Staffline
Group PLC

Providing workforce solutions

Annual Report and Accounts 2021

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

Our purpose

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

Our vision

To be a **world class** recruitment and training group, the clear **market leader** and **trusted partner** known for **excellent service** and **integrity**, driven forward by **digital innovation**.

482

Onsite locations, skills centres and offices across the UK & Ireland.

Financial Highlights

Revenue
£942.7m
↑ 1.6%
2020: £927.6m

Gross profit
£82.8m
↑ 11%
2020: £74.6m

Underlying* operating profit
£10.3m
↑ 114.6%
2020: £4.8m

Reported profit after tax
£1.6m
↑ £50.1m
2020: £(48.5)m

Net cash/(debt)
£2.3m
↑ £16.6m
2020: £(14.3)m

Pre-IFRS 16 net cash/(debt)
£6.9m
↑ £15.7m
2020: £(8.8)m

Basic and diluted earnings per share
(continuing operations)
1.3p
↑ 72.8p
2020: (71.5)p

Underlying* diluted earnings per share
(continuing operations)
7.1p
↑ 2.1p
2020: 5.0p

* Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges.

What's inside

At a Glance

Enabling the Future of Work

The Group has a clear purpose in assisting individuals nationwide with accessing sustainable employment opportunities.

All three of Staffline's divisions delivered an excellent performance during 2021. In the Group's Recruitment divisions, whilst operating against a backdrop of the well-publicised labour shortage, our GB and Ireland businesses continued to successfully support clients in what has become a rapidly evolving market. In PeoplePlus, due to the advancement of digital learning models and the Government's relaxation of social distancing measures, we were pleased to see significantly greater numbers trained in our classrooms over the course of the year, both in-person and online.

PeoplePlus' new #GetBritainWorking campaign in partnership with the recruitment businesses is closely supporting the UK Government's Way to Work initiative to move 500,000 people into work before June 2022.

Recruitment GB

A multi-disciplined recruitment business, market leader in blue-collar temporary staffing.

Revenue by sector

	2021	2020
Food and related	**65%**	65%
Manufacturing	**5%**	6%
Retail	**15%**	15%
Driving	**13%**	13%
Other	**2%**	1%
	100%	100%

For more information see **Recruitment GB** on **page 12**

- **381 customer onsite locations**
- **Large branch network supporting our specialist brands**
- **Recruitment process outsourcing ("RPO") and managed service partner ("MSP") expertise**
- **Digital transformation projects reinforcing our leading position**
- **Rapidly growing permanent and direct hire recruitment solutions**

Live candidates on our database

c.1.4m

Workers deployed every day (average)

c.33,000

Worker satisfaction level

82.2%

PeoplePlus

A leading skills and employability business with a clear purpose to help people transform their lives, get jobs and keep jobs, and develop their careers.

Revenue by sector

	2021	2020
Skills	**28%**	22%
Justice	**33%**	42%
Employability	**29%**	23%
Social care	**8%**	9%
Other	**2%**	4%
	100%	100%

For more information see **PeoplePlus** on **page 18.**

- We supported c.15,000 learners in 2021 with a 90% success rate
- Strong market leadership and reputation in its chosen sectors of skills and employability
- Mutual opportunities with Staffline Recruitment to grow and deepen employer links
- Successfully mobilised three Restart sub-contracts
- Working with 26 Local Authorities to provide Direct Payments support to over 10,000 people

Market share of skills support for the unemployed

47%

Prisons using our In-cell education service

54

Contract pipeline

c.£600m

Recruitment Ireland

An award-winning agency, providing end-to-end recruitment solutions. Operating across 20 industry sectors.

For more information see **Recruitment Ireland** on **page 16.**

- Highly successful branch network with 10 branches throughout the island of Ireland
- Gross margin increased to 10.1% in 2021 from 8.7% in 2020
- Permanent placement fees increased by 87% in 2021 from 2020, with a new Executive Search division coming in 2022
- Broad sectoral coverage including major blue-collar, Public Sector contracts in NI and ROI, banking and other white-collar roles
- Focus on greater penetration of Republic of Ireland with two new offices in 2022

Workers deployed every day (average)

c.4,500

Market share in Northern Ireland

21%

Chairman's Statement

Stability and resilience restored

Raising £46.4m of equity alongside the restructuring of the Group's debt has provided Staffline with a strong financial and operational platform.

Introduction

2021 was a year in which the Group returned to growth. Staffline delivered a robust performance across both revenue and Underlying1 operating profit whilst continuing to build on the significant strategic progress achieved in the prior year, restoring stability and resilience.

This included a refinancing, which was completed in June 2021, raising £46.4m of equity alongside the restructuring of the Group's debt, which has provided Staffline with a strong financial and operational platform. The proceeds enabled us to reduce Group indebtedness and to return to delivering profitable, cash generative growth. The strong response we received for the fundraising, both from new and existing investors, also provided a significant endorsement to the effectiveness of Staffline's business strategy and belief in our ongoing success.

Ian Lawson
Chairman

In the year ended 31 December 2021, the Group generated revenues of £942.7m (2020: £927.6m), up 1.6%, and an underlying[1] operating profit of £10.3m (2020: £4.8m), representing an increase of 114.6%. This strong performance was as a result of the ongoing recovery of certain industries from the Covid-19 pandemic and new business wins, coupled with the Group beginning to realise the benefits from its cost reduction measures and the exit of lower-margin business contracts. At 31 December 2021, the Group had net cash (pre-IFRS 16)[2] of £6.9m (2020: net debt £(8.8)m).

Operationally, all three of Staffline's divisions delivered a robust performance during 2021. In the Group's Recruitment divisions, whilst operating against a backdrop of the well-publicised labour shortages, our GB and Ireland businesses continued to successfully support clients in what has become a rapidly evolving market. In PeoplePlus, due to the advancement of digital learning models and the Government's relaxation of social distancing measures, we were pleased to see significantly greater numbers trained in our classrooms over the course of the year, both in-person and online.

By continuing to implement our comprehensive business continuity and resilience initiatives, we believe the business is well placed to respond to any additional challenges during 2022 and look to build on the strong performance seen in 2021.

Environmental, Social and Governance

Staffline recognises the importance of adopting a strong environmental, social and governance ("ESG") framework, and this underpins our overarching business objectives and is core to serving the needs of all of our key stakeholders. Improving Staffline's ESG credentials is central to the Group's development strategy, and we have formed a dedicated committee to help shape policy across these areas going forwards and it has become a key item on our Board agenda. A comprehensive outline of Staffline's approach to ESG is included in the Group's 2021 Annual Report.

The Group has a clear purpose in assisting individuals nationwide with accessing sustainable employment opportunities, however, we continue to develop all elements of ESG across the business, with governance and compliance points of particular focus over the course of the past 18 months. Ensuring the proper processes are in place to increase accountability at every level of our operations is central to this, and we were pleased to have appointed a new head of Internal Audit to assist our efforts in this area. We are confident in the robust procedures we have in place across the business, and intend to build on these further in 2022.

Board Composition and Management Changes

We welcomed Tom Spain to the Board of Directors, in July 2021, as Non-Executive Director, representing the Company's largest shareholder.

Furthermore, in December 2021, Kenny Boyle was appointed Managing Director of PeoplePlus. An experienced operator in outsourced public services, Kenny joined PeoplePlus as Chief Operating Officer in 2018 from Capita.

Richard Thomson, Senior Independent Director, has informed the Board that he will not be standing for re-election at the Company's AGM in 2022. Richard was appointed to the Board in September 2019 and has played an integral part in the successful turnaround of the Group. The Board extends its thanks to Richard for the important part he has played in the restructuring of the Group.

Summary and Outlook

On behalf of the Board and management of Staffline, I would like to thank all of our colleagues and customers for their contribution to our business during 2021, without whom we would not be in the position we are today. We achieved strong trading during the period despite the ongoing macroeconomic challenges that were present, and continued to make significant strides operationally.

Our strengthened balance sheet – coupled with the resilience measures that have been built into the business over the course of the last 18 months – have provided us with a strong operational and financial platform from which to continue to deliver growth, building upon the trading performance that we achieved in 2021.

I would like to extend my thanks to both existing and new shareholders for their continuing support as demonstrated in the successful equity raise of June 2021.

We have made a strong start to 2022 and are confident in meeting our expectations for the full year. Whilst there are still some macroeconomic uncertainties and labour challenges, the Board of Directors is confident in the Group's prospects in the medium to long term as we continue to seek to capitalise on our market-leading positions and strengthened business model.

Ian Lawson
Chairman
21 March 2022

+114.6%

Underlying[1] operating profit increased over the prior year.

Alternative performance measures

1 Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges.

2 Presented on a pre-IFRS 16 basis, which excludes lease liabilities, and also excludes refinancing costs.

Business Model

The UK's leading provider of flexible blue-collar workers and a recognised national training provider

Inputs

Candidate network

Nationwide candidate networks for matching suitably skilled candidates with employers and wide-ranging skills and employability training programmes.

Customer relationships/ strategic partnerships

Well established and long-standing relationships with several blue-chip customers, medium-sized businesses, and over ten-year relationships with local and national government agencies.

Technology

Our investment in technology and digital strategy outlines how we intend to make our clients more productive by harnessing the power of innovation. By exploiting emerging technologies, we will maximise our competitive advantage by driving efficiencies and implementing new recruitment models in order to deliver placement certainty.

Dedicated people

Our team brings a wealth of knowledge and years of experience to drive the continued success of Staffline. Through a positive culture and ethos our staff are dedicated to providing excellent service to candidates and customers alike.

What we do

Recruitment

Products and services

Resource, recruit and mobilise large-scale workforces to meet the ever-changing needs of clients, matching peaks and troughs on a continual basis. Recruitment process outsourcing and recruitment solutions.

PeoplePlus

Products and services

Frontline public services including employment support, skills training, independent living, and prison education, as well as recruitment, training and development solutions to employers.

Underpinned by

Our culture and values

See more on **page 33**

Sustainability focus

See more on **page 36**

Robust risk management

See more on **page 38**

High standards of corporate governance

See more on **page 46**

Strategic and Operational Priorities

Strategic priorities

Capitalise on market leadership

Staffline's Recruitment divisions have market leading positions in the supply of temporary workers. Its scale and geographic coverage provide a competitive advantage and we expect to leverage this to win more customers and organically grow revenue.

Broaden the portfolio

The Group now has broad capabilities and will leverage this to drive more permanent hiring and white-collar recruitment to increase the Group's proportion of higher margin, cash generative recruitment.

Unlock the potential in training

We continue to transition PeoplePlus into a profitable employability and skills training provider and are beginning to use its unique database of labour to support Staffline's recruitment divisions in a market experiencing acute labour shortages.

Republic of Ireland

The Republic of Ireland has an attractive recruitment market, and the Group is growing through investment in additional branches and hiring additional fee-earning headcount.

Operational priorities

Operational priorities	Actions	2021 progress
Operational excellence	Focus & simplicity Clear leadership Organisational design Fulfilment KPI reporting	Well positioned for growth following delivery of the turnaround plan and new focus on core capabilities.
Governance	Main Board Group policies Strengthen finance Internal audit and compliance Robust framework	Board composition transformed and corporate governance processes strengthened. Head of Internal Audit appointed.
Cost base	Headcount Group overhead synergies Integration & balance sheet efficiencies Profit & cash focus Competitive positioning	Restructuring programme yielded significant reduction in administrative headcount and associated overhead. Surplus leasehold properties continue to be exited.
Digital and technology	IT estate shared services Tech supply chain Cyber security & data Automation & AI Digital transformation	Ongoing investment in IT and embedded digital technology including "chatbot" development, facial recognition capability, predictive analytics for clients and cyber defence.
Clients and branding	Brand alignment Leveraging existing clients Focus on growth sectors Growing sales pipeline Cross-selling	Irish businesses adopted the Staffline branding across the island. Building upon long-established relationships with strong contract base and future opportunities.
Talent	Succession & leadership Talent attraction & retention Productivity Incentives & compensation	Prompt and imaginative solutions provided to clients in response to the Covid-19 pandemic. Strengthened online, in-house training and development programmes.

Chief Executive Officer's Review

Right-sized business focused on core capabilities

+11%

Gross profit increase over the previous year to £82.8m from £74.6m.

Key Statistics

c.38,000

Providing temporary employment
(For blue-collar workers per day)

15,000

Training and support provided to adult learners to progress their careers

The scale of the Staffline Group across a large and growing number of industry sectors and services naturally gives rise to an extensive and wide-ranging stakeholder base.

Albert Ellis
Chief Executive Officer

Introduction

2021 was a milestone year for Staffline, during which we completed the turnaround of the business and transformed the Group's balance sheet, whilst delivering a strong financial performance exceeding market expectations in profitability and cashflow. This was all achieved against an uncertain market backdrop, and we now believe that the Group has the platform to deliver sustainable growth going forward.

In the year ended 31 December 2021, the Group generated revenues of £942.7m (2020: £927.6m), up 1.6%, with an 11% increase in gross profit to £82.8m (2020: £74.6m). Underlying[1] operating profit increased 114.6% to £10.3m (2020: £4.8m) with net cash (pre-IFRS 16)[2] as at 31 December of £6.9m (2020: net debt of £(8.8)m).

Our strong trading performance was achieved by successfully growing market share whilst exiting certain lower margin contracts, adding new customers across our Recruitment divisions and securing new contracts in PeoplePlus, including Restart, which we expect to benefit future trading periods. Furthermore, we continued to implement a number of productivity and margin improvement initiatives, which are now resulting in improved profitability.

Ever-present Covid-19 restrictions were well documented throughout 2021 and had varying effects across our divisions. As previously noted, the Group was impacted by the severe lockdown that was in place in the UK in Q1 2021, and by the Government's introduction of Plan B Covid-19 measures in Q4 2021, traditionally our peak trading period. However, we were successful in adapting our strategy, building on the robust Covid-19 response we implemented in 2020, to ensure business disruption was kept to a minimum and the safety and wellbeing of our workforce and our customers was the top priority.

A further market-wide theme which characterised 2021 was the tight labour market and supply chain disruption which continues to impact our clients. Using our market-leading position and digital technology, we have been able to support our customers through these challenges, and relationships have been strengthened as a result. For example, we have delivered innovative solutions to continue to supply drivers despite the widely publicised acute shortage.

Group Restructuring

We launched a comprehensive restructuring and transformation programme in 2020, which was successfully completed in 2021. This included strengthening governance and the balance sheet, as well as right-sizing the Group through a reduction in headcount and property rationalisation, resulting in significant annualised cost savings.

Key to transforming the Group's balance sheet was the equity fundraising and refinancing of the debt facilities, completed in June 2021. The £46.4m net proceeds were used to reduce indebtedness, in addition to providing ongoing working capital requirements as the Board focuses on the Group's organic growth strategy. We were delighted with the positive response that we received from both new and existing shareholders for the fundraising, demonstrating both an endorsement of the strategic progress we had implemented in the turnaround but also of our future growth potential.

The refinancing has had a transformational impact, with the Group achieving a positive net cash position at the outturn of the year with significant headroom within its debt facilities.

Vision and Strategy

Our vision is clear: to be a world class recruitment and training group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation.

We have delivered on a number of key objectives within our strategy since the new management team was appointed in 2020, transforming the Group's governance and management coupled with reducing its cost base and a refinancing.

Going forward, our strategic priorities, which we believe will underpin Staffline's sustainable growth, are as follows:

- **To capitalise on the Group's market leadership:**
  Staffline's Recruitment divisions have market-leading positions in the supply of temporary workers. Their scale and geographic coverage provide a competitive advantage and we expect to leverage this to win more customers and organically grow revenue.
- **To broaden the portfolio of services:**
  The Group now has broad capabilities and will leverage these to drive more permanent hiring and white-collar recruitment to increase the Group's proportion of higher margin, cash generative recruitment.
- **To unlock the potential in training:**
  We continue to transition PeoplePlus into a profitable employability and skills training provider and are beginning to use its unique database of labour to support Staffline's Recruitment divisions in a market experiencing acute labour shortages.
- **To grow Republic of Ireland:**
  The Republic of Ireland has an attractive recruitment market, and the Group is growing through investment in additional branches and hiring additional fee-earning headcount.

Alternative performance measures

1 Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges.

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Operational Review

Recruitment GB

The Recruitment GB division performed strongly, growing revenues by 2.2% in 2021 despite the division's exit from a low margin, top five customer (by revenue). The team successfully secured a number of new business wins alongside expanding existing client mandates, a key feature of our strategy to broaden our operational footprint. Crucially, Recruitment GB delivered high levels of worker fulfilment within its core customers despite ongoing nationwide labour supply issues.

Moreover, the division achieved a 69% year-on-year growth in underlying[1] operating profit as a result of a sharp focus on operating efficiencies and a swing in the mix of higher margin services outside of onsite blue-collar activity. This included the introduction of a new Direct Hire operation, a cross-sell initiative to recruit permanent blue-collar employees for existing customers. Furthermore, digital transformation projects, including our chatbot technology, also helped drive greater cost efficiency, improve applicant engagement and reinforced our position as a leading innovator within the recruitment industry.

In addition, Brightwork, the division's Scottish brand, renewed its top three customer accounts on new long-term mandates during the year. Omega, our technical engineering permanent and contract recruitment business, and Datum, our RPO business, both demonstrated significant recovery and year-on-year growth.

Recruitment GB has entered 2022 with a strong pipeline of new business opportunities both across specialist sectors within which it has recently increased its footprint, such as construction and e-commerce, and in traditionally strong sectors for Staffline, such as automotive and travel.

Recruitment Ireland

A recovery in demand for permanent recruitment and a focus on white-collar recruitment in Recruitment Ireland underpinned a very strong performance in 2021 despite Covid-19 measures being some of the strictest worldwide during the year. A hybrid operating model for employees was introduced to ensure the business could operate successfully, notwithstanding the pandemic-related restrictions.

Gross margin grew 7.6% within the division in 2021 as a result of a strong recovery in permanent fees, which increased 87% versus 2020, with the quantum of permanent fees generated in the second half of 2021 exceeding those delivered for the full year in 2020. In addition, temporary recruitment gross margins improved to 8.5% during the period. Growth from the Republic of Ireland's branch network was particularly strong, with a 23% increase in revenues over the year.

The Group's Recruitment Ireland division remains a key strategic driver for Staffline, particularly given its footprint and expertise within permanent and white-collar recruitment. The division has also entered 2022 with a strong pipeline with plans to open a further two branches in the Republic to support future growth.

PeoplePlus

PeoplePlus increased profitability in the year following a significant period of restructuring in 2020, which continued into 2021 and included further alignment of its cost base. The division successfully adjusted its service in response to ongoing Covid-19 related restrictions, continuing the use of digital delivery models and achieving stability.

As announced in June 2021, PeoplePlus secured a number of Restart sub-contracts which have been successfully mobilised. In addition, in the prison education sector, further roll out of our "in-cell" learning service was achieved, a key priority for the Ministry of Justice. 2021 also saw the highest ever starts on PeoplePlus' New Enterprise Allowance scheme, which helps support individuals seeking to start their own business. Whilst there was a decline in demand for training across the hospitality and retail sectors, the business was able to pivot its focus to growth sectors, including construction. Our training services provided support to 15,000 learners.

Finally, building on the success of our Social Recruitment Framework, we are delighted to announce the launch of our #GetBritainWorking initiative. This programme works with a consortium of large national employers to provide prospective candidates with guaranteed interviews for 1000's of vacancies each month. The programme is central to our core business values – providing those distant from the employment market with the right tools and training to successfully re-enter the workforce.

We have the strength of our balance sheet and of our operational agility to execute on more ambitious organic growth plans in the medium-term.

The labour market and recruitment landscape

Demand for labour is currently at unprecedented levels, with 1.5 million job vacancies. The latest data from the Office for National Statistics reporting on the quarter ended 31 December 2021 reveals that the number of payrolled employees has now exceeded pre-pandemic levels, and as the success of the vaccine rollout increases business confidence, organisations continue to hire staff. The demand, combined with the impact of self-isolation measures, created a labour shortage immediately following the easing of restrictions during the summer of 2021.

Employees, customers and stakeholders

On behalf of the Board, I would like to thank all of our employees throughout the Group for their hard work and dedication during a year which once again presented significant challenges as a result of the Covid-19 pandemic.

The scale of the Staffline Group across a large and growing number of industry sectors and services naturally gives rise to an extensive and wide-ranging stakeholder base. These include public bodies, consumers, business partners, shareholders, our employees and the communities we serve.

We have been pleased over the past year to have significantly strengthened our partnerships with key customers and also the departments of the Government responsible for commissioning work. We will continue to nurture these commercial relationships.

Summary

The Group delivered an excellent performance in 2021, resulting in a number of upgrades to market expectations during the period. This was achieved despite ongoing macroeconomic headwinds, certain of which, management and the Board of Directors believe are showing signs of abating. This, coupled with the strong financial and operational platform that Staffline has developed, engenders a positive outlook for the Group.

In the year to date, we are already building on the positive momentum achieved in 2021 with a strong new business pipeline underpinning our growth prospects. Furthermore, having recapitalised and refinanced the Group, we have the balance sheet strength and operational agility to execute on more ambitious organic growth plans in the medium term.

Albert Ellis
Chief Executive Officer
21 March 2022

Case Studies

Recruitment GB

New business and cross-selling gains

Frank Atkinson
Managing Director,
Recruitment GB

“The steps we took to reorganise the division during 2020 have paid real dividends, and, thanks to the commitment and dedication of our remarkable Staffline people, we find ourselves looking positively towards the future.

We secured some fantastic new customers and new business during 2021 and we know that many of our customers are growing and increasing their requirements from us. In addition, our strategic growth initiatives including digital transformation, revolution of the branch business and cross-selling of portfolio services, including our permanent and contract recruitment offerings, have really made an impact.”

HelloFresh is an innovative meal-kit business.

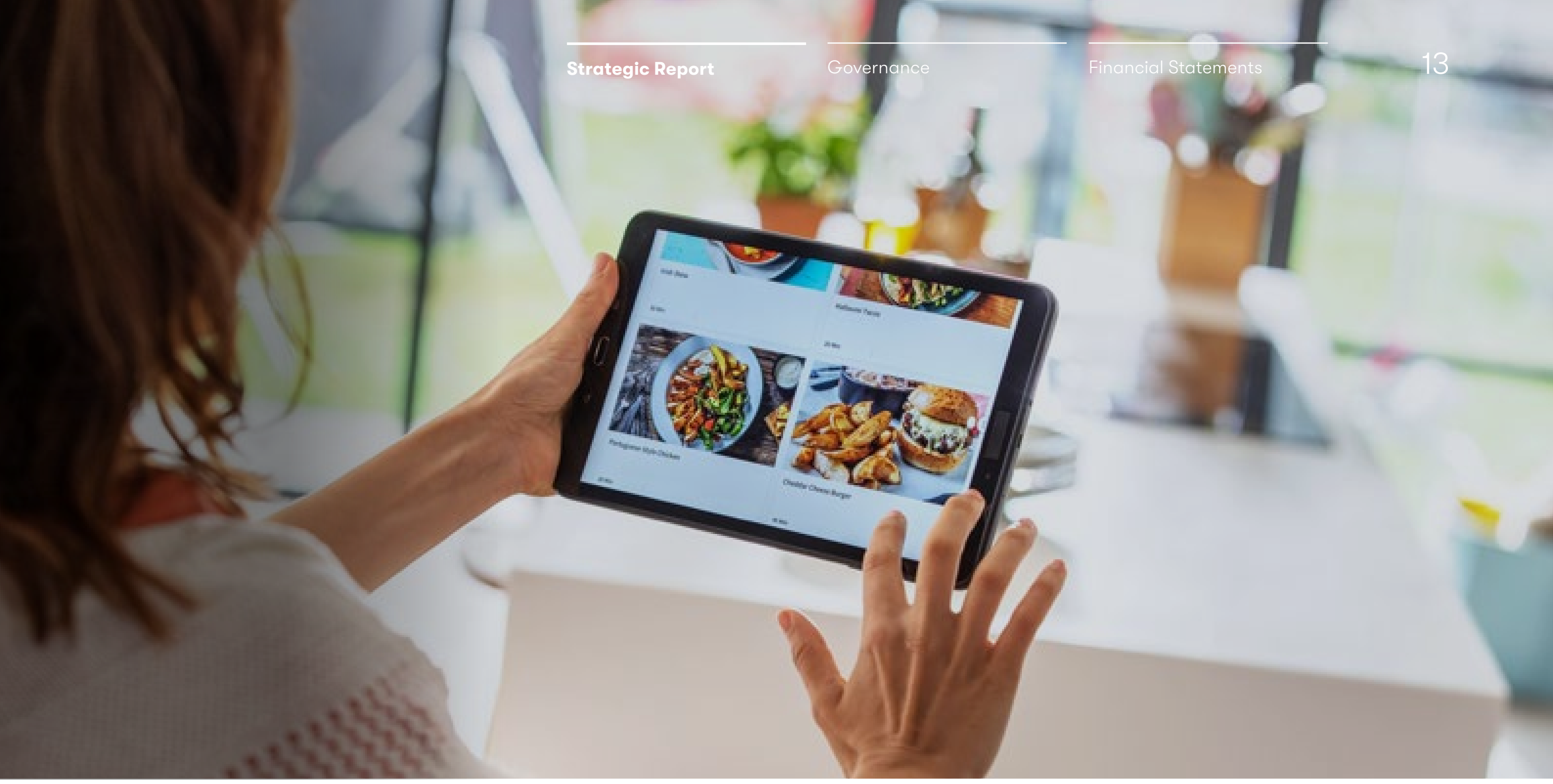
Its aim is to provide every household with wholesome, homemade meals. Everything required for a delicious meal is carefully planned, carefully sourced and delivered to the front door of each customer at the time most convenient for them.

The new HelloFresh distribution centre in the UK is the third largest in Europe.

Challenge

HelloFresh went to market to find a new partner for this site. They were looking for a partner who they could trust to deliver their requirements, was compliant, reactive, people-focused and supported by industry-leading technology.

They needed a partner that would be able to support the start-up site from commissioning, through soft-opening to business-as-usual, a partner with experience in the e-commerce market and with size and scale to match their own. They chose Staffline.



Solution

In order to prepare for this new contract, our first priority was to fully understand the business, its needs and requirements. We recruited an experienced on-site account management team and together with our dedicated project management team, they spent time at the client's Banbury facility to immerse ourselves into the culture and understand the unique systems and terminology used.

The next phase was to commence recruitment. With only one month between the first recruit starting and the first meal box sent out, the ramp-up in recruitment and training was a steep one. This was all taking place between Black Friday and Christmas 2020, traditionally our busiest time of year, and this gives an idea of the scale of the challenge.

To succeed, we use multiple methods of attraction. Our existing database and worker pool is the first tool we use to identify talent. We check other locations in the region that share complementary peaks, where an increase at one site is matched with a downturn in work at other local sites, allowing us to smoothly transition workers across the sites. Extending work opportunities is a huge benefit for the workers and a great benefit for the client as well.

New candidates are the next strand in our recruitment. We used every tool available to us including traditional media, direct messaging to potential workers on our database within a 15-mile radius, social media, posters, flyers and roadside banners.

All media drive the candidates to our website where applicants can interact with Flin, our always-on, always-working chatbot.

Flin takes the candidates through pre-screening questions. The questions allow for further selection or de-selection to ensure they meet HelloFresh requirements and the candidates' needs.

Candidates create a secure profile on 'Staffline Universe'; and this profile remains with them throughout their working journey with Staffline. This means that candidates and workers can access their profile using a smartphone, tablet or computer to check, apply for work, arrange interviews and when working access rotas and pay slips. When assigned and in work, our workers use our industry-leading employee engagement tool. Have Your Say ensures worker satisfaction is measured 'in the moment' allowing us to act on issues immediately, resulting in industry-leading levels of staff satisfaction and retention.

All the candidates that are successful through the pre-screen stage with Flin are then contacted by our dedicated HelloFresh account management team where they are booked into a face-to-face interview and site tour.

During the interview we use our unique 'Scan, Check, Start' application to instantly verify a worker's right to work via their biometric passport or ID against the very latest Home Office rules. This provides our clients with an exceptional level of comfort in the fact that all our workers have the right to work in the UK and are fully compliant.

The initial inductions of the newly recruited workers took place in Banbury to ensure that workers could immerse themselves in the HelloFresh business at a live site, before moving to a brand new, purpose-built facility.

Another challenge that had to be overcome was that all training was paused at the beginning as a consequence of Covid-19 restrictions and the Staffline team and the recruited workers had to self-isolate due to Covid-19. Recruitment continued virtually and inductions were to be booked in at the Nuneaton site 'going live' that month and the first meal box left the new site only days later.

Results

Staffline working in partnership with HelloFresh provided the following:

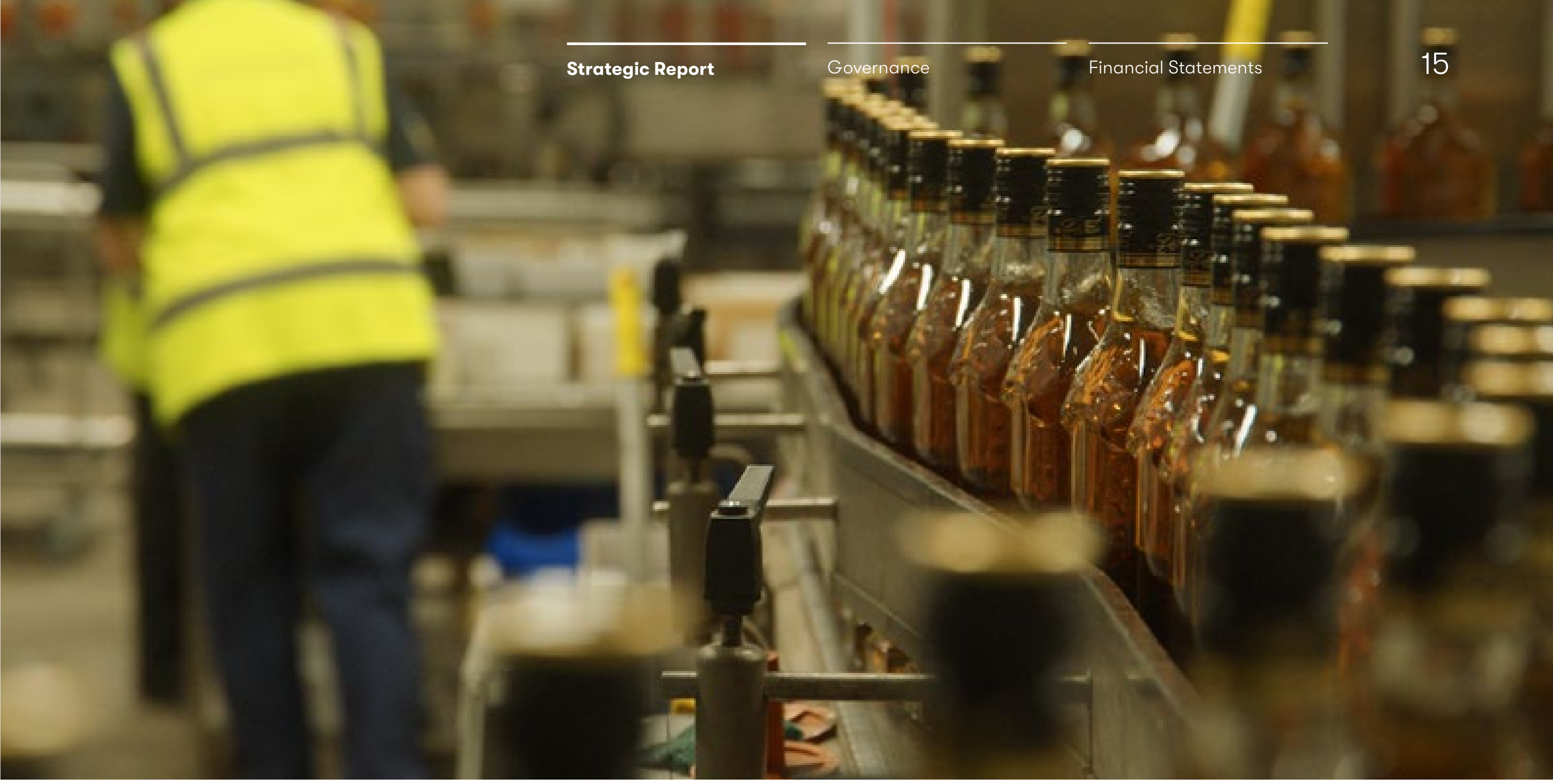
Through our use of people-led technology, experience and a thorough understanding of the market, we were able to support HelloFresh to hit their target for operations from the site within its first six months of operation, a massive milestone for the business.

Our partnership remains strong, and we have been involved in scoping exercise for identifying the location for the third distribution site, which is planned to open in May 2022. We look forward to adding further value to the HelloFresh business throughout 2022.

Case Studies

Recruitment GB

New customer opportunities



Brightwork partner with a number of Scotland's premium drinks manufacturers including Glen Turner, who are part of the La Martiniquaise group, the biggest supplier of blended whisky to the French market and in the Top 10 of suppliers worldwide.

Having expanded rapidly over the last 15 years they have the Glen Moray Distillery in Morayshire and a state-of-the-art bottling site in Livingston.

Their introduction to Brightwork began through their participation in a food and drink industry roundtable discussion aimed at tackling the joint challenges manufacturers faced in Scotland to continue their operations in the face of the Covid-19 pandemic. They were attracted to the Brightwork Staffline brand proposition due to our involvement in the Scotland Against Modern Slavery ("SAMS") initiative and strong CSR position, when they signed up to be a corporate partner of the Group in 2021.

