 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the AXX over the period 1 January 2018 to 30 June 2023 (nil award if the minimum EPS requirement above is not achieved). The Company's share price at 1 January 2018 was 1,040p and the AXX stood at 1,050. As at 31 December 2019, the Company's share price had decreased by 92% to 87p, albeit the number of issued shares having increased by 147%, whereas the AXX had fallen by 8% to 958.

Report on remuneration continued

The Directors' interests are detailed below:

Director	Award date	Participation price	Interest over number of shares	Date on which exercisable
C Pullen[1]	24 Jan 2018	999p	275,000	30 June 2023
M Watts[2]	24 Jan 2018	999p	125,000	30 June 2023
			400,000	

1 C Pullen resigned on 26 April 2020
2 M Watts was appointed to the Board on 24 January 2018 and resigned on 18 December 2019

Policy on Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is determined by the Board and based upon independent surveys of fees paid to Non-Executive Directors of similar companies. The Non-Executive Directors do not receive any benefits apart from their basic salaries or fees.

Director	Previous fee or salary £000 p.a.	Increase £000 p.a.	Current fee or salary £000 p.a.
E Barker[1]	30	–	30
A Ellis[2]	35	10	45
T Lewis[3]	30	50	80
R Thomson[4]	30	10	40
D Ward[5]	30	–	30

1 E Barker resigned on 31 January 2020
2 A Ellis appointed 17 March 2020 - Fee includes additional £5,000 p.a. for chairing Audit and Risk Committee. Previous fee as at date of appointment
3 T Lewis - Fee increased to £80,000 p.a. on 17 September 2019 on appointment as Chair of the Board. Resigned on 24 April 2020
4 R Thomson appointed 17 September 2019. Previous fee as at date of appointment
5 D Ward resigned on 23 April 2020

Service contracts

Ian Lawson, Richard Thomson and Albert Ellis each have contracts terminable on six months' notice given by either party. There are no contractual termination payments other than as a result of the contractual notice period.

Pension arrangements

The Group has a defined contribution pension scheme with Scottish Widows for all permanent employees. Executive Directors are entitled to receive a contribution from the Group equivalent to 10% of their basic salary into this or another scheme of their choice. A cash allowance of 10% of basic salary is paid in lieu of Company pension contribution at the request of the Director.

The Group operates a defined benefit pension scheme. However, no Directors are members.

Other benefits and benefits in kind

The Group provided private medical insurance and car allowances for Chris Pullen and Mike Watts. No benefits in kind are provided to current Directors.

Directors' remuneration summary (audited)

The table below sets out the remuneration received by the Directors in respect of the year ended 31 December 2019 and for the year ended 31 December 2018:

	Year	Salary, fees £000	Annual bonus £000	Car allowance £000	Pension £000	Compensation for loss of office £000	Others £000	Total £000
Executive Directors								
C Pullen[1]	**2019**	**325**	**–**	**12**	**33**	**–**	**1**	**371**
	2018	294	–	12	29	–	2	337
M Watts[2]	**2019**	**220**	**–**	**12**	**22**	**165**	**1**	**420**
	2018	169	–	11	17	–	1	198
A Hogarth[3]	2018	147	–	6	15	–	1	169
D Martyn[4]	2018	18	–	1	2	–	–	21
Chair								
J Crabtree[5]	**2019**	**58**	**–**	**–**	**–**	**38**	**–**	**96**
	2018	80	–	–	–	–	–	80
T Lewis[6]	**2019**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	2018	30	–	–	–	–	–	30
Non-Executive Directors								
E Barker[7]	**2019**	**30**	**–**	**–**	**–**	**–**	**–**	**30**
	2018	30	–	–	–	–	–	30
R Thomson[8]	**2019**	**9**	**–**	**–**	**–**	**–**	**–**	**9**
D Ward[9]	**2019**	**30**	**–**	**–**	**–**	**–**	**–**	**30**
	2018	8	–	–	–	–	–	8
2019		**719**	**–**	**24**	**55**	**203**	**2**	**1,003**
2018		776	–	30	63	–	4	873

1 Chris Pullen resigned on 26 April 2020
2 M Watts was appointed to the Board on 24 January 2018 and resigned on 18 December 2019. In addition, M Watts was paid £15,000 as compensation for cancelling a holiday.
3 A Hogarth resigned from the Board on 30 June 2018 (Non-Executive Director from 24 January 2018)
4 D Martyn resigned from the Board on 24 January 2018
5 J Crabtree resigned from the Board on 17 September 2019
6 T Lewis assumed the role of Chair on 17 September 2019 and resigned on 24 April 2020
7 E Barker resigned on 31 January 2020
8 R Thomson was appointed to the Board on 17 September 2019
9 D Ward was appointed to the Board on 5 October 2018 and resigned on 23 April 2020

Others represent medical insurance for C Pullen, M Watts, A Hogarth and D Martyn. Pensions include both Company contributions and cash allowances where the Directors have elected not to have contributions paid into a pension fund.

In addition, the Group received an income statement credit of £129,000 (2018: charge of £564,000) in relation to cash and equity-settled share options held by the Directors. The total is split as follows:

	2019 credit £000	2018 charge £000
A Hogarth (2013 JSOP)	**–**	205
D Martyn (2013 JSOP)	**–**	205
P Ledgard (2013 JSOP)	**–**	25
C Pullen (2018 JSOP)	**(89)**	89
M Watts (2018 JSOP)	**(40)**	40
	(129)	564

The above credits and charges were principally driven by movements in the Company's share price as follows:

	2019 £000	2018 £000
Opening share price p	**1,240**	1,040
Closing share price p	**87**	1,240
% (decrease) / increase during the year	**-93%**	+19%
% (decrease) / increase during the year adjusted for the equity issue in July 2019	**-83%**	N/A

On 15 July 2019, a total of 40,986,097 ordinary 10p shares were issued by the Company, resulting in a total of 68,930,486 ordinary 10p shares now being in issue.

Report of the Directors

The Directors present their Annual Report for the Group and the Company together with the audited financial statements for the year ended 31 December 2019. The Section 172 statement is presented on page 18. The Corporate Governance Statement is presented on page 27.

Principal activities

A review of the activities of the Group, including financial and non-financial information, can be found in the Strategic Report, along with details of the Group's future developments.

Financial risk management

Financial risk management is detailed in note 27 of the financial statements.

Dividends

A condition of the amended credit facilities, detailed in note 19, is that no dividends be declared by the Company until July 2022. Accordingly, no interim dividend was paid during the year (2018: £3.0m, 11.3p per share) and the Directors have not proposed a final dividend (2018 £nil).

Directors

The Directors who held office during the year and up to the date of approval of the Annual Report, all of whom served throughout the year unless otherwise stated, were:

E Barker (resigned on 31 January 2020)
J Crabtree OBE (Chair until resignation on 17 September 2019)
T Lewis (Chair from 17 September 2019 and resigned on 24 April 2020)
C Pullen (resigned on 26 April 2020)
M Watts (resigned 18 December 2019)
D Ward CBE (resigned on 23 April 2020)
A Ellis (appointed 17 March 2020)
I Lawson (appointed on 25 April 2020 as Chair)
R Thomson (appointed 17 September 2019)
D Quint (appointed 18 May 2020)

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors have reviewed this basis and made full disclosure in note 3 to the Financial Statements, concluding that there is a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described in note 3, as well as the mitigating actions available to the Group as described in note 3, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force at the date of approval of the financial statements for the benefit of each of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

Branches

The Group has operations in the United Kingdom, Republic of Ireland and Poland as disclosed in note 4 of the Financial Statements.

Employee involvement

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's strategic objectives, vision, values and principles, are communicated in an open and regular manner. Employees are kept aware of progress versus these objectives and key developments within the Group by regular briefings. Senior staff participate in various bonus scheme arrangements linked to financial performance.

Disabled persons

It is the Group's policy to give full and fair consideration to suitable applications for employment from disabled persons. Once employed, disabled persons receive equal opportunities for training, career development and promotion. Opportunities exist for employees of the Group who become disabled to continue their employment or to be trained for other positions within the Group.

Payments to suppliers

The Group aims to comply with the payment terms agreed with suppliers when goods or services have been provided in accordance with the agreed conditions.

Political donations

The Group has made no political donations in the current or prior years.

Charitable donations

The Group made charitable donations of £17,000 in the year (2018: £32,000).

Research and Development

The Group continues to invest in and develop its digital platforms as discussed in the Strategic Report.

Substantial shareholdings

The Company's issued share capital consists of 68,930,486 ordinary shares with a nominal value of 10p each ("Ordinary Shares"), each share having equal voting rights.

The interests, by parent Company, of our top ten shareholders in the issued ordinary share capital of the Company, which have been notified as at 31 December 2019, were as follows, representing 79.7% of the total issued ordinary share capital:

	Ordinary shares of 10p each	Percentage of ordinary shares
HRNetGroup	20,641,959	29.9
Octopus Investments	9,234,502	13.4
Invesco	6,053,502	8.8
Legal and General Group	5,002,459	7.3
Gresham House	3,621,584	5.3
Hunter Group	3,521,114	5.1
Hargreaves Lansdown	2,260,294	3.3
Bayberry Capital Partners	1,840,261	2.7
Royal Bank of Scotland Group	1,466,490	2.1
Barclays Bank	1,257,751	1.8
	54,899,916	79.7

In accordance with AIM Rule 26, in so far as the Company is aware, the total and percentage of the Company's issued share capital that was not in public hands at 31 December 2019 was 1,372,163 shares and 2.0% respectively. This percentage comprises the holdings of Directors of the Company, as noted below, and the Employee Benefit Trust.

Directors' shareholdings

Excluding interests in share options and Joint Share Ownership Plans, which are fully disclosed within the 2019 Remuneration Report, the beneficial holdings of the directors as at 31 December 2019 in the Company's issued share capital at 31 December 2019 was as follows:

Director	Ordinary shares of 10p each in issue	% of total
Ed Barker	11,104	–
Tracy Lewis	100,000	0.1%
Chris Pullen	120,659	0.2%
	231,763	0.3%

Post balance sheet events

A number of Board changes occurred after the balance sheet date, as disclosed above.

As described in the Strategic Report, the Company agreed a revised financing structure with its lenders in June 2020, comprising a reduced revolving credit facility alongside a new receivables finance facility.

Following the HMRC investigation into the Group's compliance with the National Minimum Wage, as disclosed in the 2018 Annual Report, a Notice of Underpayment was issued by HMRC in February 2020, and the penalty was paid during March 2020. Remediation payments to workers were paid in February and March 2020. The Group continues to finalise some residual areas of self-assessment.

As disclosed in note 32, in the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge.

The COVID-19 outbreak is a current risk with uncertainty created in the global economy after the balance sheet date. Refer to the Executive Chairman's Statement for further details as well as Principal Risks and Uncertainties.

Auditors

PricewaterhouseCoopers LLP ("PwC") resigned as the Group's auditor on 1 August 2019. There was mutual agreement with the Audit Committee that PwC would not participate in the competitive audit tender process. On 12 November 2019 Grant Thornton UK LLP was appointed as the Group's auditor with immediate effect.

A resolution to appoint Grant Thornton UK LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The Directors' report was approved by the Board and signed on its behalf by:

Philip Gormley
Company Secretary
29 June 2020

Statement of Directors' responsibilities
in respect of the financial statements

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

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

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

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Company are responsible for the maintenance and integrity of the of the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the 2019 Annual Report ("the Annual Report"), taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group and the undertakings included in the consolidation taken as a whole;
- the Company financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Philip Gormley
Company Secretary
29 June 2020

Independent auditor's report
to the members of Staffline Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Staffline Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated and company statements of financial position, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the group associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to the going concern note within Note 3 in the financial statements which indicates that the directors have considered the group and parent company's base and sensitised case cash flow information for the period ending 31 December 2021, which incorporates their current view of the impact of the following trading, financing and liquidity risks and uncertainties:

- trading uncertainties in relation to Covid-19, Brexit related transition issues, sales volumes within the non-food sectors (including retail, manufacturing and automotive) and a slowdown in new contracts and apprenticeship starts;
- financing and liquidity uncertainties relating to the impact of trading uncertainties on covenant compliance and thus the continued availability of the current receivables finance facility and revolving credit facility; and
- financing and liquidity uncertainties relating to the condition that the £25,000,000 non-recourse invoice discounting facility is not committed and if this facility were to be withdrawn and this was not reinstated or a replacement facility not entered into with 28 days, the current receivables finance facility and revolving credit facility would be in default.

In this context, the Directors have concluded that they have a funding gap from 31 March 2021 onwards and covenant breaches at the end of March 2021 if their mitigating actions are not successfully implemented.

As stated in the going concern note within Note 3 these events or conditions, along with the other matters as set forth in the going concern note within Note 3, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that there is a material uncertainty, we performed the following procedures:

- Obtained an understanding of how management prepared their base case and sensitised case forecasts for the period to 31 December 2021;
- Assessed the accuracy of management's forecasting by comparing the reliability of past forecasts to managements base case forecast;
- Obtained an understanding of key trading, balance sheet and cash flow assumptions and tested key assumptions to underlying historical financial analysis;
- Assessed the appropriateness of management's forecasts by applying our own sensitivities;
- Assessed the feasibility of the mitigating actions available to management to continue as a going concern;
- Performed arithmetical and consistency checks on management's going concern model; and
- Assessed the adequacy of related disclosures withing the annual report.

Independent auditor's report continued

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Overview of our audit approach

- Overall group materiality: £1.2 million, which represents 0.1% of the group's expected revenue at the planning stage of the audit.
- Group key audit matters were identified as:
  - Opening balances at 1 January 2019 – accuracy and completeness;
  - Transition to IFRS 16 – valuation, presentation and disclosure;
  - Revenue – occurrence, and accuracy;
  - Non underlying administrative charges – accuracy and presentation and disclosure;
  - Goodwill and other intangible assets – valuation; and
  - Provisions – completeness, accuracy, presentation and disclosure.
- Parent company key audit matters were identified as:
  - Investments – valuation; and
  - Inter-company balance – valuation.
- We performed full scope audit procedures on the financial statements of Staffline Group plc and on the financial information of the ten other significant components.
- We performed specified and analytical procedures on the financial information of the other components

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included those that 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 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.

In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Opening balances at 1 January 2019 – accuracy and completeness As noted on page 33 within the Governance section, the Audit Committee commissioned an independent review of internal controls, which was completed in mid-2019. This review identified a number of control weaknesses and made a number of recommendations. Management began addressing these recommendations in the latter half of 2019, in particular, the processes and controls in relation to balance sheet reconciliations. This detailed exercise identified a number of balance sheet line items which had not been properly reconciled or contained balances which could not be substantiated. As a result, management identified a number of prior period adjustments which resulted in a decrease in opening reserves at 1 January 2018 of £0.9m and decrease in 2018 loss after tax of £7.5m. Please see Note 3 for the full analysis of prior year adjustments. Also during 2019, the Investigation Committee, supported by independent legal counsel, investigated whistleblowing allegations in relation to holiday pay and national minimum wage compliance, which resulted in a material provision and accrual adjustment as at 31 December 2018. The response to the risk in these balances is documented on page 48, and adjustments relating to these were identified in relation to the 2018 balances. We therefore identified the accuracy and completeness of opening balances at 1 January 2019 as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Reading the 2018 annual report, accounting policies, and reviewing the working papers of the predecessor auditor; • Obtaining management's paper summarising the adjustments identified and evaluating their financial impact on the opening consolidated balance sheet, the loss recorded in 2018, and the balance sheet at 1 January 2018; • Obtaining management's response to significant control deficiencies identified by external reviews during 2019 and corroborating that the balance sheet reconciliation procedures had been implemented; • Obtaining legal and regulatory correspondence and advice, including the findings from the independent legal investigation. The national minimum wage provision and holiday pay accrual balances at 31 December 2018 were agreed to management's calculations, legal advice, HMRC correspondence, and taxation advice; • Testing material balances which management concluded were unsubstantiated, by tracing these through to the originating transactions in 2018, and challenging management's assessment as to whether it is appropriate to write off these balances; • Tracing to supporting documentation a sample of transactions recognised during 2019 in accounts where management identified prior year under-accruals. For sampled transactions relating to 2018, checking they had been accrued by management to gain assurance that the prior period adjustment proposed by management was complete; • Tracing to supporting documentation a sample of transactions recognised in cost of sales and administrative expenses codes where management had not identified a prior year adjustment. Transactions related to 2018 were traced to prior year accruals to gain assurance that further prior year adjustments were not required and that management's adjustments were complete; • Testing a sample of revenue journal entries recognised during 2019 by agreeing to underlying documentation and checking any related to 2018 had been included within the prior year financial statements to gain assurance that management's adjustments were complete; • Recalculating adjustments for under-accrued costs and testing a sample of inputs by agreeing to underlying documentation; • Testing a sample of post year-end invoices by agreeing to underlying documentation to determine whether similar under-accruals existed in the 2019 balance sheet; and • Considering material adjustments identified in the current year and determining whether a corresponding misstatement was present in the opening consolidated balance sheet to gain assurance over the completeness of the prior year adjustments. The group's accounting policy on prior year adjustments is shown in Note 3 to the financial statements and related disclosures are included within this note. **Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the accuracy and completeness of opening property, plant and equipment, trade receivables, accruals and provisions. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Independent auditor's report continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Transition to IFRS 16 'Leases' ("IFRS 16") – valuation, presentation and disclosure IFRS 16 has been adopted by the group for the first time from 1 January 2019. Management have elected to adopt the modified retrospective approach to transitioning to the new standard. The application of IFRS 16 resulted in the recognition on transition of total lease liabilities of £10.4m and right-of-use assets of £10.0m. In order to compute the impact on the group's assets, liabilities and consolidated statement of comprehensive income, management has made a number of key judgments and estimates, including determining the appropriate discount rate to be applied to each lease. There is also a risk that the lease data is inaccurate or incomplete and is not appropriately included within the transition and subsequent accounting entries. Finally, there is a risk that the disclosures in the financial statements are insufficient and prevent the user of the financial statements from understanding the impact of judgments and estimates. The process for measuring the impact of IFRS 16 is complex and requires significant judgement by management, therefore we identified the valuation, presentation and disclosure of the transition to IFRS 16 as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Reading management's IFRS 16 adoption papers and workings and assessing the implementation of key controls around the first year adoption of IFRS 16; • Assessing the appropriateness of the discount rate applied in determining lease assets and liabilities with support from our internal valuation specialists; • Testing the arithmetical accuracy and integrity of the underlying data by reperforming the lease liability and lease asset calculations for a sample of leases; • Considering completeness by agreeing the reconciliation of the group's operating lease commitment disclosure in the previous period to the lease data used in the calculation, by viewing lease agreements and payments and checking that they are included on the listing; • Selecting a sample from lease expenditure in the year and agreeing this lease expenditure into the related lease liability; and • Assessing the accounting policy and disclosures for compliance with IFRS 16. The group's accounting policy on leasing is shown in Note 3 to the financial statements and related disclosures are included in Note 31. **Key observations** Our audit work did not identify any material valuation adjustments or inconsistencies with the accounting policy applied in the presentation and disclosure of IFRS 16 transition balances.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue – occurrence and accuracy Revenue totalling £1.08bn is recognised in accordance with the group's accounting policy and IFRS 15 "Revenue from Contracts with Customers". The material revenue streams within the group are as follows: • Provision of temporary contractors; • Placement of permanent staff; • Provision of training services; and • Provision of welfare to work, training and education, and other related services. As the group acquired a recruitment process outsourcing business in September 2018, consideration of the presentation of these revenues in relation to "principal versus agent" control considerations was necessary. In addition, management identified a material misstatement within reported accrued income relating to a deliberate manual manipulation of internal reports which were used in the accrued income accounting process. This accrued income was then de-recognised. Due to the size of the balance and volume of transactions, we identified the occurrence and accuracy of revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the stated accounting policies in respect of revenue recognition and whether these are consistent with IFRS 15. For revenue from the provision of temporary contractors: • Using audit data analytics techniques to identify journal entries and other transactions where revenue and receivables transactions had a financial impact on unexpected balances or classes of transaction and then obtaining sufficient and appropriate evidence to support those transactions; • Substantively testing revenue transactions from the provision of temporary contractors by agreeing a sample of sales invoices to bank receipt and remittance, or alternative evidence; and • Obtaining post year-end credit notes, purchase invoices, and bank payments and comparing to year end balances to gain assurance over the completeness of rebates provisions posted during the year. • Testing a sample of transactions from the last week of the year and the first week of the new financial year; and • Calculating the expected revenue accrual from the final days of the year, which were not captured by the weekly billing process. For revenue from the placement of permanent staff: • Substantively testing revenue transactions from the placement of permanent staff by agreeing a sample of sales invoices to evidence of commencement of employment and bank receipts. For revenue from the provision of training services: • Substantively testing revenue transactions from the provision of training services by agreeing a sample of sales invoices to bank receipt and remittance, or alternative evidence. For revenue from the provision of welfare to work, training and education and other related services: • Documenting the key terms and conditions of material contracts; and • Testing a sample of revenue transactions by checking the revenue is recognised in line with contract terms and the delivery of performance obligations; In response to the identification of the deliberate management manipulation of accrued income, as noted on page 33, we: • Extended our audit testing, with support from internal specialists, to ascertain the quantum and extent of the manipulation and any related adjustment; and • Checked a sample of the adjusted revenue to underlying documentation, including post year end invoices, cash receipts and external systems (where relevant) The group's accounting policy on revenue recognition is shown in Note 3 to the financial statements. **Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the occurrence and accuracy of revenue due to recognising certain revenue in a capacity as a principal rather than as an agent, year end revenue cut-off and the misallocation of costs between revenue and cost of sales. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Independent auditor's report continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Non-underlying administrative charges – accuracy, presentation and disclosure The group has presented separately certain items in relation to re-organisation costs, impairment charges and other non-underlying costs on the face of the consolidated statement of comprehensive income. The Directors believe that the resulting "underlying" consolidated statement of comprehensive income assist with a readers understanding of the performance of the business. In the group's reported results, significant adjustments have been made to statutory operating loss of £39.9m to derive underlying operating loss of £0.8m, and to statutory loss before tax of £48.1m to derive underlying loss before tax of £5.8m. The most significant of these are discussed in detail in Notes 5 and 6. These costs are not defined by IFRSs as adopted by the European Union. Consequently, management have written an accounting policy to define non-underlying administrative charges in the group financial statements, which is set out in Note 3. In applying this accounting policy, management exercises significant judgement in respect of what it determines as non-underlying administrative charges. In making this assessment, management has identified significant costs that by their size or nature require separate presentation. As such, there is a risk of management bias in the selection of the items identified. We therefore identified the accuracy, presentation and disclosure of non-underlying administrative charges as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: **Accuracy** • Inspecting and challenging the nature of the items included within non-underlying administrative charges by obtaining a detailed breakdown of these items and obtaining an understanding of the nature of each cost; • Testing a sample of items to invoices or other supporting evidence; and • Checking that the specific cost incurred is one identified in the policy drafted by management. **Presentation** • Challenging management's rationale for the basis for inclusion of certain classes of items within non-underlying administrative charges, particularly around the areas of higher judgement such as identified reorganisation costs, to check whether the types of items identified meet the criteria of the accounting policy for such items defined by the group; and • Evaluating the appropriateness of the inclusion of items, both individually and in aggregate, within non-underlying administrative charges, including checking adherence to IFRSs as adopted by the European Union requirements and latest Financial Reporting Council best practice findings, and comparing them to similar disclosures seen in other companies in similar industries. **Disclosure** Assessing the disclosures made against the requirements of the financial reporting framework and best practice, and considering and / or checking: • The extent to which the prominence given to the 'underlying' financial information and related commentary in the Annual Report compared to the statutory financial information and related commentary could be misleading; • Whether the statutory and adjusted financial information are reconciled with sufficient prominence given to that reconciliation; • Whether the basis of the adjusted financial information is clearly and accurately described and consistently applied; and • Whether the 'underlying' financial information is not otherwise misleading in the form and context in which it appears in the Annual Report and whether the overall presentation is fair, balanced and understandable. The group's accounting policy on underlying profit – non-GAAP measures of performance is shown in Note 3 to the financial statements and related disclosures are included in Notes 5 and 6. **Key observations** Our audit work did not identify any material inconsistency with the accounting policies applied in the accuracy, presentation and disclosure of underlying and non-underlying performance measures.

