Staffline
Group PLC

Leading. Trusted. Changing lives.

Annual Report and Accounts 2022

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.

Financial Highlights

Revenue
£940.5m
↓ (0.2)%
2021: £942.7m

Gross profit
£83.2m
↑ 0.5%
2021: £82.8m

Gross sales value*
£1,031.3m
↑ 3.5%
2021: £996.5m

Reported profit after tax
£3.8m
↑ £2.2m
2021: £1.6m

Underlying operating profit**
£12.0m
↑ 16.5%
2021: £10.3m

Basic and diluted earnings per share
(continuing operations)
2.3p
↑ 1.0p
2021: 1.3p

Underlying diluted earnings per share**
(continuing operations)
5.7p
↓ (1.4)p
2021: 7.1p

Net cash
£0.1m
↓ £(2.2)m
2021: £2.3m

Pre-IFRS 16 net cash
£5.0m
↓ £(1.9)m
2021: £6.9m

* Gross sales value represents the fair value of consideration received or receivable for the supply of services, including agency sales, (excluding fees) net of VAT.

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

What's inside

Strategic Report

Corporate Governance

Financial Statements

For more information visit:
www.stafflinegroupplc.co.uk/investor-relations/results-reports-and-presentations/

At a Glance

Enabling the future of work.

All three of Staffline's divisions delivered an excellent performance during 2022. In the Group's Recruitment divisions, whilst operating against a backdrop of the well-publicised labour shortages, our Recruitment GB and Recruitment 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 supported in our classrooms and centres over the course of the year, both in-person and online.

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.

For more information on **Our Values see page 28.**

Staffline Recruitment GB

Workers deployed every day (average)

c.31,000

Staffline Recruitment Ireland

Workers deployed every day (average)

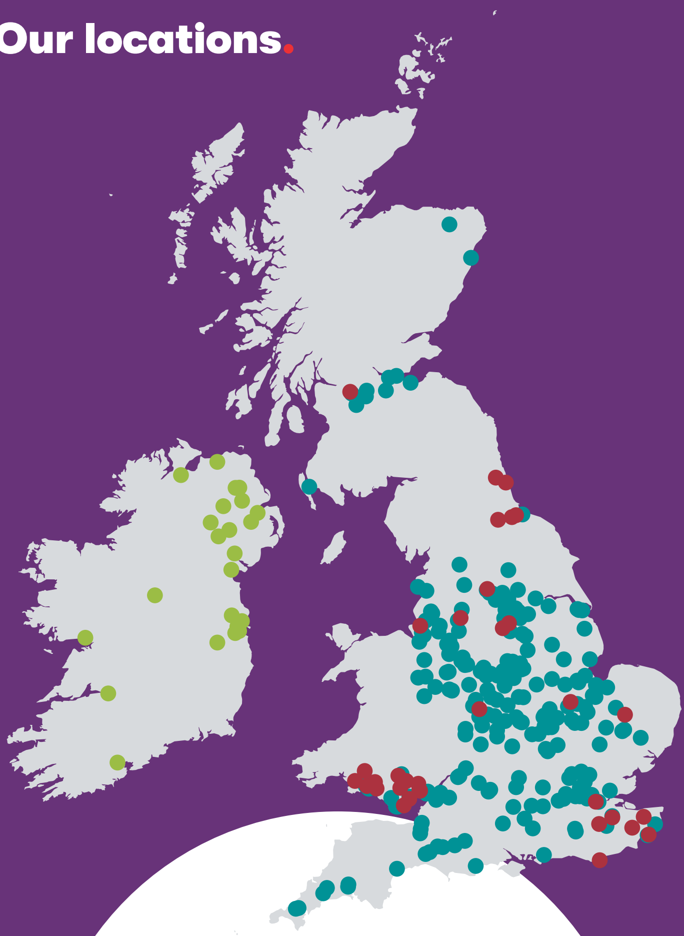
c.4,500

PeoplePlus skills for growth

Unemployed people supported towards getting a job

16,850

Our locations.



Recruitment GB: customer sites, branches and offices

Recruitment Ireland: customer sites, branches and offices

PeoplePlus: teaching locations and offices

Locations

486

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.

At a Glance continued

Unprecedented strong jobs market.

Investment in headcount and technology, improved customer fulfilment, despite widespread labour shortages, and expansion of the Group's branch network have helped to create a solid platform for future growth.

Staffline Recruitment GB

Recruitment GB is one of the largest recruitment businesses operating across England, Scotland and Wales. Its services encompass branches, permanent and contract recruitment (UK and Portugal), as well as Managed Service Provision and Recruitment Process Outsourcing delivered through its portfolio of brands. Recruitment GB is also a market leading provider of flexible, blue-collar workers supplying an average of circa 31,000 staff per day to its customers. It operates from around 400 sites across the UK with sectors including supermarkets and retail, drinks, driving, food processing, logistics and manufacturing.