Glen Turner have an enviable portfolio of premium branded drinks products and brand protection is a key factor for them when choosing their key suppliers. They initially enlisted the Brightwork team to source talent for their Technical and Quality departments to drive forward business growth and innovation goals for their site in central Scotland.

Scotland Against Modern Slavery

The success of this relationship then led to Brightwork becoming their sole supplier for frontline temporary staff within their manufacturing operation, and in ensuring they have the right level of support to the meet the needs of their global customer demands. Brightwork's strong compliance processes including our 'Scan, Check, Start' technology, gave them confidence that our colleagues would go through rigorous screening and vetting before commencing work at any of their locations.

Culture and philosophy of "Enabling people into good work" struck a chord with Ian McLaren, General Manager for their Scottish operations, who commented: "The whisky industry in general, and Glen Turner specifically, can provide people with excellent job and career opportunities and the ability to develop their skills in a range of different technical and business areas. We know that Brightwork is the right partner for us to find the best talent in our industry and help us realise our business objectives into the future."

David McKay, Director of Brightwork's Drinks Division advised: "Brightwork have over 80 percent of the blue-collar temporary recruitment market for premium drinks companies in Scotland and we are delighted to be able to represent Glen Turner/Glen Moray in their local areas. They are a recognised employer of choice and this has opened a gateway for our workers to embark on careers within this highly reputable employer."

Case Studies

Recruitment Ireland

Increasing market presence

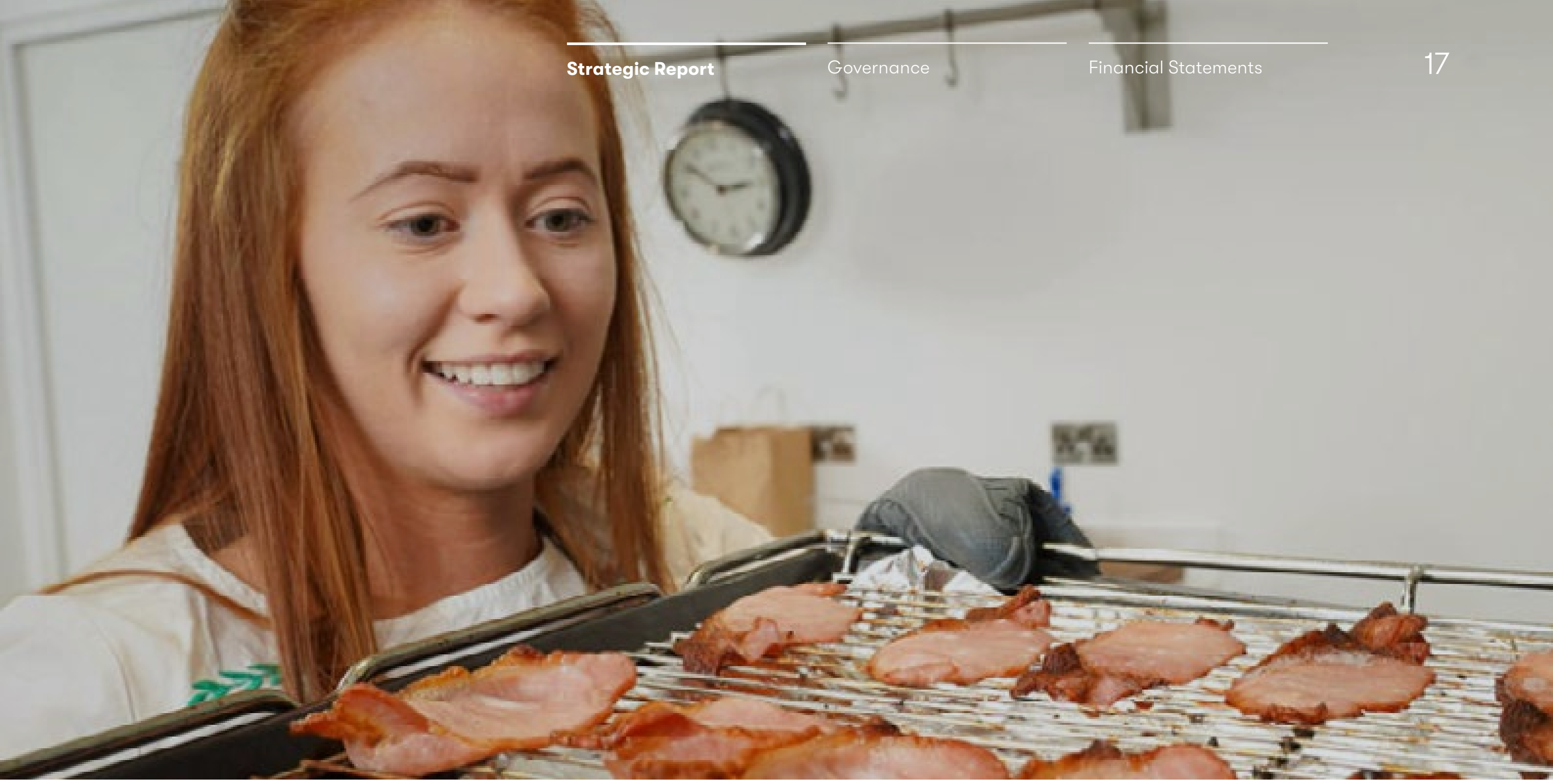
Tina McKenzie
Managing Director,
Recruitment Ireland

“2021 was a fantastic year for the Irish business, not just in delivering an excellent financial result; but also in cementing our position as the dominant market leader in Northern Ireland by successfully launching Executive Recruitment and advancing our strategic vision of growth in the Republic of Ireland with the expansion of our branch network.

We also invested in the development of our sales team in order to build a really exciting pipeline for 2022 and we commenced the implementation of our CRM upgrade to ensure we continue to deliver a best-in-class service for clients and candidates going forward.”

We make food the best it can be, without being bound by the way it has always been done

Finnebrogue Artisan is one of the UK’s leading artisan food producers. A family-owned business based in Downpatrick, Northern Ireland, they have made their name producing premium sausages, venison, bacon, Wagyu beef and more recently a full range of plant-based products. Relentless innovation is at the heart of everything they do and as a major supplier to most of the UK’s major supermarkets they have expanded to over 12,000 staff, have invested over €90m in their business since 2015, donated over €1m to tackle poverty and now have four state-of-the-art facilities.



Staffline Ireland was appointed as supplier of temporary labour to Finnebrogue in 2021. The use of agency staff was not something that they had embraced before, however, this client saw Staffline's ability to scale up and provide support with their peak requirements in a difficult candidate market.

We are looking forward to working with Finnebrogue throughout 2022 to help drive their ambitious business growth.

In 2021 Staffline entered and were ultimately successful in a competitive tender process to become the single source of temporary labour for Finnebrogue's Northern Ireland operations. Finnebrogue had never previously engaged with an agency for the provision of temporary labour, so this was an exciting opportunity for Staffline to really demonstrate how the use of temporary labour can support a business's growth strategy on a greenfield site.

Key Deliverables

Once appointed, Staffline Ireland's marketing team immediately met with key stakeholders in Finnebrogue to devise a recruitment marketing campaign which included video case studies with Finnebrogue employees, open days, and joint branded advertising to position Finnebrogue as an employer of choice in the local area and attract candidates for the roles.

Key to the contract is the peak season in which a range of specialist Christmas products are produced for retailers including Asda, Waitrose and Morrisons to name a few. As this was our first experience of a peak season with Finnebrogue, our on-site team worked tirelessly to scale up and provide additional staff to cover the additional demand and ensure customer orders were met on time. This was highly successful, and we are planning to significantly increase the numbers of Staffline colleagues on assignment in Finnebrogue throughout 2022 and beyond.

Case Studies

PeoplePlus

Focused on skills and employability

Kenny Boyle
Managing Director,
PeoplePlus

"Supported by significant new business wins in the year, we have not only further sharpened our delivery models in each of our key sectors, but continued to drive greater operational alignment – particularly between our Skills and Employability businesses – to maximise the breadth and effectiveness of the services we offer to customers and clients alike.

Our new generation of digital platforms has afforded us service flexibility in response to Covid-related restrictions and provides the basis for continued market leadership through technology and operational innovation. Allied to a strong business development pipeline, these distinctive capabilities have the clear potential to power our future growth."

PeoplePlus & Tesco

PeoplePlus has worked with Tesco since 2019 supporting them with their recruitment across their distribution centres and retail stores.

Staffline support several of the distribution centres with their high-volume blue-collar recruitment which is also supported by The Social Recruitment Framework ("SRF") team at PeoplePlus. The SRF works in partnership with Staffline to support with recruitment focusing on individuals who are long-term unemployed and require upskilling prior to moving into a job. The aim is to ensure individuals are provided with the relevant support to ensure they are better prepared for their guaranteed interview post course.

The Tesco festive recruitment initiative started as a pilot in Wales for jobs in retail and its success soon spread to their stores in England. Tesco asked PeoplePlus' SRF team to coordinate the training and subsequent interview schedule to enable as many people as possible to start working in Tesco stores in the run up to Christmas.

PeoplePlus was chosen as the supplier outside of their direct hire recruitment and collaborated with the Job Centre Plus and training providers on its network to provide Tesco with one point of contact via the SRF for all the training and recruitment for over 50 stores across England and Wales, including a brand-new store opening in Wolverhampton.

To date, the festive initiative has trained 245 people, with 24% securing employment and a further 26% ready to enter employment in the coming weeks. In addition to this, the SRF and its partner network has delivered warehousing training to a further 722 people, with 34% starting work with Tesco in a warehousing role.

Vas Skoulidou, Work Placements Programme Manager at Tesco commented:

"Tesco is proud to be working in partnership with PeoplePlus and the DWP to provide work placement opportunities across its stores in Britain. We are all passionate about helping young people who are not in education, employment or training and who are facing additional barriers or challenges to finding work. PeoplePlus have been 100% professional and shown commitment throughout to deliver a quality experience for the learners and for the employer and we really look forward to building on this in the coming years."

One person who benefited from the initiative is Patricia, who was a carer for her husband until he passed away three years ago. She then moved into temporary employment but struggled to find further work when the Covid-19 pandemic hit. She was referred via the Job Centre to online training provider Pet-Xi who are on the PeoplePlus SRF network.

Patricia had already unsuccessfully applied for two vacancies at Tesco, so was keen to take part in the programme to develop her employability skills and gain a better insight on Tesco and hopefully be successful for a third time lucky. Patricia really benefited from the qualifications undertaken on the programme, and the work experience, and was successful in securing a role with Tesco. Of her experience with PeoplePlus, Patricia said:

"Both the course and the work experience really boosted my confidence and gave me the skills and knowledge I needed for the position.

I'm thankful that I took part in the scheme and I'm already enjoying my new position at Tesco."

PeoplePlus and Tesco are planning on working together on the training and recruitment for the new and existing stores throughout 2022.

Delivering education and training to offenders and ex-offenders

At PeoplePlus, the support offered to offenders and ex-offenders in the justice system includes face-to-face classroom and in-cell learning, an information advice and guidance service detailing employment opportunities for ex-offenders once they leave prison, as well as a bespoke educational television channel – Wayout TV, shown in 54 prisons throughout England.

PeoplePlus has delivered education in prisons for 15 years; they are also the largest independent provider of prison education in England. Nearly a third of all PeoplePlus colleagues work in the Justice division of the business and the impact their work has on changing people's lives and supporting those with some of the most challenging barriers is truly life changing.

In an average year 2 million hours of face-to-face learning is delivered across PeoplePlus' prison network, and each hour of education has the potential to persuade offenders to choose a different path in life - to change their life for the better. Behind each statistic is a story of a real person. One of these people is Matt, and this is his story:

Matt started his learning journey with PeoplePlus while incarcerated at HMP Bedford. Matt had spent over four years in custody, with 53 convictions and 104 offences. He engaged with the prison education team and took part in various courses including Managing Personal Finance, Time Management, and Effective Communication in the Workplace.

Matt wanted to achieve something during his time in prison and have a fresh start once he left. He attended face-to-face tutoring sessions and completed written workbooks in order to complete his assignments, developing a close working relationship with his tutor who was able to encourage Matt, offer advice and support, and ensure he passed his courses.

On completing his courses at HMP Bedford and in preparing for his release from prison, Matt was put in touch with the PeoplePlus employer engagement team who were able to refer Matt onto support services including The Hope Foundation and a local housing charity. Due to these referrals, on his release from prison Matt was able to secure housing, receive counselling and has had a smooth transition back into the community. PeoplePlus also helped secure paid full-time employment for Matt working in a warehouse as a delivery driver, a role he is very much proud of.

Of his experience with PeoplePlus, Matt said:

"Since leaving prison I'm very fortunate to have the support of Jo from PeoplePlus, who has continued to support me in many different ways. She has put me through to The Hope Foundation and I am now receiving counselling. She has given me advice, guidance, and the main aspect for me is that this has been consistent. This has been a consistent source of strength for me. The goals and things I wish to achieve in the future are more attainable having Jo there.

Since being released from HMP Bedford, I made a decision to change my life no matter what, for myself and the family I had created. This has been the best decision I have ever made as family ties are better than ever as they can all see a change. With continuing to go to work every day and addressing areas in my life that I intend to improve, I know I can maintain my success.

We all make mistakes and handle things in our own ways. It is paramount that we do not let our mistakes consume us and that the way in which things are handled are for the greater good. Anybody can achieve this type of success despite any circumstance. Even whilst incarcerated, a man can achieve and make and plan for his own soul."

Financial Review

Balance sheet transformed following the equity raise and refinancing

Net cash[2] of £6.9m

Improved by £15.7m.

Strong performances in all divisions, resulting in Group gross margin +0.8%pts to 8.8%.

Improved gross profit conversion generating a more than doubling of underlying[1] operating profits.

Daniel Quint
Chief Financial Officer

Introduction

The Group traded very strongly during 2021, despite the now well documented operational headwinds, which included ongoing Covid-19 restrictions, labour shortages and global supply chain issues. Total revenue for the year of £942.7m (2020: £927.6m) was higher than the previous year by 1.6%. The exiting from certain lower margin contracts in the Recruitment GB division, equating to c. £40m of annual revenue, meant that the like-for-like increase in revenues was c. 6%. Gross profit improved in all three divisions, delivering an overall increase of 11.0% to £82.8m (2020: £74.6m), with overall gross profit margin increasing to 8.8% (2020: 8.0%).

The Group comprises three divisions, namely, Recruitment GB, flexible blue-collar recruitment; Recruitment Ireland, generalist recruitment; and PeoplePlus, adult skills and training provision.

Strong trading results, despite ongoing Covid-19 restrictions, labour shortages and global supply chain issues.

Underlying[1] divisional performance – continuing operations

	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Group Costs 2020 £m	Total Group 2020 £m
Revenue	**747.9**	**111.7**	**83.1**	**–**	**942.7**	732.1	120.5	75.0	–	927.6
Year-on-year revenue increase/(decline)	***2.2%***	***(7.3)%***	***10.8%***	**–**	***1.6%***	*(12.8)%*	*(18.4)%*	*(0.4)%*	–	*(12.7)%*
Gross profit	**50.7**	**11.3**	**20.8**	**–**	**82.8**	46.2	10.5	17.9	–	74.6
Year-on-year gross profit increase/(decline)	***9.7%***	***7.6%***	***16.2%***	**–**	***11.0%***	(18.4)%	(32.6)%	17.0%	–	(14.7)%
Gross profit as a % of revenue	***6.8%***	***10.1%***	***25.0%***	**–**	***8.8%***	*6.3%*	*8.7%*	*23.9%*	–	*8.0%*
Underlying operating profit/(loss)	**7.1**	**2.5**	**4.1**	**(3.4)**	**10.3**	4.2	1.6	1.6	(2.6)	4.8
Underlying operating profit as a % of revenue	***0.9%***	***2.2%***	***4.9%***	**–**	***1.1%***	*0.6%*	*1.3%*	*2.1%*	–	*0.5%*
Underlying operating profit as a % of gross profit	***14.0%***	***22.1%***	***19.7%***	**–**	***12.4%***	*9.1%*	*15.2%*	*8.9%*	–	*6.4%*
Pre-IFRS 16[2] net debt excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**6.9**	–	–	–	–	(8.8)
Post-IFRS 16 net debt excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**2.3**	–	–	–	–	(14.3)

Key performance indicators – continuing operations

	Recruitment GB 2021	Recruitment Ireland 2021	PeoplePlus 2021	Total Group 2021	Recruitment GB 2020	Recruitment Ireland 2020	PeoplePlus 2020	Total Group 2020
Hours worked by temporary workers	**51.1m**	**7.1m**	**–**	**58.2m**	55.6m	7.5m	–	63.1m
Gross profit per fee earner	**£71.5k**	**£111.5k**	**–**	**£76.5k**	£62.4k	£109.1k	–	£67.9k
Revenue per employee	**–**	**–**	**£62.6k**	**–**	–	–	£52.9k	–

Alternative performance measures

1 Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges.

2 Presented on a pre-IFRS16 basis, which excludes lease liabilities, and also excludes refinancing costs.

Financial Review continued

Recruitment GB

Revenues in the Recruitment GB division increased by £15.8m to £747.9m. The exiting from certain lower margin contracts, equating to c. £40m of annual revenue, was mitigated by strong new business momentum both in securing new contracts and expanding with existing customers.

Gross profit margin in Recruitment GB increased to 6.8% (2020: 6.3%). This was principally due to the exit from certain lower margin contracts supplemented by a gradual shift in customer mix away from lower margin sectors such as food production as lockdown restrictions eased. The increase in the National Minimum Wage in April 2021, from £8.72 to £8.91 per hour for over 23s, does not impact absolute gross profit but does negatively impact gross margin percentage achieved, and it is anticipated this dynamic will continue with increases in April each year.

Gross profit generated from temporary recruitment reduced as a proportion of the total to 95.7% (2020: 97.0%), with the remaining 4.3% (2020: 3.0%) of gross profit generated from permanent recruitment. This represented a 57% increase in gross profit generated from permanent recruitment to £2.2m (2020: £1.4m). Hours worked reduced to 51.1m (2020: 55.6m) mainly as a result of the exiting from a top five low margin contract, as well as the widely documented labour shortages in the second half of the year.

Recruitment Ireland

Revenues in the Recruitment Ireland division reduced by £8.8m to £111.7m, mainly due to the strict lockdown measures in Ireland in Q1 2021 in contrast to a very strong pre-Covid Q1 2020. Whilst restrictions impacted performance, a focus on margin growth and gross profit mix in favour of permanent recruitment, particularly in the white-collar sector, ensured a strong flow through to gross profit in H2 2021. The gross profit margin for Recruitment Ireland increased to 10.1% (2020: 8.7%) driven by a change in mix toward permanent recruitment business, which consistently achieves a gross margin of 100%. Gross profit generated from temporary recruitment accounted for 86.7% (2020: 92.4%) of the total, with the remaining 13.3% (2020: 7.6%) of gross profit generated from permanent recruitment. Hours worked decreased to 7.1m (2020: 7.5m).

PeoplePlus

With the gradual reopening of various learner centres and improved revenues in the Employability division, PeoplePlus revenues increased to £83.1m (2020: £75.0m). A rebuilding of the division's footprint was undertaken in 2021, which included further alignment of the cost base. An additional impact in the Skills division was the discovery of incomplete records relating to 2019, as highlighted in the Company's trading update in January 2022, which require the repayment of £2.3m of revenue. Based on its legacy nature, this has been adjusted through reserves (see note 3). Of the £2.3m, £0.8m has already been repaid in 2021, with the balance paid in February 2022.

Revenue per employee was £62.6k during 2021 (2020: £52.9k), an 18.3% increase, driven by the significant cost base efficiency reductions. PeoplePlus achieved a gross margin of 25.0% in 2021, which compares to 23.9% in 2020, largely due to improved productivity following further restructuring during the year.

Group costs

Group costs, which include Director's remuneration costs, have increased due to the inclusion of bonus awards for the Executive Directors. No bonuses were paid for 2020.

Group result

Underlying operating profit was £10.3m (2020: £4.8m), a significant increase of 114.6%, and ahead of market expectations for the year. Total non-underlying charges on continuing activities before tax, which are described below, were £8.0m (2020: £49.1m), which was all non-cash. Finance charges before refinancing costs were £2.4m (2020: £4.1m). Costs of £1.5m in respect of the debt refinancing in June 2021 are included within other receivables on the balance sheet and are being amortised over the term of the facility.

The underlying profit before taxation on continuing operations for 2021 was £7.9m (2020: £0.7m). Underlying profit before taxation as a percentage of revenue was 0.8% (2020: 0.1%). The reported underlying profit after tax on continuing operations for 2021 was £8.7m (2020: £3.4m).

The Group's reported loss before taxation was £(0.1)m in 2021 (2020: £(51.6)m).

Alternative Performance Measures

In the reporting of its financial performance, the Group uses a limited number of alternative performance 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, which have been consistently applied over time, assist with the understanding of the performance of the business and are not given undue prominence in these financial statements. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as an additional means of comparing performance year-on-year.

Non-underlying Items

Non-underlying items of income or expenditure are items that are either 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. Certain items can vary significantly from year to year and therefore create volatility in reported earnings. 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 on continuing activities before tax amounted solely to £8.0m in 2021 (2020: £49.1m), relating to amortisation of intangible assets arising on business combinations. For 2020, the costs included exceptional reorganisation, rationalisation and restructuring costs of £4.0m relating principally to a rationalisation programme across all the divisions in order to reduce the number of properties occupied and reducing administration headcount, refinancing costs of £0.5m related to the Group exploring strategic options, a £9.2m charge for the amortisation of intangible assets arising on business combinations, a £35.3m goodwill impairment charge, and a share-based payment charge of £0.1m.

The charge in the year for amortisation of intangible assets arising on business combinations relates to the following acquisitions: Vital Recruitment (charge £3.2m: asset will be fully amortised by February 2023), 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), others (charge £0.5m: asset will be fully amortised during 2022).

Non-underlying charges – continuing operations	**2021 £m**	2020 £m
Reorganisation, rationalisation and restructuring costs	–	4.0
Transaction costs – business acquisitions and strategic options	–	0.5
Amortisation of intangible assets arising on business combinations	**8.0**	9.2
Goodwill impairment	–	35.3
Share-based payment charges (equity and cash-settled)	–	0.1
Total non-underlying charges before tax for continuing operations	**8.0**	49.1

Discontinued Activities

On 1 December 2020, the Group sold its loss-making Apprenticeships training business for a nominal sum. The sale agreement required PeoplePlus to provide working capital support to the purchaser in the form of reimbursement of relevant salary costs incurred between December 2020 and March 2021, which is being repaid over 12 months from May 2021.

In 2020, the Apprenticeships business recorded an underlying operating loss of £(2.2)m for the year, before reorganisation and exit costs of £(2.5)m. During 2021, further exit costs of £0.3m were incurred.

The Group completed its disposal of its subsidiaries in Poland to the incumbent management team in December 2021. The results of the Polish activities were deemed to be discontinued during 2020 and the loss for that year was £(0.3)m. Costs incurred during 2021, principally for legal fees, amounted to £0.1m.

Government Support

In 2020, the Group took advantage of the forbearance scheme for the deferral of VAT due between March and June 2020.

The total deferral agreed with HMRC under the UK scheme amounted to £42.4m after offset of a corporation tax refund due in relation to the financial year 2018. Repayment of the balance commenced in June 2021 and the final instalment of £5.8m was paid in January 2022.

Whilst the effects of the pandemic were less severe in 2021, it was still necessary to place a small number of workers and staff on furlough for short periods. The support received totalled £1.6m in the year.

Finance Costs

Finance costs, excluding refinancing costs, incurred in the year amounted to £2.4m (2020: £4.1m). The Group has sought to limit its exposure to future interest rate increases through the use of derivative financial instruments. During the year the Group has entered into an amortising interest rate cap instrument, which reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement and the customer finance arrangements. The instrument, which has a term of three years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

Taxation

The total tax credit for the year was £1.7m (2020: £3.1m), which comprises a corporation tax credit relating to prior years and the movement of deferred tax balances. The Group has no current corporation tax liability in respect of either 2021 or prior years and is anticipating a refund of £0.4m relating to tax losses carried back to a prior period. Remaining tax losses of £16.7m carried forward in all divisions have 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 other intangible assets. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year.

Earnings Per Share

Statutory basic and diluted loss per share on continuing activities in 2021 were both 1.3p (2020: both (71.5)p loss).

For the year, the weighted average number of shares (basic) is 122,178,126 (2020: 67,790,086).

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic earnings per share of 7.1p and diluted earnings per share of 6.9p on continuing activities (2020: both 5.0p).

The table below reconciles underlying EBITDA (earnings before interest, taxation, depreciation and amortisation), on continuing operations to operating profit/(loss).

Reconciliation of operating loss to EBITDA	**2021 £m**	2020 £m
Operating profit/(loss)	**2.3**	(44.3)
Non-underlying costs	**8.0**	49.1
Underlying operating profit	**10.3**	4.8
Depreciation and loss on disposals	**6.6**	7.4
Underlying EBITDA	**16.9**	12.2
Lease rental payments	**(1.7)**	(2.9)
Underlying EBITDA (pre-IFRS 16)	**15.2**	9.3

Note: Underlying operating profit is before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs. EBITDA represents Earnings Before Interest, Taxation, Depreciation and Amortisation.

Financial Review continued

Statement of Financial Position, Cash Generation and Financing

The Group's total equity increased by £48.3m (2020: decrease of £(53.6)m) over the year. This is as a result of the placing, subscription and open offer, which raised net proceeds of £46.4m plus the net movements on reserves of £1.9m, as disclosed in the Consolidated Statement of Changes in Equity.

The movement in net debt is shown in the table below. The main movement in working capital comprised the repayment of deferred VAT of £40.7m. Strong trade receivables collection resulted in £5.6m of net inflows, which was offset by £17.8m due to the absorption of receivables previously financed under a non-recourse facility.

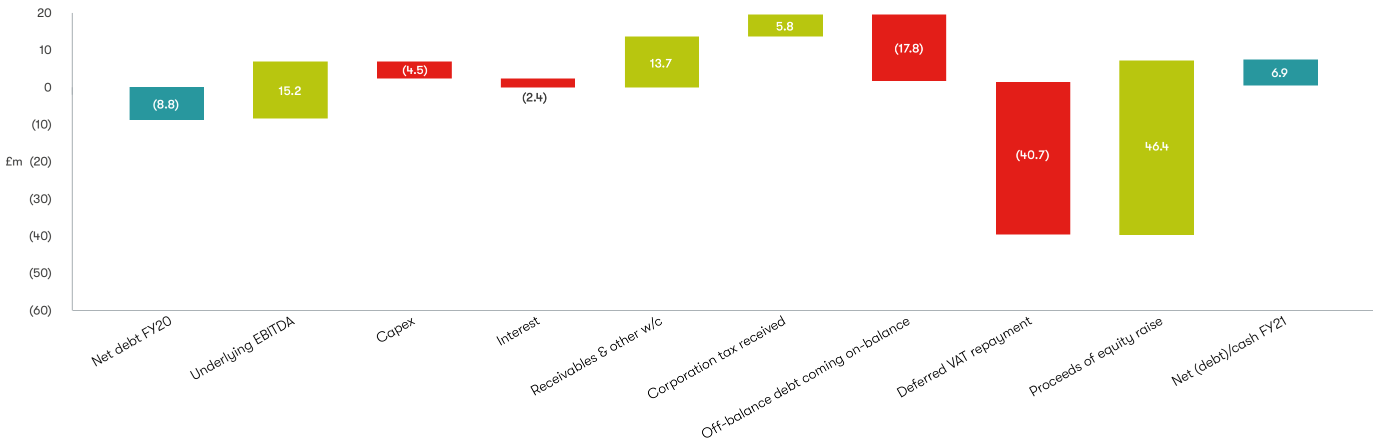
Movement in net debt (excluding unamortised refinancing costs)

	2021 £m	2020 £m
Opening net debt (pre-IFRS 16)	**(8.8)**	(59.5)
Cash generated before change in working capital and share option	**16.5**	3.4
Principal repayment of lease liabilities	**(1.7)**	(3.4)
Change in trade and other receivables	**(12.2)**	27.6
Deferred VAT (net of corporation tax offset)	**(36.6)**	42.4
Change in trade, other payables and provisions	**3.5**	(7.8)
Taxation and interest paid	**3.9**	(9.0)
Capital investment (net of disposals)	**(4.5)**	(2.4)
Cash flows relating to acquisition	**–**	(0.3)
Net proceeds from equity issue	**46.4**	–
Payments from restricted funds for NMW	**0.9**	11.8
Settlement of NMW liabilities from restricted funds	**(0.9)**	(11.8)
Other	**0.4**	0.2
Closing net cash/(debt) (pre-IFRS 16)	**6.9**	(8.8)
IFRS 16 lease liabilities	**(4.6)**	(5.5)
Closing net cash/(debt) (post-IFRS 16)	**2.3**	(14.3)

Note: Underlying operating profit is before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs. EBITDA represents Earnings Before Interest, Taxation, Depreciation and Amortisation.

Net (debt)/cash (pre-IFRS16) bridge FY 2020 – FY 2021

Net cash (pre-IFRS16) of £6.9m, up £15.7m despite repaying £40.7m of £46.5m deferred VAT. Substantial improvement of £46.4m of net funds generated through the equity raise, improved trading cash flow and cash collections, including c.£10m of timing differences.



The Group's headroom relative to available committed banking facilities as at 31 December 2021 was £78.4m (2020: £79.4m) as set out below:

	2021 £m	2020 £m
Cash at bank	**29.8**	24.5
Undrawn receivables finance facility agreement	**48.6**	54.9
Banking facility headroom	**78.4**	79.4

Equity Fundraise and Debt Refinancing

At the time of the refinancing of the Group's facilities on 26 June 2020, the Group's liquidity forecast for the period ending 31 December 2021, which was prepared in support of that refinancing, indicated that the Group would not have sufficient funds to repay deferred VAT, believed at the time to be due for repayment in full on or before 31 March 2021.

In September 2020, the UK Government announced that an instalment payment scheme would be introduced, and details of the final scheme were published on 23 February 2021. The revised repayment profile had the effect of delaying the potential liquidity shortfall from March 2021 to later in the year.

In order to address the liquidity shortfall, the Directors engaged professional advisers in late 2020 to assess the Group's options for refinancing its debt facilities and to engage with potential lenders. On 20 May 2021, following a detailed appraisal by the Directors, the Company and certain subsidiary undertakings entered into a new Receivables Financing Agreement ("RFA") to replace the existing Group funding arrangements. The RFA contained certain requirements to be met before completion, the most significant of which was that the Company raise new equity capital of at least £40.0m. This condition was satisfied and the RFA became effective on 10 June 2021.

The key terms of the facility, which is provided jointly by RBS Invoice Finance Limited, ABN AMRO Asset Based Finance N.V., UK Branch and Leumi ABL Limited, are set out below:

I. Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
II. An Accordion option of up to an additional £15.0m, subject to lender approval;
III. Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
IV. Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.0x;
V. A non-utilisation fee of 35% of the margin;
VI. Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023; and
VII. Minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges.

An arrangement fee of £0.9m was paid to the lenders in respect of the RFA.

The new facility enabled the cancellation of the Group's existing facilities, which comprised a Revolving Credit Facility of £20.0m, a Receivables Finance Facility of £68.2m and a non-recourse Receivables Purchase Facility of £25.0m.

The Group announced a proposed Placing, Subscription and Open Offer (the "Fundraise") on 21 May 2021 following conditional agreement of the debt refinancing the previous day. The Fundraise comprised the following elements:

- A total of 87,249,500 new ordinary shares of 10 pence each placed at a price of 50 pence per share (the "Issue Price") to certain existing shareholders, new institutional investors and certain Directors and employees of the Group;
- A total of 750,500 new ordinary shares of 10 pence each to certain Directors and employees of the Group at the Issue Price; and
- An open offer to existing shareholders of 10 shares for every 78 ordinary shares held, for a total of 8,837,242 new ordinary shares of 10 pence each at the Issue Price.

The total gross proceeds of the Fundraise, which was approved by the shareholders in a General Meeting on 9 June 2021, were £48.4m. The total costs of the Fundraise and debt refinancing were £4.0m. The net proceeds have been used to reduce total indebtedness and to provide working capital for growth.

The Group is also funded through a number of separate, non-recourse, customer financing arrangements whereby specific customers' invoices are settled in advance of their normal settlement date. The balance funded under these arrangements as at 31 December 2021 was £42.3m (2020: £43.0m).

Dividends

The Board is not proposing a final dividend payment for 2021.

Going Concern

For the period to 31 December 2023, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants contained therein. The Group has sufficient day to day liquidity to ensure that short-term liabilities can be satisfied as and when they fall due.

The financial statements have been prepared on a going concern basis. The Directors have reviewed this basis and have made full disclosure in note 3, concluding that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Daniel Quint
Chief Financial Officer
21 March 2022

Developing our approach towards ESG

At Staffline, we place great importance on the role we play in helping to 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, employees, flexible workers, regulators, investors, suppliers, the community and the environment. We recognise that our social, economic and environmental responsibilities to these stakeholders are integral to our business. We aim to demonstrate these responsibilities through our actions and within our corporate policies.

Our Approach

At Staffline, we believe that having an effective ESG strategy enhances our reputation and productivity.

We believe that embedding ESG principles is not only the right thing to do but the smart thing to do, and we recognise that ESG focused organisations deliver a greater impact and better bottom-line results.

We continue to challenge ourselves to improve our ESG performance for the benefit of our colleagues, stakeholders and the communities in which we operate.