Key Audit Matter – Group

Goodwill and other intangible assets - valuation

Under International Accounting Standard (IAS) 36 'Impairment of Assets', management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an annual assessment to determine whether the group's goodwill and other intangible assets within a cash generating unit ("CGU") are impaired. The decrease in share price in the year is an indicator for impairment.

The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to CGUs and the determination of the CGUs, appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

We therefore identified the valuation of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Obtaining management's assessment of the alignment of subsidiaries to either Recruitment GB, Recruitment Ireland or PeoplePlus, being the relevant CGUs used in their impairment calculations and comparing those to our understanding of the business units and operating structure of the group;
- Challenging management's assessment of impairment indicators relating to intangible assets by assessing whether any CGUs showed further indicators of impairment such as decline in performance or performance below budget;
- Checking the arithmetical accuracy of each CGU impairment calculation, including the associated sensitivity analyses;
- Using our internal valuation specialists to inform our challenge of management and their valuation specialist, that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market;
- Assessing whether trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different CGU and that the assumptions are consistent with our knowledge of the business;
- Testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and inspecting the forecast cash flows;
- Assessing whether one-off items in the impairment models which management have identified as impacting the current year are actually one-off and the risk of these items being pervasive in the business in the future; and
- Where we identified significant shortfalls in key performance metrics against budget in prior years, this informed our determination of sensitivities to apply as we formed our independent view about reasonable downside scenarios.

The group's accounting policy on impairment assessment is shown in Note 3 to the financial statements and related disclosures are included in Notes 10 and 11.

Key observations

Management concluded that additional adjustments were required having considered our audit findings in relation to the valuation of goodwill and other intangibles.

There are no further material misstatements identified from our audit work which have not been adjusted by management.

Independent auditor's report continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Provisions – accuracy and completeness Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', provisions are made for items where the group has identified a present legal or constructive obligation arising as a result of a past event, if it is probable that an outflow of resources will result and the amount of such outflow can be reliably estimated. The group had significant national minimum wage, dilapidation and onerous leases and holiday pay provisions at the year end. National minimum wage, dilapidation and onerous leases and holiday pay provisions are continually evaluated by management and are based on historical experience, external advice and other factors including expected future events. Significant management judgement is required to determine whether a provision is required and to estimate the amount that should be recorded. Judgement is also applied in the assessment of whether to classify such items as a provision or an accrual. We therefore identified the accuracy and completeness of provisions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: *National minimum wage – sites where payments have been made to workers* • Meeting with, reading and considering the work and reports of management's independent external expert in relation to this matter, who assisted management in assessing the areas of non-compliance and determining the corresponding liabilities. We also assessed their independence • Using our own auditor's expert to inform our challenges; and • Agreeing the calculated national minimum wage provision back to management records and ascertaining the completeness of management's analysis of the impacted customer sites; *National minimum wage – sites where payments have not yet been made to workers* • Agreeing the amounts provided for sites where payments have not yet been made to workers to management's latest calculation and testing key inputs on preparation time and pay rates to time studies and external data; and • Assessing the range of probable outcomes estimated by management with reference to the payments on sites agreed with HMRC and assessing the sufficiency of the disclosures made in relation to key estimates and judgements. *Dilapidation and onerous leases* • Evaluating whether the assumptions and calculations supporting key provisions in respect of dilapidations and onerous leases across the group adequately reflect the circumstances of the business and that the recognition criteria of IAS 37 have been met; • Checking sample of properties to lease agreement to check the contractual obligations; • Obtaining reports from management's expert and challenging whether they had the expertise to assess provisions; and • Checking that the provisions recorded were consistent with reports provided by management's experts. *Holiday pay accrual* • Obtaining management's holiday pay model and challenging the presentation of the accrual as opposed to a provision; • For a sample of contractors, checking the inputs of the calculation back to supporting documentation and evidence to check the accuracy of managements calculations and the validity of the source data; and • Challenging management on the assumptions made in calculating the accrual and agreeing these back to source documentation. The group's accounting policy on provisions is shown in Note 3 to the financial statements and related disclosures are included in Note 21. **Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the accuracy and valuation of provisions. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Key Audit Matter – Parent company	How the matter was addressed in the audit – Parent company
Investments – valuation The parent company holds material investment balances and under IAS 36 management are required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. As the market value of the group was significantly below the net asset value of the parent company at the reporting date an impairment review was required. The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to investment and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Checking the arithmetical accuracy of the impairment calculation, including the associated sensitivity analyses; • Using our internal valuation specialists to inform our challenge of management and their valuation specialist, that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market; • Checking trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different CGU and that the assumptions are consistent with our knowledge of the business; • Testing the accuracy of management's forecasting through a comparison of budget to actual data, historical variance trends and inspecting the forecast cash flows; and • Comparing the investments held to the net assets of the subsidiary and challenging management on whether there were indicators of impairment. The parent company's accounting policy on investments is shown in Note 3 to the financial statements and related disclosures are included in Note 12. **Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the valuation of investments. There are no further material misstatements identified from our audit work which have not been adjusted by management.
Inter-company balance – valuation The parent company holds a material inter-company receivable balance which is repayable on demand. Management has prepared a probability weighted expected credit loss calculation, in accordance with IFRS 9 'Financial Instruments', estimated by reference to observable market data and assumptions over how the balance could be recovered if a demand was made at the reporting date. Judgement is required by management to determine an appropriate methodology to assess impairment and probability weighted expected credit losses. As a result, we identified the valuation of the intercompany balance as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Agreeing the material inter-company balances to corresponding trial balances; • Agreeing that the expected recovery methods used by management were appropriate to their circumstances; • Assessing the appropriateness of the inputs and assumptions used in each recovery calculation; and • Reading the disclosures relating to key judgments and estimates in relation expected credit loss and assessing whether these provide sufficient and appropriate disclosure The parent company's accounting policy on the expected credit loss is shown in Note 3 to the financial statements and related disclosures are included in Note 16. **Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the valuation of inter-company balances. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Independent auditor's report continued

Our application of materiality

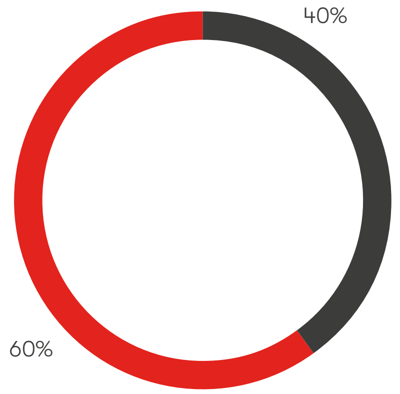
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

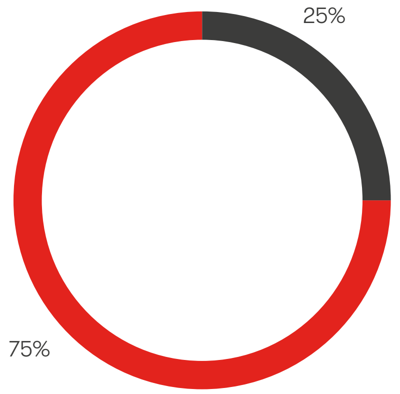
Materiality measure	Group	Parent company
Financial statements as a whole	£1.2m, which is 0.1% of the group's expected revenue at the planning stage of the audit and 0.1% of final revenue. This benchmark is considered to be the most appropriate because revenue is a key performance indicator for the group and the primary driver of profit generation. Materiality for the current year is lower than the level that was determined by the previous auditor.	£720,000, which is 1% of the parent company's total assets, capped at 60% of group materiality. This benchmark is considered the most appropriate because the parent company is a holding company with minimal transactional activity. Materiality for the current year is lower than the level that was determined by the previous auditor.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£60,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£36,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



Tolerance for potential uncorrected mis-statements
Performance materiality

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Management currently identifies three reporting segments: Recruitment GB, being the provision of workforce recruitment and management to industry, Recruitment Ireland, being the provision of generalist recruitment services and PeoplePlus, being the provision of skills training and probationary services. These reporting segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions are made on the basis of reporting segment operating results. All companies report their financial results and position using the group accounting policies. We viewed these companies as separate components for the purposes of determining the scope of our audit.

In setting our audit scope we determined any individual component which contributed more than 10% to consolidated revenues or consolidated underlying profit before taxation to be financially significant to the group. This resulted in the following components being subject to full scope audits using component materiality:

- Staffline Group plc
- Staffline Recruitment Limited
- Brightwork Limited
- Datum RPO Limited
- Omega Resource Group Limited
- Grafton Recruitment Limited
- Staffline Recruitment Limited (Ireland)
- Grafton Recruitment Limited (Ireland)
- PeoplePlus (Works) NI Limited
- PeoplePlus Group Limited
- The Warwickshire and West Mercia Community Rehabilitation Company Limited

The audit of the Recruitment GB components were carried out in the group's Head office in Nottingham. We engaged Grant Thornton teams in Birmingham to audit the components within the PeoplePlus segment and we engaged Grant Thornton Ireland to audit the components in the Recruitment Ireland segment. The group team performed reviews of the component auditors' work. We determined the level of involvement we needed to have in their audit work at those reporting units to be able to conclude whether sufficient, appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Detailed audit instructions were issued to the component auditors where a full scope audit approach had been identified. The audit instructions detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported back to the group audit team. We were involved in the planning of the audit work for all full scope audit components and communicated with all component auditors throughout the planning, fieldwork and concluding stages of their audit work.

Our audit work on the above components covers 99% of each of consolidated revenue, underlying consolidated loss before tax and reported consolidated loss before tax.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the parent company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Marc Summers, BSc (Hons), FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
29 June 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 Underlying £m	2019 Non-underlying* £m	2019 Total £m	2018 Underlying Restated £m	2018 Non-underlying* Restated £m	2018 Total Restated £m
Continuing operations							
Revenue	4	**1,076.7**	**–**	**1,076.7**	1,120.9	–	1,120.9
Cost of sales	5	**(990.2)**	**–**	**(990.2)**	(1,004.1)	–	(1,004.1)
Gross profit		**86.5**	**–**	**86.5**	116.8	–	116.8
Administrative expenses	5	**(87.3)**	**(39.1)**	**(126.4)**	(84.0)	(47.5)	(131.5)
Operating (loss)/profit		**(0.8)**	**(39.1)**	**(39.9)**	32.8	(47.5)	(14.7)
Finance costs	6	**(5.0)**	**(3.2)**	**(8.2)**	(3.1)	–	(3.1)
(Loss)/profit for the year before taxation		**(5.8)**	**(42.3)**	**(48.1)**	29.7	(47.5)	(17.8)
Tax credit/(expense)	8	**1.7**	**2.4**	**4.1**	(6.6)	8.4	1.8
(Loss)/profit for the year		**(4.1)**	**(39.9)**	**(44.0)**	23.1	(39.1)	(16.0)
Items that will not be reclassified to profit and loss – actuarial losses, net of tax				**(0.7)**			(0.5)
Items that may be reclassified to profit and loss – cumulative translation loss				**–**			–
Total comprehensive loss for the year				**(44.7)**			(16.5)
Loss per ordinary share	9						
Continuing operations:							
Basic				**(96.3)p**			(61.2)p
Diluted				**(96.3)p**			(61.2)p

* An analysis of the non-underlying items is provided in note 5

Details of the restatement adjustments are provided in note 3.

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital £m	Own shares JSOP £m	Share premium £m	Share-based payment reserve £m	Profit and loss account £m	Total equity £m
At 31 December 2017 (reported)	2.8	(8.9)	40.3	0.1	61.5	95.8
Prior year adjustments (note 3)	–	–	–	–	(0.9)	(0.9)
At 31 December 2017 (restated)	2.8	(8.9)	40.3	0.1	60.6	94.9
Transition to IFRS 15: Revenue Recognition	–	–	–	–	(1.0)	(1.0)
At 1 January 2018 (restated)	2.8	(8.9)	40.3	0.1	59.6	93.9
Dividends (note 9)	–	–	–	–	(7.1)	(7.1)
Issue of 2018 Joint Share Ownership Plan ("JSOP") shares	–	(0.9)	0.9	–	–	–
Settlement of 2013 JSOP shares	–	5.0	–	–	7.1	12.1
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.2	–	0.2
Transactions with owners	–	4.1	0.9	0.2	–	5.2
Loss for the year (restated)	–	–	–	–	(16.0)	(16.0)
Actuarial loss, net of taxation (note 15)	–	–	–	–	(0.5)	(0.5)
Cumulative translation adjustments	–	–	–	–	–	–
Total comprehensive loss for the year, net of tax	–	–	–	–	(16.5)	(16.5)
At 31 December 2018 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.1**	**82.6**

	Share capital £m	Own shares JSOP £m	Share premium £m	Share-based payment reserve £m	Profit and loss account £m	Total equity £m
At 31 December 2018 (reported)	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.5**	**91.0**
Prior year adjustments for year ended 31 December 2017 (note 3)	–	–	–	–	(0.9)	(0.9)
Prior year adjustments for year ended 31 December 2018 (note 3)	–	–	–	–	(7.5)	(7.5)
At 31 December 2018 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.1**	**82.6**
Transition to IFRS16: Leases (note 31)	–	–	–	–	(0.1)	(0.1)
At 1 January 2019 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.0**	**82.5**
Issue of share capital	4.1	–	36.9	–	–	41.0
Costs of issue of share capital	–	–	(3.0)	–	–	(3.0)
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.2	(0.2)	–
Transactions with owners	**4.1**	**–**	**33.9**	**0.2**	**(0.2)**	**38.0**
Loss for the year	–	–	–	–	(44.0)	(44.0)
Actuarial loss, net of taxation (note 15)	–	–	–	–	(0.7)	(0.7)
Total comprehensive loss for the year, net of tax	**–**	**–**	**–**	**–**	**(44.7)**	**(44.7)**
At 31 December 2019	**6.9**	**(4.8)**	**75.1**	**0.5**	**(1.9)**	**75.8**

The accompanying notes form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2019

	Share capital £m	Own shares JSOP £m	Share premium £m	Profit and loss account £m	Total equity £m
At 1 January 2018	2.8	(8.9)	40.3	38.7	72.9
Dividends (note 9)	–	–	–	(7.1)	(7.1)
Issue of 2018 Joint Share Ownership Plan ("JSOP") shares	–	(0.9)	0.9	–	–
Settlement of 2013 JSOP shares	–	5.0	–	7.1	12.1
Transactions with owners	–	4.1	0.9	–	5.0
Loss for the year	–	–	–	(0.9)	(0.9)
Total comprehensive income for the year, net of tax	–	–	–	(0.9)	(0.9)
At 31 December 2018 (reported)	**2.8**	**(4.8)**	**41.2**	**37.8**	**77.0**
Prior year adjustment (note 3)	–	–	–	(0.3)	(0.3)
At 31 December 2018 (restated)	**2.8**	**(4.8)**	**41.2**	**37.5**	**76.7**

	Share capital £m	Own shares JSOP £m	Share premium £m	Profit and loss account £m	Total equity £m
At 1 January 2019	2.8	(4.8)	41.2	37.5	76.7
Dividends (note 9)	–	–	–	–	–
Issue of Share Capital	4.1	–	36.9	–	41.0
Costs of Issue of Share Capital	–	–	(3.0)	–	(3.0)
Transactions with owners	4.1	–	33.9	–	38.0
Loss for the year	–	–	–	(76.7)	(76.7)
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**(76.7)**	**(76.7)**
At 31 December 2019	**6.9**	**(4.8)**	**75.1**	**(39.2)**	**38.0**

The accompanying notes form an integral part of these financial statements.

Consolidated and Company statements of financial position

As at 31 December 2019

		Consolidated			Company	
	Note	**2019 £m**	2018 Restated £m	1 January 2018 £m	**2019 £m**	2018 Restated £m
Assets						
Non-current						
Goodwill	10	**94.9**	117.2	94.2	**–**	–
Other intangible assets	11	**34.0**	42.9	20.8	**–**	–
Investments	12	**–**	–	–	**75.0**	125.2
Property, plant and equipment	13	**14.6**	7.6	7.7	**–**	–
Retirement benefit net asset	15	**–**	0.8	1.4	**–**	–
Deferred tax asset	22	**1.4**	0.9	0.6	**–**	–
		144.9	169.4	124.7	**75.0**	125.2
Current						
Trade and other receivables	16	**137.7**	159.5	107.7	**51.3**	38.9
Cash and cash equivalents	17	**25.0**	16.2	31.3	**–**	–
Restricted cash	17	**12.7**	–	–	**–**	–
		175.4	175.7	139.0	**51.3**	38.9
Total assets		**320.3**	345.1	263.7	**126.3**	164.1
Liabilities						
Current						
Trade and other payables	18	**126.4**	143.4	103.4	**8.8**	7.9
Borrowings	19	**6.4**	–	8.6	**–**	–
Other liabilities	20	**0.7**	7.8	5.1	**–**	–
Provisions	21	**16.0**	21.6	–	**–**	–
Lease liabilities	14	**2.6**	–	–	**–**	–
Current tax liabilities		**–**	–	3.3	**–**	–
		152.1	172.8	120.4	**8.8**	7.9
Non-current						
Borrowings	19	**78.1**	79.2	39.2	**78.1**	79.2
Other liabilities	20	**1.4**	0.3	3.2	**1.4**	0.3
Provisions	21	**2.4**	3.5	3.3	**–**	–
Lease liabilities	14	**5.8**	–	–	**–**	–
Deferred tax liabilities	22	**4.7**	6.7	2.7	**–**	–
		92.4	89.7	48.4	**79.5**	79.5
Total liabilities		**244.5**	262.5	168.8	**88.3**	87.4
Equity						
Share capital	23	**6.9**	2.8	2.8	**6.9**	2.8
Own shares		**(4.8)**	(4.8)	(8.9)	**(4.8)**	(4.8)
Share premium		**75.1**	41.2	40.3	**75.1**	41.2
Share-based payment reserve		**0.5**	0.3	0.1	**–**	–
Profit and loss account		**(1.9)**	43.1	60.6	**(39.2)**	37.5
Total equity		**75.8**	82.6	94.9	**38.0**	76.7
Total equity and liabilities		**320.3**	345.1	263.7	**126.3**	164.1

Details of the restatement adjustments are provided in note 3. The 1 January 2018 balance sheet is presented before the adjustment for the transition to IFRS 15 'Revenue Recognition', as disclosed in the Consolidated statement of changes in equity.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £76.7m (2018: loss of £1.2m, restated). The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 June 2019 and signed on their behalf by:

Ian Lawson
Director

Daniel Quint
Director

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 £m	2018 Restated £m
Cash flows from operating activities	28	**1.6**	13.1
Taxation paid	8	**(1.1)**	(6.4)
Net cash inflow from operating activities		**0.5**	6.7
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	13	**(2.5)**	(3.7)
Sale of property, plant and equipment		**0.6**	–
Purchase of intangible assets – software	11	**(3.2)**	(2.7)
Free cash (used by)/from operations		**(4.6)**	0.3
Cash flows from investing activities – acquisitions			
Acquisition of businesses – cash paid, net of cash acquired	29	**–**	(34.4)
Acquisition of businesses – deferred consideration for prior year acquisitions	29	**(7.2)**	(1.6)
Net cash flows from investing activities – acquisitions		**(7.2)**	(36.0)
Total cash flows arising from investing activities		**(12.3)**	(42.4)
Total cash flows arising from operating and investing activities		**(11.8)**	(35.7)
Cash flows from financing activities			
New loans (net of transaction fees)		**24.9**	36.3
Repayment of loans in acquired entities		**–**	(13.6)
Loan repayments		**(26.8)**	(4.4)
Principal repayment of lease liabilities		**(3.2)**	–
Interest paid		**(6.0)**	(2.7)
Dividends paid	9	**–**	(7.1)
Gross proceeds from sale of Joint Share Ownership Plan ("JSOP") shares		**–**	12.1
Payment into restricted fund		**(12.7)**	–
Gross proceeds from the issue of share capital		**41.0**	–
Costs relating to the issue of share capital		**(3.0)**	–
Net cash flows from financing activities		**14.2**	20.6
Net change in cash and cash equivalents		**2.4**	(15.1)
Cash and cash equivalents at beginning of year		**16.2**	31.3
Cash and cash equivalents at end of year	17	**18.6**	16.2

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1 Nature of operations
The principal activities of Staffline Group plc and its subsidiaries ("the Group") include the provision of recruitment and outsourced human resource services to industry and the provision of skills training and probationary services.