Food and related	60%
Manufacturing	14%
Retail	11%
Driving	11%
Other	4%

For more information on **Recruitment GB see page 14.**

Staffline Recruitment Ireland

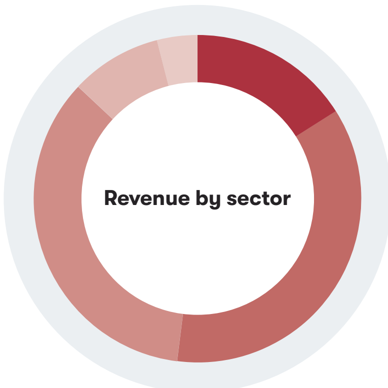
Recruitment Ireland is a leading end-to-end solutions provider with twelve branch locations, sixteen onsite customer locations, all of which operate across multiple industries and supply c.4,500 staff per day on average. Staffline Ireland offers Recruitment Procurement Outsourcing, Managed Service Provision as well as Temporary and Permanent solutions across the Island of Ireland. It services a diverse range of clients, including the sizeable agri-food sector, blue-collar customers and major white-collar private sector employers in the banking and telecoms sectors, the Public Sector in the South of Ireland and Northern Ireland (where it is the largest employer in the region) and also recent new clients in the legal sector across Ireland.

Food and related	29%
Local government	15%
Banking	11%
Health	14%
Manufacturing	7%
Other	24%

For more information on **Recruitment Ireland see page 18.**

PeoplePlus skills for growth

PeoplePlus is a leading skills and employability business whose purpose is to help people transform their lives, get jobs and keep jobs, and develop their careers. The division works with employers to develop inclusive workforces and with central, local and devolved governments to support their economic and social policy ambitions. Creating Social Value in this way, PeoplePlus aims to ensure that every person of working age can participate in paid work, including vulnerable and disadvantaged people, as part of a more dynamic economy with greater levels of social inclusion in which no-one is left behind.



Adult Education Skills	16%
Justice	36%
Employability	36%
Community Services	9%
Partner Services	1%
Other	2%

For more information on **PeoplePlus see page 20.**

Interim Chairman's Statement

" I firmly believe that despite the broader macro uncertainty, Staffline has the means and expertise to both protect, and indeed expand, its enviable market position.

Tom Spain
Interim Chairman

Introduction

This is my first statement as Interim Chairman and I would like to take this opportunity to express my passion for ensuring the Staffline Group communicates as effectively as possible regarding our strategy, operational progress, and crucially, the financial health of our business going forward.

I believe all shareholders should remain fully informed about the growth plans and ambitions of the Group, so they continue to have confidence in Staffline as an investment.

Year in review

The Group's performance over the last 12 months has been strong. We delivered on our promise to grow underlying operating profit to £12.0m (2021: £10.3m), which is up 16.5% on the prior year. Equally importantly, we further strengthened the balance sheet with tight management of working capital, control of costs and capital expenditure, and through retaining our trading cash flow to finance future growth.

As of 31 December 2022, the Group is operating with significant financing headroom relative to available committed banking facilities.

I have long been a strong advocate of prudent cash management, making sure the business remains self-financing and avoiding an over-reliance on external borrowing.

I firmly believe Staffline has the means and expertise to both protect, and indeed expand, its enviable market position. Management is highly in tune with the individual workings of each of our divisions and, rest assured, will act decisively to redeploy capital, be this to new activities, or to existing operations with historically higher margins, to ensure continued progress across the Group. Our investors rightly seek value, and we, as a Board and management team, are working hard to deliver enhanced shareholder value.

Dividends and capital allocation

Our capital allocation policies will be guided by the macro environment in which we operate, we will strive first and foremost to maintain the strength of our balance sheet and deliver long-term value for our shareholders considering share buy backs or dividends as and when appropriate to do so. With regard to any acquisitions or organic investment in the business, management will seek to finance these through trading cash flow alone, as opposed to assuming fixed term debt.

Board changes

In March 2022, Richard Thomson advised the Board that he would not stand for re-election as Senior Independent Director, leaving in May to pursue other opportunities after three years of exceptional service to the Company. May 2022 also saw the departure of our former Chairman Ian Lawson, who resigned after two years spent expertly guiding the business through a period of significant change. In addition, Ian Starkey, Senior Independent Director, informed the Board in November 2022 that he will not stand for re-election at the Group's AGM in 2023. Ian has been a tremendous asset to the business both in his capacity as the Chair of the Audit Committee, and more recently as a Senior Independent Director, supporting the Group through its 2021 refinancing, transformation, and return to growth. On behalf of the Board, I extend our sincere thanks to each of them for the truly instrumental roles they have played in transforming Staffline into the strong and resilient business we see today. We wish them every success in the future. The process to appoint a new Chair of the Audit Committee is progressing well and will be updated soon.