Our Values

We have a clear set of values that drive everything we do. They influence the way we interact with staff, clients and candidates on a daily basis and can be measured in the strong results that we consistently achieve.

Teamwork: Working together across the business to achieve more for our customers.

Creativity: Solving problems and suggesting new ideas and insights.

Reliability: Fulfilling all our customer requirements, getting the job done.

Commitment: Demonstrating a relentless and driven ambition to exceed expectations.

Respect: Taking time to understand, trust and support each other to achieve shared success.

Integrity: Doing things the right way, for the right reason, ethically, honestly, every time.

Our Focus

Our focus is to make a positive difference to people's lives and deliver social value to the communities in which we operate.

Our committed teams work across the UK to deliver a range of private and public services to find and support people into employment, skills development, self-employment support, independent living, and prison education.

We offer our employees clear and fair terms of employment and provide opportunities to enable their continual development and progression.

We operate an equal opportunities policy for all employees and flexible workers, and ensure employees are treated with respect, without sexual, physical or mental harassment.

We provide, and strive to maintain, a clean, healthy and safe working environment, and ensure our flexible workers are not subject to exploitation and modern slavery.

We uphold the values of honesty, integrity, transparency and fairness in our relationships with stakeholders.

We strive to improve our environmental performance by fostering and encouraging initiatives that reduce waste, energy use and emissions.

Our ESG Objectives

Area	Progress in 2021	Focus for 2022
Environmental	• **GHG emissions** • **SECR** • **Taskforce on Climate related Financial Disclosures (TCFD)** • **Carbon offsetting**	Property and estates Business travel and accommodation Technology and assets Reporting and evaluation TCFD preparations continue
Social	• **Social recruitment** • **Community-based activity** • **Modern slavery** • **DEI and equal opportunities** • **Gender pay gap** • **Health and safety**	Launch #GetBritainWorking initiative Social value framework Charity partnerships Sustainable workforce DEI and gender pay gap Colleague engagement and wellbeing
Governance	• **Corporate governance and policies** • **ESG governance and structure**	ESG roadmap Stakeholder consultation Climate change modelling and impact assessment

ESG and Business Strategy

At Staffline, we believe that ESG should not be a standalone compliance exercise.

We recognise the importance of ensuring our ESG objectives are aligned to our corporate and governance strategies.

Our ESG Committee representatives have deep knowledge of the Group and the three businesses within it to ensure our ESG strategy is linked to our wider business strategy and remains industry-relevant.

ESG in action

Our Social Recruitment Framework ("SRF") helps employers realise their impact on society through social recruitment.

Social Recruitment is critical to tackling generational inequality in the labour market. We recognise that by using our employability and skills expertise and partnering with government employers and local organisations we can make a real difference to individual lives, communities, and wider society as we build back from the shock of Covid-19 on the economy.

Our community support services enable thousands of people to live independently across England and Wales each year. These trusted services and our dedicated teams empower people – at whatever stages of their lives – to live more independent, happier lives.

We deliver skills and training to ensure people can access the right employment and enhance their career prospects. We supported c.15,000 learners in 2021 with a 90% success rate.

Our #FeedtheNation campaign helped 25,000 people move into employment within three months of the start of the Covid-19 pandemic. And now our new #GetBritainWorking campaign in partnership with Staffline is closely supporting the Government's Way to Work initiative.

Our PeoplePlus business is the largest independent provider of prison education services in the UK. We transform the lives of offenders through our education services and unique in-cell technology.

We deliver the Restart Scheme in Wales, Kent and the North East. In 2021, during the first six months of the Scheme, we saw over 6,500 people sign up with us on the Programme and 1,100 people start work.

In Scotland we are the largest employability provider delivering the FairStart Scotland contract, employability programmes and apprenticeships. Over 10,000 people have joined us on the FairStart Scotland service and 3,350 have started work since 2017.

Since 2015, we have helped over 50,000 unemployed people achieve their dream of self-employment with an 80% sustainment rate.

ESG continued

Developing our responsible approach to doing business

Social

At Staffline, we are committed to making a positive difference to society by delivering real social value in our local communities and ensuring our practices are socially responsible. Staffline's purpose 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. One of the most tangible indicators of our commitment to enacting social value is demonstrated in the PeoplePlus side of our business, which brings hope, opportunity and targeted interventions to those in our communities seeking access to work, skills, support and other opportunities.

To support our social value agenda, we have established strong partnerships and strategic sponsorship links to help promote better social cohesion and community integration. We regularly collaborate and contribute to community-based forums and steering groups and share local intelligence with stakeholders, including the set-up of a Social Recruitment Advocacy Group with employers, chaired by the Rt Hon Anne Milton to advocate social recruitment practices.

In October 2021 and in collaboration with Cambridge University, we released our 'Building Back Better: How Social Recruitment can drive a stronger economy and fairer society' report, which looks at what the country needs to do to rebuild back 'better' after the pandemic and ensure that people who already face a disadvantage in the labour market do not fall further to the back of the queue.

At Staffline, we recognise the need to adopt a demand-led approach in response to the concerning levels of unemployment – particularly for the long-term unemployed – and a re-shaped labour market to tackle persistent skills shortages and long-standing labour market inequalities, which the impact of Covid-19 has exacerbated.

In response to the concerns and opportunities highlighted in the 'Building Back Better' report and building on the success of our Social Recruitment practices and #FeedtheNation campaign, launched at the start of the Covid-19 pandemic, we are delighted to announce the launch of our #GetBritainWorking initiative. Our vision for this initiative is to address the UK's labour market challenge by establishing an employment 'bridge' between the country's unemployed and its unfilled frontline vacancies: creating economic and social value at a national level; securing futures at an individual level. Building on Staffline's effective interview booking technology and connecting this with our Social Recruitment service, we will provide quick, easy and efficient support to prepare people for work and connect those looking for work with employer vacancies to provide guaranteed interviews as and when individuals are ready.

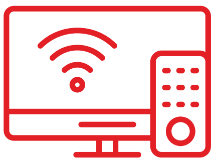
Our PeoplePlus business is the largest independent provider of prison education services in the UK. We deliver education to c.20,000 learner starts across 22 establishments each year (with an achievement rate of 93%). We also provide a range of in-cell learning, employment support or careers information, advice and guidance across an additional 54 prisons. We are committed to transforming the lives of offenders through our education services, unique in-cell technology and content, and our community partnership relationships.

Please see the **PeoplePlus ex-offenders case study** on page 19.

Our community support services enable thousands of people to live independently across England and Wales each year. These trusted services and our dedicated teams empower people – at whatever stages of their lives – to live more independent, happier lives. Working with 26 Local Authorities we support in excess of 10,000 people a year with direct payments.

We run the Carers' Hub which is a free support service for unpaid carers in Gloucestershire. In 2021 we generated 2,500 carer registrations.

In support of our local communities, our employees delivered 2,480 volunteer hours to local charities, schools and community-based organisations. We also raised £85,000 over the last four years for the Prince's Trust and supported 490 service users with our YouCan wellbeing programme to build confidence and connections, reduce isolation, and improve wellbeing resilience.



54

Our in-cell learning Way-Out TV is shown in over 54 prisons.

Area	Progress in 2021	Aims for 2022
Social Recruitment	• **82% of candidates who are offered jobs commence employment.** • **68% of candidates who attended interviews have been offered employment.** • **74% of candidates who attended courses were offered interviews.** • **Set up Social Recruitment Advocacy Group, chaired by Rt Hon Anne Milton, with employers to advocate social recruitment practices.**	Launch #GetBritainWorking initiative. Build resilience and target social issues which create barriers to work for people. Drive inclusive growth and engage hard to reach groups within communities.
Community-Based Activity	• **2,480 voluntary hours delivered to support community cohesion with local charities, schools and community organisations.** • **Raised £85k over the last four years for the Prince's Trust.**	Increase local charity partnerships to expand our ability to support community activity and fundraising. Launch Social Value Framework.
Community Wellbeing	• **YouCan wellbeing programme aimed at building confidence, reducing isolation and offering practical advice and guidance delivered to 490 service users.**	Expansion of wellbeing programme. Promote and make good health practices a priority within local communities.

At Staffline, we understand the importance of integrating our business values and operations to meet the expectations of our stakeholders, including our clients, employees, government departments, flexible workers, regulators, investors and suppliers.

We recognise that our social and economic responsibilities to our local communities and stakeholders are integral to our business. We aim to demonstrate these responsibilities in our corporate policies and our commitments.

The Group regularly reviews talent and succession planning at all levels to support our business agility, enable further growth and be an employer of choice.

As a commercially-focused business, we drive a high-performance culture. We also regularly review our headcount to ensure that our lean operating model is fit for purpose.

Developing our people is key, and our ethos aims to nurture talent at all levels and encourage self-development and internal promotion, which in turn aids succession planning and supports the strategic growth of the Group.

Learning and Development

At Staffline, we believe in a culture of continuous learning. The development of our people remains a key strategic priority, evidenced through our learning and development schemes.

- Our Learner Experience Platform provides accessible, targeted and tailored learning for all. In 2022, we will evolve our learning content further to include a new sales academy for permanent white-collar business professionals, supporting our 'beyond blue' strategic priority.
- A wide range of apprenticeships and specialist programmes enable our people to focus on their professional development.
- Our leadership development programme aims to create a business fit for the future, increase leader accountability and strengthen our employment proposition.
- Talent and succession planning across our business allow the creation of developmental opportunities and to track and action plan talent throughout all levels of the organisation.
- Mental health and wellbeing training is available for leaders to ensure they have the right skills, capability and confidence to enable our people to speak out and support their teams.

The inclusivity of our culture and the mental health and wellbeing of our employees remains a top priority. In 2021, and in support of our social commitments and DEI agenda, we ran bimonthly campaigns with a specific focus on diversity, inclusion and wellbeing. We continue to share information on relevant topics, articles and videos via weekly communications.

ESG continued

Social continued

77%

Colleagues say they would recommend Staffline as a great place to work.

Employees

We communicate and engage with our people via various channels, including in-person, virtual and electronic communication.

The key objective of our communication strategy is to enable and embed the delivery of the Group's overall strategic performance, underpinned by a people-centred, inclusive and collaborative culture.

We continue to ensure the voice of our people is heard. Across all areas of the Group, we regularly survey our employees, acting on feedback via robust action plans. On average, 77% of employees say they would recommend Staffline as a great place to work.

In 2021, our Group employee turnover was 49.05%. This figure includes all employee attrition, redundancy, dismissals and TUPE out. Our Group average sickness absence rate, including long-term sick, was 1.78%.

The Board is committed to being a responsible employer and creating a working environment where employees are engaged, informed and involved.

Employee Wellbeing During Covid-19

At Staffline, we provide our employees with the relevant tools and advice to support their overall wellbeing. In line with government advice, we implemented robust response protocols to ensure our people and customers remained safe throughout the pandemic.

Business Conduct and Relationships

The Board recognises the importance of a strong corporate culture that considers the best interests of its employees, business partners and shareholders, and its responsibilities to other external stakeholders. Our strong customer, business and community relationships are vital to our success.

In 2021, Staffline worked closely with clients and employees to develop effective solutions to ensure the business could continue during the pandemic, including:

- Work from home accessible and available for all our office-based employees;
- Site-specific risk assessments;
- Stringent application of social distancing and hygiene practices for on-site staff;
- Appropriate PPE provided to necessary staff and customers;
- Investment in plastic screens and desk shields in appropriate locations; and
- Protocols for self-isolation and contact tracing, among many others.

Diversity, Equity and Inclusion

At Staffline, we recognise the link between successful teams, culture and an inclusive, diverse and equal workforce.

The Group is committed to providing a work environment free from harassment and discrimination. We focus on building an inclusive environment where everyone can participate and achieve their potential.

We endeavour to treat everyone fairly in relation to job applications, training, promotion and career development. All roles have objective and transparent criteria.

The Board regularly reviews our progress against diversity and inclusion objectives and approves relevant policies annually. Our policies are freely and easily accessible to all our employees.

We regularly engage with our colleagues and listen to their feedback to ensure we can continue improving their working environment, strengthening our ethos, and being a great place to work.

33

We assisted 33 Modern Slavery investigations with the authorities.

35

Over 35 businesses have now joined as members of our Scotland Against Modern Slavery movement.

Modern Slavery

At Staffline, we are committed to protecting our workers from labour exploitation and modern slavery. We ensure basic employee rights are promoted and that all individuals feel connected to our organisation.

Staffline has a zero-tolerance approach to slavery and human trafficking. One of our highest priorities is to prevent Modern Slavery from happening. We recognise it is a complex, evolving crime, and through vigilance, caring, and the proactive approach of our employees and our supply chain, we strive to stamp it out.

We ensure we educate all permanent staff on how to 'spot the signs', including training via our new e-learning platform. We analyse and monitor key data to identify areas of risk and work closely with our sites, which are integral to quickly identifying possible victims.

In 2021, we assisted 33 Modern Slavery investigations with the authorities, which led to the identification of 54 potential victims. In addition, we helped the Police/Gangmasters and Labour Abuse Authority (GLAA) in their enquiries with a further 17 actual victims.

We work continuously to prevent unlicensed gangmasters from infiltrating our business and exploiting our workers and regularly engage with authorities and charities to tackle Modern Slavery, including Migrant Help, Hope for Justice, Spring Housing, The Jericho Foundation, The Sophie Hayes Foundation & City Hearts and the Police force. In addition, we collaborate with the Stronger Together initiative, using the Responsible Recruitment Toolkit to keep Modern Slavery high on ethical agendas.

Our Scottish business Brightwork founded the movement Scotland Against Modern Slavery ("SAMS") in conjunction with the Scottish Government and Police Scotland. Over 35 businesses have now joined as members. The two core objectives of SAMS is to raise awareness of human trafficking and exploitation with the business community and support victims into permanent jobs through the Brightwork membership.

Please see the **Glen Turner case study** on page 14.

Staffline is committed to leading this group which reports to Action Area 3 of the Scottish Government's Human Trafficking and Exploitation Strategy. We have helped several victims to become survivors by supporting them in work. To ensure the initiative's implementation and success, Staffline donated all of the funding and infrastructure.

Read our full **Modern Slavery Statement on our website.**

Equal Opportunities

Our policy is to provide employment equality to all and abide by equality laws. We promote a fair and harmonious recruitment process and will not discriminate or harass any person on the grounds of:

- Gender (including gender reassignment)
- Marital or family status
- Religious belief or political opinion
- Disability
- Race or ethnic origin
- Nationality
- Sexual orientation
- Age
- Pregnancy or maternity

We are committed to:

- Preventing any form of direct or indirect discrimination or victimisation;
- Promoting equal opportunities for all;
- Securing fair participation irrespective of religious or community background;
- Promoting equal opportunities for people with disabilities;
- Promoting equal opportunities for ethnic minorities;
- Promoting a harmonious working environment where men and women are treated with respect and dignity and in which no form of intimidation or harassment will be tolerated;
- Fulfilling all legal obligations under the relevant legislation and associated codes of practice; and
- Taking any necessary positive/ affirmative action, including setting goals and timetables.

ESG continued

Social continued

As part of our Group-wide ESG agenda, and our Diversity, Equity and Inclusivity objectives, we intend to raise the awareness of all ten facets of the DEI agenda, including a specific focus on key areas and measures relevant to each area of the business. We encourage career progression for all of our employees, regardless of gender, and this remains at the heart of our leadership team's agenda.

All our employees are important to us. We remain committed to attracting and retaining the very best talent to the business and ensuring that gender is never a factor in decisions. Being a truly diverse and inclusive company is not only the right thing to do but is crucial to helping us grow, attract and retain talent, and strengthen our customer experience. We believe that having an inclusive workforce representing society is crucial to our long-term success.

Gender Pay Gap Reporting ("GPGR")

Details of our Group's gender pay gap reporting can be found on the Group's website at: www.stafflinegroupplc.co.uk/aboutus/gender-pay-gap-report/.

On 5 April 2021, the Group employed c. 2,000 monthly paid permanent employees and c. 33,300 weekly paid temporary workers. Overall, amalgamating all business areas and including the temporary workforce, the mean gender pay gap is 7.9% (2020: 8.2%). These results are affected by 94% (2020: 94%) of employees being temporary workers, of which 61% (2020: 66%) are male and 39% (2020: 34%) female. On their own, the temporary workers' mean gender pay gap is 7.4% (2020: 7.7%). All are paid the same hourly rate for the same work, irrespective of gender. The gap derives from the mix of roles performed by the workers involved in the higher paid driving sector who are predominantly male. For the permanent employees, the mean gender pay gap is 16.4% (2020: 16.6%).

Health and Safety

Our employees' health, safety and welfare and those we support every day remain our highest priority. Each of our operating divisions introduced strong controls and reporting arrangements in 2020 so that the direct and indirect impacts of the pandemic are managed appropriately and in adherence with government guidelines.

The Covid-19 pandemic tested our business resilience, and continuity arrangements have become part of normal operating practices. Our support teams monitor updates to government guidance. They communicate across the business in real-time, and our Covid-19 Risk Assessments at all sites are considered 'living' documents. They are routinely updated to ensure that everyone's safety remains sharply in focus.

In 2021, a full review of the Group's property estate was completed to strengthen our maintenance, servicing and repairs arrangements. 2022 schedules are in place and agreed with our trusted partner organisations to ensure the timely completion of all planned works in the year ahead. A refresh and update of some offices during 2021 has helped us to continue improving experiences in our working environments whilst keeping them secure and safe for everyone; this work will continue throughout 2022.

Due to an increased focus on the consistency and standard of reporting and support arrangements across all operating divisions, the total volume of reported matters has increased year-on-year. In 2021, the Group had a total of 232 reported incidents/accidents, 65 of which were reportable to the Health and Safety Executive (the "HSE") or equivalent.

Accident data is collated and reported by each operating division monthly, and the Group's Governance Director leads on assessing themes and learnings and reviews the data against national average comparators. Minor accidents (such as cuts and bruises) and near-miss incident reports make up nearly half of the total reported matters in 2021. 'Slips/Trips/Falls (same level)' is the second most common accident type, and 'Struck by moving/falling object' is ranked in third place. These reported matters are often from busy warehouse environments and can typically involve pallets and picking equipment/machinery incidents.

We're doing more to review and support our colleagues working remotely and ensuring that we have the appropriate Display Screen Equipment (DSE) and home-working assessments in place. This work will continue throughout 2022 as the roll-out of an innovative assessment and support platform is ongoing across Recruitment GB.

People, culture and values

Area	Progress in 2021	Aims for 2022
Colleague Engagement	• Engagement surveys and action plans embedded. • On average, 77% employees recommend Staffline Group as a great place to work.	Continue to maintain and improve positive engagement scores.
Sustainable Workforce	• Total employee turnover for 2021 was 49.05%. • Average sickness absence rate in 2021 including long-term sick across the Group was 1.78%.	Through effective recruitment, reward and engagement strategy, continue to reduce levels of attrition and sickness absence.
Performance Management and Personal Development	• Performance and development plans in place for all leaders. • Employee-wide performance management framework launched. • Focus on growing our own talent and promoting from within wherever possible.	All employees continue to have regular performance reviews and personal development plans. Introduce regular talent review forums covering all management levels with clear succession plans in place.
Diversity, Equity and Inclusion	• Gender split 62% Women and 38% Men. • Our business in Ireland was awarded the Diversity Mark NI bronze award. • Unconscious bias and Health and Wellbeing training and support made available to all employees.	Launch Group-wide DEI charter. Review gender split across all levels, including managers and leaders. Training for line managers on how to identify and support their people with mental health issues.
Colleague Wellbeing	• All employees given access to Employee Assistance Programme. • Flexible working policies were updated to reflect the changing nature of the working environment. • Health and Safety reporting arrangements continued to be robust and arrangements and continuity adequately tested via Covid-19 response.	Employee benefits and support for financial, physical, mental and emotional wellbeing. Employee flexible working requests via hybrid working policy. Full reporting and monitoring of accidents and fatalities (#fatalities, Total-Recordable-Incident-Rate (“TRIR”). Long-Term-Injury-Frequency-Rate (“LTIFR”), with appropriate welfare/response arrangements in place.

ESG continued

Maintaining strong corporate governance and business ethics

Governance

Section 172 – Fulfilling our duty

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.

In the decisions taken during the year ended 31 December 2021, the Directors have acted in the way they consider to be in good faith, most likely to promote the success of the Company and its continuing reputation for high standards of business conduct, and for the benefit of its stakeholders, having regard to the stakeholders and matters set out in Section 172 of the UK Companies Act 2006.

Staffline is fully committed to ensuring we have a robust approach to corporate governance arrangements and matters. Information about Staffline's activities, metrics and targets relating to corporate governance but not directly linked to our ESG agenda can be found on pages 50 to 55.

In recognition of the importance of ESG, in 2021, the Board formed an ESG Committee made up of senior leaders from across the Group who together represent a wide range of functions relevant to the ESG agenda, including health, safety and environmental; people, social and community; risk and governance; and technology/systems.

The Committee's Terms of Reference include the following key responsibilities:

- To assist the Board in developing and regularly reviewing the Group's strategy relating to ESG matters and in setting relevant KPIs;
- To develop and regularly review the policies, programmes, practices, targets and initiatives of the Group relating to ESG matters ensuring they remain effective and up to date and consistent with good industry practice;
- To provide oversight of the Group's management of ESG matters and compliance with relevant legal and regulatory requirements, including applicable rules and principles of corporate governance, and applicable industry standards;
- To report on these matters to the Board and, where appropriate, make recommendations to the Board; and
- To report as required to the shareholders of the Company on the activities and remit of the Committee.

Area	Progress in 2021	Aims for 2022
ESG strategy development	• **Establishment of ESG Committee and setting of Terms of Reference.**	Climate change scenario modelling and impact assessment. Development of roadmap, strategy and supporting governance infrastructure.
ESG-related stakeholder engagement	• **Stakeholder mapping.**	Stakeholder consultation.
Taskforce on Climate related Financial Disclosure (TCFD) reporting	• **Initial impact assessments.**	Preparation and implementation.

Business Ethics and Culture

Strong and effective governance is clearly identified as one of Staffline Group's strategic priorities. The Group's governance arrangements saw significant changes during 2020 with, among other things, the appointment of a Head of Internal Audit and implementation of a Group-wide risk management process. Continued strengthening of the governance environment in 2021 saw the appointment of three new NEDs and an in-house Company Secretary and implementation of a suite of new Group-level policies to replace existing divisional policies. These policies comprise:

- Anti-Bribery Policy
- Anti-Fraud Policy
- Anti-Facilitation of Tax Evasion Policy
- Anti-Money Laundering Policy
- Conflicts of Interest Policy
- Competition Law Policy
- Whistle-blowing Policy

The above policies are all sponsored at Board level. They form part of mandatory training for new starters and annual refresher training for all employees or targeted groups of employees in relevant roles in the case of more specialist topics. Clearly defined procedures by which any employee can access relevant information about these policies and, if necessary, raise concerns are now in place, including an externally operated confidential reporting hotline.

All divisions maintain compliance functions that report outside the core operational management structure to provide independent monitoring of compliance with internal procedures and relevant regulations.

Ownership and accountability are key components of performance management and personal development processes. Certain operational management bonuses in Staffline Ireland are linked to compliance performance as measured by internal audit findings.

Professional Integrity and Regulatory/Legal Exposure

The Board has established a clear culture of high ethical standards and accountability, which is reflected in the policies referenced above and the establishment of reporting channels through which concerns can be raised.

Significant effort has been put into strengthening divisional control environments, particularly around accounting and finance during this period, and all senior finance staff are professionally qualified. The GB Recruitment business has an ongoing investment programme to develop operational management information, which will support the continuous improvement of data quality. Financial reports undergo multiple levels of review, including variance analysis as part of month-end processes and material balances, and external reporting and announcements of financial results are subject to external audit.

Legal and regulatory risk, including compliance with existing legislation and the potential impact of future developments, is a standing item on divisional and Group risk registers. The Group uses a panel of legal firms to provide advice when required, and membership of trade bodies enables participation in consultations regarding future legislation and regulation. Professional services firms provide regular updates on regulatory developments and are engaged to deliver specific pieces of work.

Data Security

The PeoplePlus division has held accreditations including ISO27001 and Cyber Essentials for some time, and these will be extended across the Group alongside working towards System and Organisation Controls (SOC2) certification. After merging technology practices across the Group during 2020, Staffline has positioned itself to expand the deployment of a portfolio of cyber and information security management solutions and controls across all divisions. These include:

- Appointing an experienced Data Protection Officer in each division;
- Maintaining a full suite of Information Security and associated policies that are a mandated component of new starter induction and are refreshed at least annually;
- Establishing divisional Information Security Working Groups to oversee data security planning and interactions with the Information Commissioner's Office;
- Maintaining a range of ongoing Information Security training solutions, including e-learning, phishing and social engineering campaigns; and
- Deploying a suite of systems based on market-leading technologies, including Microsoft Azure and Microsoft Sentinel, to safeguard the integrity of Staffline's systems and data.

ESG continued

Environment

Energy Consumption. Waste. Travel. Sustainable Materials.

At Staffline, we place great importance on the role we play in helping to support the environment surrounding us, and we recognise that our environmental responsibilities are integral to our business.

We aim to demonstrate these responsibilities through our actions and within our corporate policies.

During 2020-21, we significantly reduced emissions and energy usage across the business, with the Covid-19 pandemic being the catalyst behind this change. Our aim now is not simply to show year-on-year improvements in our business efficiency but also to ensure that we don't return to pre-pandemic usage and emissions levels, thus helping us sustain as much of the short-term improvements into the medium and long term.

We have examples of strong practices within our operating divisions. Our strategy and supporting action plans will help us achieve greater cohesion and consistency in our approach across the Group during 2022 and beyond.

Type	Illustration of 2022 areas of focus
Property and Estates	• Environmental commitments for landlords/agents • Waste management plans • Recycling arrangements at all direct operational sites.
Business Travel and Accommodation	• Continued use of alternative travel to work schemes • Broader policy considerations for hybrid/electric vehicles • Introduction of carbon off-set schemes.
Technology and Assets	• Energy-efficient asset deployment with appropriate recycling arrangements • Continued migration to Cloud infrastructure with accelerated reductions in energy usage.
Reporting and Evaluation	• Strengthening reporting arrangements across the divisions (underpinned with ISO certification) to improve communications and to measure our success against the usage targets in place.

Greenhouse gas emissions – Streamlined Energy and Carbon Reporting ("SECR")

Disclosures are made in accordance with Streamlined Energy and Carbon Reporting guidelines. The data included covers the FY19, FY20 and FY21 financial years (with the latter having some usage assumptions applied for the final part of the year).

The reporting and monitoring arrangements in place for current emissions for the sources included in Scope 1 and 2 of the Greenhouse Gas Protocol (GHG) are embedded. Further work will continue in 2022 to allow regular usage reviews to occur.

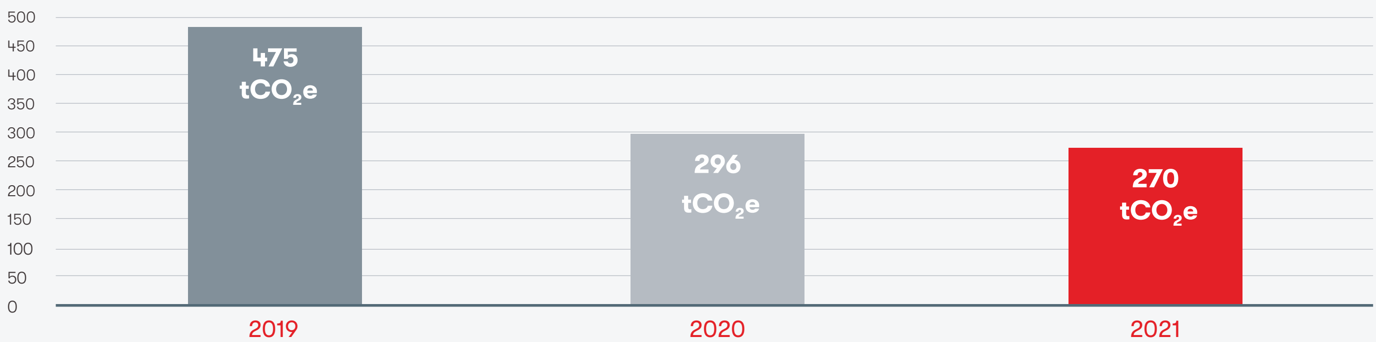
Preparations will continue in 2022 in readiness for the 2023 implementation timeline to enable further reporting on a defined subset of Scope 3 emissions as the business prepares for Taskforce on Climate related Financial Disclosures ("TCFD") and reporting more substantively on environmental matters, including any related initiatives such as carbon off-setting schemes within our direct operations, and how our network of trusted supply chain partners is supporting Staffline to achieve its environmental objectives in 2022 and beyond.

The data covers energy usage across all large UK entities in the Group. Energy usage from subsidiaries outside of the UK is outside the scope of this report and therefore excluded from the figures.

UK Energy Use

Consumption in metric tonnes CO_2e	2019	2020	**2021**
Gas (Scope 1)	123.47	48.36	**82.02**
Electricity (Scope 2)	351.37	246.98	**187.42**
Total consumption in metric tonnes CO_2e	474.84	295.34	**269.44**
Total energy use in kWh	2,046,247	1,322,350	**1,330,350**
Efficiency ratio:	–	–	**–**
Scope 1 & Scope 2 emissions in tonnes CO_2e per UK employee	0.19	0.14	**0.12**

Total tCO_2e



The methodology used to calculate our emissions is based on SECR requirements in accordance with the principles of ISO14064 and GHG Reporting Protocols. It has been calculated using the revised carbon conversion factors published by BEIS for each of the years noted.

Area	Progress in 2021	Aims for 2022
Emissions Reporting	• **Systems and processing in place for Scope 1 and Scope 2 reporting; planning for Scope 3 reporting completed.**	Scope 3 reporting arrangements introduced.
Carbon Offsetting	• **Research completed to better understand carbon offsetting initiatives and options for the business.**	Introduce a carbon offsetting scheme within the business to start measuring impact and return.

Principal Risks and Uncertainties

Managing our risks

The Board's view of the key risks and uncertainties to which the Group is exposed is set out below, with an indication of the year-on-year change in the level of risk exposure as follows:

Increased since prior year

Reduced since prior year

Similar to prior year

The Board of Directors of Staffline Group plc regards effective monitoring and management of exposure to risk as critical to the delivery of the Group's strategic objectives and the creation of sustainable shareholder value.

The Group is exposed to a variety of risks and uncertainties that require ongoing monitoring and management in order to mitigate against adverse impacts on long-term performance. The most significant risks to which, in the opinion of the Directors, the Group is exposed are described below, along with an overview of relevant mitigation measures that are either in place or planned and an indication of the year-on-year change in the level of risk exposure.

Risk management framework

A variety of policies, systems and processes are in place to monitor and respond effectively to the risks and uncertainties faced by the Group. Following the comprehensive review of risk management processes that was completed in 2020 a robust, standardised approach to risk management was fully rolled out across the Group during 2021.

Risks are evaluated based on the likelihood of occurrence and their potential impacts on the Group, which are considered in terms of financial performance, liquidity, reporting, regulatory compliance and reputation. Risk registers are regularly reviewed and updated at divisional level and consolidated to provide a Group view annually as part of the strategic planning and budgeting process. Both the risk register process and its outputs are formally reviewed by the Audit Committee and the Board.

Liquidity risk and compliance with banking facility agreements

Risk

On 20 May 2021, the Company and certain fellow subsidiary undertakings entered into a new £90m Receivables Financing Agreement ("RFA") to replace the existing Group banking arrangements. Subject to potential extension, if agreed by all parties, the RFA has a termination date of 1 December 2025.

Under the RFA, the Group must comply with certain undertakings and two principal financial covenants, which cover EBITDA to net debt leverage and EBITDA to interest cover. These covenants have been tested monthly from September 2021 and will be tested quarterly from 31 December 2022 subject to compliance prior to that date.

Mitigation

The Group has prepared financial forecasts covering the period to 31 December 2023 which show significant headroom is expected to be available within the existing facilities and maintain compliance with the relevant covenants for the full period of the forecasts. The Board's confidence in the forecasting process has been bolstered by the Group's actual performance during the second half of the year.

The Group Finance team forecasts and monitors cash flows and banking facilities on a daily and weekly basis and maintains compliance with the other information undertakings required under the facility. The Group also prepares 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 needs of the business. These forecasts and the potential availability of additional financing facilities are closely monitored by the Board.

Legal and Regulatory Environment and Compliance

Risk

The Group operates in a fluid and increasingly complex legal and regulatory environment, particularly in relation to the supply of temporary labour. Key elements of this environment include immigration laws, which establish 'right to work' rules, Agency Worker Regulations, National Minimum Wage ("NMW") regulations, gangmaster licensing regulations, Modern Slavery regulations and, during 2020 and 2021, Covid-19 related furlough schemes.

The complex and varied operational environments that exist across the Group mean there is a risk of inadvertent breach of one or more of these laws or regulations.

The announcement in June 2021 of the UK Government's intention to establish a single enforcement body to regulate various aspects of the labour market did not set out any clear timelines but, if implemented, may significantly change both monitoring and enforcement of workers' rights. Whilst this is not expected to have a significant impact on Staffline, it may well affect the competitive environment in which the Group operates.

Abolition of free movement from EU countries has had an adverse impact in certain sectors of the labour market and there is ongoing uncertainty around future immigration arrangements, trading relationships between the UK and the EU and potential impacts on our customers' supply chains. The continuation of freedom of movement across the Irish border has created difficulties for Staffline Ireland in reconciling two sets of regulations in respect of workers' rights and has created concerns about continued availability of temporary workers in Northern Ireland.