2 General information and statement of compliance
Staffline Group plc, a Public Limited Company limited by shares listed on AIM ("the Company"), is incorporated and domiciled in England, United Kingdom. The Company acts as the holding company of the Group. The registered office and principal place of business of the Group and its subsidiary companies is disclosed on the Company details page to these financial statements, page 108, and within note 12. The Company's registration number is 05268636.

The financial statements for the year ended 31 December 2019 (including the comparatives for the year ended 31 December 2018) were approved and authorised for issue by the Board of Directors on 29 June 2020.

In 2019 the Group has adopted new guidance for the recognition of leases (see note 3 below). The new standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at 1 January 2019 being recognised as a single adjustment to retained earnings. Accordingly, the Group is not required to present a third statement of financial position as at that date.

The Company does not have an ultimate controlling party. As noted on page 39, the largest shareholder holds 29.9% of the Company's issued share capital.

3 Accounting policies
Basis of preparation
The Consolidated financial statements are prepared for the year ended 31 December 2019. The Consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention except for contingent consideration and cash-settled share options which are measured at fair value.

The Group has adopted the new accounting pronouncements which have become effective this year, which are as follows:

IFRS 16 'Leases'
IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4. The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.3%. The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Reconciliations of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019 and of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019, are given in note 31.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

The Company financial statements of Staffline Group plc have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS 101) and the Companies Act 2006. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, Share-based Payment (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, Financial Instruments: Disclosures;
- Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16;
  - paragraph 118(e) of IAS 38;
  - requirements of paragraphs 62 and B64 of IFRS 3 Business Combinations; and
  - paragraph 33(c) of IFRS 5
- The following paragraphs of IAS 1, Presentation of Financial Statements:
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, Statement of Cash Flows;
- Paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, Related Party Disclosures (key management compensation); and
- The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

At the date of authorisation of these financial statements, several new, but not effective, Standards and amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

The Directors anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial Statements.

The Consolidated and Company financial statements are presented in sterling, which is the presentational currency of the parent Company and Group. The principal accounting policies of the Group and Company are set out below and have been consistently applied, unless stated otherwise.

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Group has reported an underlying loss before tax of £5.8m (2018 restated: £29.7m underlying profit before tax) and an unadjusted loss before tax of £48.1m (2018 restated: £17.8m loss before tax). As at 31 December 2019, the Group had net current assets (excluding restricted cash) of £10.6m (2018 restated: £2.9m) and net assets of £75.8m (2018 restated: £82.6m). The Group generated an underlying EBITDA profit (prior to exceptional and non-recurring items) of £6.5m (2018 restated: £37.6m).

The Group meets its day to day working capital requirements from a £30.0m revolving credit facility, a £73.2m receivables financing facility, an uncommitted (non-recourse) invoice discounting facility with a limit of £25.0m, supply chain financing arrangements with certain customers and the Group's cash balances. The Group's revolving credit facility and receivables financing facility mature on 4 July 2022 and its £25.0m uncommitted (non-recourse) invoice discounting facility is currently on a rolling basis. The revolving credit facility is scheduled to reduce by £10.0m to £20.0m on 31 July 2020. The revolving credit facility and receivables financing facility are subject to covenants summarised below.

On 20 March 2020, the Government announced that no VAT payments due from businesses between 20 March 2020 and the end of June 2020 would be required to be made and that these would become payable on or before 31 March 2021. This payment delay provides the Group with an immediate and significant short-term liquidity improvement estimated to be £45.7m, of which £37.8m has already been realised.

The net debt position of the Group (excluding unamortised transaction costs), as discussed earlier, has reduced during 2019 from £63.8m to £59.5m on a pre-IFRS 16 basis.

As at 26 June 2020, the Group had cash at bank of £39.9m (excluding £3.5m held in an escrow account to fund outstanding liabilities in relation to National Minimum Wage ("NMW")), an undrawn commitment of £nil under its revolving credit facilities and an unutilised facility of £0.7m under its receivables financing facility, resulting in aggregate available liquidity of £40.6m.

Due to the sharp decline in profits in 2019 and the elevated net debt levels, a breach of lending covenants would have occurred in 2019 and 2020 were it not for flexibility shown by the Group's lenders by providing deferrals and amendments in respect of the Group's interest cover and leverage covenants until 30 June 2020. The Directors entered into discussions with the Group's lenders to amend and partially refinance its financing facilities and amend its covenants package through to 4 July 2022, culminating in the refinancing arrangement completed on 26 June 2020.

In order to commercially assess the Group's request to amend its financing facilities and covenants package, an independent business review was commissioned by the lenders. Following completion of this review and subsequent negotiations with the Group's lenders, the Group and the lenders have subsequently agreed and implemented an amendment and partial refinancing of the Group's £103.2m revolving credit financing facilities on 26 June 2020, that resulted in £73.2m of the revolving credit facilities being replaced with a receivables financing facility and a £30.0m revolving credit facility being retained. As noted above, the revolving credit facility is scheduled to reduce by £10.0m to £20.0m on 31 July 2020.

The interest cover and leverage covenants included under the previous revolving credit facility have been replaced in the amended revolving credit facility and receivables financing facility with a minimum EBITDA covenant (tested quarterly from 31 December 2020 to 31 December 2021), reverting back to the original covenant package from 1 January 2022 to the end of the facilities, with the minimum look-forward liquidity covenant (tested weekly) being retained. The minimum EBITDA covenants have been calculated by reference to the Group's downside case.

The amended revolving credit facility and receivables financing facility now include a cross-default clause that is triggered if there is a withdrawal, or reduction in the facility size and/or advance rate, of the £25.0m uncommitted (non-recourse) invoice discounting facility. The Group has a 28-day cure period in relation to the cross-default clause.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Executive Chairman's Statement on pages 4 to 7. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 12 to 17. In addition, note 27 to the financial statements includes the Group's and the Company's objectives; details of financial instruments; and exposure to credit risk and liquidity risk.

As described in the Executive Chairman's Statement on page 5, the Group experienced challenging trading conditions across all divisions in 2019 and reported an operating loss for the year. In Recruitment GB, customer confidence was impacted by the delay to the publication of the 2018 full year results, together with a heightened level of uncertainty surrounding Brexit. In the second half, extremely weak consumer confidence impacted our end customers which fed through to demand for our services. Meanwhile, throughout the year, PeoplePlus was undergoing fundamental reorganisation and transition, heavily impacting the trading performance. In addition, the Directors consider that the outlook presents significant challenges in terms of sales volumes over the coming months. The unprecedented and ever-changing impact of COVID-19, uncertainties specifically related to post-Brexit transition arrangements, well documented issues within the non-food sectors (including retail, manufacturing and automotive) and a slowdown in new contracts and apprenticeship starts are all impacting on sales volumes. Whilst the Directors have instigated measures to manage liquidity (described below), these circumstances create material uncertainties over future trading results and cash flows.

The Directors have prepared base and sensitised cash flow information for the period ending 31 December 2021 which incorporates the Directors current view of the impact of the trading and economic risks and uncertainties noted above. Based upon a review of the Group's forecasts and associated cash flows for the period ending 31 December 2021, the Group's liquidity forecast (considering its available financing facilities) for this period is sufficient to cover the Group's and the Company's commitments during that period with the exception of a portion of the deferred VAT falling due on or before 31 March 2021, which represents a material uncertainty in relation to the Group's liquidity, although the Directors are working on options to mitigate this liquidity risk.

This potential liquidity issue may also result in a potential breach of the Group's minimum look-forward liquidity covenant under the recently amended revolving credit facility and receivables financing facility. In addition, it should be noted that there is a risk of a potential breach of the Group's new minimum EBITDA covenant if trading performance is sufficiently below forecast, although the minimum EBITDA covenants are set based on the Group's downside case. If required, the Directors will enter into discussions with its financing providers in respect of any potential covenant breaches. As noted above, the Group has been in active discussions with its financing providers and achieved covenant deferrals and amendments during 2019 and 2020.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

It should also be noted that the uncommitted nature of the Group's £25.0m (non-recourse) invoice discounting facility, accompanied by the cross-default clause included in its amended revolving credit facility and receivables financing facility, represents a material uncertainty in respect of the Group's financing and liquidity during the period to 31 December 2021. If this cross-default clause were to be triggered, the Directors have a 28 day cure period to enter into discussions with its financing providers to commence actions to resolve this matter, which could include the reinstatement of the facility, replacement of the facility with new third party financing and/or an equity capital injection. Based on recent discussions with the provider of the Group's £25.0m (non-recourse) invoice discounting facility, the Directors understanding is that the provider presently remains supportive of the Group absent any unforeseen circumstances.

The Directors believe they can continue to operate within existing lending levels for the foreseeable future based on the following mitigating actions:

- The Group has recently changed the composition of the board of Directors and implemented improvements in corporate governance which will support more robust control, decision making and accountability within the Group leading to a considerably enhanced ability to drive, measure and deliver change.
- The Directors, with support from the senior leadership team, have commenced the implementation of a turnaround plan. The turnaround plan focuses on profit improvement and yield management measures (including contract renegotiations and exit from marginal or unprofitable contracts), cost reduction initiatives (including a reduction in non-critical business spend) and working capital improvement initiatives (including tight control over the timing of payments and a continued drive to further improve cash collections including a renegotiation of payment terms on certain contracts and the possible implementation of additional supply chain financing arrangements with certain customers) to ensure that lending limits and covenants are not breached.
- If required, the Directors will enter into discussions with HMRC to further defer some (or all) of the deferred VAT falling due on or before 31 March 2021.
- The Directors will explore other options to replace the Group's existing financing facilities and/or recapitalise the Group (including the possibility of a future equity capital raise, replacement third party financing and/or disposals).

Without successful implementation of the mitigating actions noted above, and the ongoing support from the Group's financing providers (including the uncommitted (non-recourse) invoice discounting facility), the Group would likely be unable to operate within its banking facilities.

The Directors have concluded that the combination of the circumstances mentioned above represents a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described above as well as the mitigating actions available to the Group (including the turnaround plan), the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Group and Company financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Prior year restatements

Following the extended 2018 audit, the Board has continued with detailed reviews to further improve the Group's internal controls. These reviews identified accounting errors relating to the preparation of the 2018 annual results. The 2017 statement of financial position, being the 2018 opening reserves, and the 2018 income statement, 2018 statement of financial position and 2018 cash flow statement (presented as comparatives in the 2019 Financial Statements) contain prior year adjustments. Overall, the 2018 opening reserves position has been decreased by £0.9m and the total 2018 income statement impact is a £7.5m reduction in profit after tax.

Management have focussed on strengthening the balance sheet control environment. The Recruitment GB division acquired several businesses in 2018 and within a short timeframe endeavoured to integrate the acquired finance functions, whilst at the same time changing some critical IT systems covering operations, payroll and finance. This, combined with high staff turnover, resulted in weaknesses in the balance sheet control environment, which have now been rectified.

Restatements for the year ended 31 December 2017

Restatement of Consolidated statement of financial position
As at 31 December 2017

	2017 Reported £m	Lease dilapidations provision £m	Holiday pay provision £m	Polish subsidiary reserves £m	Historic fair value provisions £m	Taxation £m	2017 Restated £m
Assets		*1*	*2*	*3*	*4*		
Non-current							
Goodwill	**94.2**	–	–	–	–	–	**94.2**
Other intangible assets	**20.8**	–	–	–	–	–	**20.8**
Property, plant and equipment	**7.7**	–	–	–	–	–	**7.7**
Retirement benefit net asset	**1.4**	–	–	–	–	–	**1.4**
Deferred tax asset	**0.5**	–	–	–	–	0.1	**0.6**
	124.6	–	–	–	–	0.1	**124.7**
Current							
Trade and other receivables	**107.6**	–	–	(0.2)	0.3	–	**107.7**
Cash and cash equivalents	**31.3**	–	–	–	–	–	**31.3**
	138.9	–	–	(0.2)	0.3	–	**139.0**
Total assets	**263.5**	–	–	(0.2)	0.3	0.1	**263.7**
Liabilities							
Current							
Trade and other payables	**103.0**	–	0.4	–	–	–	**103.4**
Borrowings	**8.6**	–	–	–	–	–	**8.6**
Other liabilities	**5.1**	–	–	–	–	–	**5.1**
Current tax liabilities	**3.4**	–	–	–	–	(0.1)	**3.3**
	120.1	–	0.4	–	–	(0.1)	**120.4**
Non-current							
Borrowings	**39.2**	–	–	–	–	–	**39.2**
Other liabilities	**3.2**	–	–	–	–	–	**3.2**
Provisions	**2.5**	0.8	–	–	–	–	**3.3**
Deferred tax liabilities	**2.7**	–	–	–	–	–	**2.7**
	47.6	0.8	–	–	–	–	**48.4**
Total liabilities	**167.7**	0.8	0.4	–	–	(0.1)	**168.8**
Equity							
Share capital	**2.8**	–	–	–	–	–	**2.8**
Own shares	**(8.9)**	–	–	–	–	–	**(8.9)**
Share premium	**40.3**	–	–	–	–	–	**40.3**
Share-based payment reserve	**0.1**	–	–	–	–	–	**0.1**
Profit and loss account	**61.5**	(0.8)	(0.4)	(0.2)	0.3	0.2	**60.6**
Total equity	**95.8**	(0.8)	(0.4)	(0.2)	0.3	0.2	**94.9**
Total equity and liabilities	**263.5**	–	–	(0.2)	0.3	0.1	**263.7**

1. Lease dilapidation provisions – Administrative expenses and provisions understated by £0.8m
The detailed review of lease agreements carried out during the year for the adoption of IFRS 16 highlighted that most lease agreements on properties occupied by the Recruitment GB division contain dilapidation provisions but that hitherto no financial provisions had been made. The potential liability for each property has been calculated based on the estimated cost of making good in accordance with the lease terms.

2. Holiday pay provision – Cost of sales and accruals understated by £0.4m
The Group makes provision for the future cost of holiday pay earned by workers up to the reporting date. During the audit of the Recruitment GB division it was discovered that no provision had been made for holiday pay accrued by workers in the 'drivers' category. The omission occurred because prior to 2019 their pay was processed on a separate payroll system and the accrual was overlooked.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

3. Polish subsidiary reserves – Revenue and trade receivables overstated by £0.2m

The Group owns two trading companies that are registered in, and operate in, Poland. The financial results of the companies were not previously available at the time the Group announces its results. Consequently, the Group included estimated results in the years ended 31 December 2017 and 2018. Financial returns received for the current year reveal that, on a cumulative basis, past results were significantly different from previous estimates and that an adjustment to brought forward retained earnings is required.

4. Historic fair value provisions – Administrative expenses overstated, and trade receivables understated by £0.3m

Upon acquisition of Milestone Operations Limited and The Warwickshire & West Mercia Community Rehabilitation Company Limited in the year ended 31 December 2015, the Group made a fair value provision for a potential negligence claim for £0.1m and a goodwill adjustment for £0.2m, respectively. Both items have been held as consolidation adjustments ever since, but they are not required and should have been written back prior to the year ended 31 December 2018.

Restatements for the year ended 31 December 2018

Restatement of Consolidated statement of comprehensive income

For the year ended 31 December 2018

	2018 Total As reported £m	Receivables £m	Partner agency & expenses accruals £m	Transition accounting errors £m	Impairment of PPE £m	Provisions £m	Other adjustments £m	Trading adjustments £m	Taxation £m	**2018 Total Restated £m**
		1	*2*	*3*	*4*	*5*	*6*	*7*		
Continuing operations										
Revenue	**1,127.5**	(1.1)	–	(0.4)	–	–	(0.3)	(4.8)	–	**1,120.9**
Cost of sales	**(1,005.6)**	–	(1.7)	(1.1)	–	–	(0.7)	5.0	–	**(1,004.1)**
Gross profit	**121.9**	(1.1)	(1.7)	(1.5)	–	–	(1.0)	0.2	–	**116.8**
Administrative expenses	**(128.4)**	–	(0.7)	(0.5)	(0.8)	(1.1)	–	–	–	**(131.5)**
Operating loss	**(6.5)**	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	–	**(14.7)**
Finance costs	**(3.1)**	–	–	–	–	–	–	–	–	**(3.1)**
Loss for the year before taxation	**(9.6)**	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	–	**(17.8)**
Tax credit	**1.1**	–	–	–	–	–	–	–	0.7	**1.8**
Loss for the year	**(8.5)**	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	0.7	**(16.0)**
Items that will not be reclassified to profit and loss – actuarial losses, net of tax	**(0.5)**	–	–	–	–	–	–	–	–	**(0.5)**
Total comprehensive loss for the year	**(9.0)**	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	0.7	**(16.5)**
Loss per ordinary share										
Continuing operations:										
Basic	**(32.5)p**									**(61.2)p**
Diluted	**(32.5)p**									**(61.2)p**

Restatement of Consolidated statement of financial position
As at 31 December 2018

	2018 As reported £m	Adjustments from prior year £m	Receivables £m	Partner Agency & expenses accruals £m	Transition accounting errors £m	Impairment of PPE £m	Provisions £m	Other adjustments £m	Trading adjustments £m	Taxation £m	**2018 Restated £m**
			1	*2*	*3*	*4*	*5*	*6*	*7*		
Assets											
Non-current											
Goodwill	**116.3**	–	–	–	–	–	0.9	–	–	–	**117.2**
Other intangible assets	**42.9**	–	–	–	–	–	–	–	–	–	**42.9**
Property, plant and equipment	**8.6**	–	–	–	(0.2)	(0.8)	–	–	–	–	**7.6**
Retirement benefit net asset	**0.8**	–	–	–	–	–	–	–	–	–	**0.8**
Deferred tax asset	**0.9**	0.1	–	–	–	–	–	–	–	(0.1)	**0.9**
	169.5	0.1	–	–	(0.2)	(0.8)	0.9	–	–	(0.1)	**169.4**
Current											
Trade and other receivables	**157.7**	0.2	(0.3)	–	(0.7)	–	–	(0.3)	2.1	0.8	**159.5**
Cash and cash equivalents	**16.2**	–	–	–	–	–	–	–	–	–	**16.2**
	173.9	0.2	(0.3)	–	(0.7)	–	–	(0.3)	2.1	0.8	**175.7**
Total assets	**343.4**	0.3	(0.3)	–	(0.9)	(0.8)	0.9	(0.3)	2.1	0.7	**345.1**
Liabilities											
Current											
Trade and other payables	**136.1**	0.4	0.8	2.4	1.1	–	–	0.7	1.9	–	**143.4**
Other liabilities	**7.8**	–	–	–	–	–	–	–	–	–	**7.8**
	143.9	0.4	0.8	2.4	1.1	–	–	0.7	1.9	–	**151.2**
Non-current											
Borrowings	**79.2**	–	–	–	–	–	–	–	–	–	**79.2**
Other liabilities	**0.3**	–	–	–	–	–	–	–	–	–	**0.3**
Provisions*	**22.3**	0.8	–	–	–	–	2.0	–	–	–	**25.1**
Deferred tax liabilities	**6.7**	–	–	–	–	–	–	–	–	–	**6.7**
	108.5	0.8	–	–	–	–	2.0	–	–	–	**111.3**
Total liabilities	**252.4**	1.2	0.8	2.4	1.1	–	2.0	0.7	1.9	–	**262.5**
Equity											
Share capital	**2.8**	–	–	–	–	–	–	–	–	–	**2.8**
Own shares	**(4.8)**	–	–	–	–	–	–	–	–	–	**(4.8)**
Share premium	**41.2**	–	–	–	–	–	–	–	–	–	**41.2**
Share-based payment reserve	**0.3**	–	–	–	–	–	–	–	–	–	**0.3**
Profit and loss account	**51.5**	(0.9)	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	0.7	**43.1**
Total equity	**91.0**	(0.9)	(1.1)	(2.4)	(2.0)	(0.8)	(1.1)	(1.0)	0.2	0.7	**82.6**
Total equity and liabilities	**343.4**	0.3	(0.3)	–	(0.9)	(0.8)	0.9	(0.3)	2.1	0.7	**345.1**

* Provisions were all shown within the non-current category in the prior year.
See note 21 for ageing analysis.

1. Receivables – Trade receivables and revenue overstated by £0.3m. Accruals understated, and revenue overstated by £0.8m

The Group had an arrangement with a Saudi business for the use of the PeoplePlus name in the Middle East in exchange for a turnover related 'franchise fee'. The potential non-recovery of the debt of £0.3m was noted at 31 December 2018, but a provision was not raised on materiality grounds. The Directors consider that in view of the number and value of prior year adjustments now required, this item should be adjusted to revenue. This balance receivable was held by Staffline Group plc, whose comparative balance sheet for the year ended 31 December 2018 has been amended accordingly.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

The commercial arrangements with certain customers contain adjustment clauses whereby certain employer costs (typically pension and National Insurance), which are initially charged to customers on an estimation basis, are periodically reconciled to actual costs. The calculations are reviewed on an 'open book' style basis, typically with the customer's involvement. Working with one of the Group's major customers, a review highlighted a previous misinterpretation of the contractual terms, resulting in an under-accrual of the rebate payable of £0.8m in the year to 31 December 2018, which has now been made good.

2. Partner Agency and overhead costs under-accrued – Accruals understated by £2.4m; Cost of sales understated by £1.7m and administrative expenses understated by £0.7m

Weaknesses in accounting processes and review procedures during the latter part of 2018 and early 2019 meant that a significant number of weekly charges from partner agencies were not fully accrued at 31 December 2018. A detailed review, undertaken in late 2019, highlighted the error, which amounted to an understatement of cost of sales of £1.7m. For similar reasons, a large number of relatively small value supplier invoices for overhead costs were also not accrued resulting in an understatement of administrative expenses of £0.7m (of which £0.3m is non-underlying).