Closing remarks

I would like to thank my extraordinary colleagues at Staffline who continue to deliver excellent results, as well as our Managing and Executive Directors. I believe we are privileged to have such a strong and experienced operational team supported by top-quality talent at the senior leadership level. One of my first priorities when I assumed the role of Interim Chairman was to ensure that our talent was retained and locked in through a variety of incentives both short and long term, aligning the interests of management with the Group's shareholders and ensuring we have the bench strength to execute on our plans.

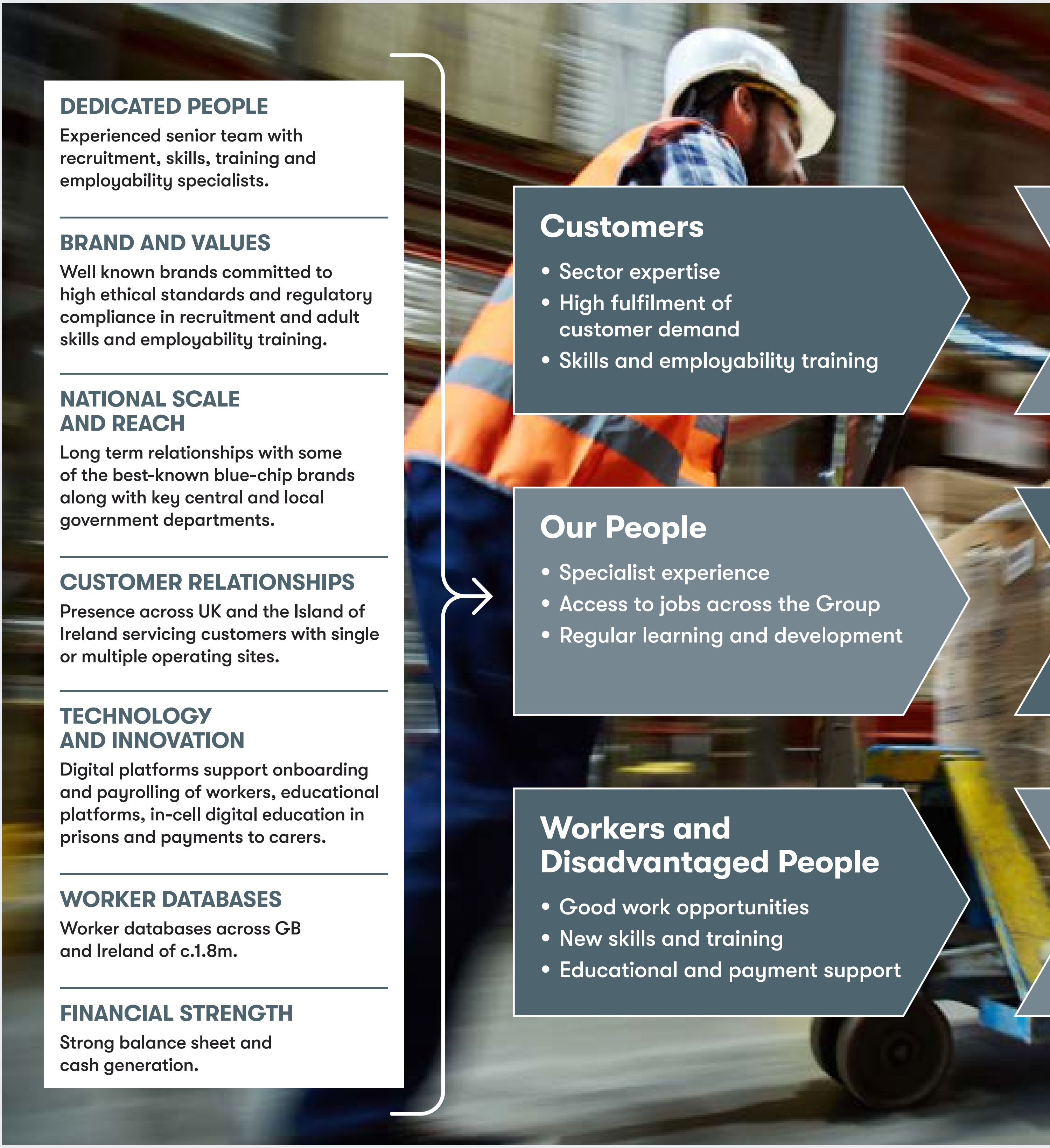
Ultimately, we are not just a people business, we are a people-focused business; striving to match rewarding work opportunities with those that seek them. Our passion for helping our extraordinary clients achieve their objectives through first-class recruitment is evidenced by both the enduring relationships we have forged with so many of our partners, and our ability to consistently secure top-level client wins.