Reviews of statutory entitlements including introduction of statutory sick pay in the Republic of Ireland are also expected this year. Potential future legislative changes are expected to affect zero hours contracts and workers' rights under such contracts in Northern Ireland.

The above and other recent regulatory changes affecting the Group, such as the extension of IR35 to the private sector in April 2021 and increases in National Insurance rates from April 2022, have required deployment of resource to assess impacts, design and implement responses and monitor ongoing compliance.

The costs of investigating and remediating any regulatory breach and, where relevant, fines or other penalties would reduce profitability. The ongoing costs of compliance in terms of process design and operation, monitoring and audit are built into customer pricing.

Mitigation

Staffline actively engages with customers, regulators, external professional advisers and industry bodies to discuss the requirements and implications of relevant regulations and working practices.

In-house compliance audit teams monitor compliance with laws and regulations such as 'right to work' checks and Agency Worker Regulations through both planned audits and investigation of exceptions identified by data analysis.

New and existing employees in the Recruitment businesses are trained on the NMW regulations and sites that pay National Minimum Wage are regularly audited by in-house compliance teams to ensure that practice is compliant with the relevant regulations. An ongoing monitoring process has been established and emphasis is placed on sites that are considered higher risk due to factors such as the nature of operations.

Steps have been taken to mitigate any risks associated with changes to legislation in Northern Ireland and the Republic of Ireland, including restricting use of zero hours contracts wherever possible and in line with best practice.

2021 has seen a strengthening of the Group's control environment through the introduction of Group-wide standard policies covering areas including bribery, fraud, competition law and prevention of facilitation of tax evasion. These policies, are supported by mandatory training for relevant employees.

Ensuring a periodic horizon scan for known or possible regulatory changes is an important component of the Group's risk management process.

Principal Risks and Uncertainties continued

Economic conditions

Risk

In addition to the specific economic impacts of Covid-19 referenced below, any downturn or unexpectedly slow recovery in economic conditions in the UK and/or the Republic of Ireland could have an adverse impact on consumer confidence, leading to a knock-on effect on our customers' businesses and their labour requirements.

Whilst any increase in unemployment in the short to medium term might increase the availability of labour, discretionary spending by consumers may be adversely affected. An increase in the number of unemployed might also make securing a return to work by the long-term unemployed even more of a challenge.

Planned increases in National Insurance in the UK and widespread increases in the costs of energy and food in particular, are likely to lead to ongoing pressure for pay increases and risk driving inflation. Lifting of government restrictions on public sector wages towards the end of 2021 may further increase wage expectations in the private sector.

Increases in government spending over the short to medium-term were announced during 2021, but longer-term spending plans are an area of ongoing uncertainty, not least due to the impact of high levels of taxation and the possibility of a change in the UK's political landscape at the next General Election.

The economic situation in Europe also affects how attractive the UK is relative to workers' home countries and/or other EU countries. Short-term relaxation of immigration controls to address chronic labour shortages in sectors such as hospitality and agriculture/horticulture may combine with improving economic conditions to increase the supply of EU workers in the UK market.

Recent events in Ukraine have led to additional economic uncertainty and increased volatility in energy prices. The situation continues to develop and neither medium nor long-term impacts, whether regional or global, can be predicted with any degree of certainty.

Mitigation

Staffline provides temporary labour into a wide range of organisations in both the UK and Ireland. Sectors such as food, food logistics, online retail and public services are generally more resilient than, for example, automotive or travel and tourism, lessening the overall impact of adverse economic conditions on the Group.

Flexible labour resourcing has historically provided an important mitigation strategy in times of increased uncertainty for the Group's customers, as use of temporary labour provides the flexibility required to meet their end customers' changing demands.

Whilst there are early signs that some customers are rebalancing their workforces to decrease reliance on temporary labour in a tight labour market, this provides opportunities for 'temp to perm' models under which Staffline sources workers and supplies them to customers for a defined period after which they transfer to employment by the customer. Whatever resourcing model Staffline's customers employ, we work closely with them to understand their expected future needs and plan accordingly.

The back-to-work education and skills support services delivered by PeoplePlus could see increased demand should unemployment rates rise in the short to medium term. Significant government funding in these two areas has been made available through the UK Government's multi-channel 'Plan for Jobs', which was originally announced in 2020 and saw a further £500m of funding announced in Q4 2021.

The Group takes a cautious approach to revenue forecasting. The business model operated by PeoplePlus, the division that is most reliant on public sector contracts, seeks to minimise fixed costs that could not be avoided should government funding undergo a significant reduction in future.

Impact of Covid-19 pandemic

Risk	Mitigation
Covid-19 had an ongoing impact across the global economy throughout 2021. The effect on the Group's business has varied, with food, driving, logistics and e-commerce sectors continuing to experience strong demand in 2021. However, the retail, manufacturing and automotive sectors were more challenging. Some level of continued disruption is to be expected but vaccination programmes in the UK and other countries should reduce the economic and societal impacts of any future outbreaks. However, UK and devolved governments' responses to the emergence of new Covid variants and the withdrawal of employment support schemes may have an adverse impact on customer confidence in the short to medium term. The divergence of regulations in relation to vaccine passports between Northern Ireland and the Republic of Ireland has affected vaccine take-up with lower uptake in the former. This has impacted operations in the Irish recruitment business. A lack of clarity and consistency in the management of Covid-19 has also affected consumer and business confidence in Northern Ireland. Covid-related travel restrictions in place during much of 2020 and 2021 stopped many EU workers returning to their home countries for family visits and holidays. However, there are signs that workers are now travelling more as restrictions have been reduced but it remains to be seen whether these workers choose to return to the UK as a permanent place of residence and to re-enter the workforce.	As referenced elsewhere, Staffline works closely with its customers to understand their expected future needs in both the short and longer term. Staffline has continued to monitor Covid-related absence and provides regular updates to employees and workers to ensure they are aware of current rules and guidance. Activity levels and sickness absence are closely monitored to identify potential trends and alternative scenarios are modelled to assess the potential impact on the Group.

Principal Risks and Uncertainties continued

Customer contracts and service delivery

Risk

Staffline operates in a highly competitive marketplace with demand for temporary labour exceeding supply, rising costs and legislative and regulatory factors that could lead to downward pressure on margins and additional challenges around Staffline's contract renewals and pipeline conversion rates. Unrealistic or unsustainable pricing of tenders by competitors to secure new business is also a threat.

Much of the Group's business is derived through long-term contracts or framework agreements. It is therefore essential that contractual service levels are achieved and maintained to secure contract renewals or extensions. A healthy pipeline of potential new business is also vital to ensure both growth and diversity across a range of business sectors to ensure resilience.

PeoplePlus delivers services through a variety of national and regional schemes aimed primarily at improving skills in the workforce and employability of those currently out of work.

Following PeoplePlus' success in securing three contracts under the UK Government's 'Restart' programme during 2021 there has been significant focus on contract implementation to meet tight timescales and challenging performance targets to avoid incurring penalties.

The funding schemes under which PeoplePlus delivers services are funded by the UK Government, Welsh and Scottish devolved governments and local government bodies, and have complex eligibility rules to control the use of public funds. PeoplePlus' responsibility extends to oversight of delivery partners' compliance with scheme rules.

Meeting the standards required by Ofsted in England, Estyn in Wales and Skills Development Scotland, who collectively oversee education-related services provided by PeoplePlus, is an important 'licence to trade' for the PeoplePlus business.

The effects of general economic conditions and Covid-19's impact on availability of labour and their implications for Staffline's ability to fulfil customers' requirements are discussed elsewhere.

Mitigation

The Group's strategy is to grow sales with the right customers, i.e. those that pay appropriate pay rates to workers, focus on retention by putting the worker first and provide appropriate margins for our market-leading services. In order to achieve this, Staffline has:

(i) Produced a value proposition chain that clearly explains why a customer should choose Staffline and pay more to secure a differentiated service;
(ii) Invested in market-leading technology; and
(iii) Established a Commercial team to work with divisional directors to analyse the current customer portfolio and drive efforts to secure strategic new business wins.

A programme of planned exits from under-performing contracts in the Recruitment GB business was completed during the first half of 2021.

The Group has been investing in its branch network in the Recruitment businesses in both GB and Ireland and has continued to pursue its digital transformation programme in 2021 to increase its presence and profile in the labour market and speed up the process of attracting, onboarding and deploying workers.

PeoplePlus maintains robust quality control and compliance monitoring processes that operate independently of operational management. These include due diligence checks on service delivery partners, ongoing monitoring of partners' compliance and a Quality Improvement Board that provides external scrutiny though its independent Chair.

Regular internal and external audits of PeoplePlus' compliance against scheme rules are undertaken. An historical issue involving incomplete records, predominantly during 2019 and relating to a specific contract, was identified by an audit carried out during 2021. Business process changes implemented during 2020 had resolved the underlying control weaknesses. All other services inspected by funding bodies within the last two years have been found to meet the required standards apart from minor exceptions.

Accreditations such as ISO9001, ISO27001 and Cyber Essentials Plus are maintained and ISO14001 accreditation will be sought during 2022.

IT systems, data security and cyber threats

Risk	Mitigation
Staffline is, like all large-scale businesses, both within and outside the staffing and recruitment sector, reliant on IT systems to operate and support its business activities. Failure or disruption due to old or poorly maintained hardware or software, or deliberate cyber-attack, could result in serious business interruption. IT infrastructure and both core operational and ancillary support systems need to sufficiently support the business in its day-to-day operations whilst also supporting the Group's growth and diversification plans. The Recruitment division carries out weekly payroll runs for our temporary labour workforce. A failure in key operational systems, the payroll system or BACS software could lead to workers not being paid correctly and/or on time and to consequent reputational damage. PeoplePlus, through its Independent Living Services activities, helps over 10,000 people across England and Wales manage their personal health budgets and pay for the services they require. Any systems failure could have significant adverse impacts on service users and lead to reputational damage.	A Group-level IT Disaster Recovery Plan is in place and would be invoked in the event of critical interruption to one or more of Staffline's core IT services. This would entail the wholesale transfer via tried and tested backup solutions of all core technical assets and services to the Group's secondary estate, which is maintained as an exact replica of the primary estate. Disaster recovery capability in relation to core IT systems is tested regularly and resilience will be further improved through the consolidation and re-platforming of data centre services and transition to greater use of cloud-based services during 2022. Covid-19 has tested the Recruitment divisions' ability to run temporary worker payrolls remotely and this operating model is now well established. Key payrolls could, as a last resort, be run and paid via manual processes if necessary due to extended system outages. The Group's cyber security arrangements have been fundamentally improved during 2021 and this investment will continue during 2022 in the form of both additional capabilities and changes to remediate known vulnerabilities. PeoplePlus will pursue SOC2 certification alongside maintaining established ISO27001 and Cyber Essentials Plus certifications. Both business interruption and cyber insurance policies are maintained. These may not fully cover all risks and potential losses, but the Board is satisfied with the scope and level of mitigation provided.

Principal Risks and Uncertainties continued

PeoplePlus contract portfolio

Risk	Mitigation
The PeoplePlus division is dependent on large, often complex, public sector contracts. Individual contract wins or losses could have a material impact on the Group's revenue and profitability. Failure to secure key contracts, poor or unsuccessful mobilisation of new contracts and/or poor contract performance could have an adverse impact on the Group's profitability and reputation. PeoplePlus expects to see continued demand for its services with an associated requirement for effective mobilisation of new contracts and strong contract performance controls across its two key markets of employability services and adult skills, with notable growth opportunities for 2022 arising in the Prison Education sector.	PeoplePlus' business development effort is focused on delivering sustainable growth in its core markets. In relation to commissioned services, the business has a strong bid management capability that is focused on maintaining tight bid disciplines. In relation to non-commissioned services, we have developed a number of capabilities, notably our Social Recruitment Framework, which provide an increasing platform for high-margin growth through the provision of ancillary services to the wider provider community within these sectors. PeoplePlus also has well-established contract mobilisation and contract management models through which we have successfully implemented and delivered high-profile government contracts to scale performance over several years. Notably, in 2021, this incorporated our mobilisation and delivery of DWP's flagship Restart programme across three Contract Package Areas.

Sustainability

Risk	Mitigation
Climate change and the wider economic, social and governance ("ESG") agenda present the Group with significant uncertainties in the medium to long term. There are also known challenges, such as developing monitoring and reporting processes to comply with increasing disclosure requirements. Staffline's own business operations produce relatively low levels of greenhouse gas emissions (see pages 36 and 37), but many of the Group's customers will be required to make more extensive changes to their business models and/or operations, which may affect their future labour requirements in terms of both numbers of workers and their skill sets.	The Board has established, and is committed to supporting, an ESG Committee comprising senior managers from across the Group. The Committee is tasked with helping the Board shape its ESG strategy, recommending ESG management frameworks that are appropriate to Staffline's business and defining relevant performance metrics and targets. Further information about the ESG Committee's remit and Staffline's ESG-related actions and targets is set out in pages 26 and 27.

Talent

Risk	Mitigation
Attracting and retaining the talent required to maintain and develop Staffline's business is an ongoing requirement but has become more challenging as the UK economy recovers from the impacts of Covid-19. Many organisations have restructured and reorganised in response to Covid-19, and employees' expectations around pay, benefits and working conditions have shifted. Competition for high-quality talent is intense and, whilst the Group's white-collar staffing activities have seen some benefit, the risk that existing and/or potential employees could be attracted away from Staffline has increased.	The Board recognises the importance of establishing Staffline as an employer of choice for high-quality candidates. Remuneration and benefits packages are regularly benchmarked against the market to ensure the Group's proposition remains competitive. Succession planning and future resourcing needs are kept under regular review. Discretionary pay awards may be made where specific high performers are seen as at risk of being attracted to roles outside Staffline. Employees are encouraged to undertake personal and professional development activities, and coaching and mentoring programmes are in place alongside regular performance reviews, both formal and informal. All three Staffline divisions carry out annual employee engagement surveys. Findings are shared with the senior management teams and action plans are communicated to all staff. The Board has in place Remuneration and Nomination Committees to ensure appropriate governance of senior pay awards and promotions. Further information about Staffline's employee engagement, development and retention programmes is set out in pages 28 to 33.

Governance

Inside this section

Governance

Corporate Governance Statement

Our vision & values

Our vision is to be a world class recruitment and training Group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation.

Our values

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 2021.

As an AIM listed company, Staffline is required to apply the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code"). In doing so, we have established internal governance processes that reflect best practice. Ultimate accountability for the governance of Staffline lies with our Board of Directors, the majority of whom are Non-Executive Directors, who can draw on their considerable experience in diverse areas of business. The Board is supported by Audit, Remuneration and Nominations Committees, of which the Chair and the majority of members are Non-Executive Directors. Our corporate values of teamwork, respect, commitment, reliability, creativity and integrity are driven by the Board and are at the heart of all our processes and decisions.

Since my appointment as Executive Chairman on 25 April 2020, the Company has transformed the Board and made significant progress in improving the Group's governance, operational and financial processes. The Group also further strengthened its financial position. On 10 June 2021, the Group completed a placing, subscription and open offer, raising gross proceeds of £48.4m. Additionally, the Group's debt facilities were refinanced. The combined refinancing has transformed Staffline's balance sheet. These actions were achieved against the backdrop of the global Covid-19 pandemic, which created both opportunities and challenges across Staffline. During the pandemic, ensuring the health and safety of our workforce has, and continues to be, the Board's priority.

One of our strategic priorities during 2021 was improving Staffline's corporate governance including the strengthening of the Board. On 1 January 2021, I was pleased to welcome Ian Starkey and Catherine Lynch to the Board as Independent Non-Executive Directors. We have already started to benefit from their highly relevant skill sets. Ian has brought a wealth of audit and financial management and Catherine, significant people experience. Daniel Quint was appointed as Chief Financial Officer on 1 February 2021, having joined the Group as Interim Chief Financial Officer in December 2019. Other changes during the year included the election of Tom Spain as Non-Executive Director at the Company's Annual General Meeting on 28 July 2021.

On 1 January 2021 and at the conclusion of the Board transformation, I became Non-Executive Chair. I firmly believe that we have a strong, independent, highly qualified and diverse Board, actively engaged in the strategic decision-making and oversight of the Group. I look forward to working with my colleagues on the Board to strengthen further our governance processes.

The following pages of this Corporate Governance Report set out how the Group has complied with the "QCA Code" and the activities of each Board Committee and the actions that we have taken to strengthen further our internal processes and controls.

Ian Lawson
Chairman
21 March 2022

Board of Directors

Committee Membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- Denotes Chair

Ian Lawson
Non-Executive Chairman

Appointed to the Board as Executive Chairman on 25 April 2020 and acting as Non-Executive Chairman from 1 January 2021.

Ian brings over 20 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. Ian is Chair of the Nominations Committee.

Albert Ellis
Chief Executive Officer

Appointed to the position of Chief Executive Officer on 1 October 2020, having acted as an Independent Non-Executive Director for the Company from 17 March 2020.

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.

Daniel Quint
Chief Financial Officer

Appointed to the Board on 18 May 2020. Appointed as Chief Financial Officer on 1 February 2021, having acted as Interim Chief Financial Officer since 17 December 2019.

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.

Catherine Lynch
Independent Non-Executive Director

Appointed to the Board on 1 January 2021.

Catherine is a highly experienced HR director, with over 20 years' experience, and was formerly Chief People Officer UK & Ireland at Flutter Entertainment plc, the FTSE 100-listed global sports betting, gaming and entertainment company. Prior to this, Catherine spent over three years as Chief People Officer at Virgin Media, with additional experience including leading the HR functions of Ardonagh Group and BGL Group. Catherine is a Fellow of the Chartered Institute of Personnel & Development ("CIPD") and is currently a member of the Advisory Board of Dial Global, a community focused on inclusion. Catherine is Chair of the Remuneration Committee.

Ian Starkey
Independent Non-Executive Director

Appointed to the Board on 1 January 2021.

Ian has significant financial expertise, specifically in financial management, control and reporting. Ian had a 35-year career at KPMG, including 23 years as a lead audit engagement partner in the UK and Switzerland and as a member of the UK Board. At KPMG, Ian worked with blue-chip corporate clients including BAE Systems, Diageo, Roche, Unilever and Vodafone. Ian is currently a Non-Executive member of the Board at DAC Beachcroft LLP and a member of the Audit Committee of Historic Royal Palaces. Ian is a qualified Chartered Accountant. Ian is Chair of the Audit Committee.

Richard Thomson
Senior Independent Director

Appointed to the Board on 17 September 2019.

Richard has over 20 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. More recently he has split his time between various turnaround director/adviser roles, and a legal-tech start-up which he co-founded. Richard holds two Master's degrees from St Catherine's College Oxford, the Securities Institute diploma, the Financial Times Non-executive Director diploma, and is a member of The Institute for Turnaround.

Tom Spain
Non-Executive Director

Appointed to the Board on 28 July 2021.

Tom Spain founded the business Henry Spain Investment Services Limited in 2010. In his early career Tom worked as a stockbroker at Edward Jones. Tom holds the Chartered Institute for Securities and Investment qualification in Private Client Investment Advice & Management, as well as Chartered Insurance Institute Financial Planner status. Tom is a Chartered Wealth Manager and member of the Chartered Institute of Securities and Investment, as well as a member of the Personal Finance Society.

Corporate Governance Report

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.

In compliance with the AIM Rules for Companies, the Company has chosen to comply 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

Our Vision

To be a world class recruitment and training Group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation.

The Group's strategy is to drive the long-term growth of the business. The Group's business model is set out on page 6 and the strategic priorities for the Group are set out on page 7.

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 the island of Ireland. The PeoplePlus division is a training provider, delivering adult education, prison education and skills-based employability programmes across the UK.

The principal risks faced by the Group in achieving this strategy are detailed on pages 34 to 45.

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 encouraged to attend the Annual General Meeting, although restrictions due to Covid-19 meant that, due to UK Government guidelines, attendance was not permitted at the 2021 AGM. Shareholders will be able to attend the 2022 AGM meeting in person and also arrangements will be made to enable shareholders to submit questions to the Board in advance of the meeting. Shareholders will be invited to vote by proxy, the results of which will be published on the website at www.stafflinegroupplc.co.uk/investor-relations/agm/ 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 Chairman also meets key shareholders during the year to discuss corporate governance issues and to listen to any concerns that are raised. The Company's Senior Independent Director is also available to meet with shareholders and provides an independent point of contact on Board matters. During the year, the Chairman consulted with certain of the Company's major shareholders who were opposed to certain resolutions proposed at the Company's 2021 Annual General Meeting regarding the authority to issue Ordinary Shares of the Company. In her capacity as Remuneration Committee Chair, Catherine Lynch consulted with a number of the Company's major shareholders on certain remuneration issues, including on the design of a new long-term incentive plan for Executive Directors and senior executives and the Grant of Options under the 2021 Long-Term Incentive Plan on 30 June 2021.

A dedicated email address exists to enable all current and prospective shareholders to contact the Group directly: investors@staffline.co.uk. The Board recognises that, whilst the majority of the shareholders are large institutions, the Company's private shareholders are important and the Board welcomes dialogue with them.

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 in 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. We aim to demonstrate this through our decisions and within our corporate policies. Information on how the Board considered its stakeholders when making principal decisions is provided in the section 172 statement provided in the ESG report on pages 26 to 37.

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 and the Group's assets and for reviewing its effectiveness. The system of internal financial control in place within Staffline is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Following the appointment of the Group Head of Internal Audit in September 2020, a comprehensive review of risk management processes and risk registers at both Divisional and Group level was undertaken, and this has led to implementation of a robust, standardised approach to risk management across the divisions during 2021. This complements and builds upon divisional risk management processes, which are predominantly operationally focused.

Regular updates on risk matters are provided to the Audit Committee and the Board through both management reports and the Head of Internal Audit. Further information about the risk management process and the criteria used to assess risk is provided in the Principal Risks and Uncertainties section on pages 38 to 45 of this report.

The Head of Internal Audit has led a review of key compliance policies in the Group, assisted by external legal counsel, which was completed in early 2021. Group-level policies have been defined to establish a standard approach across the business in relation to matters such as fraud, bribery, competition, whistle-blowing and conflicts of interest.

The Internal Audit function plays an important role in sharing of knowledge and good practice across the divisions and the Head of Internal Audit works closely with divisional Governance and Compliance teams. The appointment of the Governance Director at Group level was made permanent during 2021 and work to implement a more formalised governance infrastructure is ongoing.

There is an independent compliance audit team which sits locally within the Recruitment GB division, which is responsible for checking workers' legal employment status and compliance with industry body and regulator standards e.g. Recruitment & Employment Confederation (REC) and Gangmasters and Labour Abuse Authority (GLAA) and a similar function in Recruitment Ireland. The Payroll teams in both Recruitment divisions receive ongoing training to ensure compliance with relevant legislation and procedures.

From a financial control point of view, a clear structure of delegated authority levels for a range of transactions is in place along with a formalised Schedule of Matters Reserved for the Board. The framework provided by these documents provides clarity around the extent to which the Board, as the body that has ultimate responsibility for managing the Group's business and safeguarding the interests of its stakeholders, has chosen to delegate its authority in specific areas.

There is also regular review of financial information, including year-to-date and forecast performance against both current year budget and prior year, at all management levels up to and including the Board. Both risks to financial performance and potential opportunities are monitored to reduce the risk of financial performance going off-track.

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 Committee; the Remuneration Committee; and the Nominations Committee.

Audit 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 Committee meets at least four times a year.

Remuneration Committee

Responsible for the review, recommendation and implementation of the Group's remuneration strategy, its framework and costs. The Remuneration Committee meets at least twice a year and 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 at least once a year and otherwise as required.

Details of the members of the Board are set out on pages 48 and 49.

There is an appropriate combination of Executive and Non-Executive Directors, with two Executive and four Independent Non-Executive Directors, including the Chairman. Ian Lawson, Independent Non-Executive Chairman leads the Board and is responsible for promoting the strategic success of the Company and creating value for shareholders in the long term, whilst ensuring that sound, effective corporate governance practices are embedded in the Group and in its decision-making processes.

Albert Ellis, Chief Executive Officer, is responsible for developing and delivering the Group's strategy within the policies and values established by the Board. Daniel Quint, Chief Financial Officer, is responsible for managing the financial risks, reporting and planning of the Group.

Richard Thomson, Ian Starkey and Catherine Lynch, the other three Independent Non-Executive Directors, bring independent and objective analysis to all matters before the Board and its Committees using their substantial and wide-ranging experience. They monitor the executives' delivery of strategy within the risk and governance structure agreed by the Board. Richard Thomson is the Senior Independent Director and, in this role, he supports the Chairman and provides an independent point of contact to shareholders on Board matters. Non-Executive Directors are expected to commit two days per month to the Company. This includes attendance at Board and Committee meetings, strategy sessions, the Annual General Meeting and meetings with shareholders and employees.

The Board meets at least six times each year. During 2021, the Board held 16 formal Board meetings. The additional number of meetings principally related to the Group's placing, subscription and open offer, the Group's refinancing requirements, and the Covid-19 pandemic, with a focus on the health and safety of the Group's employees and customers. In addition, the Board focused on strengthening the Company's corporate governance processes, including its financial controls. Given the Covid-19 pandemic, a minority of meetings were remote.

Corporate Governance Report continued

In addition to the standard agenda items, the Board considered the following matters during the year:

- On 10 June 2021, the Group completed a placing, subscription and open offer, raising gross proceeds of £48.4m. Additionally, the Group's debt facilities were refinanced. The combined refinancing has transformed Staffline's balance sheet;
- The impact of the Covid-19 pandemic on the Group's operations and mitigating actions to protect the business, with a particular focus on ensuring the health and safety of the Group's employees and customers; and
- The extensive period of Board restructuring concluded with the appointment of Ian Starkey and Catherine Lynch as Independent Non-Executive Directors on 1 January 2021, and the appointment of Daniel Quint as Chief Financial Officer on 1 February 2021.

The Board meeting attendance for the 16 Board meetings held in 2021 is as below:

Director	Number of meetings attended	Maximum number of meetings possible
Ian Lawson (Chairman)	16	16
Albert Ellis	16	16
Daniel Quint	16	16
Richard Thomson	13	13
Ian Starkey[1]	13	13
Catherine Lynch[1]	12	12
Tom Spain[2]	6	6

1 Ian Starkey and Catherine Lynch were appointed to the Board on 1 January 2021.

2 Daniel Quint was appointed as Chief Financial Officer on 1 February 2021.

3 Tom Spain was elected as a Non-Executive Director at the Annual General Meeting on 28 July 2021.

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 the Non-Executive Chairman, three independent Non-Executive Directors, one further Non-Executive Director and two Executive Directors, with a range of different experience and backgrounds.

During 2021 the Board made significant progress with its strategic priority of improving the Group's corporate governance structure. This included an extensive period of Board restructuring which concluded with the appointment of Ian Starkey and Catherine Lynch as Independent Non-Executive Directors on 1 January 2021.

Ian, a qualified chartered accountant, has significant financial expertise, specifically in financial management, control and reporting. Ian had a 35-year career at KPMG, including 23 years as a lead audit engagement partner in the UK and Switzerland, and as a member of the UK Board. Ian chairs the Group's Audit Committee.

Catherine is a highly experienced HR director, with over 20 years' experience, and was formerly Chief People Officer UK & Ireland at Flutter Entertainment plc, the FTSE 100-listed global sports betting, gaming and entertainment company. She is also a member of the Advisory Board of Dial Global, a community focused on inclusion. Catherine chairs the Group's Remuneration Committee.

Other Board appointments during the year were:

- Daniel Quint was appointed as Chief Financial Officer on 1 February 2021. Daniel has over 10 years' experience at board level at both private and public companies. He is a Fellow of the Institute of Chartered Accountants in England and Wales; and
- Tom Spain was elected as a Non-Executive Director at the Annual General Meeting on 28 July 2021. Tom Spain founded the business Henry Spain Investment Services Limited in 2010.

The Nominations Committee is responsible for the appointment of Directors but ensures that the whole Board is involved in the process.

Following the above appointments, the Board believes that the Company has a strong, independent, highly qualified and diverse Board with the right people in place to lead the business. Biographical details of the Directors are set out on pages 48 and 49.

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 year 2021 began with the appointment of Catherine Lynch and Ian Starkey as Independent Non-Executive Directors on 1 January 2021 and at the Annual General Meeting on 28 July 2021 Tom Spain was elected as a Non-Executive Director.

During the latter part of 2021, with the newly constituted Board fully established, the Board conducted a Board evaluation internally, with the use of a questionnaire, which focused on the remit and key issues facing the Board. In particular, the Board considered how it discharges its strategic remit and reviews key issues facing the Group. As required, Directors discussed any matters with the Chairman or Senior Independent Director, as appropriate. The Chairman discussed the outcome of the evaluation, including any recommendations and actions, with the Board.

Hereafter, the Board evaluation will be conducted on an annual basis which will include an external evaluation at least every three years.

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. A review of certain of the Group's compliance policies including bribery, fraud and whistle-blowing led by the Group's Head of Internal Audit is being undertaken together with the Group's external legal counsel. In addition, the Group Governance Director presented to the Board in February 2022. Further details are provided on page 35.

We are committed to reducing the threat of modern slavery and human trafficking and work with like-minded organisations to try to achieve this. This is described in the ESG report on pages 30 to 32, 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

During the year, and in accordance with best governance practice, the Board approved a Schedule of Matters Reserved for the Board. These matters include:

- Setting the Group's strategy, including the values and standards;
- Approving any changes to the Company's structure and capital;
- Approval of (i) Annual Report and Accounts (ii) half-yearly reports (iii) dividend policy and (iv) approval of any significant changes in accounting policies or practices;
- Ensuring maintenance of a sound system of internal controls and risk management;
- Approval and oversight of major capital projects;
- Approval of contracts of the Group or contracts proposed by any subsidiary not in the ordinary course of business;
- Major investments;
- Communications with shareholders;
- Board and Committee membership;
- Remuneration of Directors, Company Secretary and other senior executives;
- Prescribing a matrix of authority limits for delegation to the various tiers of management and oversight bodies; and
- Approval of key policies including Code of Conduct, Inside Information Policy, Securities Dealing Code, Bribery Prevention Policy and Whistle-blowing Policy.

The Board also formed a new Disclosure Committee and adopted a new Inside Information Policy and Securities Dealing Code during 2021.

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 Committee; the Remuneration Committee; and the Nominations Committee.

Audit Committee

The Audit Committee has responsibility for:

1. Oversight of the effectiveness, integrity and quality of the Company and Group's financial reporting;
2. Monitoring developments in relevant financial reporting legislation and regulation and their adoption by the Group;
3. Appointment of the external auditor and oversight of their independence and performance;
4. The external audit process, including meeting the external auditor and reviewing any reports from them regarding financial reporting and internal control systems;
5. Oversight of the design, implementation and effectiveness of internal financial controls, including identifying and commissioning specific internal control reviews;
6. Overseeing the independence and effectiveness of the internal audit function;
7. Oversight of the Group's risk register (see pages 38 to 45), risk appetite and risk mitigation arrangements; and
8. Reviewing the effectiveness of the Group's whistle-blowing arrangements.

In accordance with its terms of reference, the Audit Committee meets at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee met five times during 2021. Meeting attendance is provided below, along with a summary of the key items of business considered:

Director	Number of meetings attended	Maximum number of meetings possible
Ian Starkey[1]	5	5
Ian Lawson[2]	5	5
Richard Thomson	5	5
Catherine Lynch[3]	5	5
Tom Spain[4]	1	1

1 Ian Starkey was appointed as a director and as Chair of the Committee on 1 January 2021.

2 Ian Lawson, who served as Executive Chairman and as a member of the Committee from 7 April 2020 to 31 December 2020, moved into a non-executive role from 1 January 2021, while remaining a member of the Committee.

3 Catherine Lynch was appointed as a director and as a member of the Committee on 1 January 2021.

4 Tom Spain was appointed as a director on 28 July 2021. With effect from 6 December 2021, Tom Spain attends the Committee as observer.

Key items considered by the Committee

- Annual external audit plans and auditor's fees;
- Year-end external audit findings, including reports on internal controls;
- Results announcement and the Annual Report, including form of the external audit opinion;
- Interim results announcement;
- Trading updates;
- Letters of Representation provided to the external auditor;
- Appropriateness of applying the going concern basis of preparation in the Financial Statements;
- Key accounting judgements and estimates;
- Internal audit activities, including receiving reports on internal audit findings and reviewing and approving the internal audit strategy and work plan for 2022;
- The Group's risk management arrangements, including review of divisional and Group risk registers and risk reporting processes; and
- The Group's internal controls environment, including key compliance-related policies, the delegation of authority matrix and the Schedule of Matters Reserved for the Board.

Strengthening of governance arrangements and internal controls

The following actions were taken by the Committee during 2021 as part of the Group's commitment to further strengthening its governance arrangements:

1. **Internal Controls:** The Committee discussed an internal audit report on temporary worker payroll and related matters in the Recruitment GB business and approved a template internal letter of representation on internal controls that divisional management are required to formally sign off as part of half-year and year-end procedures. Divisional Finance Directors were also required to present to the Committee on their respective internal control environments, including matters highlighted by the external auditor, controls improvement initiatives and resourcing of the divisional Finance functions.