3. Transitional accounting errors – PPE overstated by £0.2m, trade receivables overstated by £0.7m, trade payables understated by £1.1m, revenue overstated by £0.4m, cost of sales understated by £1.1m and administrative expenses understated by £0.5m

The Group acquired several businesses in the year ended 31 December 2018 and within a short timeframe endeavoured to integrate the finance functions of the acquired businesses into the Recruitment GB division financial shared service centre. In addition, the business, trade and assets of some of the acquired businesses were transferred into Staffline Recruitment Ltd. The service centre was not sufficiently resourced to cope with the volume and complexity of the task, which resulted in a number of unsupported balances being held on the company's balance sheet, to a value of £1.4m.

A further £0.6m of transport costs incurred under a new commercial arrangement with the vendor of one of the acquired businesses were booked as prepaid costs rather than being charged to revenue as incurred.

4. Impairment of PPE, CRC assets – Overstatement of PPE and understatement of administrative expenses by £0.8m (non-underlying)

The Warwickshire and West Mercia Community Rehabilitation Company ("CRC") contract commenced in February 2015 with an original contract end date of January 2022, and a possible extension of up to 3 years. The contract is funded by the Ministry of Justice ("MOJ"). During 2018 and 2019 the MOJ issued a series of communications outlining an intention to end the contract early (categorised as Voluntary Early Termination) and migrate the 'Offender Management' element of the service back to the National Probation Service. In late 2018 the MOJ issued notice to terminate the contract in December 2020 but in early 2019 this was updated to June 2021. As a result of a contract variation in 2018 which enacted the MOJ's right to end the contracts early, it was deemed that a write down of the carrying value of associated PPE was required in that year. A further review at December 2019 in accordance with IAS36 using a Discounted Cash Flow model has indicated that an additional write down of £0.8m to £nil should have been made.

5. Provisions – Understatement of provisions by £2.0m, understatement of goodwill by £0.9m, understatement of administrative expenses by £1.1m (of which £0.8m is non-underlying)

As a result of the business acquisitions made during 2018, the Group's property portfolio increased significantly, and, a review of office space requirements indicated that further provisions for lease dilapidations amounting to £0.3m, would crystallise.

During the year the Group has continued its investigations into the National Minimum Wage enquiry that was reported in the 2018 Annual Report and which gave rise to a provision totalling £15.1m. The further investigations and negotiations with HMRC have revealed that, based on information that was available at the time, a further provision amounting to £1.7m to cover sites acquired during that year and some sites in Northern Ireland, should have been made. The element relating to acquired sites amounted to £0.9m, which has been treated as a fair value provision and adjusted in goodwill.

6. Other adjustments

a. Understatement of cost of sales and accruals by £0.3m

The annual financial statements of certain subsidiary companies for the year ended 31 December 2018 were finalised after the Group Annual Report had been completed. In finalising these financial statements, the subsidiary companies made adjustments, principally related to audit findings, which had not been recognised in the Group Annual Report for that year. The aggregate effect was to understate cost of sales and accruals by £0.3m.

b. Understatement of cost of sales and accruals by £0.4m

The Group makes provision for the future cost of holiday pay earned by workers up to the reporting date. During the audit of the Recruitment GB division it was discovered that no provision had been made for holiday pay accrued by workers in the 'drivers' category. The omission occurred because prior to 2019 their pay was processed on a separate payroll system and the accrual was overlooked.

c. Overstatement of revenues and trade receivables by £0.3m
In the years up to and including the year ended 31 December 2018, financial results for the operations in Poland were not available when the Group's results were published. The values included for Poland were therefore estimated. Detailed financial reports for the year ended December 2019 have been received, which show that the accumulated revenue reserves up to 31 December 2017 are £0.2m lower than estimated and are £0.3m lower than estimated for the year ended 31 December 2018, an overstatement of revenue and trade receivables in that year.

7. Trading adjustments
a. Revenue and cost of sales understated by £7.2m
For management reporting purposes the Recruitment GB division reports periodic revenues after deduction of certain employment related direct costs. For statutory reporting purposes an adjustment should have been made in order to correctly report revenues as amounts invoiced to third party customers and to include the costs within cost of sales. This adjustment is required to correct the omission.

b. Trade receivables and revenues understated by £2.8m and trade payables and cost of sales understated by £2.6m
The Recruitment GB division reported its results to 30 December 2018, which was inconsistent with the rest of the Group, which reported to 31 December 2018. An adjustment is required to recognise an additional day's trading to align the results of the division with the rest of the Group.

c. Revenue and cost of sales overstated by £13.5m
Audit testing for compliance with the requirements of IFRS15: Revenue from Contracts with Customers, revealed that revenues have been incorrectly reported in the Datum business (part of the Recruitment GB division), which was acquired during 2018. Revenues and cost of sales arising under 'agency style' contracts were disclosed gross rather than on a net basis.

d. Revenue and cost of sales overstated by £2.1m, trade receivables overstated by £0.7m, trade payables overstated by £0.1m and accruals overstated by £0.6m
As part of the rationalisation process following the company acquisitions made in 2018, the various existing and acquired businesses entered into reciprocal trading arrangements. The revenues and associated cost of sales generated by this inter-company trading was not eliminated for the purposes of reporting the Group results arising from third party relationships. Similarly, the receivable and payable balances between the respective parties was also not eliminated as at 31 December 2018.

e. Revenue and cost of sales understated by £0.8m
For internal reporting purposes certain costs that are billed to customers in the Recruitment GB division were deducted from cost of sales rather than being treated as revenue.

Consolidation of subsidiaries
The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 December 2019 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed or has rights to variable returns and the ability to affect those returns through control over the subsidiary. The results of subsidiaries whose accounts are prepared in a currency other than sterling; are translated at the average rates of exchange during the period and their year-end balances at the year-end rate of exchange. Translation adjustments are taken to the profit and loss reserves.

Acquired subsidiaries and businesses are subject to the application of the acquisition accounting method. This involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary or business prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at these fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Material intra-Group balances and transactions, and any unrealised gains or losses arising from intra-Group transactions, are eliminated in preparing these financial statements.

Underlying profit – non-GAAP measures of performance
In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles ("GAAP") under which the Group reports. The Directors believe that these non-GAAP measures assist with the understanding of the performance of the business. These non-GAAP measures are not a substitute, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be an important means of comparing performance year-on-year and they include key measures used within the business for assessing performance.

Non-underlying items of income and expenditure:
These non-underlying charges are regarded as recurring or non-recurring items of income or expenditure of a particular size and/or nature relating to the operations of the business that in the Directors' opinion require separate identification. These items are included in "total" reported results but are excluded from "underlying" results. These items can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

Underlying EBITDA:

Underlying operating profit before the deduction of underlying depreciation and amortisation charges. This is considered a useful measure because it approximates the underlying cash flow by eliminating depreciation and amortisation charges.

Net debt:

Net debt is the amount of bank debt less available cash balances. This is a key measure as it is one on which the terms of the banking facilities are based and shows the level of external debt utilised by the Group to fund operations.

Net debt is also presented on a post-IFRS 16 basis including lease liabilities.

The Directors acknowledge that the adjustments made to arrive at underlying profit may not be comparable to those made by other companies, mainly in respect of the adjustment for share-based payment charges including both equity and cash-settled components. It should be noted that whilst the amortisation of acquisition-related intangible assets has been added back, the revenue from those acquisitions has not been eliminated.

All of these alternative performance measures are utilised by the Board to monitor performance and financial position. They show a comparable level of performance excluding one-off items, with which underlying performance and ability to service debt can be judged.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests of the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the statement of comprehensive income immediately.

Segment reporting

The Group has three material operating segments: the provision of recruitment and outsourced human resource services to industry, in Great Britain (Recruitment GB) an also in Ireland (Recruitment Ireland), plus the provision of skills training and probationary services, together "PeoplePlus". Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

In previous years the Groups Irish operations were included within the Recruitment segment. Following the acquisition of the 'Grafton' companies the Group's operations in Ireland are a significant proportion of the Groups total operations, which now require separate disclosure.

Revenue recognition

Recruitment divisions

Income from the provision of temporary contractors is recognised on a daily basis, based on hours worked multiplied by the contracted hourly rate, net of rebates. Income from permanent placements is recognised when the candidates start work. Income from training provision is recognised evenly across the period of the training. In each case, revenue is only recognised when the labour or service has been provided and the Group is contractually entitled to the revenue.

Provisions for rebates are accounted for in the same period the related sales are recorded and are calculated in accordance with the contractual arrangements in place.

The Group assesses whether it is acting as agent or principal depending on whether the customer has a direct relationship with the Group, whether the Group has the primary responsibility for providing the services and whether the Group has control over the placement of the worker. Where the Group acts as a principal in the supply, revenue is recognised as the gross amount due, net of value-added tax, rebates and discounts. The Recruitment GB division has a limited number of second tier arrangements whereby another recruitment company will provide contractors to the Group to enable the Group to fulfil a customer's requirement. Where this arrangement constitutes an agency relationship rather than principal, the amount of revenue recognised is limited to the management fee or margin receivable for that service after making provision for any losses foreseen, volume rebates and any other amounts payable, rather than the full amount invoiced. Trade receivables and payables related to these sales are recorded at full invoice value.

Recruitment division revenue recognition policy is to only recognise revenue upon satisfaction of the relevant performance obligations.

PeoplePlus division
Income is generated from skills-based contracts, apprenticeship delivery and the provision of welfare to work services. The segment recognises revenue upon fulfilment of the performance obligation, there are a number of contracts in this segment, which contain different performance obligations. For contracts where the contractual obligation relates to helping individuals gain employment and stay in employment for a specified period of time, the revenue is recorded over time as this reflects when the customer receives the benefit. Payments under these contracts are staged in relation to the number of weeks the individual is employed. Where income is received in advance this is initially held in the statement of financial position as deferred income and released to the statement of comprehensive income as services are provided. Accrued income is recognised where services have been provided in advance of invoiced income and, based on all available evidence, the division expects to receive payment in accordance with the contract.

Revenue is accounted for over the period the services are provided taking IFRS15 into consideration where the outcomes are variable in nature. Detailed Management Information is used to support the basis of the revenue recognition which will take into account historical experience, as well as future expectations in terms of success rates and the anticipated length of period over which the services are ultimately provided.

Operating expenses
Operating expenses are recognised in the statement of comprehensive income when incurred and are classified according to their nature.

Goodwill
Goodwill represents the excess of the fair value of the cost of a business acquisition over the Group's share of the fair value of assets and liabilities acquired as at the date of acquisition. Goodwill is tested annually for impairment and carried at historic fair value less accumulated impairment losses.

Intangible assets
Assets acquired as part of a business combination
In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. An independent valuation is undertaken in order to assess the fair value of intangible assets acquired in a business combination.

The fair value is then amortised over the expected useful economic life of the asset as detailed below. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Customer contracts, customer lists, brands and licences
The fair value of acquired customer contracts, customer lists, brands and licences is capitalised and, subject to impairment reviews, amortised over their estimated lives (estimated to be 5 years). The amortisation is calculated so as to write off their fair value less their estimated residual values over their estimated lives. An impairment review is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Computer software
Computer software is carried at historical cost less subsequent amortisation and impairment losses. Amortisation is charged on the cost less the estimated residual value, which is assessed annually, of these assets on a straight-line basis over the estimated useful economic life of each asset.

The useful lives of computer software are 3-5 years and are amortised on a straight-line basis.

Property, plant and equipment
Freehold land and property, computer equipment, fixtures and fittings and motor vehicles are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on the cost less the estimated residual value, which is assessed annually, of these assets over the estimated useful economic life of each asset.

The estimated useful economic lives of property, plant and equipment and the depreciation basis can be summarised as follows:

Land and buildings	50 years straight-line
Computer equipment	3-5 years straight-line
Fixtures and fittings	3-5 years straight-line
Motor vehicles	25% reducing balance

Right-of-use assets are depreciated over their lease term. Assets in the course of construction are not depreciated until they are available for use.

Notes to the financial statements continued

For the year ended
31 December 2019

3 Accounting policies continued

Impairment assessment

Goodwill, other intangible assets and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Investments

Investments in the subsidiary undertakings are held at cost less provision for impairment.

Leases

The Group is not party to any material leases where it acts as a lessor, but the Group does have a large number of material property and equipment leases, under which it is a lessee.

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been separately disclosed.

Accounting policy applicable before 1 January 2019
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

Taxation
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit or loss for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the Consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full if material. Deferred tax assets are recognised if it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly in other comprehensive income or equity are charged or credited directly to other comprehensive income or equity.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and in hand and overdrafts which are repayable on demand.

Pensions
The Group contributes to a number of pension arrangements. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit plan
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited within other comprehensive income in the period in which they arise.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if an underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Financial assets

The Group's financial assets include cash, trade receivables and other receivables. The Company's financial assets relate to amounts owed by subsidiary companies which are initially recorded at fair value and subsequently at amortised cost.

All financial assets are initially recognised at fair value, plus transaction costs. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group uses a receivables financing facility against certain customer trade receivables, and a number of separate Customer Financing arrangements. Under both these arrangements the associated trade receivables are non-recourse to the Group and as such substantially all the risks and rewards of ownership of these trade receivables are transferred at the point the trade receivables are transferred to third parties. Consequently, trade receivables are de-recognised at the point of transfer.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 27 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

The Company assesses at each balance sheet date whether amounts owed by subsidiary companies are impaired by reference to any evidence indicating that the Company may not be able to collect all amounts due in full.

Financial liabilities

The Group's financial liabilities include bank loans, loan notes, an overdraft facility, trade and other payables, including liabilities for share-based payments, lease liabilities and other liabilities, which include deferred and contingent consideration payable in respect of business acquisitions.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the statement of comprehensive income.

Bank funding is raised to support the long-term capital requirements of the Group's operations. They are recognised at the proceeds received and any direct issue costs are charged to profit and loss when incurred. Direct issue costs capitalised from the refinancing of debt in previous years has been charged to profit and loss in the current year. Exit fee liabilities are recognised on the balance sheet at the time of refinancing. All other finance charges are charged to the profit and loss account on an accruals basis.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

Dividend distributions to shareholders are included in "other short-term financial liabilities" when the dividends are approved by the shareholders' meeting prior to the financial year-end but remain unpaid at the year-end.

Contingent consideration is measured at fair value through profit and loss.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in accruals, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities reflect those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated statement of financial position. Instead, they are disclosed in note 25.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Share capital is determined using the nominal value of shares that have been issued.

Own shares is determined using the nominal value of shares that were issued to the Employee Benefit Trust in relation to the Joint Share Ownership Plan ("JSOP"). This Trust is deemed to be controlled by the Group and therefore consolidated, resulting in the "Own shares" deducted from equity.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share-based payment reserve represents the value of shares granted under share-based payment arrangements.

The profit and loss account includes all current and prior period results as disclosed in the statement of comprehensive income.

Dividends
Final dividends are recognised as a distribution in the period in which they are approved by the shareholders. Interim dividends are recorded in the period in which they are paid. Distributions to owners of the Company are not recognised in the statement of comprehensive income under IFRS but are disclosed as a component of the statement of changes in equity.

Share-based employee remuneration
All share-based payment arrangements are recognised in the Consolidated financial statements. The Group operates equity-settled and cash-settled share-based remuneration plans for remuneration of certain of its Directors and employees.

Equity-settled share-based remuneration
All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values at the date of grant. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). All share-based remuneration is ultimately recognised as an expense in profit or loss in the statement of comprehensive income with a corresponding credit to the share-based payment reserve, net of deferred tax where applicable.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Cash-settled share-based remuneration
The Group has in place certain issued cash-settled share-based payment schemes in respect of services provided by key employees. The share-based payment is measured at the fair value of the liability at the grant date and remeasured at fair value of the liability at each subsequent balance sheet date. A financial liability is recognised for the fair value of the share-based payments at the date of the grant and is remeasured at the end of each reporting period and at settlement with any changes to the fair value recognised in profit or loss in the statement of comprehensive income. The fair value of awards is recognised over the periods in which employees render service.

Critical judgements and estimate uncertainty in applying the Group's accounting policies

Significant management judgements
The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Notes to the financial statements continued

For the year ended 31 December 2019

3 Accounting policies continued

Revenue recognition

The Group assesses the nature of the commercial arrangements with its customers to determine whether it is acting as the principal or as an agent. When the Group acts as a principal, revenue is recognised as the full amount invoiced, net of value-added tax, rebates and discounts. When the Group provides a secondary service in which it acts as agent for the customer, typically in partnership with another employment agency, the amount of revenue recognised is limited to the margin receivable for that service after making provision for any losses foreseen, volume rebates and any other amounts payable, rather than the full amount invoiced.

In most cases the Group acts as principal due to its direct relationship with its customers and its primary relationship with the worker, with control over when and where they are placed, and pricing. Revenue is recognised on an agency basis when the Group does not have a direct relationship with the worker for control or remuneration and does not have primary responsibility for their placement.

Non-underlying items

The Group supplements the performance disclosures that are required under IFRS with additional measures and information that is intended to assist the understanding of exceptional income or charges, and to demonstrate the underlying results of the business.

Non-underlying income or expenditure items are typically non-recurring items of a particular size and/or nature relating to the operations of the business that are judged to merit separate disclosure in the income statement. Additional explanation is given regarding the circumstances that gave rise to each item and its likely outcome, see note 5.

Investment in subsidiary undertakings and intercompany loans

The Company initially recognises its investments in, and loan balances with, subsidiary undertakings at cost, plus transaction costs, less impairment. After initial recognition, these are measured at amortised cost. The intercompany loan balances are not subject to formal loan agreements and are therefore classified as interest free and on demand. Judgement is required to determine an appropriate methodology to assess impairment and probability weighted expected credit losses.

Details of the company's investments are given in note 12 and details of intercompany loans are given in note 16.

Leases

Under IFRS 16 Leases, which the Group has adopted in these Financial Statements, a right-of-use asset and associated lease liability have been recognised. The amounts to be recognised are affected by the expected lease term, which may not be the same as the formal term of the lease. Consequently, a judgment is required to determine the expected lease termination date based on anticipated operational requirements. The circumstances of each lease, which for the Group relate principally to office premises, have been assessed to determine the most likely lease termination date, being either the break date (if the break is likely to be exercised) or the lease end date. Management has not assumed any extensions beyond the lease end dates.

Information regarding the Group's leases is provided in note 14 and details of the effect of adopting IFRS 16 are given in note 31.

Borrowings

At the year-end the Group had in place a £78.2m Revolving Credit Facility ("RCF"). The terms of the facility included the ability to request the lenders to extend the Credit Facility for an additional 12 months beyond its expiry date in June 2022. In practice the elements of the facility that are drawn down typically have short term expiry dates. Management considers the overall effect and features of the facility to be those of long-term borrowings that expire after more than one year from the end of the year. Accordingly, the RCF balance outstanding is disclosed as non-current.

The Group receives additional funding by utilising a receivables financing facility against certain customer receivables, and a number of separate Customer Financing arrangements. Under both these arrangements the associated trade receivables are considered to be settled on receipt of funds. Management consider the arrangements to be non-recourse to the Group and consequently debt is removed from the total receivables balance on the date of settlement. The effect of these arrangements is that trade receivables are settled significantly in advance of normal commercial terms, which can be 60 – 90 days for these customers. The Group incurs a cost for this service, which is judged to be financing in nature rather than a settlement discount, or other form of price reduction, and it is therefore treated as a finance cost through profit and loss.

Details of the Group's borrowings are given in note 19.

Deferred tax asset

The Group recognises a deferred tax asset on unused tax losses carried forward within the Irish businesses and on the timing difference between depreciation charges and tax allowances. The Recruitment Ireland division has maintained its profitability during the year and management has determined that there is sufficient evidence to show that the tax losses will be utilised in the foreseeable future. Subsidiary undertakings within the Recruitment GB and PeoplePlus divisions also have carried forward tax losses. For these companies, management has concluded that there is insufficient evidence to justify the recognition of a deferred income tax asset.

Details of all deferred tax balances are provided in note 22.

Provisions
During the year the Group, with assistance from its specialist advisors, has engaged fully with HMRC to quantify, to the fullest extent reasonably possible, its liability arising from the 'National Minimum Wage' ("NMW") enquiry. The investigations that have taken place during 2019 have expanded the range of the enquiry, both geographically and across the Groups customer base. Judgements are required over the nature of the workplace practices at each customer site and their application to the NMW regulations in order to quantify the Group's liability for remediation payments, accrued interest and penalty. Further details are given in notes 3 and 5.

Estimation uncertainty
Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets and goodwill
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

In 2019, the Group has recognised impairment losses on goodwill in its Recruitment GB and PeoplePlus divisions (see note 10). In addition, the Company has recognised impairment losses on its investments in certain subsidiary undertakings, and also on certain intercompany receivables.

The impairment review was also performed using forecasts, adjusted for the impact of the COVID-19 pandemic, which is classed as a non-adjusting post-balance sheet event, and using the same discount rates. The results showed headroom in the Recruitment Ireland cash-generating unit of £4.6m and that impairments to goodwill would have been necessary, had this been an adjusting post-balance sheet event, of £35.3m for Recruitment GB and £25.8m for PeoplePlus. Refer to note 10 for details.

Trade and other receivables
Due to the nature of its contracts with the English Skills Funding Agency the PeoplePlus division recognises some of its revenues on a completion basis using management's best estimate of the likely outcome and the value of the service provided at the reporting date. At the year-end the value of accrued income subject to estimation was £2.0m.

In its arrangements with the Ministry of Justice the PeoplePlus division has the opportunity to earn a proportion of its revenues on a 'payment by results' basis. The expected revenues are considered to have been earned at the point of delivery of the service but the eventual value is influenced by future outcomes that are difficult to predict. The division uses historical data adjusted for known variations to estimate the likely revenues. At the year-end the outstanding estimated revenues subject to estimation amounted to £0.1m.

During 2019, the Group has experienced more frequent incidences of irrecoverable trade and other receivables and accrued income than in previous years. Whilst credit control procedures are considered to be robust, the potential for loss is always present. Management conducts regular detailed reviews of overdue and delinquent debt in order to estimate the value of bad debt provision required. If the expected credit loss allowances were to double, the increase in the provision would be £0.1m.

An analysis of trade and other receivables is given in note 16 and details of their risk profile is provided in note 27.