In the new financial year, it is clear there are a number of external headwinds we will have to navigate. Despite this testing macro environment, I remain hugely encouraged by the nature of our business mix, which I believe leaves Staffline well equipped to face these challenges head-on and take advantage of the opportunities they present.

Tom Spain
Interim Chairman
20 March 2023

Business Model

How we change lives and communities.



DEDICATED PEOPLE
Experienced senior team with recruitment, skills, training and employability specialists.

BRAND AND VALUES
Well known brands committed to high ethical standards and regulatory compliance in recruitment and adult skills and employability training.

NATIONAL SCALE AND REACH
Long term relationships with some of the best-known blue-chip brands along with key central and local government departments.

CUSTOMER RELATIONSHIPS
Presence across UK and the Island of Ireland servicing customers with single or multiple operating sites.

TECHNOLOGY AND INNOVATION
Digital platforms support onboarding and payrolling of workers, educational platforms, in-cell digital education in prisons and payments to carers.

WORKER DATABASES
Worker databases across GB and Ireland of c.1.8m.

FINANCIAL STRENGTH
Strong balance sheet and cash generation.

Customers
- Sector expertise
- High fulfilment of customer demand
- Skills and employability training

Our People
- Specialist experience
- Access to jobs across the Group
- Regular learning and development

Workers and Disadvantaged People
- Good work opportunities
- New skills and training
- Educational and payment support

Leads To

- Increased organic volumes
- New customers
- Disadvantaged getting jobs

Leads To

- Career development
- Wider Group opportunities
- Reward and recognition

Leads To

- Career progression
- Life enhancing opportunities
- Better life outcomes

Sustainable growth for the benefit of our stakeholders

EMPLOYEES

Supportive, inclusive culture where they experience real opportunities for development and a rewarding career.

INVESTORS

Investment growth under sound stewardship.

CUSTOMERS

Provide them with high-class specialist recruitment services and skills, training and employability solutions.

COMMUNITIES AND GOVERNMENT

Need businesses that have positive impact.

SUPPLIERS

Seek strong and enduring partnerships on fair terms.

Strategy

Leading. Trusted. Changing Lives.

1. CAPITALISE ON MARKET LEADERSHIP

Staffline's Recruitment divisions have market-leading positions in the supply of blue-collar temporary workers. Our focus is taking advantage of our strengthened balance sheet to expandour market share to drive growth.

2. BROADEN PORTFOLIO OF SERVICES

Further expand existing expertise and technology capabilities to grow revenues from higher margin services including permanent recruitment and managed services.

3. DRIVE ONGOING PROFIT GROWTH IN PEOPLEPLUS

Despite lingering headwinds in the training sector, our focus remains on winning new contracts, innovating to drive additional business volumes, and leveraging our experienced senior leadership team to consolidate our positions in prison education and Department for Work & Pensions employability schemes.

4. GROW IN REPUBLIC OF IRELAND (RoI)

RoI has an attractive recruitment market, allowing us to invest in additional branches and fee-earners. Our priority is expanding our high-margin white-collar recruitment service and retaining existing key public sector contracts in Northern Ireland.

TIONAL
RITIES

GOVERNANCE AND COMPLIANCE
- Main Board
- Group policies
- Strong balance sheet and financing
- Internal audit and compliance

COST BASE
- Headcount
- Group overhead synergies
- Working capital management
- Profit and cash focus
- Competitive positioning

DIGITAL AND TECHNOLOGY
- IT estate, shared services
- Technology supply chain
- Cyber security and data management
- Automation and AI
- Digital transformation

Achievements in 2022	Goals for 2023
• Significant new business wins – BMW and VINCI Construction	• Winning market share in current sectors • New sectors such as Aviation
• Substantial growth in permanent recruitment • Expansion of the Managed Service Provider offering into Sainsbury's/Argos	• Further new Managed Service Provider contracts • New sectors for recruitment such as medical
• Prison Education Funding contract extension worth £25m • Youth Offenders Institution new £15m contract	• Extending activities in the Justice sector • New employability contracts • Build on Restart delivery • Grow Social Recruitment and Social Impact opportunities
• Opened new office in Limerick • Record trading performance in RoI	• Open further offices in RoI • Investment in new fee-earner headcount

Chief Executive Officer's Review

> **"I am pleased to say that 2022 can be characterised as a year of consistent, positive growth momentum for Staffline.**

Albert Ellis
Chief Executive Officer

Underlying operating profit

+16.5%

Closing net cash Pre-IFRS 16

£5.0m

Introduction

The Group traded strongly across 2022, and I am delighted that the increased gross sales and client activity throughout FY 2022 has resulted in a positive flow through to operating profit and trading cash flows. We continue to see the benefits of the restructuring and significant strengthening of the Group's balance sheet achieved in the previous year. As a result, the Group delivered an excellent trading performance with increases in the Group's gross profit, operating profit, conversion ratios and profit before tax.