Corporate Governance Report continued

2. **Compliance Policies:** Completion of the Committee's review of key compliance-related policies launched in late 2020 led to a number of Group-wide policies being defined and rolled out to either replace existing divisional policies or address gaps in policy coverage. Policies approved by the Committee and/or Board as part of this initiative were Anti-Bribery Policy, Anti-Fraud Policy, Anti-Money Laundering Policy, Anti-Facilitation of Tax Evasion Policy, Competition Policy, Conflicts of Interest Policy and Whistle-blowing Policy. All of these have been rolled out during 2021 and form part of mandatory training packages for relevant employees.
3. **Whistle-blowing arrangements:** The Committee approved adoption of a single outsourced whistle-blowing hotline provider across the Group and the inclusion of the Group Head of Internal Audit as a recipient of all reports received via this channel, of which there were none during 2021.
4. **Other Policies:** The Committee approved Group policies covering gifts and hospitality, drugs and alcohol in the workplace, non-audit services and accounting treatment of bid-related costs.
5. **Risk Management:** The Committee promoted clearer alignment between risk and business planning to ensure that both risks and the potential costs of mitigation were properly considered during the budgeting and strategic planning process.

The key audit matters considered by the Committee:

The Committee is responsible for overseeing the Group's financial reporting, including significant accounting policies and estimates and judgements.

Key matters considered by the Committee in relation to reporting for the year ended 31 December 2021 include:

- **Going concern:** The Committee and Board receive regular updates in respect of the Group's actual and forecast performance and confirm the Group's ongoing compliance with its obligations under the financing agreement entered into in June 2021. As part of the Group's annual budgeting process, the Board received detailed presentations from divisional management and Group executives, after which it approved the annual budget for the year ended 31 December 2022 and the forecast for the following two years. The Committee reviewed a detailed year-end memorandum prepared by the Group Finance team that set out the Group's financing arrangements and covenant obligations, FRC guidance in relation to assessment of going concern matters, both budget/actual and forecast profitability and cash flows and headroom against current funding arrangements. In the opinion of the Committee, use of the going concern basis when preparing the Group's accounts for the year ended 31 December 2021 is appropriate.
- **Recruitment GB and Recruitment Ireland revenue:** The Committee's attention was drawn to the risk of unusual journals affecting reported revenues in the recruitment businesses during its review of the external auditor's planning document relating to the 2021 audit. The Committee subsequently considered the external auditor's findings in relation to this matter at its meeting in March 2022 and noted that no material unusual transactions had been identified.
- **PeoplePlus accrued income:** The Committee's attention was drawn to the risk of inappropriate recognition of unbilled revenue during its review of the external auditor's planning document relating to the 2021 audit. The Committee subsequently considered the external auditor's findings in relation to this matter at its meeting in March 2022 and noted that no material items had been identified.
- **PeoplePlus income recognition on significant contracts:** The Committee was made aware of an historical issue with incomplete records relating to certain services provided by PeoplePlus, when the matter was first identified. The Committee and Board received regular updates from management whilst investigations were ongoing and the Committee considered papers prepared by management and by the Group's internal auditor as part of the year end process. The Committee was satisfied that appropriate conclusions had been drawn and noted the external auditor's findings, reported to the Committee meeting in March 2022, which were that no material errors or omissions had been identified.
- **PeoplePlus clawback adjustments:** The Committee's attention was drawn to the risk of incomplete or inaccurate clawback provisions on PeoplePlus contracts and framework agreements during its review of the external auditor's planning document relating to the 2021 audit. The Committee considered papers prepared by both management and the Group's internal auditor and the external auditor's findings, reported to the Committee meeting in March 2022, which noted that no material errors or omissions had been identified.
- **Revenue recognition, including treatment of revenue arising on Restart contracts in PeoplePlus:** Revenue recognition policy in respect of ongoing contracts in all divisions has not changed during 2021. With regard to revenue on the three Restart sub-contracts, which went live in June 2021, the Committee reviewed detailed papers prepared by divisional management that set out the principles contained in IFRS 15 and how these are to be applied. The Committee agreed with management's identification of the relevant contracts, the performance obligations, the transaction price, its allocation and the intention that revenue should be recognised over the period of the contract using time elapsed as the measure of completion of performance obligations. In the opinion of the Committee, the proposed accounting treatment complies with the requirements of IFRS 15 and there is no basis for identifying the Restart contracts as onerous or potentially onerous.
- **Valuation of goodwill and intangible assets:** The Committee reviewed a paper prepared by the Group Finance team summarising an impairment review carried out on the goodwill, intangibles and property, plant and equipment allocated to the Group's cash-generating units at 31 December 2021. Detailed assumptions used in the review were considered by the Committee and considered reasonable and appropriate. The Committee concurred with management's view that no impairment was indicated.
- **Quality of earnings and classification of specific items as underlying or non-underlying:** The Committee reviewed a summary of items that might be considered non-underlying but were not material either individually or in aggregate. The Committee agreed with management's proposal that these items should not be separately disclosed in the Group's 2021 Report and Accounts.
- **Alternative performance measures:** The Group's Annual Report for the year contains a small number of alternative performance measures, which are not a substitute, or superior to, any IFRS measures of performance but have been included as they include key measures used within the business for assessing performance and are considered an important means of comparing performance year-on-year.

The Committee is satisfied that, where alternative performance measures are used, their use is appropriate and aids understanding of the Group's performance.

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 £120,000 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 at least twice a year and otherwise as required. The meeting attendance for the six meetings held in 2021 is below, along with the key agenda items:

Director	Number of meetings attended	Maximum number of meetings possible
Catherine Lynch (Chair)[1]	6	6
Richard Thomson	6	6
Ian Lawson	6	6
Ian Starkey[2]	6	6

1 Catherine Lynch was appointed as Non-Executive Chair of the Committee on 1 January 2021.

2 Ian Starkey was appointed as Non-Executive Director and member of the Committee on 1 January 2021.

Key items considered by the Committee during 2021

- Consideration of remuneration arrangements to be offered to:
  - Albert Ellis in respect of his remuneration as Chief Executive Officer;
  - Daniel Quint in respect of his appointment and remuneration as Chief Financial Officer; and
  - Other senior management appointments within the Group.
- Bonus objectives for 2022 annual bonuses for the Chief Executive Officer, Chief Financial Officer, Divisional Managing Directors and Divisional Finance Directors;
- Discussion on Executive remuneration and Non-Executive fees;
- Non-Executive Directors' fees, including additional fees for Committee Chairs;
- Approval to offer remuneration packages to proposed senior appointments;
- Current share option schemes;
- A new Long-Term Incentive Plan for Executive Directors and senior executives; and
- Standardisation of contracts for the Group's senior executive management.

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 at least once a year and otherwise as required. The meeting attendance for the three meetings held in 2021 is below, along with the key agenda items:

Director	Number of meetings attended	Maximum number of meetings possible
Ian Lawson (Chair)	3	3
Richard Thomson	3	3
Catherine Lynch[1]	3	3
Ian Starkey[2]	3	3

1 Catherine Lynch was appointed as Non-Executive Director and member of the Committee on 1 January 2021.

2 Ian Starkey was appointed as Non-Executive Director and member of the Committee on 1 January 2021.

Key items considered by the Committee

- Ratification of the election of Tom Spain as Non-Executive Director at the Annual General Meeting on 28 July 2021.
- The Group Succession Planning and Talent Management Strategy.
- The Board gender-diversity 'journey', the topic of which is to be revisited annually.
- The composition of the previous Board versus the extensive period of Board restructuring, which has concluded with the recent appointments of three Non-Executive Directors to the Board.

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.

At the Company's Annual General Meeting on 28 July 2021, the Company noted there was a sizeable vote against Resolutions 12 (General authority to allot shares) and 13 (Disapplication of pre-emption rights) representing 37.68% of votes cast on each resolution. Feedback received from certain shareholders indicated that some were concerned by the potential dilution caused by an allotment of shares, particularly on a non-pre-emptive basis. The Board noted that it followed the Pre-emption Group Principles that the routine authority to disapply pre-emption rights should not exceed more than 5% of the ordinary share capital in any one year.

Resolution 13 was a Special Resolution, requiring at least 75% of shareholders voting to vote in favour of the resolution.

The Board has maintained a dialogue with these shareholders to ensure that it fully understands the concerns that they have raised. The Board welcomes dialogue with all shareholders.

All other Resolutions proposed at the 2021 AGM were passed on a poll, with more than 88% of shareholders voting, voting in favour of the resolutions. Votes were cast in respect of approximately 80% of the issued share capital.

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

The Remuneration Committee comprises four Directors, of which all are Independent Non-Executive Directors: Catherine Lynch (Chair), Ian Lawson, Richard Thomson, and Ian Starkey. The Board notes that, as Ian Lawson became Independent Non-Executive Chairman on 1 January 2021, his membership of the Committee now complies with the QCA Corporate Governance Code, which states that all members of a Remuneration Committee must be independent. The Remuneration Committee operates within The QCA Corporate Governance Code and The QCA Remuneration Committee Guide in observing elements of ESG compliance, especially regarding gender pay parity as detailed on page 32.

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 marketplace. 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 remuneration of the Directors, which was all paid by the Group, is detailed on page 59 of these financial statements.

Advisers to the Committee

In the latter part of 2020, the Committee appointed Mercer to act as the Committee's advisers to provide services to the Committee, including in connection with the design and implementation of a new long-term incentive plan (the Long Term Incentive Plan). The Committee consulted with a number of the Company's major shareholders on this proposed long-term incentive arrangement.

The Committee made awards under the Long Term Incentive Plan to the Executive Directors and certain members of the senior management team on 30 June 2021. Vesting of awards will be conditional upon the satisfaction of performance conditions over a three-year vesting period and continuous employment within the Staffline Group. The Company announced details of the awards made to the Executive Directors, including details of the performance conditions via the Regulatory News Service immediately upon granting of the awards.

Responsibilities

The Committee acts in accordance with its formal Terms of Reference, which are available on the Company's website. The Committee makes recommendations to the Board on the remuneration and other benefits, including bonuses and long-term incentive plans, of the Executive Directors and members of senior management, acting within its Terms of Reference and Policy on Executive Directors' remuneration. In addition, the Committee considers the remuneration for the Chairman.

The Board sets the annual base fees payable to the Independent Non-Executive Directors and they do not receive any additional benefits, nor are they eligible to participate in any pension, bonus, or share-based incentive arrangements.

No Director plays a part in any decision about his or her own remuneration. Executive Directors may accept appointments outside the Group subject to prior Board approval.

Basic salary

The Committee reviews the basic salary of Executive Directors annually. In addition, salary may be reviewed if an individual changes position or responsibility. In deciding appropriate levels, the Committee takes into account objective research on, and benchmarking with, comparable companies, general market conditions and business and personal performance.

Upon the appointment of Albert Ellis as a Chief Executive Officer, Ian Lawson was appointed as Independent Non-Executive Chairman on 1 January 2021, upon which his salary as Executive Chairman decreased from £195,000 p.a. on the basis of a three days a week time commitment to a fee of £100,000 p.a. on the basis of a one day per week time commitment.

The Board of the Company comprised two Executive Directors during the year. Details of their basic salary are provided below:

- Albert Ellis was appointed as an Independent Non-Executive Director of the Company on 26 April 2020 and as Chief Executive Officer on 1 October 2020, on a base salary of £350,000 p.a. Details of the fee he received for the period 26 April 2020 to 30 September 2020 in his position as an Independent Non-Executive Director are provided on page 117; and
- Daniel Quint, Interim Chief Financial Officer, was appointed as an Executive Director of the Company on 18 May 2020. During the period from 18 May 2020 to 31 January 2021, he continued to receive payment in his capacity as Interim Chief Financial Officer. Following his appointment as Chief Financial Officer on 1 February 2021, Daniel received a basic salary of £275,000 p.a.

Salary review

The Committee reviewed the salaries of Albert Ellis and Daniel Quint in December 2021. Their salaries were increased by 2.5% with effect from 1 January 2022, following benchmarking with comparable companies and in line with that of the wider population of permanent employees.

Entitlement to reduce salary

The Committee recognises that there may be circumstances where the continual normal operation of the Company's business is reasonably perceived to be at risk due to exceptional and/or unexpected serious national or international events which directly or indirectly impact on the Company (including, but not limited to a catastrophe, pandemic, war, terrorism, or financial crisis). In these circumstances, the Company has reserved the right acting reasonably to reduce the salary of Albert Ellis, Chief Executive Officer, or Daniel Quint, Chief Financial Officer, by a maximum of 20%, without any corresponding reduction in their normal working hours.

This reduction has not been applied to the salary of either Albert Ellis or Daniel Quint during the Covid-19 pandemic given that they only commenced employment under their service agreements, which contained this provision, on 1 October 2020 and 1 February 2021 respectively.

Annual bonus

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

2020 Annual bonus

Albert Ellis did not participate in a 2020 annual bonus plan due to his appointment on 1 October 2020 and in light of the ongoing Covid-19 pandemic.

Daniel Quint was appointed as a director on 18 May 2020, having been appointed as Interim Chief Financial Officer on 17 December 2019. Daniel received a fee through a limited company during his appointment as Interim Chief Financial Officer. Daniel was not entitled to receive any benefits or bonus from the Company until his appointment as Chief Financial Officer on 1 February 2021.

2021 Annual bonus

Albert Ellis and Daniel Quint will be entitled to a bonus equivalent to a maximum of 100% of their base salary pro-rata from their date of appointment, subject to the achievement of pre-determined performance conditions. The annual bonus is not contractual and is at the sole discretion of the Committee.

Details of the 2021 Annual bonus payable to Albert Ellis and Daniel Quint on 31 March 2022 are provided below on page 59.

Directors' share options

2021 Long Term Incentive Plan

Under the terms of the Company's 2021 Long Term Incentive Plan (the "2021 LTIP"), on 30 June 2021 the Board approved the award of and granted nil cost options (the "Options") over 1,678,279 ordinary shares of ten pence each in the Company ("Ordinary Shares") to certain employees, including Albert Ellis and Daniel Quint, as set out below.

The vesting of the Options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial year ending 31 December 2023. 50% of the Options awarded are subject to achieving earnings per share hurdles and 50% are subject to achieving EBITDA hurdles. In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2023 is above a minimum target. The Options will vest from 30 June 2024 (the "Vesting Period") and will be exercisable until 30 June 2031.

The Board believes it is key that the Group incentivises Executive Directors and senior managers to drive the business forward, whilst aligning their interests with those of shareholders. The Options awarded to Albert Ellis and Daniel Quint are set out in the table below:

Director	Position	LTIP Options granted
Albert Ellis	Chief Executive Officer	573,770
Daniel Quint	Chief Financial Officer	450,820

Following the grant of the Options, the total number of Ordinary Shares outstanding under the 2021 LTIP was 1,678,279, (now reduced by 180,328 shares to 1,497,951, following the exit of a senior executive from the Company in September 2021), representing 1% of the Company's issued share capital.

Save As You Earn ("SAYE") share scheme

On 29 October 2021, the Company announced the grant of options to employees as part of its Save As You Earn ("SAYE") share scheme for 2021. The scheme is open to all permanent employees in the UK, giving them the opportunity to participate in the future growth of the Group via share option arrangements.

Eligible employees were invited to subscribe for options over the Company's ordinary shares of 10p each in the Company ("Ordinary Shares") with an exercise price of 50.56p, a 20% discount to the closing middle market price of 63.20p on the trading day before the invitation to participate was made on 8 October 2021. The options have a contract start date of 1 December 2021 and are exercisable between 1 December 2024 and 31 May 2025.

A total of 272 employees elected to participate, representing an increase in the workforce on the previous grants in 2018 and 2019, demonstrating an improved level of employee engagement, retention, and workforce advocacy, and, pursuant to these elections, a total of 2,430,723 options over Ordinary Shares were granted on 29 October 2021, representing 1.5% of the current issued share capital of 165,767,728 shares. As of 31 December 2021, there were 256 participants with a total of 2,269,097 options over Ordinary Shares.

Options totalling 71,202 shares were granted to the following Executive Directors in respect of savings up to the £500 monthly savings limit applicable to all SAYE contracts:

Director	Position	Shares granted under option in SAYE scheme 2021
Albert Ellis	Chief Executive Officer	35,601
Daniel Quint	Chief Financial Officer	35,601

Report on Remuneration continued

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

During the year, the Company wound up the JSOP because it was no longer functioning as an incentive or retention tool. The most straightforward way to terminate the JSOP was for the JSOP shares to be transferred to the EBT. Remaining participants in the Plan were, therefore, requested to transfer their shares to the trustee of the EBT (the "Transfer") in exchange for consideration equal to contributions paid at the date of the award.

The former Executive Directors' interests are detailed below:

Director	Award date	Participation price	Interest over number of shares	Lapsed during the year	Date on which exercisable
C Pullen[1]	24 Jan 2018	999p	275,000	275,000	30 June 2023

1 C Pullen resigned on 26 April 2020 and his entitlement to the shares subject to the JSOP lapsed.

Pension arrangements

The Group has a defined contribution pension scheme with Scottish Widows for all permanent employees.

During 2021, Executive Directors were entitled to receive a contribution from the Group equivalent to 10% of their basic salary into this or another scheme of their choice.

Commencing from the date of their appointments as Executive Directors on 1 October 2020 and 1 February 2021 respectively, at their request, Albert Ellis and Daniel Quint each received a monthly cash allowance of 10% of basic salary in lieu of a company pension contribution. Daniel Quint was not entitled to receive any pension contribution, or cash allowance, from the Company during his appointment as Interim Chief Financial Officer.

Following a decision of the Remuneration Committee taken in December 2021, based on benchmarking with comparable companies and market data, the monthly cash allowance in lieu of the company pension contribution payable to Executive Directors was increased to 15% of basic salary.

The Group also operates a defined benefit pension scheme, which is closed to new entrants. No current Directors are members of this scheme.

Other benefits and benefits in kind

Albert Ellis and Daniel Quint are entitled to receive the following benefits:
1. Life assurance cover of four times salary;
2. Private medical insurance for themselves, their spouse, and their children;
3. Car allowance of £12,000 and £11,000 p.a. respectively; and
4. Permanent health insurance.

With effect from 1 January 2022 the car allowance benefit received by Albert Ellis and Daniel Quint was increased to £18k and £15k respectively, after benchmarking with comparable companies and market data.

None of the Non-Executive Directors or the Chairman received any benefits or benefits in kind.

Policy on Non-Executive Directors' remuneration

The remuneration of the Independent Non-Executive Directors is determined by the Board and is based upon independent surveys of fees paid to Non-Executive Directors of similar companies.

The Independent Non-Executive Directors do not receive any benefits apart from their basic fees.

From 1 January 2020 to 31 May 2020, the Independent Non-Executive Directors received a fee of £30,000 p.a.

The remuneration of the Independent Non-Executive Directors, effective from 1 June 2020, was as follows:
- The basic fee of the Independent Non-Executive Directors was £40,000;
- An additional fee of £5,000 p.a. payable to (i) the Chair of the Audit Committee and (ii) the Chair of the Remuneration Committee; and
- Subject to prior agreement by the Remuneration Committee a day-rate can be charged at a rate of £1,500 per day (plus VAT, if applicable), by any Independent Non-Executive Director, in the event that there is work required in addition to their normal duties. The normal duties of an Independent Non-Executive Director are anticipated to take two days per month.

Following review in December 2021, it was agreed by the Remuneration Committee that there would be no increase in the fee payable to the Independent Non-Executive directors for the year of 2022.

Tom Spain was elected as a Non-Executive Director at the Annual General Meeting on 28 July 2021. Tom Spain is the Board representative of Henry Spain Investment Services Limited ("Henry Spain"), the largest shareholder in the Company. Tom Spain (on behalf of himself and Henry Spain) agreed that no fee shall be payable in respect of his (or any replacement representative director) appointment.

Service contracts

The Executive Directors have entered into service agreements with the Company. Albert Ellis has a service agreement which is terminable on six months' notice given by Albert Ellis, and 12 months' notice given by the Company, Daniel Quint has a service agreement which is terminable on 12 months' notice given by either party.

Letters of appointment

Ian Lawson, Richard Thomson, Ian Starkey and Catherine Lynch 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.

Tom Spain has a contract for a fixed term of one year, unless otherwise terminated earlier upon three months' notice given by either party, which will terminate automatically and without the need for notice and, unless Tom Spain and the Board agrees to extension or renewal, is terminable on one months' notice. There is no contractual termination payment.

Directors' remuneration summary (audited)

The table below sets out the remuneration received by the Directors in respect of the year ended 31 December 2021 and for the year ended 31 December 2020:

	Year	Salary, fees £000	Annual bonus[14] £000	Car allowance £000	Pension[9] £000	Compensation for loss of office £000	Others[10] £000	Total £000
Executive Directors								
A Ellis[1]	**2021**	**350**	**350**	**12**	**35**	**–**	**2**	**749**
	2020	88	–	3	9	–	–	100
D Quint[2]	**2021**	**292**	**252**	**11**	**25**	**–**	**2**	**582**
	2020	413	–	–	–	–	–	413
C Pullen[3]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	125	–	5	14	–	–	144
Chair								
I Lawson[4]	**2021**	**96**	**–**	**–**	**–**	**–**	**–**	**96**
	2020	133	–	–	–	–	–	133
T Lewis[5]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	25	–	–	–	–	–	25
Non-Executive Directors								
E Barker[6]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	3	–	–	–	–	–	3
A Ellis[1]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	27	–	–	–	–	–	27
R Thomson[7]	**2021**	**43**	**–**	**–**	**–**	**–**	**–**	**43**
	2020	61	–	–	–	–	–	61
D Ward[8]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	–
	2020	10	–	–	–	–	–	10
C Lynch[11]	**2021**	**45**	**–**	**–**	**–**	**–**	**–**	**45**
	2020	–	**–**	**–**	**–**	**–**	**–**	**–**
I Starkey[12]	**2021**	**45**	**–**	**–**	**–**	**–**	**–**	**45**
	2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
T Spain[13]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	**871**	**602**	**23**	**60**	**–**	**4**	**1,560**
	2020	885	–	8	23	–	–	916

1 Albert Ellis was appointed as Chief Executive Officer on 1 October 2020, having been an Independent Non-Executive Director of the Company for the period 17 March 2020 to 30 September 2020.

2 Daniel Quint was appointed to the Board on 18 May 2020. During the period from his date of appointment as a director until 31 December 2020, he received a fee through a limited company. He did not receive any pension, or any benefits and he was not entitled to a bonus in respect of the year ended 31 December 2020. Daniel was appointed as Chief Financial Officer on 1 February 2021.

3 Chris Pullen resigned as Chief Executive Officer on 19 February 2020 and as a director on 26 April 2020. He received a termination payment of £135,000. He did not receive any salary increase during 2020. No bonus was due or payable during 2020.

4 Ian Lawson was appointed as Executive Chairman on 25 April 2020. Ian Lawson became Independent Non-Executive Chairman on 1 January 2021.

5 Tracy Lewis assumed the role of Chair on 17 September 2019 and resigned on 24 April 2020.

6 Ed Barker resigned on 31 January 2020.

7 Fees to Richard Thomson included a payment of £25,000 for advisory services to the Company during the three months up to the Board changes, announced on 27 April 2020.

8 Dawn Ward resigned as an Independent Non-Executive Director on 23 April 2020.

9 Pensions include both Company contributions and cash allowances where the Directors have elected not to have contributions paid into a pension fund.

10 Others represent medical insurance benefits.

11 Catherine Lynch was appointed as an Independent Non-Executive Director and Remuneration Committee Chair on 1 January 2021.

12 Ian Starkey was appointed as an Independent Non-Executive Director and Audit Committee Chair on 1 January 2021.

13 Tom Spain was elected as a Non-Executive Director at the Annual General Meeting on 28 July 2021. Tom Spain agreed that no fee shall be payable in respect of his (or any replacement representative director) appointment.

14 The bonus will be settled in the proportion to following the elements, 66.67% through payroll and 33.33% in the Company's Ordinary shares.

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 2021.

Reporting requirements

The following information is provided in other appropriate sections and is included in this Directors' Report by reference and so is deemed to be part of it:

Information	Reported
Strategic Report Corporate Governance • Corporate Governance Report • Statement of Directors' Responsibilities	Pages 1 to 45 Pages 46 to 55 Page 64
Report on Remuneration	Pages 56 to 59
Future Development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 8 to 11
Stakeholder Engagement and Key Decisions	Details can be found in the Strategic Report on pages 34 and 35
Greenhouse gas emissions – Streamlined Energy and Carbon Reporting	Details can be found in the ESG section on page 37
Financial instruments	Details can be found in the notes to the financial statements on pages 117 to 120
Task Force on Climate-related Financial Disclosures ("TCFD")	Reference can be found in the ESG report on pages 26 to 37

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.

Dividends

The Board is not proposing a final dividend payment for 2021.

Directors

The names and biographies of the Directors who held office at the date of this Annual Report are set out on pages 48 and 49. Changes to Directors from 1 January 2021 and up until the date of this Report are provided in the table below:

Director	Position	Date of appointment	Date of resignation
Ian Lawson	Executive Chairman Independent Non-Executive Chairman	25 April 2020 1 January 2021	
Daniel Quint	Interim Chief Financial Officer Chief Financial Officer	18 May 2020 1 February 2021	
Catherine Lynch	Independent Non-Executive Director	1 January 2021	
Ian Starkey	Independent Non-Executive Director	1 January 2021	
Tom Spain	Non-Executive Director	28 July 2021	

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 Portugal.

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 £18,488 in the year (2020: £16,000).

Research and development

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

Share capital

At 31 December 2020 the Company's issued share capital consisted of 68,930,486 Ordinary Shares with a nominal value of 10p each ("Ordinary Shares"), each share having equal voting rights.

On 21 May 2021, the Company announced a proposed Placing, Subscription and Open Offer for new Ordinary Shares, which comprised the following elements:

- A total of 87,249,500 new Ordinary Shares of 10 pence each placed at a price of 50 pence per share (the "Issue Price") to certain existing shareholders and new institutional investors;
- A total of 750,500 new Ordinary Shares of 10 pence each to certain Directors and employees of the Group at the issue price;
- An open offer to existing shareholders for 10 shares for every 78 Ordinary Shares held, for a total of 8,837,242 new Ordinary Shares of 10 pence each at the issue price; and
- The proposed Placing, Subscription and Open Offer was approved by the shareholders in a General Meeting on 9 June 2021. The total number of shares in issue following the Placing, Subscription and Open Offer is 165,767,728.

On 9 June 2021 the shareholders, at a General Meeting, approved the creation and issue of 96,837,242 new Ordinary Shares pursuant to the Placing, Subscription and Open Offer.

The Company currently has general authority to allot shares and authority to purchase its own shares. Resolutions for the Company to renew its general authority to allot shares and to purchase its own shares will be proposed at the Annual General Meeting 2022.

Share options

The Company operates certain share option schemes for the benefit of its employees. Details are provided in note 7.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed this basis and have made full disclosure in note 3, concluding that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

The 2022 Annual General Meeting will be held at 9am on Thursday 26 May 2022 at the Head Office of the Company, 19-20 The Triangle, Nottingham, NG2 1AE subject to any UK Government Covid-19 guidelines in place at the time. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Report of the Directors continued

Substantial shareholdings

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 2021, were as follows, representing 82.7% of the total issued ordinary share capital:

	Ordinary shares of 10p each ('000)	Percentage of Ordinary Shares
Henry Spain Investment Services	26,480	15.97
HRnet Group	23,987	14.5
Schroder Investment Management	18,181	11.0
Gresham House Asset Management	17,014	10.3
Fidelity International	15,832	9.6
Aberdeen Standard Investments	11,373	6.9
Lombard Odier Investment Managers	11,305	6.8
Hargreaves Lansdown, stockbrokers	7,487	4.5
Interactive Investor	6,537	3.9
Teviot Partners	5,155	3.1
	143,351	**86.6**

The Company's issued share capital consists of 165,767,728 ordinary shares with a nominal value of 10 pence each ("Ordinary Shares"), each share having equal voting rights, of which 1,140,400 are held by the Employee Benefit Trust. Therefore, the total voting rights in the Company are 164,627,328.

In accordance with AIM Rule 26, in so far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands is 52.2%.

The latest allocation can be viewed on the Group's website at: www.stafflinegroupplc.co.uk/investor-relations/shareholder-information.

Directors' shareholdings

The beneficial holdings of the Directors as at 31 December 2021 in the Company's issued share capital at 31 December 2021 was as follows:

Director	Ordinary shares of 10p each in issue	% of total
Ian Lawson	231,577	0.14%
Albert Ellis	320,000	0.19%
Daniel Quint	225,320	0.13%
Catherine Lynch	10,000	0.006%
Ian Starkey	50,000	0.03%
Richard Thomson	42,579	0.025%
Tom Spain[1]	1,200,000	0.72%

1 Tom Spain is the Board representative of Henry Spain Investment Services Limited, the largest shareholder in the Company. Henry Spain Investment Services Limited is considered to be a 'person closely associated' with Tom Spain by virtue of him discharging managerial responsibilities over it (he is a director and the sole shareholder). Henry Spain Investment Services Limited acts as discretionary investment manager (including holding discretionary voting rights) to a number of underlying private clients, resulting in a notifiable interest in 25,352,121 Ordinary Shares at the date of his appointment.

Long-Term Incentive Plan

The Board believes it is key that the Group incentivises Executive Directors and senior managers to drive the business forward, whilst aligning their interests with those of shareholders. Under the terms of the Company's 2021 Long Term Incentive Plan (the "2021 LTIP"), the total number of options awarded to Executive Directors and senior executives was 1,678,279. The options awarded to the Executive Directors are set out in the table below:

Director	2021 LTIP Options granted
Albert Ellis	573,770
Daniel Quint	450,820

The vesting of options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial year ending 31 December 2023. 50% of the Options awarded are subject to achieving earnings per share hurdles and 50% are subject to achieving EBITDA hurdles. In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2023 is above a minimum target. The Options will vest from 30 June 2024 (the "Vesting Period") and will be exercisable until 30 June 2031.

Save As You Earn ("SAYE") share scheme

The SAYE scheme is open to all permanent employees in the UK, giving them the opportunity to participate in the future growth of the Group via share option arrangements. Eligible employees were invited to subscribe for options over the Company's ordinary shares of 10.00p each ("Ordinary Shares") with an exercise price of 50.56p, a 20% discount to the closing middle market price of 63.20p on the trading day before the invitation to participate was made on 8 October 2021. The options have a contract start date of 1 December 2021 and are exercisable between 1 December 2024 and 31 May 2025. Options totalling 71,202 were granted to the Executive Directors as follows:

Director	2021 SAYE options granted
Albert Ellis	35,601
Daniel Quint	35,601

Post balance sheet events

There were no events between the balance sheet date of 31 December 2021 and the approval of these accounts on 21 March 2022 that are required to be brought to the attention of shareholders.

Auditors

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

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

Louise Barber FCG
Company Secretary
21 March 2022

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards 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 profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Generally Accepted Accounting Practice (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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or 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 profit or loss of the Company; and
- the Strategic Report and Directors' Report include 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

Louise Barber FCG
Company Secretary
21 March 2022

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 2021, which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated and company statements of financial position, the 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 UK-adopted international accounting standards. 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included obtaining an understanding of how management prepared their base case forecasts for the period to 31 December 2023; assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to actual results; obtaining an understanding of key trading, balance sheet and cash flow assumptions and testing key assumptions to underlying historical financial analysis and available information; assessing the accuracy of the debt covenant calculations within the forecasts by agreeing the forecasts to the new debt agreements; assessing the appropriateness and robustness of management's forecasts by applying our own sensitivities and reverse stress testing; assessing the feasibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystalise; performing arithmetical and consistency checks on management's going concern model using internal modelling specialists; and assessing the adequacy of related disclosures within the annual report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent Auditors Report continued
to the members of Staffline Group plc

Our approach to the audit

Grant Thornton
An instinct for growth™

Overview of our audit approach

Overall materiality:

Group: £1.63m, which represents 5% of the group's preliminary three year average loss before taxation.

Parent company: £1.22m, which represents 2% of the parent company's total assets, capped at 75% of group materiality.

Group key audit matters were identified as:
- Unusual recruitment revenue journals – occurrence (same as previous year);
- PeoplePlus unbilled revenue (accrued income) – occurrence (existence), accuracy and valuation (same as previous year except for valuation which has been added);
- PeoplePlus clawback prior period adjustment – completeness and accuracy (new); and
- PeoplePlus income earned on certain significant contracts – occurrence and accuracy (new).

No key audit matters were identified for the parent company.

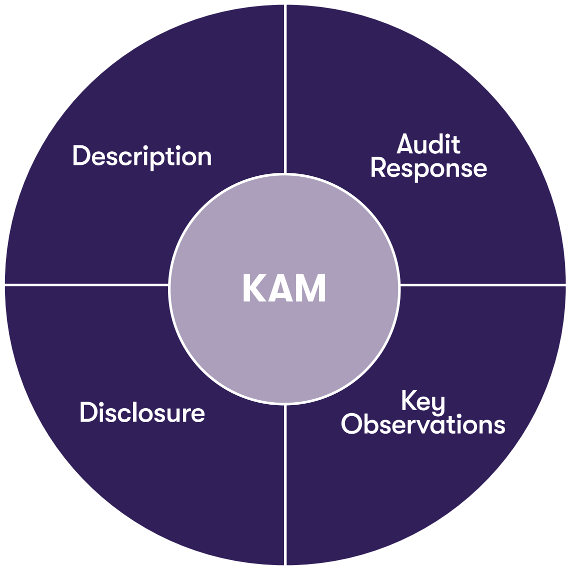
Our auditor's report for the year ended 31 December 2020 included three Group key audit matters and one parent company key audit matter that have not been reported as key audit matters in our current year auditor's report. These relate to:
- Going concern basis of accounting (Group);
- Goodwill and other intangible assets – valuation (Group);
- Non-underlying administrative expenses – occurrence, accuracy and presentation and disclosure (Group);
- Investments in the parent company – valuation (Parent).