Holiday pay accrual
As required by International Accounting Standard 19 – Employee Benefits, the Group estimates the amount of holiday pay earned and unpaid at the year-end. The basic accrual is based on the number of hours earned by each worker multiplied by their average hourly pay rate calculated over the previous 13 weeks. Holiday pay hours accrue over the 12-months following each individual workers' start date and any unclaimed hours outstanding on the anniversary date are lapsed. For this and other reasons, particularly absences without notice, the amount of holiday pay paid is always lower than the maximum liability – known as the 'take-up' rate – and the basic accrual is reduced accordingly. Management bases the take-up rate on historic data averaged over the previous 12 months. The take-up rate fluctuates with seasonality and the availability of work, depending upon customer requirements and, consequently, the accrual is considered to be a best estimate. If the take-up rate were to increase or decrease by a factor of 10% the provision would change by £1.2m.

The holiday pay accrual, which amounts to £11.7m at 31 December 2019, is included within accruals in note 18.

National Minimum Wage Provision
The calculation of the National Minimum Wage provision requires considerable judgement as to the elements to be included, which include inter alia, estimates of waiting and preparation times based on customer practices over several years, attendance records and payment information. Management has estimated the provision based on the best available data for thousands of current and former employees, covering numerous current and former customer sites. Whist the main inquiry is settled, the Group continues to review practices at a small number of other work sites on a 'self-assessment' basis. Recent enquiries have shown that sites previously not thought to have been affected should have been included in the original provision, resulting in the prior year adjustment described above.

Details of the provision are provided in note 21.

Notes to the financial statements continued

For the year ended 31 December 2019

4 Segmental reporting

Management currently identifies three operating segments: Recruitment GB, the provision of workforce recruitment and management to industry, Recruitment Ireland, the provision of generalist recruitment services and PeoplePlus, the provision of skills training and probationary services. These operating segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions are made on the basis of segment operating results.

Segment information for the reporting year is as follows:

	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Group Costs 2019 £m	Total Group 2019 £m	Recruitment GB Restated 2018 £m	Recruitment Ireland Restated 2018 £m	PeoplePlus Restated 2018 £m	Group Costs Restated 2018 £m	Total Group Restated 2018 £m
Segment continuing operations:										
Sales revenue from external customers	**841.1**	**147.7**	**87.9**	**–**	**1,076.7**	908.1	105.3	107.5	–	1,120.9
Cost of sales	**(784.5)**	**(132.1)**	**(73.6)**	**–**	**(990.2)**	(842.2)	(94.8)	(67.1)	–	(1,004.1)
Segment gross profit	**56.6**	**15.6**	**14.3**	**–**	**86.5**	65.9	10.5	40.4	–	116.8
Administrative expenses	**(49.2)**	**(10.7)**	**(17.9)**	**(2.5)**	**(80.3)**	(48.9)	(6.3)	(21.8)	(2.4)	(79.4)
Depreciation, software & lease amortisation	**(2.9)**	**(0.6)**	**(3.5)**	**–**	**(7.0)**	(0.7)	(0.1)	(3.8)	–	(4.6)
Segment underlying operating profit/(loss)*	**4.5**	**4.3**	**(7.1)**	**(2.5)**	**(0.8)**	16.3	4.1	14.8	(2.4)	32.8
Reorganisation costs including asset impairment	**(1.3)**	**–**	**–**	**–**	**(1.3)**	(0.3)	(0.5)	(13.8)	–	(14.6)
Legal investigation professional fees	**(1.0)**	**–**	**–**	**–**	**(1.0)**	–	–	–	–	–
NMW remediation costs and financial penalties	**0.7**	**–**	**–**	**–**	**0.7**	(15.9)	–	–	–	(15.9)
Audit scope extension	**(0.6)**	**–**	**(0.2)**	**–**	**(0.8)**	(2.1)	–	–	–	(2.1)
Transaction costs	**–**	**–**	**–**	**(0.9)**	**(0.9)**	(1.1)	–	(0.8)	–	(1.9)
Employee dispute settlement	**–**	**–**	**–**	**(1.4)**	**(1.4)**	–	–	–	–	–
Legal claim	**–**	**–**	**(1.0)**	**–**	**(1.0)**	–	–	–	–	–
Amortisation of intangibles arising on business combinations	**(8.0)**	**(1.3)**	**(1.6)**	**–**	**(10.9)**	(4.0)	(2.1)	(5.7)	–	(11.8)
Goodwill impairment	**(14.3)**	**–**	**(8.0)**	**–**	**(22.3)**	–	–	–	–	–
Share-based payment charge	**(0.1)**	**–**	**(0.1)**	**–**	**(0.2)**	(1.0)	–	(0.2)	–	(1.2)
Segment (loss)/profit from operations	**(20.1)**	**3.0**	**(18.0)**	**(4.8)**	**(39.9)**	(8.1)	1.5	(5.7)	(2.4)	(14.7)
Finance costs	**(1.7)**	**–**	**(0.1)**	**(6.4)**	**(8.2)**	–	(0.1)	–	(3.0)	(3.1)
Segment (loss)/profit before taxation	**(21.8)**	**3.0**	**(18.1)**	**(11.2)**	**(48.1)**	(8.1)	1.4	(5.7)	(5.4)	(17.8)
Tax credit	**2.6**	**0.5**	**0.8**	**0.2**	**4.1**	0.6	–	1.2	–	1.8
Segment (loss)/profit from continuing operations	**(19.2)**	**3.5**	**(17.3)**	**(11.0)**	**(44.0)**	(7.5)	1.4	(4.5)	(5.4)	(16.0)

	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Staffline Group 2019 £m	Total Group 2019 £m	Recruitment GB Restated 2018 £m	Recruitment Ireland Restated 2018 £m	PeoplePlus Restated 2018 £m	Staffline Group Restated 2018 £m	Total Group Restated 2018 £m
Total non-current assets	**71.3**	**16.1**	**57.5**	**–**	**144.9**	92.7	11.2	65.5	–	169.4
Total current assets	**134.1**	**21.4**	**19.9**	**–**	**175.4**	130.8	23.0	21.5	0.4	175.7
Total assets (consolidated)	**205.4**	**37.5**	**77.4**	**–**	**320.3**	223.5	34.2	87.0	0.4	345.1
Total liabilities (consolidated)	**119.4**	**28.3**	**16.4**	**80.4**	**244.5**	141.1	15.7	26.5	79.2	262.5
Capital expenditure inc software	**3.7**	**0.1**	**1.9**	**–**	**5.7**	4.2	–	2.2	–	6.4

* Segment underlying operating profit is stated before amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, exceptional NMW remediation and financial penalties, revised audit scope and increased audit fees and the non-cash charge/credit for share-based payment costs

Revenues can be analysed by country as follows (96% of revenues arising within the UK in 2019, 97% in 2018):

	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Total Group 2019 £m	Recruitment GB Restated 2018 £m	Recruitment Ireland 2018 £m	PeoplePlus 2018 £m	Total Group Restated 2018 £m
UK	**950.9**	**–**	**87.9**	**1,038.8**	982.9	–	107.5	1,090.4
Republic of Ireland	**–**	**36.8**	**–**	**36.8**	–	29.2	–	29.2
Poland	**1.1**	**–**	**–**	**1.1**	1.3	–	–	1.3
	952.0	**36.8**	**87.9**	**1,076.7**	984.2	29.2	107.5	1,120.9

The results of the Group's operations on the island of Ireland and Group head office costs, which were previously included within the Recruitment division, are now shown separately. The comparative results have been restated accordingly.

No customer contributed more than 10% of the Group's revenue during either 2019 or 2018.

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2019 £m	2018 Restated £m
Employee benefits expenses – cost of sales	**950.3**	958.4
Employee benefits expenses – administrative expenses	**45.4**	46.4
Depreciation and software amortisation	**7.3**	4.8
Operating lease expenses	**1.2**	5.4
Other expenses	**73.3**	73.1
	1,077.5	1,088.1
Disclosed as:		
Cost of sales	**990.2**	1,004.1
Administrative expenses	**87.3**	84.0
	1,077.5	1,088.1

Auditors' remuneration in their capacity as auditors of the parent and Consolidated financial statements is £15,000 and in the capacity as auditor of subsidiary companies is £1,176,000. This includes all expenses. A further £200,000 cost was incurred in respect of audit related assurance services. There were no fees in respect of acquisitions or tax compliance services. Of the above, £805,000 is for additional audit procedures including prior year adjustments, which is considered to be non-underlying.

For the year ended 31 December 2018, remuneration paid to the Group's previous Auditor as auditors of the parent and Consolidated financial statements was £14,200 and in their capacity as auditor of subsidiary companies was £265,800. In addition, extended audit fees of £2,100,000 were also paid. Non-audit remuneration in respect of acquisitions totalled £30,000 and for tax compliance services £5,000.

Notes to the financial statements continued

For the year ended 31 December 2019

5 Expenses by nature continued

Non-underlying expenses

	Note	2019 £m	2018 Restated £m
Reorganisation costs	1	**1.3**	10.6
Impairment of intangible fixed assets (reorganisation related) (see note 11)	1	**–**	2.5
Impairment of tangible fixed assets (reorganisation related) (see note 13)	2	**–**	1.5
Legal investigation professional fees	3	**1.0**	–
NMW remediation costs and financial penalties	3	**(0.7)**	15.9
Revised audit scope and increased audit fees	4	**0.8**	2.1
Transaction costs – business acquisitions and strategic options	5	**0.9**	1.9
Employee dispute settlement	6	**1.4**	–
Legal claim	7	**1.0**	–
Refinancing costs	8	**3.2**	–
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	9	**10.9**	11.8
Goodwill impairment (see note 10)	10	**22.3**	–
Share-based payment charges – Directors		**–**	0.6
Share-based payment charges – other senior executives		**0.2**	0.6
		42.3	47.5
Tax credit on above non-underlying expenses (note 8)		**(2.4)**	(8.4)
Post taxation effect on above non-underlying expenses		**39.9**	39.1

1. During the prior year the Group implemented a strategy of transitioning the PeoplePlus division away from a predominantly Work Programme driven business to a skills and training business, in order to serve wider range of clients across both Government and commercial sectors. Significant costs were incurred during the prior year to reduce both the number of employees and number of locations within the division, along with associated IT costs, and the programme has continued into the current year.

2. Impairment of tangible and intangible fixed assets relates to the impact of the decision by the Ministry of Justice ("MoJ") to terminate all Community Rehabilitation Company ("CRC") contracts in September 2020, ahead of the contract end date of January 2022, with compensation payable by the MoJ for early termination. At the end of December 2018, the net book value of related intangible and tangible fixed assets was £2.5m and £1.4m respectively. In light of the contract variation, these assets were considered to be impaired although the charge of £0.7m in relation to tangible fixed assets is considered to have been understated by £0.8m and a prior year adjustment has been made, see note 3 for details.

3. During the prior year, HMRC commenced a review into the Recruitment GB division's compliance with National Minimum Wage Regulations. The payment of the National Minimum Wage is a legal requirement, covering all working time including preparation time. As a relatively new initiative, HMRC has conducted a wide-ranging review across industry, including looking back at prior periods. The review of Recruitment GB identified a number of breaches, based on end-user custom and practice for prior periods. The HMRC review related to years 2013 to 2018 and, following the steps that have been put in place, the business is now fully compliant and has robust controls to ensure no further non-compliance. During the current year, further costs of £0.9m have been incurred in relation to legal costs. The Group has taken a proactive and transparent approach toward its interactions with HMRC and consequently the final penalty determination was lower than was originally provided for. Taken with other cost adjustments the current provision estimate has reduced by approximately £0.7m. The sensitivities in relation to this matter are set out in note 3 "Critical judgements and estimate uncertainty in applying the Group's accounting policies".

4. Following the allegations made on 29 January 2019, as detailed in the 2018 annual report, a revised audit scope was agreed with PwC, the Group's former auditor. These costs were originally expected to be £1.8m but further costs of £0.3m were omitted from the estimate. Consequently, a prior year adjustment has been made to recognise the full cost in the correct period. There were also additional audit and assurance fees incurred in the current year.

5. During the prior year the Group acquired seven businesses, incurring significant professional fees. This level of activity was much higher than either the current or previous years. Further costs have been incurred in the current year in relation to advice on the Group's strategic options.

6. During the year, the Group lost a historical legal claim involving share incentives payable to an ex-employee amounting to £1.4m.

7. A legal claim relating to the sale of A4e's Indian business to the management team in July 2014, before the Group acquired A4e in April 2015. The claim is for financial overstatement at the time of the sale and alleged fraud. The case is currently in arbitration and contractually must be heard under Indian law.

8. Costs incurred for refinancing the Group's bank credit facilities, comprise the full write off of existing and new arrangement fees of £1.8m and provision for the future cost of exiting the facility of £1.4m. Further details of the refinancing are given in note 19.

9. The charge for amortisation of intangible assets arising on business combinations relates principally to the acquisitions of the Endeavour Group, Passionate About People, the A4e business, Grafton Recruitment, Milestone and Brightwork.

10. The results of an impairment review showed that impairments to goodwill were required in the Recruitment GB and PeoplePlus cash-generating units of £14.3m and £8.0m respectively. Further details are given in note 10.

6 Finance costs

	2019 £m	2018 £m
Interest payable on financing arrangements	**5.0**	3.1
Refinancing costs – non-underlying	**3.2**	–
Total	**8.2**	3.1

7 Directors' and employees' remuneration

Employee benefits expense – consolidated

Expense recognised for employee benefits is analysed below:

	2019 £m	2018 £m
Wages and salaries	**78.1**	75.7
Social security costs	**7.8**	7.3
Other pension costs – defined contribution plans	**3.3**	1.9
Other pension costs – defined benefit plan service cost	**0.1**	0.2
	89.3	85.1
Share-based payment charge – cash-settled	**–**	1.0
Share-based payment charge – equity-settled	**0.2**	0.2
	89.5	86.3
Included in administrative expenses (note 5)	**45.4**	46.4
Included in cost of sales	**43.9**	38.7
Share-based payment charge (cash and equity-settled)	**0.2**	1.2
	89.5	86.3

	2019 Number	2018 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
– Sales and administrative	**2,798**	2,437

Included in cost of sales are temporary workers' remuneration paid through the temporary payroll of subsidiary companies as follows:

	2019 £m	2018 £m
Wages and salaries	**860.5**	873.4
Social security costs	**41.6**	47.0
Other pension costs – defined contribution plans	**4.3**	3.9
	906.4	924.3

	Number	Number
The average monthly number of temporary workers contracted by the Group during the year was:	**43,976**	48,665

The average number of persons (including Directors) employed by the Company during the year was 6 (2018: 6). Employee costs were £nil (2018: £nil). All Directors of the Group are remunerated through a subsidiary of the Company for their services to the Group as a whole. No direct recharge was made to the Company during the year (2018: £nil).

Directors' remuneration is detailed on pages 35 to 37 of the Report on Remuneration and disclosed further in note 24.

Notes to the financial statements continued

For the year ended 31 December 2019

7 Directors' and employees' remuneration continued

Share-based employee remuneration

Save As You Earn ("SAYE") share option plan 2017

In October 2017, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2017. Eligible employees were invited to subscribe for options over Staffline's ordinary shares of 10p each ("Ordinary Shares") with an exercise price of £9.32, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2017 and are exercisable between 1 December 2020 and 31 May 2021. A total of 290 employees elected to participate, and, pursuant to these elections, a total of 148,276 options over Ordinary Shares were granted on 26 October 2017, equating to 0.22% of the current issued share capital of 68,930,486 shares. As at 31 December 2019, options over 25,382 shares remain (78 employees), options over 122,894 shares having lapsed (212 employees).

Save As You Earn ("SAYE") share option plan 2018

In September 2018, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2018. Eligible employees were invited to subscribe for options over Staffline's ordinary shares of 10p each ("Ordinary Shares") with an exercise price of £9.76, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2018 and are exercisable between 1 December 2021 and 31 May 2022. A total of 167 employees elected to participate and, pursuant to these elections, a total of 73,588 options over Ordinary Shares were granted on 18 September 2018, equating to 0.11% of the current issued share capital of 68,930,486 shares. As at 31 December 2019, options over 21,167 shares remain (75 employees), options over 52,421 shares having lapsed (92 employees).

Save As You Earn ("SAYE") share option plan 2019

In November 2019, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2019. Eligible employees were invited to subscribe for options over Staffline's ordinary shares of 10p each ("Ordinary Shares") with an exercise price of £0.76, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2019 and are exercisable between 1 December 2022 and 1 June 2023. A total of 170 employees elected to participate and, pursuant to these elections, a total of 1,336,094 options over Ordinary Shares were granted on 6 November 2019, equating to 1.94% of the current issued share capital of 68,930,486 shares. As at 31 December 2019, options over 1,329,051 shares remain (169 employees), options over 7,043 shares having lapsed (1 employee).

Performance-related share option plan

Other than options granted to Chris Pullen (a former Director of the Company – options lapsed during the prior year), details of which are fully disclosed within the Report on Remuneration on pages 35 to 37, no other performance-related share options have been granted.

Except as noted under the Joint Share Ownership Plans below, all share-based employee remuneration will be settled in equity. The Group has no other legal or constructive obligation to repurchase or settle the options in cash.

Joint Share Ownership Plan 2013

In June 2013, the Company established a Joint Share Ownership Plan ("JSOP") to provide additional incentives to certain senior executives. The JSOP shares are held jointly between the Directors and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the Directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the executive and the Staffline Group plc Employee Benefit Trust.

That JSOP ran from the date of the award until 30 June 2018, based on trading and share price performances for the five years ended 31 December 2017. During this period the right to sell the JSOP award shares was not at the discretion of the executives but instead at the discretion of the Employee Benefit Trust. On disposal of the shares, the amount received by the executives is calculated based on certain business performance conditions, as follows:

1. A range of underlying diluted earnings per share ("EPS") of between 56.0p and 93.5p required in any of financial years 2014 to 2017 inclusive (maximum 50% of the award). The EPS criteria was met in the year ended 31 December 2016 (114.0p reported).
2. 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the FTSE AIM All-Share Total Return Index over the period (nil award if minimum EPS requirement above not achieved). For the five and a half years ended 30 June 2018, the Company's share price has risen by 224%, from 289p at 1 January 2013 to 936p as at 30 June 2018, in excess of the 53% increase over the same period by the FTSE AIM All-Share Total Return Index (AXX), growing from 707 at 1 January 2013 to 1,082 as at 30 June 2018.

The maximum number of shares vested and were therefore allocated to the relevant Directors and senior executives. The Directors and senior executives participating in the JSOP acquired an interest in the shares jointly with the Staffline Group plc Employee Benefit Trust.

During July 2018 the shares were sold in the open market at a net price of £10.24p per share and net proceeds were paid to the Directors and other senior executives in one tranche as follows:

	Participation price	Interest over number of shares	Sales price	Net proceeds to participant £'000
A Hogarth (resigned 30 June 2018)	411.5p	350,000	1,024.0p	2,144
D Martyn (resigned 24 January 2018)	411.5p	350,000	1,024.0p	2,144
P Ledgard (resigned 31 May 2016)	563.0p	50,000	1,024.0p	231
Directors		**750,000**		**4,519**
Other executives (6 in total)	425.8p	425,000	1,024.0p	2,544
		1,175,000		**7,063**

Joint Share Ownership Plan 2018

In January 2018, the Company established a Joint Share Ownership Plan ("JSOP") to provide additional incentives to certain senior executives. The JSOP shares are held jointly between the Directors and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the Directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the executives and the Staffline Group plc Employee Benefit Trust.

A Plan covering the five-year period ending 31 December 2022 was approved by the Remuneration Committee in October 2017. Plan rules are the same as those for the 2013 Plan as highlighted above. The amount receivable by the executives is calculated based on certain business performance conditions, as follows:

1. A range of underlying diluted earnings per share ("EPS") of between 180.0p and 200.0p required in the financial year 2022 (maximum 50% of the award). No shares vest if the EPS is below 180.0p in that year.
2. 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the FTSE AIM All-Share Total Return Index (AXX) over the period 1 January 2018 to 30 June 2023 (nil award if the minimum EPS requirement above is not achieved). The Company's share price at 1 January 2018 was 1,040p and the AXX stood at 1,050. As at 31 December 2018, the Company's share price had increased by 19% to 1,240p whereas the AXX had fallen by 18% to 859.

Directors' and senior executives' interests are detailed below:

	Award date	Participation price	Interest over number of shares	Date on which exercisable
C Pullen (resigned 26 April 2020)	24 Jan 2018	999p	275,000	30 June 2023
M Watts (resigned 18 December 2019)	24 Jan 2018	999p	125,000	30 June 2023
Directors			400,000	
Other executives (15 in total)	Various	1,031p	740,000	30 June 2023
			1,140,000	

As noted above, the Directors and senior executives participating in the JSOP acquired an interest in the shares jointly with the Staffline Group plc Employee Benefit Trust ("EBT"). At the end of the financial year, the EBT held 1,140,400 (2018: 1,140,400) ordinary 10p shares to satisfy participants' interests when the Scheme vests in June 2023.

The 2018 Joint Share Ownership Plan ("JSOP") is settled in cash and therefore accounted for as a cash-settled scheme. As at 31 December 2019 the Company's share price was 87p, albeit the number of issued shares had increased by 147%. It was therefore considered highly unlikely that the JSOP would vest and accordingly no valuation is attached.

As at 31 December 2018 the fair value of the liability was determined using the Binomial valuation model. Significant inputs into the calculations were:

- Share price at date of grant (January 2018 grant of 960,000 shares at 999p per share, September 2018 grant of 80,000 shares at 1,294p per share);
- Exercise prices based on the December 2018 year-end share price of 1,240p per share;
- An average of 30.9% volatility based on expected and historical share price;
- Risk-free interest rate of 0.830%, being five-year UK Gilts spot yield;
- The disposal of shares by the EBT on 30 June 2023; and
- Assumption that 50% of relevant employees will leave before the vesting date, 100% of the EPS target will be achieved and 100% of the TSR target will be achieved.

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7 Directors' and employees' remuneration continued

Share-based employee remuneration

In total a charge of £0.2m of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2019 (2018: £1.2m) which increased the share-based payment reserve by £0.2m (2018: £0.2m) in respect of equity-settled schemes (all employees SAYE scheme) and increased the liability by £nil (2018: £1.0m) in respect of cash-settled JSOP schemes.