Following the pandemic-related volatility of the past couple of years, 2022 continued to provide eventful macroeconomic conditions. The global economy was hit hard by geopolitical uncertainty across the world, with sharp rises in interest rates and faster than expected inflation reducing consumers' disposable income all contributing to a slowing macroeconomic environment.

Nevertheless, despite the challenges facing the Group, I am pleased to report our businesses have proven highly resilient. Our commitment to delivering excellent customer service at scale, in a tight labour market, has proven to be a key differentiator and our management have forged even stronger relationships with the Group's customers.

In the year ended 31 December 2022, the Group generated revenues of £940.5m (2021: £942.7m), and a 0.5% increase in gross profit to £83.2m (2021: £82.8m). Underlying1 operating profit increased 16.5% to £12.0m (2021: £10.3m), with net cash (pre-IFRS 16)2 as at 31 December of £5.0m (2021: net cash £6.9m).

This success could not have been achieved without the outstanding quality of our people. During 2022 we refreshed and reorganised our management and organisational structure, bringing exceptional talent into the Group whilst promoting high performers from within the business. The rollout of performance related compensation and long-term equity plans has further reduced churn and attracted and retained the best people in preparation for the growth journey over the next 3-5 years.

The business has moved from strength to strength in financial terms too. In particular our excellent Finance team has worked hard to convert our trading profits into cash through tight control of debtors and implementing significant cost-saving initiatives, resulting in a real term reduction in the Group's cost base. The interest rate cap purchased in October 2021 has delivered significant interest savings and all outstanding historic Covid-related liabilities have been settled over the course of the year.

"The Group delivered an excellent trading performance with increases in gross profit, operating profit, conversion ratios and profit before tax.

Increase in permanent recruitment gross profit

+65%

A year of positive momentum

I am pleased to say that 2022 can be characterised as a year of consistent, positive growth momentum for Staffline.

Group gross profit grew by 0.5%, largely attributable to the onboarding of two significant new recruitment customers, the first profit from our Restart contract, and solid trading across the Christmas peak period. Our strategy of growing higher margin, cash generative permanent recruitment contracts, (up 65% compared to 2021), continues to yield positive results; driving further increases in revenue, as well as improvements to our cash position.

Within PeoplePlus, robust demand for labour supported a strong performance for our employability programmes, and we were pleased to see the division recognise its first operating profit from its Restart sub-contracts during the second half.

As announced in H1 2022, Recruitment GB successfully secured several substantial new contracts, including a long-term agreement with BMW Group to supply the flexible operational workforces and a number of specialist roles for its manufacturing sites in England.

The division's managed services arm, Datum RPO, has delivered an impressive performance, with record results driven by consistently high levels of demand for its services. New business wins include a five-year contract extension with specialist construction company, VINCI Construction UK, as well as the onboarding of new customer Argos, part of the Sainsbury's Group, which appointed Datum RPO in early 2022 as its temporary labour Managed Service Provider ("MSP") for its sizeable driving estate.

The senior team at Datum RPO has committed significant time and resource to developing the business' technology platform to meet Argos' specific requirements, seamlessly rolling out its MSP solution across 45 locations and Argos' 70-strong supplier network. Following on from this success, Staffline has since become a specialist supplier of driver resource for key locations within Argos' home delivery network.

Recruitment Ireland saw strong traction in its permanent recruitment business, including for the first time in the executive search sector, and expanded its branch network in the Republic of Ireland where it opened a new office in Limerick and extended its Causeway Coast and Glens Borough Council contract for a further five years. Tight cost control and an increase in gross margins led to an increase in gross profit to operating profit conversion rate to 24.8%, up from 22.1% in the year prior.

As we move further into 2023, management will focus its efforts on delivering additional organic growth across the Group through both increasing business volumes in existing customers, and by leveraging Staffline's enviable market position to capitalise on new business opportunities and further expand our market share.

Vision and strategy

Staffline's business vision is clear: to be a market leading, world-class recruitment and training group, known for excellent service and integrity, and driven by digital innovation. Our strategic priorities for consistent, sustainable growth are as follows:

- **To further capitalise on the Group's market leadership in recruitment:** Staffline's Recruitment divisions have market leading positions in the supply of temporary workers, especially in the blue-collar warehouse and driving sectors. Our focus now is on securing additional organic growth in new and existing clients which are actively growing their own market share, and also introducing permanent recruitment services to support our client's, core headcount requirements. The Group's strong governance and compliance offer will be increasingly important going forward.