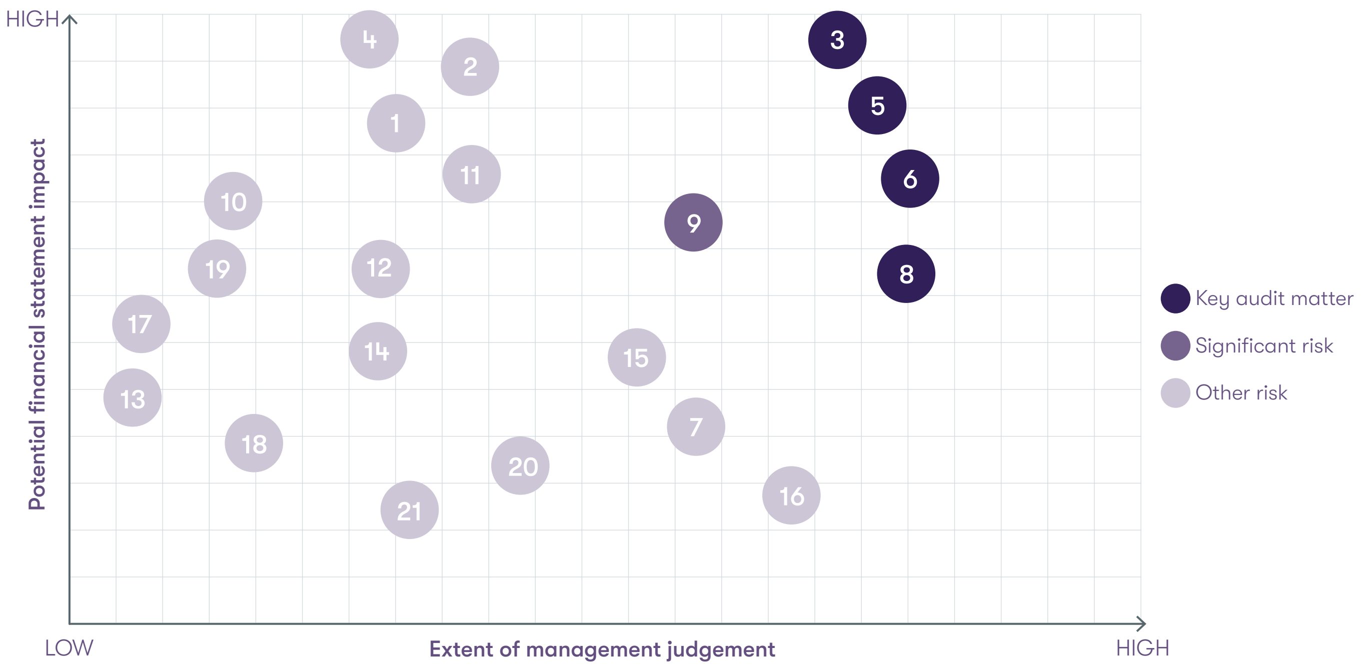
We do not consider these to be key audit matters this year, as the risk surrounding these items has reduced significantly due to the improved performance of the Group, and reduction of items classified as non-underlying in the current year. We therefore consider these key audit matters are no longer relevant.

Our audit scope remained consistent with the previous year, and our work performed over components covered 92% of the Group's revenue and 81% of the Group's loss before tax.

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.





1. Going concern basis of accounting
2. Goodwill and other intangible assets – valuation
3. Unusual Recruitment revenue journals – occurrence and accuracy
4. Investments – valuation
5. PeoplePlus unbilled revenue (accrued income) – occurrence, accuracy and valuation
6. PeoplePlus income earned on certain significant contracts – occurrence and accuracy
7. Non underlying administrative expenses - occurrence, accuracy and presentation and disclosure
8. PeoplePlus clawback adjustments – completeness and accuracy
9. Management over-ride of controls
10. Recruitment revenue
11. PeoplePlus revenue
12. Coronavirus Job Retention Scheme
13. Taxation and social security
14. Borrowings
15. Defined benefit pension scheme
16. Holiday pay accrual
17. Cash
18. Deferred income
19. Payroll
20. LTIP and SAYE
21. Deferred tax

Independent Auditors Report continued
to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Unusual recruitment revenue journals – occurrence We identified occurrence of unusual recruitment revenue journals as one of the most significant assessed risks of material misstatement due to fraud. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. The revenue recorded by the Group is one of the key factors that impacts EBITDA and is a Key Performance Indicator for the Group. The majority of revenues within the recruitment segment of the Group are considered to be non-complex. Unusual journals outside of the normal business process therefore pose a risk of fraud due to their abnormality.	In responding to the key audit matter, we performed the following audit procedures: • Assessed and documented the design and implementation of controls around the recording of revenue; • Performed a detailed extended walkthrough to ensure processes and controls were operating consistently across the population of revenue transactions; • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies, including journal entries outside of the normal business process; • Used audit data analytics techniques to identify potentially unusual transactions within revenue. For a recruitment business we expect the majority of revenue transactions to follow a simple process through revenue, receivables and VAT, followed by settlement in cash, with a limited number of other related accounts. We have analysed the account combination of every transaction which impacts revenue or receivables during the period and selected for testing any transaction which fell outside of our expectation. We then obtained sufficient and appropriate evidence to support those transactions; and • This testing has been supported by the testing of operating effectiveness of bank reconciliation controls, and a substantive test of detail on a sample of revenue transactions.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting policies	**Our results** Our audit did not identify any material adjustments in relation to the occurrence of unusual recruitment revenue journals.

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus unbilled revenue (accrued income) – occurrence, accuracy and valuation We identified occurrence (existence), accuracy and valuation of unbilled revenue (accrued income) in PeoplePlus as one of the most significant assessed risks of material misstatement due to fraud. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. In 2019, management identified a material manual manipulation of internal reports relating to accrued income, which they derecognised in the 2019 financial statements. We note that there was no such issue in 2021 but there remains a risk. The unbilled portion of revenue within PeoplePlus continues to be identified as a key audit matter due to the material impact on profit, and due to the increased judgement associated with the accrued revenue in comparison to those amounts that have been billed in the year.	In responding to the key audit matter, we performed the following audit procedures: • Assessed and documented the design and implementation of controls around the recording of revenue; • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; • Obtained an understanding of performance obligations within key contracts and application of revenue recognition for those contracts; • Obtained management's reconciliation of accrued income to the trial balance at year-end testing significant reconciling items; and • Tested a sample of accrued income at year-end to underlying documentation, including where relevant subsequent invoice and receipt.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting policies	**Our results** Our audit did not identify any material adjustments in relation to the occurrence and accuracy of PeoplePlus accrued income.

Independent Auditors Report continued
to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus clawback-completeness and accuracy We identified completeness and accuracy of the clawback prior period adjustment within PeoplePlus as one of the most significant assessed risks of material misstatement due to error. During 2021, a customer undertook a review of amounts claimed by PeoplePlus over the duration of the customer contract, which began in 2019. The review revealed that a number of records, which are required to substantiate revenue claims at all times during the contract period, were incomplete. Judgement exists in determining the appropriate level of the prior period adjustment to be recorded.	In responding to the key audit matter, we performed the following audit procedures: • Assessed and documented the design and implementation of controls around the recording of revenue; • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15 and whether management accounted for the clawback in accordance with the accounting policies; • Obtained management's judgement paper to support their assessment of the prior period adjustment and challenged key assumptions within; • Challenged the calculations behind the clawback prior period adjustment recorded, testing and corroborating the underlying assumptions; and • Challenged the appropriateness of the adjustment determined by management, including assessing completeness of the adjustment by considering also whether a similar issue may exist on other contracts.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Committee • Financial statements: Note 3, Accounting policies	**Our results** Our audit did not identify any material adjustments in relation to the accuracy and completeness of the clawback prior period adjustment within PeoplePlus Group.

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus income earned on certain significant contracts – occurrence and accuracy We identified occurrence and accuracy of income earned on certain significant contracts within PeoplePlus as one of the most significant assessed risks of material misstatement due to error. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. During 2021, a customer undertook a review of amounts claimed by PeoplePlus over the duration of the customer contract, which began in 2019 The review revealed that a number of records, which are required to substantiate revenue claims at all times during the contract period, were incomplete. There is therefore an increased risk that further revenue was incorrectly recognised within this stream in the year.	In responding to the key audit matter, we performed the following audit procedures: • Assessed and documented the design and implementation of controls around the recording of revenue; • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; • Considered the terms of each contract to assess which contracts met our high risk contract criteria; and • Tested an increased sample of training revenue earned in the period to supporting documentation including evidence of training being provided to ensure all revenue earned could be substantiated.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting policies	**Our results** Our audit work did not identify any material adjustments in relation to the occurrence and accuracy of income earned on significant contracts within PeoplePlus Group.

Independent Auditors Report continued
to the members of Staffline Group plc

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

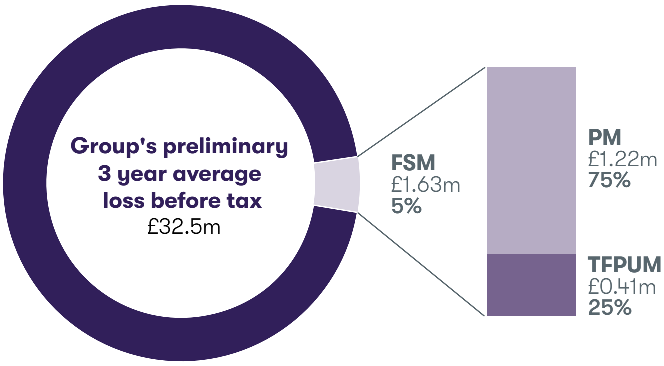
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1.63m which is 5% of the Group's preliminary three year average loss before taxation and 0.17% of group revenue.	£1.22m, which is 2% of the parent company's total assets, capped at 75% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • The selection of an appropriate benchmark • The selection on an appropriate percentage to apply that benchmark • The consideration of other qualitative factors. We have also used loss before tax and revenue as underlying benchmarks against which to anchor our determined materiality. We have selected these benchmarks as they are key performance indicators for the Group and are of interest to stakeholders. Given the Group has made a marginal loss before tax and is close to a breakeven position in the year, we have used a three year average profit before tax, and applied a mid-range PBT percentage threshold to this benchmark. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2020 due to the financial performance of the company improving and loss reducing. The materiality determined was not revised during the audit.	In determining materiality, we made the following significant judgements: • The consideration of other qualitative factors Total assets is considered to be the most appropriate benchmark as the company's purpose is that of holding of investments in subsidiary entities. The company does not undertake any trading activities. We have capped materiality at 75% of group materiality. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020, due to the 75% benchmark being higher. This reflects the improved performance and stability of the Group and company in the year. The materiality determined was not revised during the audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1.22m which is 75% of financial statement materiality.	£0.92m, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our experience with auditing the financial statements of the group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified. • The number of components within the group and the extent of audit procedures planned and performed at these components. The performance materiality determined was not revised during the audit.	In determining performance materiality, we made the following significant judgements: • Our experience with auditing the financial statements of the group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified. The performance materiality determined was not revised during the audit.

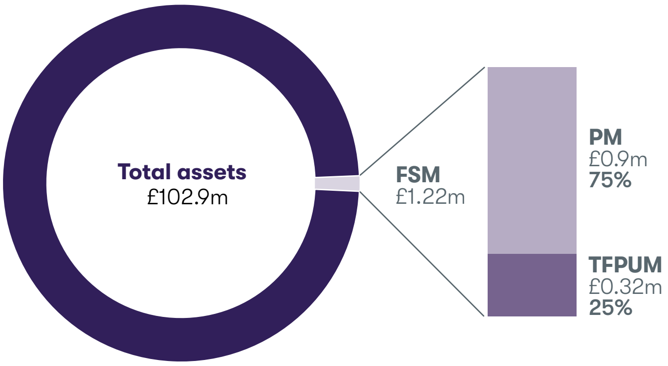
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: • Related party transactions • Directors remuneration and transactions with Directors	We determined a lower level of specific materiality for the following areas: • Non-routine related party transactions • Directors remuneration and transactions with Directors
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£81,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£61,000 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



FSM: Financial statements materiality **PM:** Performance materiality **TFPUM:** Tolerance for potential uncorrected misstatement

Independent Auditors Report continued
to the members of Staffline Group plc

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- Management identifies three 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 services. These segments are monitored by the Chief Operating Decision Maker, and the Group's Board. Strategic decisions are made on the basis of the operating results of these segments.

Identifying significant components

- In determining our audit scope and identifying significant components, we determined any individual component which contributed more than 15% to consolidated revenues or consolidated loss before taxation to be financially significant to the group.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

The audit of the financial information of each of the following components was completed using component materiality:

- Staffline Group plc
- Staffline Recruitment Limited
- Staffline Recruitment (NI) Limited
- PeoplePlus Group Limited

Performance of our audit

The audit of the Recruitment GB component was carried out by a Grant Thornton London based audit team. We engaged a different Grant Thornton UK team to audit the key component within the PeoplePlus segment and we engaged Grant Thornton Ireland to audit the key component in the Recruitment Ireland reporting 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.

Changes in approach from previous period

- Our approach to in scope components remains unchanged from the previous period.

Audit approach	No. of components	% coverage Revenue	% coverage Loss before tax
Full-scope audit	4	90	74
Specific audit procedures	1	2	7
Analytical procedures	12	8	19

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter 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 directors' report.

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 directors' responsibilities statement, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (IFRS, the Companies Act 2006 and the QCA Corporate Governance Code).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We understood how Staffline Group plc is complying with those legal and regulatory frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud including potential management bias of:
  - Revenue journal entries to unexpected accounts within the recruitment segment, including those that reclassified costs from the income statement to the balance sheet; and
  - potential management bias in determining accounting estimates, especially in relation to the determination of accrued income within PeoplePlus Group.
- Our audit procedures involved:
  - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
  - using data interrogation software to perform journal entry testing, with a focus on material and other journals that met our unusual criteria, including those with unusual account combinations and those posted directly to the consolidation that increased revenue or that reclassified costs from the income statement to the balance sheet;
  - challenging assumptions and judgements made by management in its significant accounting estimates including accrued income, and provisions made by management;
  - testing the completeness of the group's related party transactions through information obtained at the parent and component entities and testing that these transactions had a valid business purpose; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Independent Auditors Report continued
to the members of Staffline Group plc

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
continued

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.
- Matters in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of accrued income in PeoplePlus Group, and manipulation of recruitment revenue have been communicated with the audit team. This is also reported as a key audit matter in the key audit matter section of our report where the matter and specific procedures were performed in response to this matter is described in more detail.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

Use of our report

This report is made solely to the 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 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 company and the 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
21 March 2022

Financial Statements

Inside this section

Financial Statements

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Continuing operations			
Revenue	4	**942.7**	927.6
Cost of sales	5	**(859.9)**	(853.0)
Gross profit		**82.8**	74.6
Administrative expenses	5	**(80.5)**	(118.9)
Operating profit/(loss)		**2.3**	(44.3)
Underlying operating profit before non-underlying administrative expenses		**10.3**	4.8
Administrative expenses (non-underlying)	5	**(8.0)**	(49.1)
Operating profit/(loss)		**2.3**	(44.3)
Finance costs - underlying		**(2.4)**	(4.1)
Finance costs – refinancing costs (non-underlying)		**–**	(3.2)
Finance costs	6	**(2.4)**	(7.3)
Loss for the year before taxation		**(0.1)**	(51.6)
Tax credit	8	**1.7**	3.1
Profit/(loss) from continuing activities		**1.6**	(48.5)
Loss from discontinued operations	10	**(0.4)**	(4.2)
Profit/(loss) for the year		**1.2**	(52.7)
Items that will not be reclassified to profit and loss – actuarial gains/(losses), net of tax		**0.7**	(0.8)
Items that may be reclassified to profit and loss – cumulative translation loss		**(0.3)**	(0.1)
Total comprehensive profit/(loss) for the year		**1.6**	(53.6)
Earnings/(loss) per ordinary share	9		
Continuing operations: Basic and diluted		**1.3p**	(71.5)p
Discontinued operations: Basic and diluted		**(0.3)p**	(6.2)p
Total earnings/(loss) per share: Basic and diluted		**1.0p**	(77.7)p

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £m	Own shares JSOP £m	Share premium £m	Share-based payment reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	Total equity £m
At 31 December 2019 (reported)	**6.9**	**(4.8)**	**75.1**	**0.5**	**–**	**(1.9)**	**75.8**
Prior year adjustment (note 3)	–	–	–	–	–	(2.3)	(2.3)
At 1 January 2020 (restated)	**6.9**	**(4.8)**	**75.1**	**0.5**	**–**	**(4.2)**	**73.5**
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.1	–	(0.1)	–
Transactions with owners	**–**	**–**	**–**	**0.1**	**–**	**(0.1)**	**–**
Loss for the year	–	–	–	–	–	(52.7)	(52.7)
Actuarial loss on pension scheme, net of taxation	–	–	–	–	–	(0.8)	(0.8)
Cumulative translation adjustments	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive loss for the year, net of tax	**–**	**–**	**–**	**–**	**–**	**(53.6)**	**(53.6)**
At 31 December 2020 (reported)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(55.6)**	**22.2**
Prior year adjustment (note 3)	–	–	–	–	–	(2.3)	(2.3)
At 31 December 2020 (restated)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(57.9)**	**19.9**
Cancellation of JSOP shares	–	–	–	(0.4)	–	0.4	–
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.1	–	–	0.1
Proceeds from share issue	9.7	–	36.7	–	–	–	46.4
Transactions with owners	**9.7**	**–**	**36.7**	**(0.3)**	**–**	**0.4**	**46.5**
Profit for the year	–	–	–	–	–	1.2	1.2
Cash flow hedge reserve	–	–	–	–	0.2	–	0.2
Actuarial gain on pension scheme, net of taxation	–	–	–	–	–	0.7	0.7
Cumulative translation adjustments	–	–	–	–	–	(0.3)	(0.3)
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**0.2**	**1.6**	**1.8**
At 31 December 2021	**16.6**	**(4.8)**	**111.8**	**0.3**	**0.2**	**(55.9)**	**68.2**

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

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £m	Own shares JSOP £m	Share premium £m	Cash flow hedge reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2020	**6.9**	**(4.8)**	**75.1**	**–**	**(39.2)**	**38.0**
Profit for the year	–	–	–	–	13.5	13.5
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**13.5**	**13.5**
At 31 December 2020	**6.9**	**(4.8)**	**75.1**	**–**	**(25.7)**	**51.5**
Proceeds from share issue	9.7	–	36.7	–	–	46.4
Transactions with owners	**9.7**	**–**	**36.7**	**–**	**–**	**46.4**
Profit for the year	–	–	–	–	1.4	1.4
Cash flow hedge reserve	–	–	–	0.2	–	0.2
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**0.2**	**1.4**	**1.6**
At 31 December 2021	**16.6**	**(4.8)**	**111.8**	**0.2**	**(24.3)**	**99.5**

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

Consolidated and Company Statements of Financial Position

as at 31 December 2021

		Consolidated			Company	
	Note	**2021 £m**	2020 Restated £m	2019 Restated £m	**2021 £m**	2020 £m
Assets						
Non-current						
Goodwill	11	**59.6**	59.6	94.9	**–**	–
Other intangible assets	12	**16.5**	24.3	34.0	**–**	–
Investments	13	**–**	–		**67.8**	67.8
Property, plant and equipment	14	**8.0**	9.6	14.6	**–**	–
Deferred tax asset	24	**4.6**	4.4	1.4	**0.8**	–
		88.7	97.9	144.9	**68.6**	67.8
Current						
Trade and other receivables	17	**116.2**	104.8	132.4	**3.0**	7.7
Current tax asset		**0.6**	1.7	5.3	**–**	0.2
Derivative financial instruments	18	**0.5**	–	–	**0.5**	–
Cash and cash equivalents	19	**29.8**	24.5	25.0	**–**	–
Restricted cash	19	**–**	0.9	12.7	**–**	–
		147.1	131.9	175.4	**3.5**	7.9
Debtors: amounts falling due after more than one year	17	**–**	–	–	**30.8**	–
Total assets		**235.8**	229.8	320.3	**102.9**	75.7
Liabilities						
Current						
Trade and other payables	20	**134.3**	155.6	128.7	**3.4**	3.8
Borrowings	21	**22.9**	13.0	6.4	**–**	–
Other liabilities	22	**–**	–	0.7	**–**	–
Provisions	23	**1.4**	3.8	16.0	**–**	–
Lease liabilities	15	**1.3**	1.6	2.6	**–**	–
		159.9	174.0	154.4	**3.4**	3.8
Non-current						
Borrowings	21	**–**	20.0	78.1	**–**	20.0
Other liabilities	22	**0.3**	7.3	1.4	**–**	0.4
Provisions	23	**1.4**	1.2	2.4	**–**	–
Lease liabilities	15	**3.3**	3.9	5.8	**–**	–
Deferred tax liabilities	24	**2.7**	3.5	4.7	**–**	–
		7.7	35.9	92.4	**–**	20.4
Total liabilities		**167.6**	209.9	246.8	**3.4**	24.2
Equity						
Share capital	25	**16.6**	6.9	6.9	**16.6**	6.9
Own shares		**(4.8)**	(4.8)	(4.8)	**(4.8)**	(4.8)
Share premium		**111.8**	75.1	75.1	**111.8**	75.1
Share-based payment reserve		**0.3**	0.6	0.5	**–**	–
Cash flow hedge reserve		**0.2**	–	–	**0.2**	–
Profit and loss account		**(55.9)**	(57.9)	(4.2)	**(24.3)**	(25.7)
Total equity		**68.2**	19.9	73.5	**99.5**	51.5
Total equity and liabilities		**235.8**	229.8	320.3	**102.9**	75.7

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 profit for the year was £1.4m (2020: profit of £13.5m). The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 21 March 2022 and signed on their behalf by:

Albert Ellis
Director
21 March 2022

Daniel Quint
Director
21 March 2022

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities	30	**(28.7)**	65.8
Taxation received/(paid)	8	**5.8**	(0.5)
Net cash (outflow)/inflow from operating activities		**(22.9)**	65.3
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	14	**(2.4)**	(1.3)
Sale of property, plant and equipment		**–**	0.2
Purchase of intangible assets – software	12	**(2.1)**	(1.3)
Cash flows from investing activities – acquisitions			
Acquisition of businesses – deferred consideration for prior year acquisitions	31	**–**	(0.3)
Total cash flows arising from investing activities		**(4.5)**	(2.7)
Total cash flows arising from operating and investing activities		**(27.4)**	62.6
Cash flows from financing activities			
New loans (net of refinancing costs)	21	**–**	43.0
Net movements on Receivables Finance Agreement	21	**9.9**	(29.7)
Loan repayments	21	**(20.0)**	(58.1)
Principal repayment of lease liabilities	15	**(1.7)**	(3.4)
Interest paid		**(1.9)**	(8.5)
Payment from restricted fund	19	**0.9**	11.8
Settlement of NMW liabilities from restricted fund		**(0.9)**	(11.8)
Gross proceeds from the issue of share capital	25	**48.4**	–
Costs relating to the issue of share capital	25	**(2.0)**	–
Net cash flows from financing activities		**32.7**	(56.7)
Net change in cash and cash equivalents		**5.3**	5.9
Cash and cash equivalents at beginning of year		**24.5**	18.6
Cash and cash equivalents at end of year	19	**29.8**	24.5

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

Notes to the Financial Statements
the year ended 31 December 2021

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 and employment training and support.

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 124, and within note 13. The Company's registration number is 05268636.

The financial statements for the year ended 31 December 2021 (including the comparatives for the year ended 31 December 2020) were approved and authorised for issue by the Board of Directors on 21 March 2022.

There have been no new accounting standards that have required adoption in the current year.

The Company does not have an ultimate controlling party. As noted on page 62, the largest shareholder held 15.97% of the Company's issued share capital as at 31 December 2021.

3 Accounting policies
Basis of preparation
The Consolidated financial statements are prepared for the year ended 31 December 2021. 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 accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are prepared under the historical cost convention except for equity-settled share options and derivative financial instruments, which are measured at fair value.

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;
- Paragraphs 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.

Notes to the Financial Statements continued
for the year ended 31 December 2021

3 Accounting policies continued

Basis of preparation continued

At the date of authorisation of these financial statements, there were no new Standards or amendments to existing Standards and Interpretations that became effective in the year. No 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 functional 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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review on pages 8 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 25. The principal risks and uncertainties to which the Group is exposed are described on pages 38 to 45.

As described in the Chief Executive Officer's Review, despite the challenging trading conditions experienced across all divisions in the Group during 2021, the Group reported an underlying operating profit for the year on continuing activities. In the recruitment divisions, the impact of Covid-19 was mixed following the gradual return to work for most sectors, which was accompanied by unexpected high levels of labour shortages, especially in logistics-based sectors. The Group's PeoplePlus division continued to be impacted by the disruption to its training programmes, with a gradual return to some face-to-face training, which accelerated in the second half of the year. The Directors continued to enable the majority of the Group's permanent staff to work from home and provided additional support with Covid-secure working practices implemented at customers' premises.

Trading volumes in the first half of the year were impacted by the pandemic, with a relatively modest recovery in the second half. The Directors maintained tight cost control throughout with overheads at reduced levels, additionally benefiting from previous restructuring programmes. These initiatives resulted in improved performance in the second half of the year as lockdown restrictions eased, resulting in underlying profit and positive cash generation.

The Directors had previously highlighted that the Group's financial forecasts indicated a liquidity issue in early 2021 when VAT of £46.5m, deferred from the period between March to June 2020, may have had to be repaid. On 24 September 2020, the UK Government announced that an instalment payment scheme would be introduced, and details of the final scheme were published on 23 February 2021. The revised repayment profile of equal instalments over eight months commencing June 2021 had the effect of delaying the potential liquidity shortfall from March 2021 to later in the year.

In order to address the anticipated liquidity shortfall, the Directors engaged professional advisers in late 2020 to assess the Group's options for refinancing its debt facilities and to engage with potential lenders. On 20 May 2021, following a detailed appraisal by the Directors, the Company and certain subsidiary undertakings, entered into a new £90m Receivables Financing Agreement ("RFA") to replace the existing Group funding arrangements. The RFA contained certain requirements to be met before completion, the most significant of which was that the Company raise new equity capital of at least £40.0m. This condition was satisfied and the RFA became effective on 10 June 2021.

The new facility enabled the cancellation of the existing facilities, comprising the RCF of £20.0m and the RFF of £68.2m and also the non-recourse Receivables Purchase Facility of £25.0m. The Group continues to have access to its existing customer financing arrangements in respect of specific customers, under which invoices are settled in advance of normal credit terms.

The Group announced a proposed Placing, Subscription and Open Offer (the "Fundraise") on 21 May 2021 following conditional agreement of the debt refinancing. The Fundraise comprised the following elements:

- A total of 87,249,500 new ordinary shares of 10 pence each placed at a price of 50 pence per share (the "Issue Price") to certain existing shareholders, new institutional investors and certain Directors and employees of the Group;
- A total of 750,500 new ordinary shares of 10 pence each to certain Directors and employees of the Group at the issue price, and;
- An open offer to existing shareholders of 10 shares for every 78 ordinary shares held, for a total of 8,837,242 new ordinary shares of 10 pence each at the issue price.

The total proceeds of the Fundraise, which was approved by the shareholders in a General Meeting on 9 June 2021, was £48.4m. The total cost of the Fundraise and debt refinancing was £4.0m. The net proceeds were used to reduce total indebtedness and to provide working capital for growth.

The Directors have prepared updated forecasts and cash flow projections to 31 December 2023, which is considered to be a reasonable period over which a reasonable view can be formed. These forecasts have been used to assess going concern and have been stress-tested by applying basic sensitivity analysis, involving a reduction to revenues across all three divisions, over the period to 31 December 2023.

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 38 to 45. In addition, note 29 to the accounts includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully.

At 31 December 2021, the Group had net cash of £6.9m (2020: net debt of £(8.8)m), on a pre-IFRS 16 basis, and following the debt refinancing has committed facilities until 1 December 2025. For the period to 31 December 2023, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants contained therein. The Group has sufficient day to day liquidity to ensure that short-term liabilities can be satisfied as and when they fall due. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 25.

As a result, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the assessment period. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 18 months from when the financial statements are authorised for issue. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements continued
for the year ended 31 December 2021

3 Accounting policies continued

Prior year restatement

During the year a customer undertook a review of amounts claimed by PeoplePlus over the duration of the customer contract, which began in 2019. The review revealed that a number of records that are required to substantiate revenue claims were incomplete and as such revenue was recognised in error. The records related to 2019 and will require the repayment of £2.3m of revenue. Based on its legacy nature, this has been adjusted through reserves. Of the £2.3m, £0.8m has already been repaid in 2021, with the balance paid in February 2022.

The required adjustment is set out in the table below; Other payables understated by £2.3m.

Restatement of Consolidated statement of financial position:

As at 1 January 2020 and at 31 December 2020

	2019 Reported £m	Revenue overclaimed £m	2019 Restated £m	2020 Reported £m	Revenue overclaimed £m	2020 Restated £m
Assets						
Non-current						
Goodwill	94.9	–	94.9	59.6	–	59.6
Other intangible assets	34.0	–	34.0	24.3	–	24.3
Property, plant and equipment	14.6	–	14.6	9.6	–	9.6
Deferred tax asset	1.4	–	1.4	4.4	–	4.4
	144.9	–	144.9	97.9	–	97.9
Current	175.4	–	175.4	131.9	–	131.9
Total assets	320.3	–	320.3	229.8	–	229.8
Liabilities						
Current						
Trade and other payables	126.4	2.3	128.7	153.3	2.3	155.6
Borrowings	6.4	–	6.4	13.0	–	13.0
Other liabilities	0.7	–	0.7	–	–	–
Provisions	16.0	–	16.0	3.8	–	3.8
Lease liabilities	2.6	–	2.6	1.6	–	1.6
	152.1	2.3	154.4	171.7	2.3	174.0
Non-current						
Borrowings	78.1	–	78.1	20.0	–	20.0
Other liabilities	1.4	–	1.4	7.3	–	7.3
Provisions	2.4	–	2.4	1.2	–	1.2
Lease liabilities	5.8	–	5.8	3.9	–	3.9
Deferred tax liabilities	4.7	–	4.7	3.5	–	3.5
	92.4	–	92.4	35.9	–	35.9
Total liabilities	244.5	2.3	246.8	207.6	2.3	209.9
Equity						
Share capital	6.9	–	6.9	6.9	–	6.9
Own shares	(4.8)	–	(4.8)	(4.8)	–	(4.8)
Share premium	75.1	–	75.1	75.1	–	75.1
Share-based payment reserve	0.5	–	0.5	0.6	–	0.6
Profit and loss account	(1.9)	(2.3)	(4.2)	(55.6)	(2.3)	(57.9)
Total equity	75.8	(2.3)	73.5	22.2	(2.3)	19.9
Total equity and liabilities	320.3	–	320.3	229.8	–	229.8

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 December 2021 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed to 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.

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

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

Non-underlying charges are regarded as either 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.

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 excluding escrow funds. 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 pre-IFRS 16 basis which excludes 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) and also in Ireland (Recruitment Ireland), plus the provision of skills and employment training and support, 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.

Notes to the Financial Statements continued
for the year ended 31 December 2021

3 Accounting policies continued

Revenue recognition

Recruitment divisions

Income from the provision of temporary contractors is recognised as services are rendered, based on hours worked multiplied by the contracted hourly rate, net of rebates. In the case of temporary contractors, there is deemed to be one performance obligation, being the satisfactory completion of the daily hours. Income from permanent placements is recognised when the candidates start work, since there is deemed to be one performance obligation, being the commencement of employment of the worker. In the occasional instances where a permanent worker is deemed to be unsatisfactory and a suitable replacement cannot be found, a credit will be issued. No provision is held for this since the amounts are not material. In each case, revenue is only recognised when the labour or service has been provided and the Group is contractually entitled to the revenue.

Revenue is measured at the fair value of the consideration received or receivable for the supply of services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Provisions for rebates are accounted for in the period to which the sale relates and are calculated in accordance with the contractual arrangements in place. The rebate provision recognised is the full amount invoiced less the potential impact of other reasonably foreseen constraints. Management calculates an estimate of the most likely amount of the rebate based upon the terms agreed within the contract and adopts a prudent approach.

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.

The Recruitment division recognises contract assets to reflect revenue recorded in relation to work that is part way through completion of a performance obligation and is yet to be invoiced.

Contract liabilities are short-term in nature (less than one year) and are recognised in the profit and loss account in the year following recognition.

PeoplePlus division

Income is generated from skills-based contracts, and the provision of welfare to work services. The segment recognises revenue upon fulfilment of the performance obligation, being the provision of a specified individual level of training, support or advice for a person enrolled in the programme. There is one contract that has more than one performance obligation, however, the revenue was not material in either the current or prior years.

For contracts where the contractual obligation relates to providing individuals with training, support or advice for a specific period of time, ranging between 3-24 months, the revenue is recognised over time as this reflects when the individual receives the benefit, and the end client is simultaneously receiving and consuming the benefits provided by PeoplePlus' performance. Progress towards satisfaction of the performance obligation is determined based upon, for example, activities carried out. 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 in accordance with IFRS 15, including where the outcomes are variable in nature. There are a few contracts that have a variable element of revenue associated with them, for example one contract has an element of payment by results and potential penalties if insufficient activities are carried out. Detailed management information is used to support the basis of the variable element of the revenue recognition calculation to provide the most likely amount. This 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 and ensure that a prudent approach is adopted.