	2019 £m	2018 £m
Save As You Earn Scheme (equity-settled)	**0.2**	0.2
JSOP 2013 (cash-settled)	**–**	0.6
JSOP 2018 (cash-settled)	**–**	0.4
Total	**0.2**	1.2

Key management personnel

The key management are considered to be the Board of Directors of Staffline Group plc, whose remuneration can be seen in the Report on Remuneration on pages 35 to 37, and the divisional Directors who participate in the JSOP schemes. The aggregate remuneration, excluding share-based payment charges, for the divisional Directors for the year is £2.6m (2018: £2.6m). In addition, compensation payments of £0.3m (2018: £0.3m) were made on the departure of one key management personnel during the year. Disclosures in accordance with IAS 24 are included in note 24.

8 Tax expense

The tax credit on the loss for the year consists of:

	2019 £m	2018 Restated £m
Corporation tax		
UK corporation tax at 19.00% (2018: 19.00%)	**–**	0.5
Adjustments in respect of prior years	**(1.7)**	(0.1)
UK current tax (credit)/charge	**(1.7)**	0.4
Deferred tax		
Timing differences arising in the year	**(1.6)**	(2.4)
Adjustments in respect of prior years	**(0.8)**	0.2
UK deferred tax credit	**(2.4)**	(2.2)
Total UK tax credit for the year	**(4.1)**	(1.8)

The net "adjustments in respect of prior years" credit of £2.5m (current £1.7m credit, deferred £0.8m credit) arose largely from the use of trading losses to reduce previously estimated tax liabilities (current) and the recognition of trading losses available to offset current and future profits generated by the Group's subsidiaries in Ireland.

The credit can be further analysed by division and by underlying/non-underlying trading as follows:

	2019 £m	2018 Restated £m
Recruitment GB	**(2.6)**	(0.6)
Recruitment Ireland	**(0.5)**	–
PeoplePlus	**(0.8)**	(1.2)
Staffline Group	**(0.2)**	–
Total UK tax credit for the year	**(4.1)**	(1.8)
Underlying trading	**(1.7)**	6.6
Non-underlying trading	**(2.4)**	(8.4)
Total UK tax credit for the year	**(4.1)**	(1.8)

The tax credit for the year, as recognised in the statement of comprehensive income, is lower than the standard rate of corporation tax in the UK of 19.00% (2018: lower than the 19.00% standard rate). The differences are explained below:

	2019 £m Total	2018 £m Total
Loss for the year before taxation	**(48.1)**	(17.8)
Tax rate	**19.0%**	19.0%
Tax on loss for the year at the standard rate	**(9.1)**	(3.4)
Effect of:		
Depreciation and software amortisation charge in excess of capital allowances	**–**	(0.3)
Amortisation of intangible assets arising on business combinations	**4.2**	0.3
JSOP charges not taxable	**–**	0.2
Change in deferred tax rate to 17.00%	**0.2**	–
Expenses not allowable	**0.9**	0.9
Adjustments in respect of prior years	**(2.7)**	0.3
Tax losses available	**2.4**	0.2
Actual tax credit	**(4.1)**	(1.8)
On underlying (loss)/profit	**(1.7)**	6.6
On non-underlying loss	**(2.4)**	(8.4)
Actual tax credit	**(4.1)**	(1.8)
Effective total tax rate for the year	**8.5%**	10.1%

The total tax credit for the year of £4.1m (2018: £1.8m), which amounts to 8.5% (2018: 10.1%) of the loss for the year, relates principally to the recovery of UK tax losses in previous years and on the movement of deferred tax balances. The Group has no current Corporation Tax liability in respect of either the current or prior years and as a result is anticipating a refund of amounts that were paid on account. An element of losses incurred during 2018 will be set against taxed profits in previous years, which will also result in a refund. Remaining tax losses carried forward in the Recruitment GB and PeoplePlus divisions have not been recognised as a deferred tax asset.

The amortisation charge relating to intangible assets arising on business combinations is not deductible under UK corporation tax and is therefore added back to taxable profits. A deferred tax liability is recognised in respect of consolidated intangible assets. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year. No deferred tax is recognised on JSOP charges. An element of acquisition-related expenses and HMRC settlement costs incurred in 2018 were also treated as non-deductible.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge.

No material tax charges arise on overseas profits or losses and accordingly no disclosures relating to overseas tax are included within the financial statements.

The current tax asset at the end of 2019 of £5.3m (2018: asset of £2.3m) can be analysed as follows:

	2019 £m	2018 Restated £m
(Asset)/Liability at the beginning of the year	**(2.3)**	3.4
(Credit)/Charge on profits for the year	**(1.7)**	0.4
R&D tax credit	**(0.2)**	–
Paid in the year (net of repayments)	**(1.1)**	(6.4)
Liabilities arising on business acquisitions/others	**–**	0.3
Asset at the end of the year	**(5.3)**	(2.3)
Balance of 2018 tax year (assets)	**(4.8)**	(2.2)
Balance of 2017 tax year (assets)	**(0.4)**	–
Balance of 2016 tax year (assets)	**(0.1)**	(0.1)
Asset at the end of the year	**(5.3)**	(2.3)

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9 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (2019 and 2018 year-end 1,140,400 shares). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the potential issue of ordinary shares resulting from share options granted to certain Directors and share options granted to employees in 2017, 2018 and 2019 under the SAYE scheme.

Details of the earnings and weighted average number of shares used in the calculations are set out below:

	Basic 2019	Basic Restated 2018	**Diluted 2019**	Diluted Restated 2018
Loss from continuing operations (£m)	**(44.0)**	(16.0)	**(44.0)**	(16.0)
Weighted average number of shares (000)	**45,669**	26,167	**45,669**	26,167
Loss per share from continuing operations (p)	**(96.3)p**	(61.2)p	**(96.3)p**	(61.2)p
Underlying (loss)/earnings from continuing operations (£m)	**(4.1)**	23.1	**(4.1)**	23.1
Underlying (loss)/earnings per share (p)*	**(9.0)p**	88.3p	**(9.0)p**	88.3p

* Underlying earnings after adjusting for amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, exceptional NMW remediation and financial penalties, revised audit scope and increased audit fees and the non-cash charge/credit for share-based payment costs

The weighted average number of shares (basic) has been increased by 20,642,000 (2018: increased by 546,000) shares to take account of the effect of the placing and open offer in July 2019 whereby 40,986,097 new ordinary shares were issued.

Dividends

During the year, Staffline Group plc paid dividends of £nil (2018: £7.1m) to its equity shareholders:

	2019 £m	2018 £m	**2019 per share (p)**	2018 per share (p)
Interim 2019: paid November 2019 (Interim 2018: paid November 2018)	**–**	3.0	**–**	11.3p
Final 2018: paid July 2019 (Final 2017: paid July 2018)	**–**	4.1	**–**	15.7p
Total paid during the year	**–**	7.1	**–**	27.0p

No final dividend for 2019 has been proposed (2018: £nil).

10 Goodwill

Gross carrying amount by division

Gross carrying amount	Recruitment GB £m	Recruitment Ireland £m	PeoplePlus £m	Total £m
At 31 December 2018 (reported)	**53.8**	**5.5**	**57.0**	116.3
Prior year adjustment (note 3)	0.7	0.2	–	0.9
At 31 December 2018 (restated)	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2019	–	–	–	–
Charged in the year	14.3	–	8.0	22.3
At 31 December 2019	**14.3**	–	**8.0**	**22.3**
Net book amount at 31 December 2019	**40.2**	**5.7**	**49.0**	**94.9**
Net book amount at 31 December 2018	54.5	5.7	57.0	117.2

The goodwill attributable to the Group's operations in Ireland, which was previously included within the Recruitment division, is now shown separately.

Impairment – Goodwill
Management consider there to be three cash-generating units ("CGU"), being Recruitment GB, Recruitment Ireland and PeoplePlus, in line with the operating segments defined in note 4. These three cash-generating units have been tested for impairment.

In the prior year, only two CGU's were identified, with Recruitment GB and Recruitment Ireland being taken together. Whilst the cash flows generated from acquisitions cannot be separately identified, they are all allocated to the three CGU's and the goodwill relating to each acquisition is similarly allocated.

The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2020-22, followed by an extrapolation of expected cash flows over the next two years with a 0% growth rate for each cash-generating unit. Pre-tax discount rates of 11.7% for Recruitment GB, 10.9% for Recruitment Ireland and 11.7% for PeoplePlus (2018: 11.0% for all CGU's) were used based on the weighted average costs of capital for each operating segment.

The recoverable amounts of the CGU's, having considered the higher of value-in-use and fair value less costs to sell, were for £71.4m Recruitment GB, £38.0m for Recruitment Ireland and £56.8m for PeoplePlus, all being value-in-use.

The results of the impairment review performed showed headroom in the Recruitment Ireland cash-generating unit and accordingly no impairment noted, but that impairments to goodwill were required in the Recruitment GB and PeoplePlus CGU's of £14.3m and £8.0m respectively (2018: £nil and £nil, respectively). The review also indicated that no provision is required to write down the carrying value of other intangible assets and tangible fixed assets (2018: £nil). The same calculations indicated that an impairment was required to the Company's carrying value of its investments of £50.2m (see Note 12).

In making the assessment of the recoverability of assets within each CGU a number of judgements and assumptions were required.

The critical judgement relates to the determination of the CGU's. Whilst there are individual legal entities within the three segments, they are operated and reviewed as single units by the Board of Directors. Each operating segment has its own management team and head office. The Group's strategy, historically and going forward, has been to integrate new acquisitions into the main trading entities within each operating segment.

The key estimates in determining the value of each CGU are:
1. *The discount rate.* In the calculations we have utilised a pre-tax discount rate of 11.7% for Recruitment GB, 10.9% for Recruitment Ireland and 11.7% for PeoplePlus and a terminal growth value of 0%. The calculations highlighted an impairment of £14.3m for Recruitment GB, headroom of £22.8m for Recruitment Ireland and an impairment of £8.0m for PeoplePlus. A 1% increase in the discount rates increases the impairment to £20.1m for Recruitment GB, reduces headroom to £19.5m for Recruitment Ireland and increases the impairment to £12.8m for PeoplePlus.

2. *The achievability of the forecasted future cash flows.* There is an inherent uncertainty regarding the achievability of forecasts, as there are macro-economic factors outside of the Group's control. A sustained underperformance of 10% increases the impairment to £21.5m for Recruitment GB, reduces headroom to £19.0m for Recruitment Ireland and increases the impairment to £13.7m for PeoplePlus. A sustained underperformance of 60% would be required before any impairment was necessary to the goodwill allocated to Recruitment Ireland.

The impairment review was also performed using forecasts, adjusted for the impact of the COVID-19 pandemic, which is classed as a non-adjusting post-balance sheet event, and using the same discount rates. The results showed headroom in the Recruitment Ireland cash-generating unit of £4.6m and that further impairments to goodwill and related assets would have been necessary, had this been an adjusting post-balance sheet event, of £35.3m for Recruitment GB and £25.8m for PeoplePlus.

As at 31 December 2019 the Company had no goodwill (2018: £nil).

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11 Other intangible assets

The Group's other intangible assets include the customer contracts, brands and lists obtained through the acquisition of businesses plus acquired software. There are no intangible assets with restricted title.

Gross carrying amount	Software £m	Licences £m	Customer contracts and brands £m	Customer lists £m	Total £m
At 1 January 2018	**10.2**	**2.0**	**49.5**	**5.5**	**67.2**
Additions	2.7	–	–	–	2.7
Additions through business combinations	–	–	35.6	–	35.6
At 31 December 2018	**12.9**	**2.0**	**85.1**	**5.5**	**105.5**
Additions	3.2	–	–	–	3.2
At 31 December 2019	**16.1**	**2.0**	**85.1**	**5.5**	**108.7**
Amortisation					
At 1 January 2018	**4.3**	**2.0**	**34.6**	**5.5**	**46.4**
Charged in the year	1.9	–	11.8	–	13.7
Charged in the year – impairment*	2.5	–	–	–	2.5
At 31 December 2018	**8.7**	**2.0**	**46.4**	**5.5**	**62.6**
Charged in the year – operating	1.2	–	10.9	–	12.1
At 31 December 2019	**9.9**	**2.0**	**57.3**	**5.5**	**74.7**
Net book amount at 31 December 2019	**6.2**	**–**	**27.8**	**–**	**34.0**
Net book amount at 31 December 2018	4.2	–	38.7	–	42.9

* The impairment charge of £2.5m in 2018 relates to the reorganisation of the PeoplePlus division (as explained in note 5)

The Company has no other intangible assets (2018: £nil).

As at 31 December 2019, there are six individually material other intangible assets:

	Software £m	Customer contracts and brands £m	Total £m
Customer contracts in Endeavour Group	**–**	**8.2**	**8.2**
Customer contracts/brands in Passionate About People Group	**–**	**8.5**	**8.5**
Customer contracts in Grafton Recruitment	**–**	**4.7**	**4.7**
Payroll and Credit Control software developed for Recruitment division	**5.6**	**–**	**5.6**
Customer contracts in One Call Recruitment	**–**	**2.0**	**2.0**
Customer contracts in Brightwork	**–**	**1.6**	**1.6**
Others	**0.6**	**2.8**	**3.4**
Net book amount at 31 December 2019	**6.2**	**27.8**	**34.0**

Software, customer contracts and brands each have a useful economic life ("UEL") of 5.0 years. At 31 December 2019, the remaining UELs of the principal customer contracts are as follows:

	UEL (years)
Endeavour Group	3.2
Passionate About People Group	3.8
Grafton Recruitment	3.6
One Call Recruitment	3.4
Brightwork	2.3

12 Fixed asset investments – Company

	Investment in Group undertakings £m
Cost and net book amount at 31 December 2017	**58.3**
Movement in JSOP investment	**0.9**
Transfer from subsidiary undertaking (see below)	**66.0**
Cost and net book amount at 31 December 2018	**125.2**
Impairment adjustment	**(50.2)**
Net book amount at 31 December 2019	**75.0**

An impairment review was carried out with respect to the Company's carrying value of its investments in subsidiaries and considering recoverable amount as the higher of value-in-use and fair value less costs to sell for each investment.
The impairment review indicated that an impairment was required to the Company's carrying value of its investments of £50.2m.

The recoverable amount of the investments in Staffline Recruitment Limited (incorporated in England and Wales) and PeoplePlus Group Limited were based on value-in-use calculations with the same assumptions as described in Note 10.

The recoverable amounts of the remaining investments were based on fair value less costs to sell with reference to level 3 inputs, being inputs for the asset or liability that are not based on observable market data, with consideration of the balance sheet position of the subsidiaries.

The impairment review was also performed using forecasts, adjusted for the impact of the COVID-19 pandemic, which is classed as a non-adjusting post-balance sheet event. The results showed that, under this scenario, an impairment would have been required to the Company's carrying value of its investments of £68.0m.

On 27 September 2018, the 100% ownership of PeoplePlus Group Limited was transferred to the Company from a subsidiary company, Staffline Holdings Limited, for it's carrying value of £66.0m (settled via inter-Company account).

As at 31 December 2019, the Company holds interests in the following companies:

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Registered office: 19-20 The Triangle, NG2 Business Park, Nottingham, NG2 1AE			
Staffline Recruitment Limited	100%	England and Wales	Recruitment
PeoplePlus Group Limited	100%	England and Wales	Skills and training
A4e Limited	100%	England and Wales	Welfare to Work
A4e Enterprise Limited*	100%	England and Wales	Dormant
Action For Employment Trustees Limited*	100%	England and Wales	Dormant
Agency Plus Limited*	100%	England and Wales	Dormant
A La Carte Recruitment Limited*	100%	England and Wales	Dormant
Broomco (4198) Limited*	100%	England and Wales	Dormant
Datum RPO Limited*	100%	England and Wales	Recruitment
Driving Plus Limited *	100%	England and Wales	Dormant
Endeavour Group Limited*	100%	England and Wales	Dormant
Eos Works Limited*	100%	England and Wales	Dormant
Eos Services Limited*	100%	England and Wales	Dormant
Eos Works Group Limited	100%	England and Wales	Dormant
Experience Management Limited (was JFDI Group Limited)	100%	England and Wales	Dormant
Grafton Recruitment Limited*	100%	Northern Ireland	Recruitment
International Employment Group Limited (was Onsite Partnership Limited)	100%	England and Wales	Dormant
Learning Plus System Limited	100%	England and Wales	Dormant
Network Projects Limited*	100%	England and Wales	Dormant
Omega Resource Group Limited*	100%	England and Wales	Recruitment
One Call Recruitment Limited*	100%	England and Wales	Dormant
Passionate About People Limited*	100%	England and Wales	Intermediary holding
PeoplePlus Learning Limited*	100%	England and Wales	Dormant
Skillspoint Limited*	100%	England and Wales	Dormant
Softmist Limited*	100%	England and Wales	Dormant

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12 Fixed asset investments – Company continued

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
IEG Limited (was Staffline Limited)	100%	England and Wales	Dormant
Staffline Appointments Limited*	100%	England and Wales	Dormant
Staffline Holdings Limited	100%	England and Wales	Intermediary holding
Staff-Line Trustees Limited*	100%	England and Wales	Dormant
Techsearch Technology Limited*	100%	England and Wales	Dormant
Vital Recruitment Limited*	100%	England and Wales	Dormant
Registered office: ul. Fryderyka Chopina 2, 44-100 Gliwice, Poland			
Staffline Polska Sp. zoo*	100%	Poland	Dormant
Staffline Recruitment Gliwice Sp. zoo*	100%	Poland	Dormant
Agencja Pracy Tymczasowej Staffline sp. zoo*	100%	Poland	Recruitment
Vital Logistics sp. zoo*	100%	Poland	Recruitment
Registered office: Cooldriona Court, Main Street, Swords, Co. Dublin, K67 WN92			
Staffline Recruitment Limited	100%	Republic of Ireland	Recruitment
Grafton Recruitment Limited*	100%	Republic of Ireland	Recruitment
Registered office: 38a Mallusk Road, Newtownabbey, Northern Ireland, BT36 4PP			
PeoplePlus (Works) NI Limited*	100%	Northern Ireland	Training
Registered office: 193/199 Bath Street, Glasgow, Scotland, G2 4HU			
Brightwork Limited*	100%	Scotland	Recruitment
Brightwork Specialist Recruitment Limited*	64%	Scotland	Dormant
Registered office: Elgar House, Shrub Hill Road, Worcester, England, WR4 9EE			
Warwickshire and West Mercia Community Rehabilitation Company Limited*	100%	England and Wales	Probationary services
Mercia Community Action CIC*	100%	England and Wales	Dormant
Registered office: Southern Exchange House, 34 Earl Grey Street, Edinburgh, EH3 9BN			
PeoplePlus Scotland Limited*	100%	Scotland	Dormant
Registered office: 23 Kanfei Nesharim Street, Nesharim Tower, Givat Shaul, Israel			
A4e Israel Limited*	100%	Israel	Dormant

* These companies are owned indirectly through other Group companies

Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2019:

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Datum RPO Limited	100%	England and Wales	Recruitment
Omega Resource Group Limited	100%	England and Wales	Recruitment
One Call Recruitment Limited	100%	England and Wales	Dormant
Vital Recruitment Limited	100%	England and Wales	Dormant

The Directors of Staffline Group plc have confirmed that the Company will provide a financial guarantee under Section 479C in relation to the subsidiaries listed above. No liability is expected to arise from the giving of this obligation.

13 Property, plant and equipment

Gross carrying amount	Land and buildings £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
At 1 January 2018	5.2	9.1	1.9	0.1	16.3
Additions	0.4	2.9	0.4	–	3.7
Acquired on business combinations	–	0.3	0.2	0.1	0.6
Disposals	–	(1.7)	–	–	(1.7)
At 31 December 2018 (reported)	**5.6**	**10.6**	**2.5**	**0.2**	**18.9**
Transition to IFRS 16 Leases (note 31)	9.6	0.4	–	–	10.0
At 1 January 2019	15.2	11.0	2.5	0.2	28.9
Additions	1.6	2.2	0.1	–	3.9
Disposals	(1.2)	(0.2)	(0.3)	–	(1.7)
At 31 December 2019	**15.6**	**13.0**	**2.3**	**0.2**	**31.1**
Depreciation					
At 1 January 2018	2.1	5.9	0.5	0.1	8.6
Charged in the year – operating	0.5	1.5	0.6	0.1	2.7
Charged in the year – impairment*	0.5	0.2	–	–	0.7
Disposals	–	(1.7)	–	–	(1.7)
At 31 December 2018 (reported)	**3.1**	**5.9**	**1.1**	**0.2**	**10.3**
Prior year adjustments (note 3)	–	**0.2**	**0.8**	–	**1.0**
At 31 December 2018 (restated)	**3.1**	**6.1**	**1.9**	**0.2**	**11.3**
Charged in the year – operating	2.9	2.2	0.5	–	5.6
Charged in the year – impairment**	0.5	–	–	–	0.5
Disposals	(0.5)	(0.2)	(0.2)	–	(0.9)
At 31 December 2019	**6.0**	**8.1**	**2.2**	**0.2**	**16.5**
Net book value					
At 31 December 2019	**9.6**	**4.9**	**0.1**	**–**	**14.6**
At 31 December 2018 (restated)	2.5	4.5	0.6	–	7.6

* The impairment charge of £0.7m in 2018 relates to the reorganisation of the PeoplePlus division

** The impairment of right-of-use assets relates to onerous leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of these leases, which were previously treated as operating leases, the Group has elected to measure the carrying value as if the Standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application. Right-of-use assets, principally property related assets, comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount	Depreciation expense	Impairment
Office buildings	7.6	(2.5)	(0.5)
IT equipment	0.3	(0.1)	–
	7.9	(2.6)	(0.5)

As at 31 December 2019 the Company had no property, plant and equipment assets (2018: £nil).

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For the year ended 31 December 2019

14 Leases

Lease liabilities are presented in the statement of financial position as follows:

	2019 £m	2018 £m
Current	**2.6**	–
Non-current	**5.8**	–
	8.4	–

The Group has leases for its operational and administrative offices, and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 13).

Unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can typically only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance costs on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension options
Office building	85	0.2 – 15.1	2.7	12
IT equipment	8	0.2 – 4.8	2.1	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due					
	Within one year	1-2 years	2-3 years	3-4 years	After 5 years	Total
31 December 2019						
Lease payments	2.8	1.9	1.2	0.7	2.3	8.9
Finance charges	(0.2)	(0.1)	(0.1)	–	(0.1)	(0.5)
Net present value	2.6	1.8	1.1	0.7	2.2	8.4
31 December 2018						
Lease payments	3.2	2.8	1.9	1.2	2.7	11.8
Finance charges	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
Net present value	3.0	2.7	1.8	1.1	2.6	11.2

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2019 £m
Short-term leases	**0.6**
Leases of low value assets	**0.5**
	1.1

The Group had not committed to any leases that had not yet commenced.

Total cash outflow for leases for the year ended 31 December 2019 was £4.3m (2018: £5.4m).

15 Retirement benefit net (liability)/asset

One of the Group's subsidiaries, PeoplePlus Group Limited, operates a defined benefit pension scheme for its staff. The scheme is closed to new entrants. The last actuarial valuation of the scheme was at 30 May 2017. Given that the fair value of plan assets is only £9.8m (2018: £9.2m), only significant disclosures are reported below.

The amounts recognised in the balance sheet are determined as follows:

	2019 £m	2018 £m
Fair value of plan assets	**9.8**	9.2
Present value of funded obligations	**(9.9)**	(8.4)
Net (liability)/asset in the balance sheet at 31 December	**(0.1)**	0.8
Actuarial losses during the year, pre tax	**(0.9)**	(0.6)
Deferred tax on loss	**0.2**	0.1
Actuarial losses during the year, post deferred tax impact	**(0.7)**	(0.5)

IAS 19, together with IFRIC 14 ("The Limit on a Defined Pension Asset"), regulations only allow a surplus to be recognised as an asset in the balance sheet to the extent that it can be recovered through reduced contributions in the future or through refunds from the scheme. The "Rules of The A4E Retirement Benefit Scheme" dated 24 September 2012 states in Section 4.1 paragraph 2 that: if a valuation discloses that a value of the scheme assets exceeds the value of its liabilities the Trustees may reduce this surplus by paying it to the employer (less tax) to the extent permitted by Section 37 of the 1995 Pensions Act (payment of surplus to employer). The Directors are therefore satisfied that the full surplus be so recognised in the prior year.

The movement in the fair value of the plan assets over the year is as follows:

	2019 £m	2018 £m
Balance at 1 January	**9.2**	9.8
Interest on assets	**0.2**	0.2
Contributions – employer and member	**0.2**	0.2
Benefits paid	**(0.2)**	(0.2)
Actuarial gain/(loss) on asset return	**0.4**	(0.8)
Fair value of plan assets in the balance sheet at 31 December	**9.8**	9.2

At 31 December 2019, the scheme's assets, valued at market value, were distributed as follows:

	2019 £m	2018 £m
Bonds (68% of assets as at 31 December 2019)	**6.7**	6.6
Equities (31% of assets as at 31 December 2019)	**3.0**	2.5
Cash (1% of assets as at 31 December 2019)	**0.1**	0.1
Fair value of plan assets in the balance sheet at 31 December 2019	**9.8**	9.2

All investments are managed by the investment advisors and Standard Life within the Standard Life 'wrap investment' portfolio where the investments are held within Dimensional Funds at the year-end. All funds are passively managed. The funds held by the scheme are all pooled investment vehicles and therefore the investment manager is responsible for appointing an independent custodian. The objective of each of these funds is to match the investment return in a particular investment market subject to an acceptable degree of tracking-error that is monitored by the Trustees.

The movement in the present value of defined benefit funding obligations over the year is as follows:

	2019 £m	2018 £m
Balance at 1 January 2019	**8.4**	8.4
Interest cost on liabilities	**0.3**	0.2
Service cost – current accrual cost	**0.1**	0.3
Benefits paid – net of member contributions	**(0.2)**	(0.2)
Actuarial loss/(gain) on change in assumptions	**1.3**	(0.3)
Present value of funded obligations in the balance sheet at 31 December 2019	**9.9**	8.4
Membership numbers (active 2019: 11, 2018: 21)	**259**	266

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15 Retirement benefit net (liability)/asset continued

The liabilities have been calculated using the following principal actuarial assumptions:

	2019	2018
Inflation rate (RPI)	**2.95%**	3.15%
Inflation rate (CPI)	**2.35%**	2.15%
Salary increase	**2.95%**	3.15%
Discount rate	**2.05%**	2.80%
Future pension increases for leavers (RPI)	**2.95%**	3.15%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions are based on the following mortality tables:

- Pre-retirement mortality: 100% of SAPS "S2" Normal tables
- Post-retirement mortality: 100% of SAPS "S2" Normal tables

Future improvements in longevity are as based on the following:

- Pre-retirement mortality: CMI 2018 projections with a long-term trend of 0.0% per annum
- Post-retirement mortality: CMI 2018 projections with a long-term trend of 1.25% per annum

The mortality assumptions used were as follows:

	31 Dec 2019 years	31 Dec 2018 years
Average expected future life at age 60 for a:		
–male currently aged 60	**27.0**	26.5
–female currently aged 60	**29.1**	28.6
–male currently aged 40	**28.5**	27.9
–female currently aged 40	**30.6**	30.2

Members are assumed to retire at the earliest age where there would be no reduction. It is also assumed that members commute 75% of the maximum HMRC allowance based on current commutation factors. There are £nil (2018: £nil) contributions unpaid at the year-end.

A charge of £0.1m (2018: £0.2m) is included within the statement of comprehensive income within administrative expenses for the service cost. A net actuarial loss, after deferred taxation, of £0.7m (2018: loss of £0.5m) is included within the consolidated statement of changes in equity.

At 31 December 2019 the Company had no pension balances (2018: £nil).

16 Trade and other receivables

	2019 Group £m	2019 Company £m	2018 Group Restated £m	2018 Company Restated £m
Trade and other receivables	**118.1**	**–**	144.5	–
Amounts due from Group undertakings	**–**	**51.2**	–	38.9
Accrued income	**14.3**	**–**	12.8	–
Corporation tax recoverable	**5.3**	**0.1**	2.2	–
	137.7	**51.3**	159.5	38.9

Trade and other receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. The Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognised represent a large number of receivables from various customers.

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand. Assessment of the recoverability of amounts due from group undertakings has resulted in an impairment adjustment of £17.7m. The assessment considered a probability weighted expected loss with respect to different forms of recovery. This included an immediate sale of trade and assets by group undertakings so that the balance could be recovered and secondly the allowance of the business to continue and recover the value of the asset over time. In the immediate sale scenario, a 20% write-down of assets was included to reflect a forced sale. In the scenario with the marketing period, assumptions consistent with the impairment analysis in note 10 were used. Should the forced sale write down have been 30%, a further impairment of £5.8m would have been required. Should a 10% sustained underperformance compared to forecast trading occur in the marketing period scenario, a further impairment of £0.7m would have been required.

Included in the trade and other receivables balance above is a bad debt provision of £1.4m (2018: £0.4m). The bad debt provision is split as follows:

	2019 £m	2018 £m
Expected Credit Loss ("ECL")	**0.1**	0.1
Specific bad debt provision	**1.3**	0.3
Bad debt provision	**1.4**	0.4

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 27 for details.

17 Cash

	2019 Group £m	**2019 Company £m**	2018 Group £m	2018 Company £m
Cash and cash equivalents	**25.0**	**–**	16.2	–
Restricted cash	**12.7**	**–**	–	–

Cash and cash equivalents and overdrafts consist of cash on hand and balances with banks only. At the year-end £25.0m (2018: £16.2m) of cash on hand and balances with banks were held by subsidiary undertakings; however, this balance is available for use by the Group.

Cash and cash equivalents amounting to £18.6m, as disclosed in the consolidated statement of cash flows comprises cash balances of £25.0m (2018: £16.2m), less overdrafts of £6.4m (2018: £nil).

Restricted cash relates to amounts held in escrow to satisfy the NMW remediation and financial penalties relating to historic HMRC National Minimum Wage breaches.

Long-term credit ratings for the four banks are currently as follows:

	Fitch	Standard & Poor's	Moody's
Lloyds Banking Group plc	A+	BBB+	A3
Bank of Ireland Group plc	BBB	BBB–	Baa2
HSBC Holdings plc	A+	A–	A2
Royal Bank of Scotland plc	A	BBB	Baa2

The Group's headroom versus available committed bank facilities is as follows:

	2019 £m	2018 £m
Cash at bank (as above)	**25.0**	16.2
Cash at bank held outside of facility*	**–**	(3.8)
Overdraft facility	**18.6**	25.0
Committed revolving credit facility unutilised	**0.1**	15.0
Banking facility headroom	**43.7**	52.4

* excluded from headroom in 2018

At 31 December 2018, there was a £30.0m non-committed accordion revolving credit facility available, which was removed as part of the amendments to the credit facilities on 26 June 2019.

As at 31 December 2019 the Company had no cash balances (2018: £nil).

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18 Trade and other payables

	2019 Group £m	2019 Company £m	2018 Group Restated £m	2018 Company £m
Trade and other payables	**18.2**	**–**	20.3	–
Accruals and deferred income	**58.1**	**1.0**	57.3	–
Deferred income	**2.6**	**–**	0.5	–
Amounts due to Group undertakings	**–**	**7.8**	–	7.9
Other taxation and social security	**47.5**	**–**	65.3	–
	126.4	**8.8**	143.4	7.9

The fair value of trade and other payables has not been separately disclosed as, due to their short duration, the Directors consider the carrying amounts recognised in the statement of financial position to be a reasonable approximation of their fair value.

Amounts due to Group undertakings are non-interest bearing, unsecured and repayable on demand.

19 Borrowings

Borrowings are repayable as follows:

	2019 Group £m	2019 Company £m	2018 Group £m	2018 Company £m
In one year or less or on demand*	**9.0**	**–**	–	–
In more than one year but not more than two years*	**1.8**	**–**	–	–
In more than two years but not more than five years*	**79.9**	**78.1**	80.0	80.0
In more than five years*	**2.2**	**–**	–	–
Unamortised transaction costs	**–**	**–**	(0.8)	(0.8)
Total borrowings	**92.9**	**78.1**	79.2	79.2

* Ageing of balances above is shown excluding unamortised transaction fees

	2019 Group £m	2019 Company £m	2018 Group £m	2018 Company £m
Split:				
Current liabilities:				
Bank overdraft	**6.4**	**–**	–	–
Lease liabilities	**2.6**	**–**	–	–
	9.0	**–**	–	–
Non-current liabilities:				
Revolving credit facility	**78.1**	**78.1**	80.0	80.0
Lease liabilities	**5.8**	**–**	–	–
Unamortised transaction costs	**–**	**–**	(0.8)	(0.8)
	83.9	**78.1**	79.2	79.2
Total borrowings	**92.9**	**78.1**	79.2	79.2
Total borrowings excluding unamortised transaction costs	**92.9**	**78.1**	80.0	80.0
Less: Cash (note 17)	**(25.0)**	**–**	(16.2)	–
Net debt	**67.9**	**78.1**	63.8	80.0

On 4 July 2018, the Group re-financed its outstanding borrowings and entered into a £120.0m committed revolving credit facility ("RCF") and a further uncommitted RCF (accordion option) of £30.0m. Carved out from the £120.0m committed RCF is an overdraft facility of £25.0m.

On 26 June 2019 the Group and its lenders agreed to certain amendments to the RCF. The lenders agreed to a waiver of all quarterly financial covenant tests for the period ended 30 June 2019. The key amendments to the RCF were:
i) Relaxation of the September and December 2019 leverage covenants followed by a gradual reduction of the leverage covenant to net debt of less than 2x EBITDA by 31 December 2020;
ii) Restrictions on new material share, business and asset acquisitions until January 2021;
iii) No dividends to be declared by the Company for the 2019 and 2020 financial years;
iv) Repayment and cancellation of revolving facility commitments by £10.0m on both 15 November 2019 and 15 November 2020;
v) Net proceeds of the July 2019 share issue in excess of £30.0m to be used to reduce, and cancel, the Credit Facilities available.

In consideration of these amendments, an amendment fee has been paid to the lenders and certain other changes were made to the Credit Facility (including the removal of the accordion option and the ability to request the lenders to extend the Credit Facility for an additional 12 months beyond July 2022). The expiry date for the Credit Facility remains in June 2022. The Company has agreed to pay the lenders an exit fee based on a percentage of the outstanding commitments when the Credit Facility expires or, if sooner, refinanced.

Interest accrues on the borrowings at between 1.4% and 2.0% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

On 24 July 2019, following the share issue, £6.8m was used to reduce, and cancel, part of the Credit Facilities. On 15 November 2019, in line with the amendments above, £10.0m was used to further reduce, and cancel, part of the Credit Facilities.

In December 2019, the Company agreed an amendment to the Credit Facilities which included:
i) The deferral of testing covenants at December 2019; and
ii) The agreement to waive any potential covenant breaches and defaults arising as a result of the prior year adjustments.

Subsequently, between January and May 2020, the Company agreed amendments to the Credit Facilities which included further deferrals of covenant testing and the reporting of such testing.

Following discussions with the lenders of the RCF, the Company and the lenders agreed on 26 June 2020 to a revised financing structure. The key elements of the new facilities are, a reduced RCF of £30.0m (previously £78.2m) and a Receivables Finance Facility ("RFF") (invoice discounting) of a maximum of £73.2m, and the removal of the overdraft facility of £25.0m.

The key terms of the new facilities are below, with other terms of the RCF remaining in place:
i) Expiry date July 2022
ii) Repayment and cancellation of RCF commitments by £10.0m on 31 July 2020;
iii) The RFF can initially be draw down against the receivables of the Recruitment GB division and Northern Ireland part of the Recruitment Ireland division;
iv) Interest on the RFF accruing at 3.50% plus Bank of England base rate; and
v) Minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

The Group also had available a separate £30.0m uncommitted, non-recourse, Receivables Financing Facility against certain customer receivables, and a number of separate Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The balance funded under this Receivables Financing Facility at 31 December 2019 was £25.7m (2018: £27.3m) and the value of invoices funded under the Customer Financing arrangements was £35.1m (2018: £34.0m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred. After the year-end, this Receivables Financing Facility has been reduced to £25.0m.

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20 Other liabilities

	2019 Group £m	**2019 Company £m**	2018 Group £m	2018 Company £m
Due within one year (current)				
Deferred consideration	**0.6**	**–**	7.8	–
Retirement benefit net liability	**0.1**	**–**	–	–
	0.7	**–**	7.8	–
Due after more than one year (non-current)				
Revolving credit facility termination fee	**1.4**	**1.4**	–	–
Cash-settled JSOP liability	**–**	**–**	0.3	0.3
	1.4	**1.4**	0.3	0.3

During the year, deferred consideration was paid to the former owners of the businesses that were acquired last year.

21 Provisions

	IT costs £m	Staff costs £m	Property costs £m	Contract termination £m	NMW remediation and financial penalties £m	**2019 Group Total £m**	2018 Group Total £m
At 31 December 2018 (as reported)	1.7	0.6	4.9	–	15.1	**22.3**	2.5
Prior year adjustments (note 3)	–	–	1.1	–	1.7	**2.8**	0.8
At 1 January 2019 (restated – see note 3)	1.7	0.6	6.0	–	16.8	**25.1**	3.3
Amounts charged to the income statement	–	0.7	0.9	0.4	–	**2.0**	23.3
Amounts utilised	(1.0)	(0.5)	(3.2)	–	(3.3)	**(8.0)**	(1.7)
Acquired on business combinations	–	–	–	–	–	–	0.2
Unused amounts reversed to the income statement	–	–	–	–	(0.7)	**(0.7)**	–
At 31 December 2019	**0.7**	**0.8**	**3.7**	**0.4**	**12.8**	**18.4**	25.1
Due within one year (current)	0.7	0.6	1.5	0.4	12.8	**16.0**	21.6
Due after more than one year (non-current)	–	0.2	2.2	–	–	**2.4**	3.5
At 31 December 2019	**0.7**	**0.8**	**3.7**	**0.4**	**12.8**	**18.4**	25.1

During the year ended 31 December 2018 the Group made provisions for IT costs, staff costs and property costs relating to the restructuring of the PeoplePlus division from a predominantly Work Programme business to a skills and training business. The IT costs relate to onerous IT contracts; the staff costs relate to redundancies; and the property costs relate to lease dilapidations provisions.

Additional property costs provisions have been made for "wear and tear" dilapidations costs to cover the rest of the Group's leased property estate. Where possible, dilapidations provisions are determined based on an independent valuation of the estimated total cost payable on expiry of the respective leases. The timing and value of the costs are uncertain due to exit date and the final liability will be subject to negotiation.

The NMW remediation and financial penalties relate to historic HMRC National Minimum Wage breaches. See notes 3 and 5 for details.

The Company has no provisions (2018: £nil).

22 Deferred taxation

	2019 Group £m	2019 Company £m	2018 Group Restated £m	2018 Company £m
Deferred taxation assets	**1.4**	**–**	0.9	–
Deferred taxation (liabilities)	**(4.7)**	**–**	(6.7)	–
Net liability	**(3.3)**	**–**	(5.8)	–

The table below shows the Group movement in net deferred taxation during the year.

2019 **Deferred tax assets/(liabilities)**	1 January 2019 Restated £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	**31 December 2019 £m**
Property, plant, equipment and software temporary timing differences	0.9	–	–	**0.9**
Acquired intangible assets	(6.7)	2.0	–	**(4.7)**
Provisions	0.1	–	–	**0.1**
Recoverable tax losses	–	(0.4)	0.8	**0.4**
Retirement benefit asset	(0.1)	0.1	–	**–**
Net liability	(5.8)	1.7	0.8	**(3.3)**
Recognised as:				
Deferred tax asset	0.9	(0.3)	0.8	**1.4**
Deferred tax liability	(6.7)	2.0	–	**(4.7)**
Net liability	(5.8)	1.7	0.8	**(3.3)**

The table below shows the Group movement in net deferred taxation during the prior year.

2018 **Deferred tax assets/(liabilities)**	1 January 2018 Restated £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	Other £m	31 December 2018 Restated £m
Property, plant, equipment and software temporary timing differences	0.5	0.6	(0.1)	–	1.0
Acquired intangible assets	(2.5)	1.9	–	(6.0)	(6.6)
Provisions	0.1	–	–	–	0.1
Retirement benefit asset	(0.2)	0.1	–	–	(0.1)
Net liability	**(2.1)**	**2.6**	**(0.1)**	**(6.0)**	(5.6)
Recognised as:					
Deferred tax asset	0.6	0.6	(0.1)	–	1.1
Deferred tax liability	(2.7)	2.0	–	(6.0)	(6.7)
Net liability	**(2.1)**	**2.6**	**(0.1)**	**(6.0)**	(5.6)

The Other category represents the £6.0m effect of intangibles arising on business combinations during the prior year.

The Recruitment GB and PeoplePlus divisions have incurred taxable losses amounting in aggregate to £13.4m, which arose during the year and as a result of the prior year adjustments, which are described in note 3. Whilst these losses are available for relief against future tax liabilities, no deferred taxation has been recognised in view of the uncertain timing of future taxable profits. The Ireland division has taxable losses available in both the Republic of Ireland and in Northern Ireland. The likelihood of recovery of these losses in the foreseeable future is considered to be high and consequently a deferred tax asset has been recognised.

Deferred tax assets and liabilities in the UK have been recognised at the rate of 17%, whilst those in the Republic of Ireland have been recognised at 12.5%. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax assets and liabilities as at 31 December 2019 have been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at 31 December 2019 the net deferred tax liability would have increased by £0.4m.

The Company has no deferred tax balances at 31 December 2019 (2018: £nil).

Deferred tax net liabilities expected to unwind next year total £1.8m, being the estimated amortisation of intangible assets arising on business combinations of £10.6m at a tax rate of 17%.

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For the year ended 31 December 2019

23 Share capital

	2019 £m	2018 £m
Allotted and issued		
68,930,486 (2018: 27,944,389) ordinary 10p shares	**6.9**	2.8

	2019 Number	2018 Number
Shares issued and fully paid at the beginning of the year	**27,944,389**	27,849,389
Shares issued during the year	**40,986,097**	95,000
Shares issued and fully paid at the end of the year	**68,930,486**	27,944,389

All ordinary shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 1,140,400 shares (31 December 2018: 1,140,400 shares) held at 31 December 2019 by the Employee Benefit Trust where the right to dividends has been waived.

On 6 June 2018, the Company issued 95,000 new ordinary shares of 10p each in the capital of the Company to satisfy obligations under the 2018 Joint Share Ownership Plan.

On 15 July 2019, a total of 40,986,097 ordinary 10p shares were issued by the Company, resulting in a total of 68,930,486 ordinary 10p shares now being in issue.

24 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There were no material transactions with Directors of the Company during the period, except for those relating to remuneration, the vesting and issuing of shares under JSOP schemes and share purchases and sales as noted below.

Transactions with Directors

The Directors' personal remuneration includes the following expenses:

	2019 £'000	2018 £'000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**743**	806
Bonus – unpaid at year-end	**–**	–
Benefits in kind	**2**	4
Compensation for loss of office	**203**	–
Social security costs	**107**	93
Pension contributions (inc. pension allowance)	**55**	63
Share-based employee remuneration charge	**2**	564
	1,112	1,530

Share transactions with Directors

- On 16 July 2019, Chris Pullen, Chief Executive Officer until 26 April 2020, participated in the Placing and acquired 100,000 ordinary shares of 10p each in the capital of the Company at an average price of 100.0p per ordinary share.
- On 16 July 2019, Mike Watts, Chief Financial Officer until 18 December 2019, participated in the Placing and acquired 18,000 ordinary shares of 10p each in the capital of the Company at an average price of 100.0p per ordinary share.
- On 16 July 2019, John Crabtree, Chair until 17 September 2019, participated in the Placing and acquired 25,000 ordinary shares of 10p each in the capital of the Company at an average price of 100.0p per ordinary share.
- On 16 July 2019, Tracy Lewis, Chair from 17 September 2019 to 24 April 2020, participated in the Placing and acquired 100,000 ordinary shares of 10p each in the capital of the Company at an average price of 100.0p per ordinary share.
- On 16 July 2019, Ed Barker, Non-Executive Director until 31 January 2020, participated in the Placing and acquired 10,000 ordinary shares of 10p each in the capital of the Company at an average price of 100.0p per ordinary share.
- On 6 November 2019, Mike Watts, Chief Financial Officer until 18 December 2019, was granted 23,479 ordinary share options under the 2019 SAYE share scheme.