Chief Executive Officer's Review
continued

- **To broaden the portfolio of services:** The Group will continue to introduce Datum RPO's services to customers that will benefit from a fully managed service and we believe the current push for cost savings is a key driver in increasing client demand in this market. The Group will support Omega's ambitions to grow its technical and engineering niche, which will expose the Group to higher margin growth opportunities in the white-collar recruitment sector.
- **To drive ongoing profit growth within PeoplePlus:** Our strategy remains focused on further stabilising the annuity revenue and profit streams of the business, winning new contracts and consolidating our market share in prison education and employability.
- **To grow in the Republic of Ireland:** The Republic of Ireland continues to be an attractive recruitment market with a positive growth outlook. The Group is growing through investing in additional branches and services and hiring additional fee-earning headcount including during the current downturn. We believe these initiatives will help facilitate a step change in scale and profitability in the recovery when it comes.

Operational review

Recruitment GB

The Group's Recruitment GB division delivered a strong performance across 2022 having successfully expanded its operational footprint during the period. The implementation of the BMW contract, a major win in 2022, remains ongoing, with the Group seeing further momentum from additional sectors, including manufacturing and travel.

Investment in headcount and technology remained a key theme for the business, and despite much reported labour shortages, the division continued to expand its branch network, reinforcing the strong platform which will underpin future growth. The Group's managed services business Datum RPO, continued to perform well as customers seek to consolidate their recruitment supply chains using an independent expert, as evidenced by the award of a five-year contract extension with VINCI Construction UK. Omega, the Group's technical and engineering recruiter, also posted strong increases in its permanent recruitment fees, which across the wider division were up c.80% over 2021, representing a c.176% increase over the last two years. The division continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 14.0% to 16.0%.

Recruitment Ireland

The Recruitment Ireland business, which is more dependent on the permanent recruitment market and less dependent upon temporary placements than the Recruitment GB business, produced an excellent trading performance across the year. The division delivered a 45% increase in permanent recruitment fees, its strongest results since 2019, which offset marginally weaker blue-collar demand. This, coupled with a record trading performance in the Republic of Ireland, which has been underpinned by ongoing investment in fee-earning headcount, further demonstrates the inherent strength of our Recruitment Ireland platform. A pivot to white-collar recruitment in the Republic of Ireland, the opening of a new office in Limerick, and the retention of key public sector contracts in Northern Ireland, all contributed to record growth across 2022. The strength of permanent recruitment, and for the first time, executive search, helped increase gross margins. Additionally, our entry into the executive search market alongside tight control of the cost base resulted in the gross profit to underlying operating profit conversion rate improving to 24.8%, up from 22.1% in the prior year.

PeoplePlus

PeoplePlus reported a solid performance in 2022, but as expected was held back by lower revenues in Skills training. Labour shortages, and the resulting demand squeeze, resulted in potential candidates bypassing established training programmes and moving straight into employment. Conversely, these labour market conditions aided our Employability programmes which performed particularly well, and we were pleased to see PeoplePlus successfully deliver profit from the Restart sub-contracts during the year, with the division reporting its first operating profit from those contracts in the second half of 2022. During the year it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations. Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves.

The labour market and recruitment landscape

The labour market experienced severe shortages which were exacerbated by the Covid-19 pandemic. Since then we have seen a slight easing in supply but also in demand, particularly in HGV driving. The logistics and online sector which reported buoyant results during the Covid-19 pandemic related lockdowns has reduced demand for temporary labour as online volumes returned to more normalised levels and consumers reverted to pre-pandemic behaviours. However, the labour shortage continues as vacancies remain above 1 million and combined with the cost-of-living crisis, this has affected the training market as candidates are going straight into paid work without seeking additional training. The Group has responded to these changes by reducing its cost base in Skills to align with the forecasted lower level of demand going forward, and by reorganising its labour delivery to leverage the Group's strengths in regional differences in supply and demand.

Board changes

In May 2022, Tom Spain was appointed Interim Chairman following the announcement that Ian Lawson would step down from his role as Non-Executive Chairman. Additionally, in April 2022, Richard Thomson stepped down from the Board as the Senior Independent Director, a role assumed by Ian Starkey in May 2022.

In November 2022, we announced that Ian Starkey, Chair of the Audit Committee and Senior Independent Director, had informed the Company that he would not be standing for re-election at the 2023 AGM. Accordingly, the Board has begun the process of searching for a replacement. The search is at an advanced stage and the Board expects to make an announcement shortly.