In the early stages of a contract it may be difficult to reasonably measure the outcome of a performance obligation. During this period, revenue is recognised only to the extent of the costs incurred until such time that the outcome of the performance obligations can be reasonably measured. 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.

In some instances the division receives income before the performance obligations have been fully satisfied. Accordingly, Income received in advance is held in the statement of financial position. See note 20.

Operating expenses

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

Furlough claims

Where the Group has been entitled to receive a government grant, it has determined the treatment of the grant under either a capital approach or the income approach. The Group has only been in receipt of grants determined as appropriate to account for under the income approach. The grant income has been matched with the related costs, for which they are intended to compensate, on a systematic basis. The grant income has only been recognised where there is reasonable assurance that the Group will comply with all conditions attached to the grant and that the grant will be received. During the year, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") in the UK and claimed and received a total of £1.6m (2020: £31.4m). At the year-end there were no outstanding amounts receivable. There are no unfulfilled conditions and contingencies attached to the grants recognised within these financial statements.

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 five 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 three to five 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 2021

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.

Following the adoption of IFRS 16, 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; and
- 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 are included in property, plant and equipment and lease liabilities are disclosed separately.

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. Cash held in escrow is excluded from net debt.

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.

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 refinancing 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 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, those trade receivables are derecognised at the point of transfer.

Notes to the Financial Statements continued
for the year ended 31 December 2021

3 Accounting policies continued

Financial assets continued

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 assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and they have been grouped based on the days past due. Refer to note 29 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 may include bank loans, receivables finance facilities, trade and other payables including liabilities for share-based payments, 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 working capital requirements of the Group's operations. They are recognised at the proceeds received and any direct issue costs are carried forward and amortised over the term of the relevant borrowings. Any 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. Working capital funding is currently provided via a Receivables Finance Agreement and a number of separate Customer Financing arrangements. Details are provided in note 21. Cash flows in relation to the Customer Financing arrangements are recognised as operating cash flows. Cash flows arising from the Receivables Finance Agreement are included as a movement in financing cash flows.

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.

Derivative financial instruments and hedge accounting

The Group accounts for derivative financial instruments at fair value through profit and loss ("FVTPL") except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

During the year, the Group has designated an interest rate cap contract as a hedged instrument in a cash flow hedge relationship. This arrangement has been entered into to mitigate interest rate risk arising from future increases in the SONIA interest rate. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

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 26.

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. 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.

Notes to the Financial Statements continued
for the year ended 31 December 2021

3 Accounting policies continued

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.

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.

Borrowings

The Group has a new Receivable Financing Agreement ("RFA"), which commenced on 10 June 2021. The Group receives advances against eligible receivables but retains responsibility for collection. The amounts due are funded on a recourse basis and consequently the receivable remains on the balance sheet until settled by the customer.

The Group receives additional funding by using a number of separate Customer Financing arrangements. In these separate 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 receivables financing 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 20.

Prior to its repayment in June 2021, the Group had in place a £20.0m Revolving Credit Facility ("RCF"), which would have expired in July 2022. In practice the elements of the facility that were drawn down typically had short-term expiry dates. Management considered the overall effect and features of the facility to be those of long-term borrowings that would expire after more than one year from the end of the year. The Group had an unconditional right to renew at each expiry date and roll the loan. Accordingly, the RCF balance outstanding was disclosed as non-current at 31 December 2020.

Deferred tax asset

The Group recognises a deferred tax asset on unused tax losses carried forward and on the timing difference between depreciation charges and tax allowances. The Group is profitable and management has determined that there is sufficient evidence to show that the tax losses will be utilised in the foreseeable future.

Details of all deferred tax balances are provided in note 24.

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 previous years, the Group has recognised impairment losses on goodwill in its Recruitment GB and PeoplePlus divisions (see note 11) and the Company has recognised impairment losses on its investments in certain subsidiary undertakings.

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 £1.1m (2020: £0.9m).

The Group's credit control procedures are considered to be robust, but 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 17 and details of their risk profile is provided in note 29.

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 52 weeks. Holiday pay hours accrue over the 12 months following each individual worker's 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 accrual similarly is reduced. For accrual purposes, 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. For every percentage point change in the take-up rate, the provision would change by £0.1m (2020: £0.1m).

The holiday pay accrual, which amounts to £13.1m (2020: £14.4m), is included within accruals in note 20.

Notes to the Financial Statements continued

for the year ended 31 December 2021

4 Segment reporting – continuing operations

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 and employment training and support. The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Group Chief Executive, with support from the Board.

Whilst there are individual legal entities within the three operating segments, they are operated and reviewed as single units by the Board of Directors. Each legal entity within an operating segment has the same management team, head office and have similar economic characteristics. Historically and going forward, management will integrate new acquisitions into the main trading entities within each operating segment.

Segment information for the reporting year is as follows:

	Recruitment GB 2021 £m	**Recruitment Ireland 2021 £m**	**PeoplePlus 2021 £m**	**Group Costs 2021 £m**	**Total Group 2021 £m**	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Group Costs 2020 £m	Total Group 2020 £m
Sales revenue from external customers	**747.9**	**111.7**	**83.1**	**–**	**942.7**	732.1	120.5	75.0	–	927.6
Cost of sales	**(697.2)**	**(100.4)**	**(62.3)**	**–**	**(859.9)**	(685.9)	(110.0)	(57.1)	–	(853.0)
Segment gross profit	**50.7**	**11.3**	**20.8**	**–**	**82.8**	46.2	10.5	17.9	–	74.6
Administrative expenses	**(40.4)**	**(8.4)**	**(14.0)**	**(3.4)**	**(66.2)**	(38.2)	(8.2)	(13.4)	(2.6)	(62.4)
Depreciation, software & lease amortisation	**(3.2)**	**(0.4)**	**(2.7)**	**–**	**(6.3)**	(3.8)	(0.7)	(2.9)	–	(7.4)
Segment underlying operating profit/(loss)*	**7.1**	**2.5**	**4.1**	**(3.4)**	**10.3**	4.2	1.6	1.6	(2.6)	4.8
Reorganisation costs	**–**	**–**	**–**	**–**	**–**	(2.0)	(0.7)	–	(1.3)	(4.0)
Transaction costs	**–**	**–**	**–**	**–**	**–**	–	–	–	(0.5)	(0.5)
Amortisation of intangibles arising on business combinations	**(6.4)**	**(1.4)**	**(0.2)**	**–**	**(8.0)**	(7.6)	(1.4)	(0.2)	–	(9.2)
Goodwill impairment	**–**	**–**	**–**	**–**	**–**	(18.8)	–	(16.5)	–	(35.3)
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	–	–	(0.1)	–	(0.1)
Segment profit/(loss) from operations	**0.7**	**1.1**	**3.9**	**(3.4)**	**2.3**	(24.2)	(0.5)	(15.2)	(4.4)	(44.3)
Finance costs	**(2.0)**	**(0.3)**	**–**	**(0.1)**	**(2.4)**	(2.5)	(0.2)	(0.1)	(4.5)	(7.3)
Segment loss before taxation	**(1.3)**	**0.8**	**3.9**	**(3.5)**	**(0.1)**	(26.7)	(0.7)	(15.3)	(8.9)	(51.6)
Tax credit	**0.3**	**(0.1)**	**–**	**1.5**	**1.7**	0.6	0.2	0.7	1.6	3.1
Segment (loss)/profit from continuing operations	**(1.0)**	**0.7**	**3.9**	**(2.0)**	**1.6**	(26.1)	(0.5)	(14.6)	(7.3)	(48.5)

* Segment underlying profit before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs.

	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Staffline Group 2021 £m	Total Group 2021 £m	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 Restated £m	Staffline Group 2020 £m	Total Group 2020 Restated £m
Total non-current assets	**36.0**	**11.6**	**36.5**	**–**	**84.1**	44.5	11.9	37.1	–	93.5
Total current assets	**106.6**	**20.1**	**19.9**	**0.5**	**147.1**	97.9	15.6	18.4	–	131.9
Total assets (consolidated)	**142.6**	**31.7**	**56.4**	**0.5**	**231.2**	142.4	27.5	55.5	–	225.4
Total liabilities (consolidated)	**128.0**	**13.2**	**26.3**	**0.1**	**167.6**	142.3	22.4	24.2	20.6	209.5
Cash capital expenditure inc software	**2.8**	**–**	**1.7**	**–**	**4.5**	1.2	0.1	1.3	–	2.6

Prior year results have been restated to exclude deferred tax assets as required by IFRS 8 Operating segments.

Revenues can be analysed by country as follows (97% of revenues arising within the UK in 2021, 97% in 2020):

	Recruitment GB 2021 £m	**Recruitment Ireland 2021 £m**	**PeoplePlus 2021 £m**	**Total Group 2021 £m**	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Total Group 2020 £m
UK	**747.9**	**83.9**	**83.1**	**914.9**	732.1	91.4	75.0	898.5
Republic of Ireland	**–**	**27.8**	**–**	**27.8**	–	29.1	–	29.1
	747.9	**111.7**	**83.1**	**942.7**	732.1	120.5	75.0	927.6

No customer contributed more than 10% of the Group's revenue during either 2021 or 2020.

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2021 £m	2020 £m
Employee benefits expenses – cost of sales	**834.1**	827.9
Other cost of sales	**25.7**	25.1
Employee benefits expenses – administrative expenses	**46.1**	40.5
Depreciation and software amortisation	**6.3**	7.4
Operating lease expenses	**1.5**	1.5
Other administrative expenses	**18.7**	20.4
	932.4	922.8
Disclosed as:		
Cost of sales	**859.9**	853.0
Administrative expenses – excluding non-underlying expenses	**72.5**	69.8
	932.4	922.8

Notes to the Financial Statements continued

for the year ended 31 December 2021

5 Expenses by nature continued

Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**15**	15
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of subsidiaries	**620**	680
– Audit of the pension scheme	**16**	18
– Audit-related assurance services	**15**	154
Total	**666**	867

Non-underlying expenses – continuing operations

	Note	2021 £m	2020 £m
Reorganisation, rationalisation and restructuring costs	1	–	4.0
Transaction costs – business acquisitions and strategic options	2	–	0.5
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	3	**8.0**	9.2
Goodwill impairment	4	–	35.3
Share-based payment charges – other senior executives		–	0.1
		8.0	49.1
Tax credit on above non-underlying expenses		**(0.9)**	(0.4)
Post taxation effect on above non-underlying expenses		**7.1**	48.7

Notes:

1. In 2020 the Group continued its reorganisation, rationalisation and restructuring programme across all the divisions in order to reduce the number of properties occupied and to reduce administration headcount.
2. Costs were incurred in 2020 in relation to advice on the Group's strategic options.
3. The charge for amortisation of intangible assets arising on business combinations relates principally to the acquisitions of the Endeavour Group, Passionate About People, Grafton Recruitment, Milestone and Brightwork.
4. The results of the impairment review for reporting the 2020 results showed that impairment charges to goodwill were required in the Recruitment GB and PeoplePlus cash-generating units of £18.8m and £16.5m respectively.

6 Finance costs

	2021 £m	2020 £m
Interest payable on financing arrangements	**2.4**	4.1
Refinancing costs – non-underlying	–	3.2
Total	**2.4**	7.3

7 Directors' and employees' remuneration

Employee benefits expense – consolidated

Expense recognised for employee (excluding temporary workers) benefits is analysed below:

	2021 £m	2020 £m
Wages and salaries	**72.3**	64.8
Social security costs	**6.7**	6.7
Other pension costs – defined contribution plans	**3.1**	3.5
	82.1	75.0
Share-based payment charge – equity-settled	**0.1**	0.1
	82.2	75.1
Included in administrative expenses (note 5)	**40.8**	40.8
Included in cost of sales	**41.3**	34.2
Share-based payment charge – equity-settled	**0.1**	0.1
	82.2	75.1

	2021 Number	2020 Number
The average monthly number of persons (including Directors) employed by the Group during the year was: – Sales and administrative	2,336	2,357

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

	2021 £m	2020 £m
Wages and salaries payable to employees	737.6	758.2
Social security costs	49.4	44.8
Other pension costs – defined contribution plans	7.4	4.4
Gross cost	794.4	807.4
Coronavirus Job Retention Scheme receipts	(1.6)	(31.4)
	792.8	776.0

	Number	Number
The average monthly number of temporary workers contracted by the Group during the year was:	37,844	43,163

The average number of persons (including Directors) employed by the Company during the year was six (2020: four). All Directors of the Group are remunerated through a subsidiary of the Company for their services to the Group as a whole and no direct recharge was made to the Company during the year (2020: £nil).

Directors' remuneration is detailed on pages 56 to 59 of the Report on Remuneration and disclosed further in note 26.

Share-based employee remuneration

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

The options granted over 148,276 Ordinary Shares under this scheme had a contract start date of 1 December 2017 and were exercisable between 1 December 2020 and 31 May 2021. No options were exercised under the scheme.

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 2021, options over 2,323 shares remain (33 employees), options over 71,265 shares having lapsed (164 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 76p, 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 2021, options over 393,243 shares remain (52 employees), options over 942,851 shares having lapsed (118 employees).

Save As You Earn ("SAYE") share option plan 2021

In October 2021, Staffline Group plc granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2021. Eligible employees across the Group were invited to subscribe for options over Staffline's ordinary shares of 10p each ("Ordinary Shares") with an exercise price of 50.56p, a 20% discount to the closing middle market price of 63.20p on the trading day before the invitation to participate was made on 8 October 2021. The options have a contract start date of 1 December 2021 and are exercisable between 1 December 2024 and 31 May 2025. A total of 272 employees elected to participate and, pursuant to these elections, a total of 2,430,723 options over Ordinary Shares were granted on 29 October 2021, equating to 1.466% of the current issued share capital of 165,767,728 shares. As at 31 December 2021, options over 2,269,097 shares remain (256 employees), options over 161,626 shares having lapsed (16 employees).

Notes to the Financial Statements continued
for the year ended 31 December 2021

7 Directors' and employees' remuneration continued

Options awarded to Directors under this scheme are set out in the table below:

	Options granted
Albert Ellis – Chief Executive Officer	35,601
Daniel Quint – Chief Financial Officer	35,601

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. 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 1,050p. 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 859p.

During the year it was determined that there was no prospect that the above conditions would be met and that no shares would be awarded under the Plan. Accordingly, the Plan was wound up during the year.

2021 Long-Term Incentive Plan

During the year the Remuneration Committee approved the creation of a new Long-Term Incentive Plan and on 6 July 2021 the Board approved the award of and granted nil cost options (the "Options") over 1,678,279 ordinary shares of ten pence each in the Company ("Ordinary Shares") to certain employees, including persons discharging managerial responsibilities ("PDMRs").

The vesting of the Options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial year ending 31 December 2023. 50% of the Options awarded are subject to achieving earnings per share hurdles and 50% are subject to achieving EBITDA hurdles. In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2023 is above a minimum target. The Options will vest from 30 June 2024 and will be exercisable until 30 June 2031.

The Options awarded to PDMRs are set out in the table below:

	Options granted
Albert Ellis – Chief Executive Officer	573,770
Daniel Quint – Chief Financial Officer	450,820
Other senior executives	653,689
	1,678,279

Subsequent to the award, one of the executives resigned as an employee of the Group and accordingly options over 180,328 lapsed.

Share-based employee remuneration

In total, a charge of £0.1m of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2021 (2020: £0.1m) which increased the share-based payment reserve by £0.1m (2020: £0.1m) in respect of equity-settled schemes (all employees SAYE scheme) and increased the liability by £nil (2020: £1.0m) in respect of cash-settled JSOP schemes.

	2021 £m	2020 £m
Save As You Earn Scheme (equity-settled)	**0.1**	0.1
Total	**0.1**	0.1

Key management personnel

The key management personnel are considered to be the Board of Directors of Staffline Group plc, whose remuneration can be seen in the Report on Remuneration on pages 56 to 59, and the divisional Directors. The aggregate remuneration, excluding share-based payment charges, for the divisional Directors for the year is £2.1m (2020: £1.6m). In the year ended 31 December 2020, compensation payments of £0.2m were made on the departure of four key management personnel. Disclosures in accordance with IAS 24 are included in note 26.

8 Tax expense

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

Continuing activities	2021 £m	2020 £m
Corporation tax		
UK corporation tax at 19.00% (2020: 19.00%)	–	0.8
Adjustments in respect of prior years	(0.5)	–
UK current tax (credit)/charge	**(0.5)**	0.8
Deferred tax		
Timing differences arising in the year	(0.6)	(3.3)
Adjustments in respect of prior years	(0.6)	(0.6)
UK deferred tax credit	**(1.2)**	(3.9)
Total UK tax credit for the year	**(1.7)**	(3.1)

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

	2021 £m	2020 £m
Recruitment GB	(0.1)	(0.6)
Recruitment Ireland	(0.1)	(0.2)
PeoplePlus	–	(0.7)
Staffline Group	(1.5)	(1.6)
Total UK tax credit for the year	**(1.7)**	(3.1)
Underlying trading	(0.8)	(0.4)
Non-underlying trading	(0.9)	(2.7)
Total UK tax credit for the year	**(1.7)**	(3.1)

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% (2020: lower than the 19.00% standard rate). The differences are explained below:

	2021 £m Total	2020 £m Total
Loss for the year before taxation	(0.1)	(51.6)
Tax rate	19%	19%
Tax on loss for the year at the standard rate	**–**	(9.8)
Effect of:		
Goodwill impairment	–	6.7
Change in deferred tax rate to 25%	(0.7)	0.5
Expenses not allowable	–	0.9
Income not taxable	(0.1)	–
Adjustments in respect of prior years	(1.1)	(0.6)
Tax losses available	(0.8)	(0.8)
Deferred tax not recognised	1.0	–
Actual tax credit	**(1.7)**	(3.1)
On underlying profit	(0.8)	(2.7)
On non-underlying loss	(0.9)	(0.4)
Actual tax credit	**(1.7)**	(3.1)

The total tax credit for the year of £1.7m (2020: £3.1m) comprises a corporation tax credit relating to prior years and the movement of deferred tax balances. The Group has no current corporation tax liability in respect of either the current or prior years and is anticipating a refund relating to tax losses carried back to a prior period. Corporation tax losses of £16.7m carried forward in all divisions and the Company have been recognised as a deferred tax asset. Additional tax losses, amounting to £6.6m (2020: £7.3m) whose short-term recoverability is less certain have not been recognised as a deferred tax asset. An amount of overpaid corporation tax of £4.1m was offset against the balance of VAT that was deferred between March and June 2020. Further corporation tax amounts receivable of £1.7m were received during the year.

Notes to the Financial Statements continued

for the year ended 31 December 2021

8 Tax expense continued

The impairment of goodwill in 2020 is not deductible under UK corporation tax and is therefore added back to taxable profits. A deferred tax liability is recognised in respect of intangible assets arising on acquired businesses. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021. This will increase the Company's future tax charges accordingly. The deferred tax asset has therefore been calculated at a rate of 25%.

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 2021 of £0.6m (2020: £1.7m) can be analysed as follows:

	2021 £m	2020 £m
(Asset)/liability at the beginning of the year	**(1.7)**	(5.3)
(Credit)/charge on profits for the year	**–**	–
Loss carried back to prior years	**(0.4)**	
R&D tax credit	**(0.2)**	0.2
Offset against deferred VAT liability	**–**	4.1
Received/(paid) in the year (net of repayments)	**1.7**	(0.7)
Asset at the end of the year	**(0.6)**	(1.7)
Balance of 2021 tax year (assets)	**–**	(0.7)
Balance of 2020 tax year (assets)	**(0.6)**	(0.7)
Balance of 2017 tax year (assets)	**–**	(1.0)
Asset at the end of the year	**(0.6)**	(1.7)

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 Group's Employee Benefit Trust – "own shares" (2020: 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 under the SAYE and long-term incentive schemes.

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

	Basic 2021	Basic 2020	**Diluted 2021**	Diluted 2020
Profit/(loss) from continuing operations (£m)	**1.6**	(48.5)	**1.6**	(48.5)
Weighted average number of shares	**122,178,126**	67,790,086	**122,682,511**	67,790,086
Earnings/(loss) per share from continuing operations (p)	**1.3p**	(71.5)p	**1.3p**	(71.5)p
Underlying earnings (post tax) from continuing operations (£m)	**8.7**	3.4	**8.7**	3.4
Underlying earnings per share (p)*	**7.1p**	5.0p	**7.1p**	5.0p
Loss from discontinued operations (£m)	**(0.4)**	(4.2)	**(0.4)**	(4.2)
Weighted average number of shares	**122,178,126**	67,790,086	**122,682,511**	67,790,086
Loss per share from discontinued operations (p)	**(0.3)p**	(6.2)p	**(0.3)p**	(6.2)p
Underlying loss from discontinued operations (£m)	**–**	(1.9)	**–**	(1.9)
Underlying loss per share from discontinued operations (p)*	**–**	(2.8)p	**–**	(2.8)p
Profit/(loss) for the year (£m)	**1.2**	(52.7)	**1.2**	(52.7)
Weighted average number of shares	**122,178,126**	67,790,086	**122,682,511**	67,790,086
Total earnings/(loss)per share (p)	**1.0p**	(77.7)p	**1.0p**	(77.7)p

* Underlying earnings before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs.

The weighted average number of shares was increased by 54,388,040 shares to take account of the effect of the Placing, Subscription and Open Offer in June 2021 whereby 96,837,242 new Ordinary Shares were issued. The total number of dilutive share options held in LTIP and SAYE schemes is 504,384 (2020: Nil).

Dividends

The Board is not proposing a final dividend payment for 2021.

10 Discontinued activities

On 1 December 2020, the Group sold its loss-making Apprenticeships training business for a nominal sum. The sale agreement required PeoplePlus to provide working capital support to the purchaser in the form of reimbursement of relevant salary costs incurred between December 2020 and March 2021, which are being repaid over 12 months commencing May 2021. In 2020, the Apprenticeships business recorded an underlying operating loss of £(2.2)m for the year, before reorganisation and exit costs of £(2.5)m. During 2021, further exit costs of £0.3m were incurred.

The Group completed its disposal of its subsidiaries in Poland to the incumbent management team in December 2021. The results of the Polish activities were deemed to be discontinued during 2020 and the loss for that year was £(0.3)m. Costs incurred during 2021, principally for legal fees, amounted to £0.1m.

11 Goodwill

Gross carrying amount by operating segment:

Gross carrying amount	Recruitment GB £m	Recruitment Ireland £m	PeoplePlus £m	Total £m
At 1 January 2021 and 31 December 2021	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2021 and 31 December 2021	33.1	–	24.5	57.6
Net book amount at 31 December 2021	**21.4**	**5.7**	**32.5**	**59.6**
Net book amount at 31 December 2020	21.4	5.7	32.5	59.6

Impairment – Goodwill

Management considers there to be three cash-generating units ("CGUs"), 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.

An impairment review was conducted as at 31 December 2021. The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2022-24, followed by an extrapolation of expected cash flows over the next two years with a long-term growth rate of 0% for each cash-generating unit. The forecasts are prepared by the individual operating segments of the Group, which are considered to be the same as the determined CGU's. The cash flow forecasts are based on current levels of trading for each CGU, with income and cost increases generally in line with inflation at 2% and no significant contract wins or losses.

Pre-tax discount rates of 14.4% for Recruitment GB, 12.0% for Recruitment Ireland and 11.7% for PeoplePlus (2020: 13.0% for Recruitment GB, 12.0% for Recruitment Ireland and 10.8% for PeoplePlus) were used based on the weighted average costs of capital for each operating segment. The recoverable amounts of the CGUs, having considered the higher of value-in-use and fair value less costs to sell, were £59.1m for Recruitment GB, £22.7m for Recruitment Ireland and £68.6m for PeoplePlus, all being value-in-use. The discount rates used are based on appropriate, current long-term market rate indicators to give a long-term forward view, whilst also acknowledging historical information.

The results of the impairment review showed headroom in all cash-generating units and accordingly no impairment was noted. The same calculations indicated that no impairment was required to the Company's carrying value of its investments.

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 CGUs. Whilst there are individual legal entities within the three operating 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.

Notes to the Financial Statements continued

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11 Goodwill continued

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 14.4% for Recruitment GB, 12.0% for Recruitment Ireland and 11.7% for PeoplePlus and a terminal growth value of 0%. These rates are based on the latest weighted average costs of capital for each operating segment. These rates have increased this year primarily due to a movement in the risk-free rate. The calculations highlighted headroom of £21.3m for Recruitment GB, headroom of £11.2m for Recruitment Ireland and headroom of £36.2m for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £17.3m for Recruitment GB, reduces headroom to £9.4m for Recruitment Ireland and reduces headroom to £29.6m 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% reduces the headroom to £15.4m for Recruitment GB, reduces headroom to £8.9m for Recruitment Ireland and reduces headroom to £28.3m for PeoplePlus. A sustained underperformance of 37% would be required before any impairment was necessary to the goodwill.

As at 31 December 2021, the Company had no goodwill (2020: £nil).

12 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 2020	**16.1**	**2.0**	**85.1**	**5.5**	**108.7**
Additions	1.5	–	–	–	1.5
Disposals	(5.4)	–	–	–	(5.4)
At 31 December 2020	**12.2**	**2.0**	**85.1**	**5.5**	**104.8**
Additions	2.1	–	–	–	2.1
Disposals	(0.8)	–	–	–	(0.8)
At 31 December 2021	**13.5**	**2.0**	**85.1**	**5.5**	**106.1**
Amortisation					
At 1 January 2020	**9.9**	**2.0**	**57.3**	**5.5**	**74.7**
Charged in the year	1.8	–	9.2	–	11.0
Disposals	(5.2)	–	–	–	(5.2)
At 31 December 2020	**6.5**	**2.0**	**66.5**	**5.5**	**80.5**
Charged in the year	1.8	–	8.0	–	9.8
Disposals	(0.7)	–	–	–	(0.7)
At 31 December 2021	**7.6**	**2.0**	**74.5**	**5.5**	**89.6**
Net book amount at 31 December 2021	**5.9**	**–**	**10.6**	**–**	**16.5**
Net book amount at 31 December 2020	5.7	–	18.6	–	24.3

The Company has no other intangible assets (2020: £nil).

As at 31 December 2021, there are six individually material other intangible assets:

	2021 £m			2020 £m		
	Software	**Customer contracts and brands**	**Total**	Software	Customer contracts and brands	Total
Customer contracts in Endeavour Group	**–**	**3.4**	**3.4**	–	5.8	5.8
Customer contracts/brands in Passionate About People Group	**–**	**4.0**	**4.0**	–	6.2	6.2
Customer contracts in Grafton Recruitment	**–**	**2.1**	**2.1**	–	3.4	3.4
Payroll and Credit Control software developed for Recruitment division	**5.1**	**–**	**5.1**	4.9	–	4.9
Customer contracts in One Call Recruitment	**–**	**0.9**	**0.9**	–	1.5	1.5
Customer contracts in Brightwork	**–**	**0.2**	**0.2**	–	0.9	0.9
Others	**0.9**	**–**	**0.8**	0.8	0.8	1.6
Net book amount at 31 December 2021	**6.0**	**10.6**	**16.5**	5.7	18.6	24.3

Software, customer contracts and brands each have a useful economic life ("UEL") of 5.0 years. At 31 December 2021, the remaining UELs of the principal customer contracts are as follows:

	UEL (years)
Endeavour Group	1.2
Passionate About People Group	1.8
Grafton Recruitment	1.6
One Call Recruitment	1.4
Brightwork	0.3

13 Fixed asset investments – Company

	Investment in Group undertakings £m
Cost at 1 January 2020	**75.0**
Impairment adjustment	(7.2)
Net book amount at 31 December 2020	**67.8**
Impairment adjustment	–
Net book amount at 31 December 2021	**67.8**

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 no impairment was required to the Company's carrying value of its investments.

The recoverable amount of the investments was based on value-in-use calculations with the same assumptions as described in note 11.

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. No impairment adjustment is required.

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for the year ended 31 December 2021

13 Fixed asset investments – Company continued
As at 31 December 2021, 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, England, 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	Dormant
A4e Enterprise 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	100%	England and Wales	Dormant
Staffline Recruitment (NI) Limited (was Grafton Recruitment Limited)*	100%	Northern Ireland	Recruitment
International Employment Group 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	Dormant
One Call Recruitment Limited*	100%	England and Wales	Dormant
Passionate About People Limited*	100%	England and Wales	Dormant
Softmist Limited*	100%	England and Wales	Dormant
IEG Limited	100%	England and Wales	Dormant
Staffline Appointments Limited*	100%	England and Wales	Dormant
Staffline Holdings Limited	100%	England and Wales	Dormant
Vital Recruitment Limited*	100%	England and Wales	Dormant
Registered office: Cooldriona Court, Main Street, Swords, Co. Dublin, Ireland, K67 WN92			
Staffline Limited (was Staffline Recruitment Limited)	100%	Republic of Ireland	Dormant
Staffline Recruitment (ROI) Limited (was Grafton Recruitment Limited)*	100%	Republic of Ireland	Recruitment
Registered office: The Boat, 49 Queens Square, Belfast, BT1 3FG			
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, Scotland, EH3 9BN			
PeoplePlus Scotland Limited*	100%	Scotland	Dormant
Registered office: Rua S. Joao de Brito 605 E-4, Porto, Ramalde, 4100 455 Porto, Portugal			
Omega Recruitment, Unipessoal LDA*	100%	Portugal	Recruitment

* These companies are owned indirectly through other Group companies.

14 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 2020	15.6	13.0	2.3	0.2	31.1
Additions	0.3	1.2	0.1	–	1.6
Disposals	(1.2)	(2.9)	(1.1)	–	(5.2)
At 31 December 2020	**14.7**	**11.3**	**1.3**	**0.2**	**27.5**
Additions	1.4	1.8	0.3	0.3	3.8
Disposals	(1.4)	(0.8)	(0.4)	–	(2.6)
At 31 December 2021	**14.7**	**12.3**	**1.2**	**0.5**	**28.7**
Depreciation					
At 1 January 2020	**6.0**	**8.1**	**2.2**	**0.2**	**16.5**
Charged in the year – operating	2.8	2.7	0.1	–	5.6
Disposals	(0.9)	(2.2)	(1.1)	–	(4.2)
At 31 December 2020	**7.9**	**8.6**	**1.2**	**0.2**	**17.9**
Charged in the year – operating	1.7	1.8	0.2	0.1	3.8
Charged in the year – impairment	0.7	–	–	–	0.7
Disposals	(0.7)	(0.7)	(0.3)	–	(1.7)
At 31 December 2021	**9.6**	**9.7**	**1.1**	**0.3**	**20.7**
Net book value					
At 31 December 2021	**5.1**	**2.6**	**0.1**	**0.2**	**8.0**
At 31 December 2020	6.8	2.7	0.1	–	9.6

Land and buildings and computer equipment includes the following right-of-use assets:

At 31 December 2021

	Carrying amount	Depreciation expense	Impairment
Office buildings	**3.6**	**(1.6)**	**(0.7)**
Computer equipment	**0.2**	**–**	**–**
	3.8	**(1.6)**	**(0.7)**

At 31 December 2020

	Carrying amount	Depreciation expense	Impairment
Office buildings	5.0	(2.6)	–
Computer equipment	0.2	(0.1)	–
	5.2	(2.7)	–

As at 31 December 2021, the Company had no property, plant and equipment assets (2020: £nil).

Notes to the Financial Statements continued
for the year ended 31 December 2021

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

	2021 £m	2020 £m
Current	1.3	1.6
Non-current	3.3	3.9
	4.6	5.5

The Group has leases for its operational and administrative offices, and some computer 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 14).

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	53	0.2 – 13.2	3.2	–
IT equipment	–	–	–	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 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 2021						
Lease payments	**1.4**	**1.2**	**0.8**	**0.5**	**0.9**	**4.8**
Finance charges	**(0.1)**	**(0.1)**	**–**	**–**	**–**	**(0.2)**
Net present value	**1.3**	**1.1**	**0.8**	**0.5**	**0.9**	**4.6**
31 December 2020						
Lease payments	1.7	1.1	0.8	0.6	1.7	5.9
Finance charges	(0.1)	(0.1)	(0.1)	–	(0.1)	(0.4)
Net present value	1.6	1.0	0.7	0.6	1.6	5.5

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:

	2021 £m	2020 £m
Short-term leases	0.8	0.6
Leases of low-value assets	0.7	0.8
	1.5	1.4

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

Total cash outflow for leases for the year ended 31 December 2021 was £3.2m (2020: £4.8m).

16 Retirement benefit net liability

One of the Group's subsidiaries, PeoplePlus Group Limited, operates a defined benefit pension scheme for some staff. The scheme is closed to new entrants. The last actuarial valuation of the scheme was at 30 May 2019. Given that the fair value of plan assets is only £10.1m (2020: £9.8m), only significant disclosures are reported below.

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

	2021 £m	2020 £m
Fair value of plan assets	10.1	9.8
Present value of funded obligations	(10.4)	(10.9)
Net liability in the balance sheet at 31 December	**(0.3)**	(1.1)
Actuarial gain/(losses) during the year, before tax	0.8	(1.0)
Deferred tax on gain/(loss)	(0.1)	0.2
Actuarial gain/(loss) during the year, post deferred tax impact	**0.7**	(0.8)

The Directors have agreed with the pension trustees to make additional contributions to the pension scheme with a view to substantially reducing the liability by 31 July 2029.