Excluding interests in share options and Joint Share Ownership Plans, which are fully disclosed within the 2019 Remuneration Report, the beneficial holdings of the Directors as at 31 December 2019 in the Company's issued share capital at 31 December 2019 is as follows:

Director	Ordinary shares of 10p each	% of total in issue
Ed Barker (resigned 31 January 2020)	11,104	–
Tracy Lewis (resigned 24 April 2020)	100,000	0.1%
Chris Pullen (resigned 26 April 2020)	120,659	0.2%
	231,763	**0.3%**

In respect of the Joint Share Ownership Plan, the Directors' interests are detailed below:

Director	Award date	Participation price	Interest over number of shares	Date on which exercisable
C Pullen (resigned 26 April 2020)	24 Jan 2018	999p	275,000	30 June 2023
M Watts (resigned 18 December 2019)	24 Jan 2018	999p	125,000	30 June 2023
			400,000	

Emoluments paid to the highest paid director were £371,000 (2018: £337,000).

Transactions with key management personnel

The Group key management personnel's (defined as the Company's Directors and those senior management who participate in the Group's JSOP schemes) remuneration, which includes the Group Directors' remuneration disclosed above, is detailed below:

	2019 £'000	2018 £'000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**2,679**	2,654
Bonus – unpaid at year-end	**519**	375
Benefits in kind	**13**	18
Compensation for loss of office	**264**	263
Social security costs	**452**	322
Pension contributions (inc. pension allowance)	**171**	164
Share-based employee remuneration charge	**200**	940
	4,298	4,736

In addition to the above, the Group spent £5,000 during the year ended 31 December 2018 for accommodation expenses at Hogarth's Hotel, which is owned by a person connected to the former Group Chief Executive Officer, Andy Hogarth. The Group also spent £298,335 (2018: £257,000) with Inspired Thinking Group, a specialist marketing services and technology business where Tracy Lewis was Chair until March 2019. £nil remains outstanding at the year-end (2018: £nil).

25 Contingencies

A cross-guarantee exists between all companies in the Group for all amounts owing to Lloyds Banking Group, HSBC Bank and Bank of Ireland. The Group amounts owing to Lloyds Banking Group, HSBC Bank and Bank of Ireland at the 2019 financial year-end are £60.1m (2018: £63.8m).

The Company will provide a financial guarantee under Section 479C of the Companies Act 2006 in relation to the subsidiaries listed in note 12, which will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006.

26 Capital commitments

The Group and Company had no material capital commitments at either 31 December 2019 or 31 December 2018.

Notes to the financial statements continued

For the year ended 31 December 2019

27 Risk management objectives and policies

The Group is exposed to a variety of financial risks through its use of financial instruments which result from both its operating and investing activities. The Group's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Credit risk

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets (being current assets excluding corporation tax recoverable) recognised at the balance sheet date, as summarised below:

	2019 Loans and receivables and balance sheet totals £m	2018 Loans and receivables and balance sheet totals Restated £m
Trade and other receivables (note 16)		
– held to sell at fair value through the statement of comprehensive income	**6.2**	4.9
– held to collect	**111.9**	139.6
Cash and cash equivalents (note 17)	**25.0**	16.2
Accrued income (note 16)	**14.3**	12.8
	157.4	173.5

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

31 December 2019	**Not more than 30 days past due £'000s**	**>31 days past due £'000s**	**>61 days past due £'000s**	**>91 days past due £'000s**	**Total £'000s**
Expected loss rate	0.05%	0.97%	1.60%	2.30%	
Gross carrying amount – trade receivables	108,055	2,557	1,199	1,386	113,197
Loss allowance	**54**	**25**	**19**	**32**	**130**

31 December 2018	**Not more than 30 days past due £'000s**	**>31 days past due £'000s**	**>61 days past due £'000s**	**>91 days past due £'000s**	**Total Restated £'000s**
Expected loss rate	0.02%	0.25%	0.48%	0.96%	
Gross carrying amount – trade receivables	130,021	4,528	2,508	2,455	139,512
Loss allowance (including specific provisions)	26	11	12	24	73

The closing loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowances as follows:

	2019 £m	2018 £m
As at 31 December – as previously calculated under IAS 39	**0.1**	0.1
Increase in loss allowance recognised in profit or loss during the year	**–**	–
As at 31 December	**0.1**	0.1

Credit risk is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.
The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. Details in respect of trade receivables at 31 December 2019 are provided in note 16. Substantially all of the trade within the PeoplePlus division is with local and central Government; therefore, the credit risk with these customers is considered low.

The Group has adopted a policy of carefully monitoring all customers, especially those who lack an appropriate credit history.

Liquidity risk
The Group seeks to manage financial risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by the use of a bank overdraft facility of up to £25.0m (31 December 2018: £25.0m) and the use of a credit facility of £78.2m (31 December 2018: £95.0m). As at the December 2019 year-end £78.1m (2018: £80.0m) of the credit facility was utilised.

The Group has covenants attached to its banking facilities. Following the June 2020 refinancing, the main covenants are minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

Interest rate risk
All financial liabilities of the Group are subject to floating interest rates. Competitive rates have been renegotiated with the Group's bankers and the rate paid on the RCF has been set at between 2.0% and 3.25% plus LIBOR. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- 1 percentage point with effect from the beginning of the year.

	2019	**2019**	2018	2018
	+1%	**–1%**	+1%	–1%
(Decrease)/increase in net result and equity £m	**(0.9)**	**0.9**	(0.6)	0.6

Foreign currency sensitivity
Most of the Group's transactions are carried out in sterling. Exposure to currency exchange rates arises from the Group's overseas sales and purchases which are predominantly denominated in Polish zloty and the euro (Republic of Ireland). The Group has not entered into any foreign currency risk mitigation strategies to date. This will be kept under review.

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27 Risk management objectives and policies continued

Financial liabilities

The Group's liabilities (being total liabilities excluding deferred tax liabilities and unamortised transaction cost balances) are classified as follows:

	2019 Financial liabilities at fair value through profit or loss £m	2019 Other financial liabilities at amortised cost £m	2019 Liabilities not within the scope of IFRS 9 £m	2019 Balance sheet total £m
Revolving credit facility	–	78.1	–	78.1
Overdraft	–	6.4	–	6.4
Lease liabilities	–	8.4	–	8.4
Trade and other payables	–	18.2	–	18.2
Accruals	–	58.1	–	58.1
Deferred income	–	2.6	–	2.6
Deferred consideration	–	0.6	–	0.6
Other liabilities	–	1.4	0.1	1.5
Taxation and social security	–	–	47.5	47.5
Provisions	–	–	18.4	18.4
Total	–	**173.8**	**66.0**	**239.8**

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

	2018 Financial liabilities at fair value through profit or loss £m	2018 Other financial liabilities at amortised cost Restated £m	2018 Liabilities not within the scope of IFRS 9 Restated £m	2018 Balance sheet total Restated £m
Revolving credit facility	–	80.0	–	80.0
Trade and other payables	–	20.3	–	20.3
Accruals	–	57.3	–	57.3
Deferred income	–	0.5	–	0.5
Deferred consideration	–	7.8	–	7.8
Taxation and social security	–	–	65.3	65.3
Provisions	–	–	25.1	25.1
Other liabilities - JSOP	–	–	0.3	0.3
Total	–	165.9	90.7	256.6

Fair value represents amounts at which an asset could be exchanged, or a liability settled on an arm's length basis.

Financial assets and financial liabilities measured at fair value are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- level 1 – quoted prices in active markets for identical assets and liabilities.
- level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has no financial assets or liabilities in any of the above classifications.

Maturity of financial liabilities

The analysis of the maturity of financial liabilities within the scope of IFRS 7 at 31 December 2019 is as follows:

	2019 Less than one year £m	**2019 One to five years £m**	**2019 More than five years £m**	**2019 Total £m**	2018 Less than one year Restated £m	2018 One to five years £m	2018 More than five years £m	2018 Total Restated £m
Revolving credit facility	**–**	**78.1**	**–**	**78.1**	–	80.0	–	80.0
Overdraft	**6.4**	**–**	**–**	**6.4**	–	–	–	–
Lease liabilities	**2.6**	**3.6**	**2.2**	**8.4**	–	–	–	–
Trade and other payables	**18.2**	**–**	**–**	**18.2**	20.3	–	–	20.3
Taxation and social security	**47.5**	**–**	**–**	**47.5**	65.3	–	–	65.3
Accruals	**60.5**	**–**	**–**	**60.5**	57.8	–	–	57.8
Deferred consideration	**0.6**	**–**	**–**	**0.6**	7.8	–	–	7.8
Total	**135.8**	**81.7**	**2.2**	**219.7**	151.2	80.0	–	231.2

The analysis of the maturity of contractual undiscounted financial liabilities (including estimated future interest) at 31 December 2019 is as follows:

	2019 Less than one year £m	**2019 One to five years £m**	**2019 More than five years £m**	**2019 Total £m**	2018 Less than one year Restated £m	2018 One to five years £m	2018 More than five years £m	2018 Total Restated £m
Revolving credit facility	**–**	**86.3**	**–**	**86.3**	–	82.8	–	82.8
Overdraft	**6.4**	**–**	**–**	**6.4**	–	–	–	–
Lease liabilities	**2.8**	**3.8**	**2.1**	**8.7**	–	–	–	–
Trade and other payables	**18.2**	**–**	**–**	**18.2**	20.3	–	–	20.3
Taxation and social security	**47.5**	**–**	**–**	**47.5**	65.3	–	–	65.3
Accruals	**60.5**	**–**	**–**	**60.5**	57.8	–	–	57.8
Deferred consideration	**0.6**	**–**	**–**	**0.6**	7.8	–	–	7.8
Total	**136.0**	**90.1**	**2.1**	**228.2**	151.2	82.8	–	234.0

28 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash inflow from operating activities

	2019 £m	2018 Restated £m
Loss before taxation (continuing operations)	**(48.1)**	(17.8)
Adjustments for:		
Finance costs	**8.2**	3.1
Depreciation, loss on disposal and amortisation – underlying	**7.3**	4.8
Depreciation, loss on disposal and amortisation – non-underlying	**10.9**	15.8
Impairment of goodwill	**22.3**	–
Cash generated before changes in working capital and share options	**0.6**	5.9
Change in trade and other receivables	**24.6**	(12.2)
Change in trade, other payables and provisions	**(23.8)**	25.3
Impact of foreign exchange loss on operating activities	**–**	–
Cash generated from operations	**1.4**	19.0
Employee cash-settled share options (non-cash charge/(credit))	**–**	1.0
Employee equity-settled share options	**0.2**	0.2
Settlement of cash-settled JSOP liabilities	**–**	(7.1)
Net cash inflow from operating activities	**1.6**	13.1

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28 Cash flows from operating activities – consolidated continued

Movement in net debt

	2019 £m	2018 £m
Net debt at 31 December 2018 (excluding transaction fees)	**(63.8)**	(16.8)
Transition to IFRS 16 Leases (note 31)	**(10.4)**	–
Net debt at 1 January 2019 (excluding transaction fees)	**(74.2)**	(16.8)
Loan repayments	**1.9**	4.4
New loans, including RCF drawdown	**–**	(36.3)
Lease payments, additions, disposals and interest	**2.0**	–
Change in cash and cash equivalents	**2.4**	(15.1)
Net debt at 31 December 2019 (excluding transaction fees)	**(67.9)**	(63.8)
Represented by:		
Cash and cash equivalents (note 17)	**25.0**	16.2
Current borrowings (note 19)	**(6.4)**	–
Lease liabilities (note 14)	**(8.4)**	–
Non-current borrowings (note 19)	**(78.1)**	(79.2)
Net debt including transaction fees	**(67.9)**	(63.0)
Transaction fees (unamortised balance)	**–**	(0.8)
Net debt at 31 December 2019 (excluding transaction fees)	**(67.9)**	(63.8)

The movements in net debt, excluding transaction fees, can be further summarised as follows:

	Cash £m	Overdrafts £m	Lease liabilities £m	Term loan £m	Revolving credit facility £m	Invoice discounting £m	Total £m
Net debt as at 1 January 2018	31.3	–	–	(13.1)	(35.0)	–	(16.8)
Cash flows during the year	(15.1)	–	–	4.4	(36.3)	13.6	(33.4)
Acquisition of businesses	–	–	–	–	–	(13.6)	(13.6)
Transfer of balance on refinancing	–	–	–	8.7	(8.7)	–	–
Net debt at 31 December 2018	**16.2**	**–**	**–**	**–**	**(80.0)**	**–**	**(63.8)**
Transition to IFRS16 Leases	–	–	(10.4)	–	–	–	(10.4)
Net debt at 1 January 2019	**16.2**	**–**	**(10.4)**	**–**	**(80.0)**	**–**	**(74.2)**
Cash flows during the year	8.8	(6.4)	3.2	–	1.9	–	7.5
Non-cash movements in leases	–	–	(1.2)	–	–	–	(1.2)
Net debt at 31 December 2019	**25.0**	**(6.4)**	**(8.4)**	**–**	**(78.1)**	**–**	**(67.9)**

29 Acquisition of businesses – cash paid; net of cash acquired

Cash flows in relation to the seven acquisitions made during 2018 are as follows:

	2019 Total acquisitions £m	2018 Total acquisitions £m
Total consideration	**–**	58.8
Consideration paid/(deferred)	**7.2**	(7.8)
Cash acquired	**–**	(11.0)
Inter-company debt recoverable	**–**	(5.6)
Acquisition of businesses per cash flow – investing activities	**7.2**	34.4
Debt facilities acquired – financing activities	**–**	13.6
Acquisition of businesses	**7.2**	48.0

The inter-company debt recoverable was settled on completion and has been included in the net cash outflow on acquisition of businesses in the Consolidated statement of cash flows.

30 Capital management policies and procedures

The Board's current priorities for the Group's free cash flow are to fund Group development and maintain the strength of the Statement of financial position. The Group's overall strategy remains unchanged from last year in that it manages its capital to ensure that the Group will be able to continue as a going concern through the economic cycle.

The capital structure of the Group consists of net debt, which is represented by cash and cash equivalents (note 17), bank loans, overdrafts and revolving credit facilities (note 19) and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity.

The only restrictions on the Group's capital relates to the covenants attached to the debt facilities.

In December 2019, the Company agreed an amendment to the Credit Facilities which included:
i) The deferral of testing covenants at December 2019; and
ii) The agreement to waive any potential covenant breaches and defaults arising as a result of the prior year adjustments.

Subsequently, between January and May 2020, the Company agreed amendments to the Credit Facilities which included further deferrals of covenant testing and the reporting of such testing.

The lenders agreed to a waiver of all quarterly financial covenant tests for the quarter ending 30 June 2019, as part of the amendments to the facilities made in the year.

The Group has covenants attached to its banking facilities. Following the June 2020 refinancing, the main covenants are minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

31 Changes in accounting policies

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets, and lease liabilities, as summarised below:

Balance sheet (extract)	31 December 2018 Restated £m	Impact of IFRS 16 £m	**1 January 2019 £m**
Non-current assets			
Property, plant and equipment	7.6	10.0	**17.6**
Total impact on assets	**7.6**	**10.0**	**17.6**
Current liabilities			
Accruals	–	(0.3)	**(0.3)**
Lease liabilities	–	3.1	**3.1**
Non-current liabilities			
Lease liabilities	–	7.3	**7.3**
Total impact on liabilities	**–**	**10.1**	**10.1**
Total impact on net assets	**–**	**(0.1)**	**–**
Equity			
Profit and loss account (restated)	43.3	(0.1)	**43.2**
Total impact on equity	**–**	**(0.1)**	**–**

Notes to the financial statements continued

For the year ended 31 December 2019

31 Changes in accounting policies continued

In terms of the income statement, the application of IFRS 16 resulted in a decrease in operating lease rental charges and an increase in depreciation and interest expense compared to IAS 17. During the year ended 31 December 2019, the impact of IFRS 16 on the Consolidated Statement of Comprehensive Income is summarised below:

Statement of comprehensive income (extract) year ended 31 December 2019	Pre-IFRS 16 £'m	Operating lease rentals £'m	Depreciation £'m	Interest £'m	Post-IFRS 16 £'m
Revenue	1,076.7	–	–	–	**1,076.7**
Cost of sales	(990.2)	–	–	–	**(990.2)**
Gross profit	**86.5**	–	–	–	**86.5**
Administrative expenses	(127.5)	3.2	(3.1)	–	**(127.4)**
Operating loss	**(41.0)**	**3.2**	**(3.1)**	–	**(40.9)**
Finance cost	(8.0)	–	–	(0.2)	**(8.2)**
Loss for the year before taxation	**(49.0)**	**3.2**	**(3.1)**	**(0.2)**	**(49.1)**

Of the total right-of-use assets of £10.0m recognised at 1 January 2019, £9.9m related to leases of property and £0.1m to leases of plant and equipment.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£'m
Operating lease commitments disclosed under IAS 17 at 31 December 2018	**15.2**
Short-term and low value lease commitments straight-line expensed under IFRS 16	(0.7)
Effect of discounting	(0.9)
Payments due under extension options	(3.2)
Lease liabilities recognised at 1 January 2019	**10.4**

32 Post balance sheet events

With the exception of the following, there were no events not disclosed elsewhere, between the balance sheet date of 31 December 2019 and the approval of these accounts on 29 June 2020, that are required to be brought to the attention of shareholders:

A number of Board changes occurred after the balance sheet date, as disclosed in the Corporate Governance Statement and Directors' Report.

As described in the Financial Review and in note 19, the Company agreed a revised financing structure with its lenders in June 2020, comprising a reduced revolving credit facility alongside a new receivables finance facility.

Following the HMRC investigation into the Group's compliance with the National Minimum Wage, as disclosed in the 2018 Annual Report, a Notice of Underpayment was issued by HMRC in February 2020, and the penalty was paid during March 2020. Remediation payments to workers were paid in February and March 2020. The Group continues to finalise some residual areas of self-assessment.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge.

The COVID-19 outbreak is a current risk with uncertainty created in the global economy after the balance sheet date. Refer to the Executive Chairman's Statement for further details as well as Principal Risks and Uncertainties.

Staffline Group plc

Unaudited five year summary of financial data

Staffline Group plc

Unaudited five year summary of financial data

Comprehensive income	2019	2018 Restated	2017 Restated	2016	2015
	Financial reporting years ended 31 December £m				
Turnover	**1,076.7**	1,120.9	957.8	882.4	702.2
Underlying operating (loss)/profit	**(0.8)**	32.8	38.0	40.0	30.3
% margin	**(0.1)%**	2.9%	4.0%	4.5%	4.3%
Operating (loss)/profit	**(39.9)**	(14.7)	25.8	22.2	7.5
Net (loss)/profit after taxation	**(44.0)**	(16.0)	17.5	14.7	2.8
Underlying (loss)/earnings per share (diluted)	**(9.0)p**	88.3p	108.3p	114.0p	92.4p
Declared dividend per share (2018 interim only)	**n/a**	11.3p	26.7p	25.8p	20.0p
Dividend cover v underlying diluted EPS	**n/a**	n/a	4.1x	4.4x	4.6x

Financial position	2019	2018 Restated	2017 Restated	2016	2015
Goodwill	**94.9**	117.2	94.2	91.6	91.5
Intangible assets	**34.0**	42.9	20.8	25.8	36.7
Property, plant and equipment	**14.6**	7.6	7.7	8.0	9.3
Trade and other receivables	**137.7**	159.5	107.7	103.1	116.8
Cash and cash equivalents	**25.0**	16.2	31.3	19.7	5.0
Restricted cash	**12.7**	–	–	–	–
Trade and other payables	**(126.2)**	(143.4)	(103.4)	(97.5)	(101.3)
Borrowings (excl deal fees)	**(84.5)**	(80.0)	(48.1)	(56.9)	(68.7)
Lease liabilities (IFRS 16)	**(8.4)**	–	–	–	–
Deferred tax net (liability)	**(3.3)**	(5.8)	(2.1)	(2.6)	(5.2)
Other (net liabilities)	**(20.7)**	(31.4)	(14.2)	(7.5)	(10.9)
Net assets	**75.8**	82.8	93.9	83.7	73.2
Net (debt) excluding deal fees	**(67.9)**	(63.8)	(16.8)	(37.2)	(63.7)
Goodwill, intangibles	**127.8**	160.1	115.0	117.4	128.2
Other net assets	**15.9**	(13.2)	(4.3)	3.5	8.7

Cash flows	2019	2018 Restated	2017 Restated	2016	2015
Underlying operating (loss)/profit	**(0.8)**	32.8	38.0	40.0	30.3
Non-underlying cash costs	**(8.6)**	(30.2)	–	(6.6)	(4.1)
Depreciation, amortisation	**7.3**	4.8	4.4	4.9	3.6
Working capital movements	**0.5**	12.8	5.5	8.7	(14.0)
Capital expenditure, inc. software	**(5.1)**	(6.4)	(3.8)	(6.9)	(4.4)
Taxation paid (net)	**(1.1)**	(6.4)	(6.2)	(4.0)	(5.0)
Adjusted free cash from operations(1)	**(7.8)**	7.4	37.9	36.1	6.4
Dividends and interest paid	**(6.0)**	(9.8)	(9.3)	(8.9)	(5.8)
Business acquisitions inc. debt acquired	**(7.2)**	(49.6)	(8.5)	(1.9)	(45.4)
Payment into restricted fund	**(12.7)**	–	–	–	–
Issue of share capital, share sales (net)	**38.0**	5.0	0.3	1.5	–
Others	**–**	–	–	(0.3)	(1.1)
Reduction/(increase) in net debt (pre IFRS 16)	**4.3**	(47.0)	20.4	26.5	(45.9)

(1) Being free cash from operations as adjusted for the settlement of JSOP liabilities.

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Daniel Quint (Interim Chief Financial Officer)
Richard Thomson (Senior Independent Non-Executive Director)
Albert Ellis (Non-Executive Director)

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