Outlook

As a business, we are pleased with the excellent progress delivered by Staffline across 2022, achieving strong growth in profitability and cash flows, investing in the senior operational leadership, and embedding governance at the core of our company culture to further differentiate our customer offering in a market that is increasingly prioritising compliance.

As referenced in our January 2023 trading update, we anticipate the current uncertainty to persist through 2023, with continuing low unemployment constraining volumes within PeoplePlus's Skills and Restart businesses. Our Recruitment GB and Recruitment Ireland divisions are likely to be affected by the widely reported weakening in demand for permanent hiring.

However, we are confident in our ability to leverage our brand, geographic scale and governance advantage to continue to expand our market share in preparation for the economic recovery when it comes.

Albert Ellis
Chief Executive Officer
20 March 2023

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.

Operational Review

Staffline
Recruitment GB

A balanced portfolio provides stronger foundations for the future.

Against a range of challenging macro pressures, 2022 saw Recruitment GB deliver a strong performance. Much of this has been down to the strategy set out in 2020 to broaden the portfolio of services, expanding permanent recruitment and managed service offerings, and a drive for overall operating efficiency. As a result, we ended 2022 with a gross profit to operating profit conversion ratio of 16.0% (2021: 14.0%) which now stands at a four-year high, double that of 2019.

In our core volume recruitment business, we took steps to consolidate relationships with our key clients, to further unlock growth and increase share of business, whilst also realising opportunities to cross-sell other portfolio services. We continued to invest in our branch network and our market leading Scottish Recruitment business, Brightwork.

The year also saw us benefit from the revival of our Aviation, Logistics and Automotive segments following the impacts of the Covid-19 pandemic. We also secured major new business wins including BMW Group, that are transformational and a real source of pride.

Frank Atkinson
Managing Director,
Recruitment GB

Key sectors and specialisms

Food and Drink

Production; Packaging; Warehouse operations and Distribution Staff and associated support functions.

Logistics

Third Party Logistics operations and support functions across multiple sub segments – including many major UK manufacturers, retail and grocery brands.

Technical and Engineering

Technical and Engineering specialist divisions Omega and Techsearch; supplying highly skilled personnel to the Aviation; Construction; Automotive and Engineering segments.

Aviation

Aviation Security-cleared personnel: Front House; Drivers; Ramp Agents; Baggage Handlers; Aircraft Cleaning.

Driving

HGV Class 1; HGV Class 2; Home Delivery Drivers and associated support functions.

Automotive

Engineers; Technicians; Purchasing Controllers; Planners; Linefeed Operations Staff; Health and Safety Managers; Warehouse Controllers; General Administrative Staff.

Administrative and Office

General office and associated administrative roles across all core sectors and general business areas.

Recruitment Process Outsourcing

Under the brand of Datum RPO the business supports a range of UK businesses to manage the operation and compliance of their entire recruitment operations often facilitating over 250 supply agencies per customer. Key sectors include, construction, facilities management, food processors, house builders and care.

Live candidates on our database

c.1.7m

Workers deployed every day (average)

c.31,000

Increase in permanent recruitment gross profit

+80.1%

to £3.9m (£2.2m in 2021)

Recruitment GB's portfolio businesses

Brightwork Staffline
Omega
Techsearch
DatumRPO

Case study

DHL Automotive.

Overcoming market forces

DHL Supply Chain, part of the DPDHL Group, is the world's leading contract logistics provider. Providing supply chain and third-party logistics solutions across a range of industries including the automotive sector.

In cooperation with DHL

For more information visit: www.staffline.co.uk/for-employers/case-studies

In the UK, DHL Supply Chain is a critical part of the supply chain and manufacturing operations for highly prestigious automotive groups. DHL Supply Chain supports manufacturers to deliver excellence for the next automotive generation of vehicles and the adoption of electrification.

Recruitment GB has been working with DHL Supply Chain in the automotive sector since 2005.

In recent times, the Covid-19 pandemic, compounded by the outbreak of war in the Ukraine, have both had a detrimental effect on the automotive industry. These events have caused acute issues in global supply chains, particularly so for semi-conductors.

In common with other manufacturers, the clients of DHL Supply Chain have needed to adapt.

As the impacts of the Covid-19 pandemic have begun to dissipate, automakers have begun to reignite production levels at their UK plants.

This has meant that DHL Supply Chain and Recruitment GB needed to bring large numbers of skilled and semi-skilled workers back into operations at a time when competition for such workers was at a record high.

To meet production targets, DHL Supply Chain needed to grow the contingent workforce considerably. Working in partnership with DHL Supply Chain and through a robust recruitment and training campaign, Recruitment GB was able to deliver and meet these requirements.