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

	2021 £m	2020 £m
Balance at 1 January	9.8	9.8
Interest on assets	0.1	0.2
Expenses	(0.1)	–
Contributions – employer and member	0.2	0.1
Benefits paid	(0.2)	(0.2)
Actuarial gain/(loss) on asset return	0.3	(0.1)
Fair value of plan assets in the balance sheet at 31 December	**10.1**	**9.8**

At 31 December 2021, the scheme's assets, valued at market value, were distributed as follows:

	2021 £m	2020 £m
Bonds (68% of assets as at 31 December 2021)	5.7	6.7
Equities (31% of assets as at 31 December 2021)	3.3	3.0
Cash (1% of assets as at 31 December 2021)	1.1	0.1
Fair value of plan assets in the balance sheet at 31 December 2021	**10.1**	9.8

All investments are managed by the investment advisers 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:

	2021 £m	2020 £m
Balance at 1 January 2021	10.9	9.9
Interest cost on liabilities	0.1	0.2
Service cost – current accrual cost	0.1	0.1
Benefits paid – net of member contributions	(0.2)	(0.2)
Actuarial loss/(gain) on change in assumptions	(0.5)	0.9
Present value of funded obligations in the balance sheet at 31 December 2021	**10.4**	10.9
Membership numbers (active 2021: 12, 2020: 12)	263	263

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for the year ended 31 December 2021

16 Retirement benefit net liability continued

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

	2021	2020
Future increase in inflation rate (RPI)	**3.30%**	2.90%
Future increase in inflation rate (CPI)	**2.70%**	2.30%
Salary increase	**3.30%**	2.90%
Discount rate	**1.90%**	1.35%
Future pension increases for leavers (RPI)	**3.30%**	2.90%

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 based on the following:
- Pre-retirement mortality: CMI 2020 projections with a long-term trend of 0.0% per annum
- Post-retirement mortality: CMI 2020 projections with a long-term trend of 1.25% per annum

The mortality assumptions used were as follows:

	31 Dec 2021 Years	31 Dec 2020 Years
Average expected future life at age 60 for a:		
– male currently aged 60	**27.2**	27.1
– female currently aged 60	**29.4**	29.3
– male currently aged 40	**28.7**	28.6
– female currently aged 40	**30.9**	30.8

Members are assumed to retire at the earliest age when 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 (2020: £nil) contributions unpaid at the year-end.

A charge of £0.1m (2020: £0.1m) is included within the statement of comprehensive income within administrative expenses for the service cost. A net actuarial gain, after deferred taxation, of £0.7m (2020: loss of £0.8m) is included within the consolidated statement of changes in equity.

At 31 December 2021, the Company had no pension balances (2020: £nil).

17 Trade and other receivables

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Trade and other receivables	**103.5**	**–**	89.1	–
Amounts due from Group undertakings	**–**	**3.0**	–	7.7
Accrued income	**12.7**	**–**	15.7	–
Debtors: Amounts falling due after more than one year				
Amounts due from Group undertakings	**–**	**30.8**	–	–
	116.2	**33.8**	104.8	7.7

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 and the Group maintains a comprehensive credit insurance policy, which mitigates a significant proportion of any potential credit risk. 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.

The Company has a loan agreement with a subsidiary undertaking, Staffline Recruitment Ltd, for a capital amount of £30.8m. The loan is unsecured, is repayable after four years from 30 December 2021 and bears interest at a rate of 4.50% per annum. All other amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

The amounts held at 31 December 2021 by the Company pose no material liquidity or credit risk as they are owed by other Group undertakings and are expected to be settled by Group transactions.

Included in the trade and other receivables balance above is a bad debt provision of £0.7m (2020: £0.8m). The bad debt provision is split as follows:

	2021 £m	2020 £m
Expected Credit Loss (“ECL”)	**0.1**	0.1
Specific bad debt provision	**0.6**	0.7
Bad debt provision	**0.7**	0.8

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 28 for details.

18 Derivative financial instruments

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Fair value hedge – interest rate cap	**0.5**	**0.5**	–	–

During the year the Group has entered into an amortising interest rate cap instrument, which reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement and the customer finance arrangements. The instrument, which has a term of three years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

The fair values of derivatives are based on market data to calculate the present value of all estimated flows associated with the derivatives at the balance sheet date. The interest rate cap is classed as a level 2 financial instrument in accordance with IFRS 13 classification hierarchy. Level 2 financial instruments are not traded in an active marked, but the fair value is based on quoted market prices, broker/dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

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for the year ended 31 December 2021

19 Cash

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Cash and cash equivalents	**29.8**	**–**	24.5	–
Restricted cash	**–**	**–**	0.9	–

Cash and cash equivalents consist of cash on hand and balances with banks only. All cash on hand and balances with banks are held by subsidiary undertakings; however, the balances are available for use by the Group.

Restricted cash related to amounts is held in escrow to satisfy the NMW remediation and financial penalties relating to historic HMRC National Minimum Wage breaches. This balance is excluded from net debt.

Long-term credit ratings for the Group's banks are currently as follows:

	Fitch	Standard & Poor's	Moody's
Royal Bank of Scotland plc	A+	A	A1*/A1
National Westminster Bank plc	A+	A	A1*/A1
Bank of Ireland Group plc	BBB	BBB–	Baa1

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

	2021 £m	2020 £m
Cash at bank (as above)	**29.8**	24.5
Undrawn receivable finance facility agreement	**48.6**	54.9
Banking facility headroom	**78.4**	79.4

As at 31 December 2021, the Company had no cash balances (2020: £nil).

20 Trade and other payables

	2021 Group £m	2021 Company £m	2020 Group Restated £m	2020 Company £m
Trade and other payables	**20.4**	**–**	21.0	–
Accruals	**45.8**	**–**	47.1	0.1
Deferred income	**14.3**	**–**	6.9	–
Amounts due to Group undertakings	**–**	**3.4**	–	3.7
Other taxation and social security	**53.8**	**–**	80.6	–
	134.3	**3.4**	155.6	3.8

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.

The Group took advantage of the UK Government scheme for the deferral of VAT payments between March and June 2020. The total deferral under the scheme amounted to £42.4m after offset of a corporation tax refund due from 2018. The balance was repaid in equal instalments between June 2021 and January 2022. As at 31 December 2021, £5.8m remained payable under the arrangement.

Under certain contracts, the Group's PeoplePlus division typically receives income in advance of full satisfaction of its performance obligations. Such amounts are recorded as deferred income and released as the relevant obligations are fulfilled. During the year the division has received contractual amounts due, but due to lock-down restrictions has been unable to provide a full service.

For 2021, revenue includes £6.9m (2020: £2.6m) included in the contract liability balance at the beginning of the period.

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

21 Borrowings

Borrowings are repayable as follows:

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
In one year or less or on demand*	**24.2**	–	14.9	–
In more than one year but not more than two years*	**1.1**	–	21.0	20.0
In more than two years but not more than five years*	**1.3**	–	1.3	–
In more than five years	**0.9**	–	1.6	–
Unamortised refinancing costs	–	–	(0.3)	–
Total borrowings	**27.5**	–	38.5	20.0

* Ageing of balances above is shown excluding unamortised refinancing costs.

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Split:				
Current liabilities:				
Receivables finance agreement	**22.9**	–	13.3	–
Unamortised refinancing costs	–	–	(0.3)	–
Lease liabilities	**1.3**	–	1.6	–
	24.2	–	14.6	–
Non-current liabilities:				
Revolving credit facility	–	–	20.0	20.0
Lease liabilities	**3.3**	–	3.9	–
	3.3	–	23.9	20.0
Total borrowings	**27.5**	–	38.5	20.0
Total borrowings excluding unamortised refinancing costs	**27.5**	–	38.8	20.0
Less: Cash (note 19)	**(29.8)**	–	(24.5)	–
Net (cash)/debt	**(2.3)**	–	14.3	20.0

Following discussions with its lenders, the Company and the lenders agreed on 26 June 2020 to a revised financing structure. The key elements of those facilities was a reduced Revolving Credit Facility ("RCF") of £30.0m (previously £78.2m) and a new Receivables Finance Facility ("RFF") (invoice discounting) of a maximum of £73.2m, and the removal of the overdraft facility of £25.0m. The refinancing was accounted for as a substantial modification.

The key terms of the facilities are set out below:
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 drawn 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;
v) Minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022; and
vi) No dividends to be declared by the Company until July 2022.

On 31 July 2020, the RCF was reduced by £10.0m from £30.0m to £20.0m. On 8 October 2020, following the removal of two customers from the RFF, the maximum availability on the RFF was reduced by £5.0m from £73.2m to £68.2m.

As at 31 December 2020, the Group also had available a separate £25.0m uncommitted, non-recourse, Receivables Financing Facility against certain customer receivables, and a number of separate, non-recourse, Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The balance funded under the Receivables Financing Facility at 31 December 2020 was £24.3m and the value of invoices funded under the Customer Financing arrangements was £43.0m. Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

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21 Borrowings continued
On 10 June 2021, the Group entered into a new Receivables Financing Agreement ("RFA") to replace the existing Group funding arrangements. The RFA contained certain requirements to be met before completion, the most significant of which was that the Company raise new equity capital of at least £40.0m. This condition was satisfied and the RFA became effective on 10 June 2021.

The key terms of the new facility, which is provided jointly by RBS Invoice Finance Limited, ABN AMRO Asset Based Finance N.V., UK Branch and Leumi ABL Limited, are set out below:

i) Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
ii) An Accordion option of up to an additional £15.0m, subject to lender approval;
iii) Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
iv) Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00x;
v) A non-utilisation fee of 35% of the margin;
vi) Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023;
vii) Minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges; and

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.

The new facility enabled the cancellation of the existing facilities, comprising the RCF of £20.0m and the RFF of £68.2m and also the non-recourse Receivables Purchase Facility of £25.0m. The Group retained its Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The value of invoices funded under the Customer Financing arrangements was £42.3m at 31 December 2021. Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

For the period to 31 December 2023, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants described above.

22 Other liabilities

	2021 Group £m	**2021 Company £m**	2020 Group £m	2020 Company £m
Due after more than one year (non-current)				
Other taxation and social security	–	–	5.8	–
Retirement benefit net liability	**0.3**	–	1.1	–
Revolving credit facility termination fee	–	–	0.4	0.4
	0.3	–	7.3	0.4

A final instalment of £5.8m relating to the UK Government VAT deferral scheme was paid in January 2022.

The Group has agreed with the trustees of the Group's defined benefit pension scheme to make additional contributions to the scheme in order to eliminate the current deficit by July 2029.

23 Provisions

	Staff costs £m	Property costs £m	NMW remediation and financial penalties £m	2021 Group Total £m	2020 Group Total £m
At 1 January 2021	**0.8**	**2.3**	**1.9**	**5.0**	**18.4**
Amounts charged to the income statement	0.4	0.1	–	0.5	1.0
Amounts transferred from accruals	0.1	–	–	0.1	0.2
Amounts utilised	(0.4)	(0.1)	(0.9)	(1.4)	(13.6)
Unused amounts reversed to the income statement	–	(0.5)	(0.9)	(1.4)	(1.0)
At 31 December 2021	**0.9**	**1.8**	**0.1**	**2.8**	**5.0**
Due within one year (current)	0.9	0.5	–	1.4	3.8
Due after more than one year (non-current)	–	1.3	0.1	1.4	1.2
At 31 December 2021	**0.9**	**1.8**	**0.1**	**2.8**	**5.0**

The Group makes provision staff and property costs relating to reorganisation programmes. The staff costs relate to redundancies and the property costs relate to lease dilapidations.

Provision is made for "wear and tear" dilapidations costs at the Group's leased properties. Where possible, dilapidations provisions are determined based on an independent valuation of the estimated total cost payable on expiry of the respective leases. The amounts recognised are in respect of "wear and tear" to date. The timing and value of the costs are uncertain due to potential changes to exit dates and the final liability which may be subject to negotiation with the landlord.

The NMW remediation and financial penalties provision relates to historic HMRC National Minimum Wage breaches, of which a large proportion was settled in the previous year.

The Company has no provisions (2020: £nil).

24 Deferred taxation

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Deferred taxation assets	4.6	0.8	4.4	–
Deferred taxation (liabilities)	(2.7)	–	(3.5)	–
Net asset	**1.9**	**0.8**	0.9	–

The table below shows the Group movement in net deferred taxation during the year:

2021 Deferred tax assets/(liabilities)	1 January 2021 Restated £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	31 December 2021 £m
Property, plant, equipment and software temporary timing differences	0.4	0.1	(0.3)	0.2
Acquired intangible assets	(3.0)	0.3	–	(2.7)
Provisions	0.7	(0.5)	0.5	0.7
Recoverable tax losses	2.6	0.6	0.4	3.6
Retirement benefit asset	0.2	(0.1)	–	0.1
Net asset	**0.9**	**0.4**	**0.6**	**1.9**
Recognised as:				
Deferred tax asset	4.4	(0.4)	0.6	4.6
Deferred tax liability	(3.5)	0.8	–	(2.7)
Net asset	**0.9**	**0.4**	**0.6**	**1.9**

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24 Deferred taxation continued

The table below shows the Group movement in net deferred taxation during the prior year:

2020 Deferred tax assets/(liabilities)	1 January 2020 Restated £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	31 December 2020 Restated £m
Property, plant, equipment and software temporary timing differences	0.9	(0.1)	(0.4)	0.4
Acquired intangible assets	(4.7)	–	1.7	(3.0)
Provisions	0.1	–	0.6	0.7
Recoverable tax losses	0.4	2.7	(0.5)	2.6
Retirement benefit asset	–	–	0.2	0.2
Net (liability)/asset	**(3.3)**	**2.6**	**1.6**	**0.9**

The Group has utilised taxable losses against current year taxable profits amounting in aggregate to £4.1m (2020: incurred tax losses of £3.2m), during the year and has carried forward tax losses of £16.7m. These losses are available for relief against future tax liabilities. The likelihood of recovery of these losses in the foreseeable future is considered to be probable and consequently a deferred tax asset has been recognised. Additional tax losses, amounting to £6.6m (2020: £7.3m) whose short-term recoverability is less certain have not been recognised as a deferred tax asset.

Deferred tax assets and liabilities in the UK have been recognised at the rate of 25%, whilst those in the Republic of Ireland have been recognised at 12.5%. An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021. This will increase the Group's future tax charges accordingly.

Deferred tax net liabilities expected to unwind next year total £1.9m, being the estimated amortisation of intangible assets arising on business combinations of £7.5m at a tax rate of 25%.

No deferred tax has been recognised on taxable temporary differences associated with investments as the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

25 Share capital

	2021 £m	2020 £m
Allotted and issued 165,767,728 ordinary 10p shares	**16.6**	6.9

	2021 Number	2020 Number
Shares issued and fully paid at the beginning of the year	**68,930,486**	68,930,486
Shares issued during the year	**96,837,242**	–
Shares issued and fully paid at the end of the year	**165,767,728**	68,930,486

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 held at 31 December 2021 (2020: 1,140,400 shares) by the Employee Benefit Trust where the right to dividends has been waived.

The Group announced a proposed Placing, Subscription and Open Offer (the "Fundraise") on 21 May 2021 following conditional agreement of the debt refinancing the previous day. The Fundraise comprised the following elements:

- A total of 87,249,500 new ordinary shares of 10 pence each placed at a price of 50 pence per share (the "Issue Price") to certain existing shareholders and new institutional investors;
- A total of 750,500 new ordinary shares of 10 pence each to certain Directors and employees of the Group at the issue price; and
- An open offer to existing shareholders for 10 shares for every 78 ordinary shares held, for a total of 8,837,242 new ordinary shares of 10 pence each at the issue price.

The total proceeds of the Fundraise, which was approved by the shareholders in a General Meeting on 9 June 2021, was £48.4m and the new ordinary shares were admitted by the London Stock Exchange for trading on AIM on the following day.

26 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 and share purchases as noted below.

Transactions with key management personnel

The Group key management personnel's (defined as the Company's Directors and divisional senior executives) remuneration, which includes the Group Directors' remuneration disclosed above, is detailed below:

	2021 £'000	2020 £'000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**2,508**	3,899
Bonus – paid at year end	**137**	60
Benefits in kind	**12**	6
Compensation for loss of office	**–**	163
Share-based employee remuneration charge	**20**	7
	2,677	4,135

The emoluments of the highest paid director were £749,000 (2020: £413,000).

Fees for the services of Daniel Quint in 2021 of £40,000, which were paid prior to his appointment as a Director of the Company on 1 February 2021, are included in both the transactions with Directors and the transactions with key management personnel. The fees were paid to the company, Q Finance Limited, of which Daniel is a director. For 2020, the fees for the services of Mr Quint of £413,000, which are included in transactions with Directors, and £709,000, which are included in transactions with key management personnel were paid to the company Q Finance Limited. The fees paid in 2020 relating to Dawn Ward of £10,000, which are included in both the transactions with Directors and the transactions with key management personnel, were paid to Burton and South Derbyshire College, of which Dawn Ward is the Chief Executive and Principal.

27 Contingencies

A cross-guarantee exists between the Company and certain subsidiary undertakings for all amounts owing to National Westminster Bank plc. The Group aggregate amount owing to National Westminster Bank plc at the year-end was £22.9m (2020: £33.3m).

28 Capital commitments

The Group and Company had no material capital commitments at either 31 December 2021 or 31 December 2020.

29 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 consultation 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:

	2021 Loans and receivables and balance sheet totals £m	2020 Loans and receivables and balance sheet totals £m
Trade and other receivables (note 17):		
– held to sell at fair value through the statement of comprehensive income	**6.0**	4.3
– held to collect	**97.5**	84.8
Cash and cash equivalents (note 18)	**29.8**	24.5
Accrued income (note 17)	**12.7**	15.7
	146.0	129.3

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29 Risk management objectives and policies continued

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 2021 or 31 December 2020 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 2021	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	0.04%	0.33%	1.06%	2.01%	
Gross carrying amount – trade receivables	85,878	8,524	1,775	1,322	97,499
Loss allowance	34	28	19	27	108

31 December 2020	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	0.04%	0.40%	2.89%	13.27%	
Gross carrying amount – trade receivables	75,066	8,238	1,030	287	84,621
Loss allowance (including specific provisions)	34	33	30	38	135

The closing loss allowance for trade receivables as at 31 December 2021 reconciles to the opening loss allowances as follows:

	2021 £m	2020 £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 2021 are provided in note 17. 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 new Receivables Finance Agreement of up to £90.0m (31 December 2020: £68.2m Receivables Finance Facility and a credit facility of £20.0m). The Receivables Finance Facility and the credit facility were repaid in June 2021. As at 31 December 2021, £22.9m of the Receivables Finance Agreement was utilised.

The Group has covenants attached to its banking facilities as described in note 21. For the period to 31 December 2023, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants contained therein. The Group has sufficient day to day liquidity to ensure that short-term liabilities can be satisfied as and when they fall due.

Maturity of financial liabilities

The analysis of the maturity of financial liabilities due in less than one year is as follows:

	2021 Less than one month £m	2021 Between 1 and 3 months £m	2021 Between 3 and 12 months £m	2021 Total £m	2020 Less than one month £m	2020 Between 1 and 3 months £m	2020 Between 3 and 12 months £m	2020 Total £m
Receivables finance agreement	**7.6**	**15.3**	**–**	**22.9**	–	–	–	–
Revolving credit facility	**–**	**–**	**–**	**–**	–	–	–	–
Lease liabilities	**0.1**	**0.3**	**0.9**	**1.3**	0.2	0.4	1.0	1.6
Trade and other payables	**18.8**	**1.6**	**–**	**20.4**	17.2	1.5	–	18.7
Accruals	**24.8**	**8.4**	**12.6**	**45.8**	25.5	8.6	13.0	47.1
Total	**43.7**	**10.3**	**13.5**	**67.5**	42.9	10.5	14.0	67.4

The analysis of the maturity of financial liabilities at 31 December 2021 is as follows:

	2021 Less than one year £m	2021 One to five years £m	2021 More than five years £m	2021 Total £m	2020 Less than one year £m	2020 One to five years £m	2020 More than five years £m	2020 Total £m
Receivables finance agreement	**22.9**	**–**	**–**	**22.9**	–	–	–	–
Revolving credit facility	**–**	**–**	**–**	**–**	–	20.0	–	20.0
Lease liabilities	**1.3**	**2.4**	**0.9**	**4.6**	1.6	2.3	1.6	5.5
Trade and other payables	**20.4**	**–**	**–**	**20.4**	18.7	–	–	18.7
Accruals	**45.8**	**–**	**–**	**45.8**	47.1	–	–	47.1
Total	**90.4**	**2.4**	**0.9**	**93.7**	67.4	22.3	1.6	91.3

The accruals figure includes £13.1m (2020: £14.4m) of employee obligations, which are not within the scope of IFRS7, but have been included to provide additional information.

The analysis of the maturity of contractual undiscounted financial liabilities (including estimated future interest) at 31 December 2021 is as follows:

	2021 Less than one year £m	2021 One to five years £m	2021 More than five years £m	2021 Total £m	2020 Less than one year £m	2020 One to five years £m	2020 More than five years £m	2020 Total £m
Receivables finance agreement	**23.0**	**–**	**–**	**23.0**	–	–	–	–
Revolving credit facility	**–**	**–**	**–**	**–**	–	21.1	–	21.1
Lease liabilities	**1.4**	**2.5**	**1.0**	**4.9**	1.7	2.5	1.7	5.9
Trade and other payables	**20.4**	**–**	**–**	**20.4**	18.7	–	–	18.7
Accruals	**45.8**	**–**	**–**	**45.8**	47.1	–	–	47.1
Total	**90.6**	**2.5**	**1.0**	**94.1**	67.5	23.6	1.7	92.8

Interest rate risk

During the year the Group has entered into an amortising interest rate cap instrument, which reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement and the customer finance arrangements. The instrument, which has a term of three years from 13 October 2021, had an initial notional amount of £53.9m. This amount varies quarterly based on forecast borrowings between £39.5m and £62.5m, with an average of £51.9m. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible increase in interest rates of one percentage point with effect from the beginning of the year.

	2021	2020
	+1%	+1%
Decrease in net result and equity (£m)	**(0.6)**	(0.6)

Notes to the Financial Statements continued
for the year ended 31 December 2021

29 Risk management objectives and policies continued

Hedge accounting

In order to qualify for hedge accounting, the Group is required to document the economic relationship between the item being hedged and the hedging instrument in advance. The Group is also required to demonstrate that the hedge will be effective on an ongoing basis. Effectiveness testing of the interest rate cap instrument was demonstrated at inception and at the year-end. Further testing will be undertaken periodically to ensure that the hedge remains effective. Potential sources of ineffectiveness include the timing of weekly and monthly interest payments versus the quarterly periods of the interest rate cap and a difference in the interest rate basis specified in a small part of the hedged item. Neither of these items give rise to material hedge ineffectiveness.

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 Euro (Republic of Ireland and Portugal). The Group has not entered into any foreign currency risk mitigation strategies to date. This will be kept under review.

Financial liabilities

The Group's liabilities (being total liabilities excluding deferred tax liabilities) are classified as follows:

	2021 Financial liabilities at fair value through profit or loss £m	2021 Other financial liabilities at amortised cost £m	2021 Liabilities not within the scope of IFRS 9 £m	2021 Balance sheet total £m
Receivables Finance Agreement	–	22.9	–	22.9
Lease liabilities	–	4.6	–	4.6
Trade and other payables	–	20.4	–	20.4
Accruals	–	45.8	–	45.8
Deferred income	–	–	14.3	14.3
Other liabilities	–	–	0.3	0.3
Taxation and social security	–	–	53.8	53.8
Provisions	–	–	2.8	2.8
Total	–	93.7	71.2	164.9

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

	2020 Financial liabilities at fair value through profit or loss £m	2020 Other financial liabilities at amortised cost Restated £m	2020 Liabilities not within the scope of IFRS 9 £m	2020 Balance sheet total Restated £m
Revolving credit facility	–	20.0	–	20.0
Receivables Finance Facility	–	13.3	–	13.3
Lease liabilities	–	5.5	–	5.5
Trade and other payables	–	21.0	–	21.0
Accruals	–	47.1	–	47.1
Deferred income	–	–	6.9	6.9
Other liabilities	–	0.4	1.1	1.5
Taxation and social security	–	–	86.2	86.2
Provisions	–	–	5.0	5.0
Total	–	**107.3**	**99.2**	**206.5**

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; and
- 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.

30 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash (outflow)/inflow from operating activities

	2021 £m	2020 £m
Loss before taxation from:		
Continuing operations	**(0.1)**	(51.6)
Discontinued operations	**(0.4)**	(5.0)
	(0.5)	(56.6)
Adjustments for:		
Finance costs	**2.4**	7.3
Depreciation and amortisation – underlying	**6.3**	7.4
Amortisation – non-underlying	**8.0**	9.2
Loss on disposal of property, plant and equipment	**0.3**	0.8
Impairment of goodwill	**–**	35.3
Cash generated before changes in working capital and share options	**16.5**	3.4
Change in trade and other receivables	**(12.2)**	27.6
Change in trade, other payables and provisions	**(33.1)**	34.6
Impact of foreign exchange loss on operating activities	**–**	0.1
Cash (used by)/generated from operations	**(28.8)**	65.7
Employee equity-settled share options	**0.1**	0.1
Net cash (outflow)/inflow from operating activities	**(28.7)**	65.8

Movement in net debt

	2021 £m	2020 £m
Net debt at 1 January (excluding refinancing costs)	**(14.3)**	(67.9)
Loan repayments	**20.0**	58.1
Net drawdowns from Receivables Finance Agreement	**(9.6)**	(13.3)
Lease payments, additions, disposals and interest	**0.9**	2.9
Change in cash and cash equivalents	**5.3**	5.9
Net debt at 31 December (excluding refinancing costs)	**2.3**	(14.3)
Represented by:		
Cash and cash equivalents (note 18)	**29.8**	24.5
Current borrowings (note 20)	**(22.9)**	(13.0)
Lease liabilities (note 15)	**(4.6)**	(5.5)
Non-current borrowings (note 20)	**–**	(20.0)
Net cash/(debt) including refinancing costs	**2.3**	(14.0)
Refinancing costs (unamortised balance)	**–**	(0.3)
Net cash/(debt) at 31 December (excluding refinancing costs)	**2.3**	(14.3)

Notes to the Financial Statements continued

for the year ended 31 December 2021

30 Cash flows from operating activities – consolidated continued

The movements in net debt, excluding refinancing costs, can be further summarised as follows:

	Overdrafts £m	Lease liabilities £m	Revolving credit facility £m	Receivables Finance Agreement £m	Movements from financing activities £m	Cash £m	Total £m
Net debt as at 1 January 2020	(6.4)	(8.4)	(78.1)	–	(92.9)	25.0	(67.9)
Cash flows during the year	6.4	3.1	58.1	(13.3)	54.3	(0.5)	53.8
Non-cash movements in leases	–	(0.2)	–	–	(0.2)	–	(0.2)
Net debt at 31 December 2020	–	(5.5)	(20.0)	(13.3)	(38.8)	24.5	(14.3)
Cash flows during the year	–	1.7	20.0	(9.6)	12.2	5.3	17.5
Non-cash movements in leases	–	(0.8)	–	–	(0.9)	–	(0.9)
Net cash/(debt) at 31 December 2021	**–**	**(4.6)**	**–**	**(22.9)**	**(27.5)**	**29.8**	**2.3**

31 Acquisition of businesses – cash paid, net of cash acquired

Cash flows in relation to the acquisitions made during 2018 are as follows:

	2021 Total acquisitions £m	2020 Total acquisitions £m
Consideration paid	–	0.3
Acquisition of businesses per cash flow – investing activities	–	0.3
Debt facilities acquired – financing activities	–	–
Acquisition of businesses	–	0.3

32 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 19), bank borrowings (note 21) 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 certain undertakings and covenants attached to the debt facilities.

The Group has covenants attached to its banking facilities. Following the June 2021 refinancing, the main financial covenants are minimum net debt to EBITDA leverage and interest cover as described in note 20.

33 Changes in accounting policies

There were no new accounting pronouncements requiring adoption in the year. During the year the Group adopted a new accounting policy relating to the treatment of hedged financial instruments, as set out in note 3.

34 Post balance sheet events

There were no events between the balance sheet date of 31 December 2021 and the approval of these accounts on 21 March 2022, that are required to be brought to the attention of shareholders.

Staffline Group plc
Unaudited five-year summary of financial data

	2021	2020 Restated	2019 Restated	2018	2017
	Financial reporting years ended 31 December £m				
Comprehensive income					
Turnover	**942.7**	927.6	1,063.0	1,120.9	957.8
Underlying operating profit	**10.3**	4.8	0.6	32.8	38.0
% margin	**1.1%**	0.5%	0.1%	2.9%	4.0%
Operating profit/(loss)	**2.3**	(44.3)	(38.5)	(14.7)	25.8
Net profit/(loss) after taxation	**1.2**	(52.7)	(46.3)	(16.0)	17.5
Underlying earnings/(loss) per share (diluted)	**7.1p**	5.0p	(7.4)p	88.3p	108.3p
Declared dividend per share	**n/a**	n/a	n/a	11.3p	26.7p
Dividend cover v underlying diluted EPS	**n/a**	n/a	n/a	n/a	4.1x
Financial position					
Goodwill	**59.6**	59.6	94.9	117.2	94.2
Intangible assets	**16.5**	24.3	34.0	42.9	20.8
Property, plant and equipment	**8.0**	9.6	14.6	7.6	7.7
Trade and other receivables	**117.3**	106.5	137.7	159.5	107.7
Cash and cash equivalents	**29.8**	24.5	25.0	16.2	31.3
Restricted cash	**–**	0.9	12.7	–	–
Trade and other payables	**(134.3)**	(155.6)	(128.7)	(143.4)	(103.4)
Borrowings (excluding deal fees)	**(22.9)**	(33.0)	(84.5)	(80.0)	(48.1)
Lease liabilities (IFRS 16)	**(4.6)**	(5.5)	(8.4)	–	–
Deferred tax net asset/(liability)	**1.9**	0.9	(3.3)	(5.8)	(2.1)
Other (net liabilities)	**(3.1)**	(12.3)	(20.5)	(31.4)	(14.2)
Net assets	**68.2**	19.9	73.5	82.8	93.9
Net cash/(debt), pre-IFRS 16, excluding deal fees	**6.9**	(8.8)	(59.5)	(63.8)	(16.8)
Goodwill, intangibles	**76.1**	83.9	128.9	160.1	115.0
Other net (liabilities)/assets	**(14.8)**	(55.2)	4.1	(13.2)	(4.3)
Cash flows					
Underlying operating (loss)/profit	**10.3**	4.8	0.6	32.8	38.0
Loss on discontinued activities	**(0.4)**	(5.0)	(3.7)	–	–
Non-underlying cash costs	**–**	(4.5)	(5.7)	(30.2)	–
Depreciation, amortisation	**6.6**	8.2	7.3	4.8	4.4
Working capital movements	**(45.1)**	62.2	3.1	12.8	5.5
Capital expenditure, including software	**(4.4)**	(2.4)	(5.1)	(6.4)	(3.8)
Taxation received/(paid) (net)	**5.8**	(0.5)	(1.1)	(6.4)	(6.2)
Adjusted free cash from operations	**(27.2)**	62.8	(4.6)	7.4	37.9
Dividends and interest paid	**(1.9)**	(8.5)	(6.0)	(9.8)	(9.3)
Business acquisitions including debt acquired	**–**	(0.3)	(7.2)	(49.6)	(8.5)
Payment into restricted fund	**–**	–	(12.7)	–	–
Issue of share capital (net)	**46.4**	–	38.0	5.0	0.3
Others	**(11.8)**	0.1	–	–	–
Reduction/(increase) in net debt	**5.5**	54.1	7.5	(47.0)	20.4

Company Details

Company registration number:
05268636

Registered office:
19–20 The Triangle
NG2 Business Park
Nottingham
NG2 1AE

Directors:
Ian Lawson (Non-Executive Chairman)
Albert Ellis (Chief Executive Officer)
Daniel Quint (Chief Financial Officer)
Richard Thomson (Senior Independent Non-Executive Director)
Ian Starkey (Non-Executive Director)
Catherine Lynch (Non-Executive Director)
Tom Spain (Non-Executive Director)

Secretary:
Louise Barber FCG

Company website:
www.stafflinegroupplc.co.uk

Investor relations contact details:
investors@staffline.co.uk

Nominated adviser and broker:
Liberum Capital

Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY

Registrars:
Computershare Investor Services plc

PO Box 859
The Pavilions
Bridgewater Road
Bristol
BS99 1XZ

Bankers:
RBS Invoice Finance Limited

250 Bishopsgate
London
EC2M 4AA

National Westminster Bank plc

City of London Office
1 Princes Street
London
EC2R 8BP

ABN AMRO Asset Based Finance N.V. UK Branch

5 Aldermanbury Square
London
EC2V 7HR

Leumi ABL Limited

1 Angel Court
London
EC2R 7HJ

Bank of Ireland Group plc

40 Mespil Road
Dublin 4
Republic of Ireland

Solicitors:
DLA Piper UK LLP

160 Aldersgate Street
London
EC1A 4HT

Statutory auditors:
Grant Thornton UK LLP

Chartered Accountants and Statutory Auditors
30 Finsbury Square
London
EC2A 1AG

Financial and trade public relations:
Vigo Consulting Limited

Sackville House
40 Piccadilly
London
W1J 0DR

Designed and produced by emperor
Visit us at emperor.works

Staffline
Group PLC

Registered office
19–20 The Triangle
NG2 Business Park
Nottingham, NG2 1AE