From a starting point of less than 50 workers on the books in January 2022, the teams succeeded in increasing this essential workforce more than 10-fold at the main sites of DHL Supply Chain in less than 12 months.

Throughout the 17 years of working together, DHL Supply Chain and Recruitment GB have worked together to find effective solutions to support evolving business requirements, overcoming many challenges and delivering on many high-profile vehicle launches.

Case study

MOWI®

A leading light in ESG

For more information visit: www.staffline.co.uk/for-employers/case-studies

Scotland Against Modern Slavery

MOWI are the world's largest producer and processor of Atlantic salmon. They are also ranked as a leader in the MSCI Index* rating for their ESG performance.

Brightwork has been working with MOWI since 2019, initially providing temporary staffing solutions to bolster the 700-strong permanent workforce within MOWI's Scottish manufacturing site at Rosyth.

The relationship between MOWI and Brightwork has evolved over the years into a strategic partnership with mutually cohesive operational and social goals.

Brightwork, in conjunction with the Scottish Government, Police Scotland and the Gangmasters and Labour Abuse Authority, was the founder of Scotland Against Modern Slavery ("SAMS"). SAMS is a movement committed to raising awareness of human trafficking and labour exploitation within the Scottish business community.

SAMS has grown to include more than 50 Corporate Partners, with MOWI being quick to join as a corporate member of the forum.

SAMS has been instrumental in rescuing 17 victims of modern slavery, helping people to rebuild their lives in sustainable roles with responsible employers.

MOWI has directly supported a victim of modern slavery, placing them into a full-time permanent job within their site in the North of Scotland.

Similarly, in the early stages of the Ukrainian War, MOWI acted in support of a family of refugees fleeing the conflict. Despite the low-level English skills of the refugees, MOWI partnered them with someone in their team who spoke their language. MOWI then continued to employ other Ukrainian refugees throughout 2022.

Further details of the Group's work to prevent modern slavery and other social issues can be found on page 32.

* MSCI is a leading provider of global indices and benchmark related products and services to investors worldwide

Operational Review continued

Case study

Samworth Brothers.

Innovative, compliant, delivery over the long term.

Samworth Brothers
QUALITY FOODS

Samworth is one of the nation's largest food manufacturers, employing around 10,000 people across its UK operations.

The business produces a range of premium quality, chilled and ambient foods (food-to-go, savoury pastry, "heat and serve" meals, sausages and cooked meats) for both own-label and branded customers. Among its best-known brands are Ginsters and Melton Mowbray pork pies.

Additionally, Samworth provides temperature-controlled distribution services to companies within the group and to external food manufacturers, retailers and other distributors.

" We are extremely proud of our work with Samworth. They are always open to ideas and looking to the next thing.

Recruitment GB's relationship with Samworth is a long one. It goes back to 1995, when Staffline's A La Carte division started providing flexible workforce solutions to Samworth production sites. It's a partnership that has grown over time with a five-fold growth in the hours supplied from c.1m in the late 1990s to around 5m hours today.

Like Staffline, Samworth is a purpose-led business. Their motto, "We do GOOD things with GREAT food" provides an anchor for a business that is committed to being a force for good in the communities it serves.

At no time was this more evident than during, and immediately after, the Covid-19 pandemic. The Samworth and Staffline teams worked closely to develop a programme of support for Samworth workers, ensuring they stayed safe and Covid-19-compliant. Multiple special measures were put in place both on and off-site, from the provision of many tens of thousands of tests and the sending out of test kits to workers at home, through to socially distanced dining and coach transport to site. The business also managed more than 2,000 workers through the furlough scheme, bringing them back into work as the Covid-19 pandemic eased.

For more information visit:
www.staffline.co.uk/for-employers/case-studies

As the country entered 2022, to meet an uplift in demand, Staffline supported Samworth as it sought to recruit skilled workers for its various sites with a special 'search and select' Direct Hire model. The Direct Hire scheme brought workers in on a temporary contract with the opportunity to take on a permanent role with the business after a set period.

Recruiting through this scheme, Samworth was able to tap into Staffline's high street presence, its national resource centre, as well as to an existing candidate database that has more than 20,000 active job seekers registered at any given period. Staffline ran the interview and onboarding process and then managed the new recruits through to gain a permanent offer of work.

Recruitment GB Regional Director, Charles Kennington, says of the partnership, "One of the benefits of such a long and close relationship is that when challenges come, we face those challenges head-on and come up with solutions together. It helps us to anticipate what is coming over the horizon and put measures in place ahead of times that help us navigate our way through. We are extremely proud of our work with Samworth. They are always open to ideas and looking to the next thing."

Case study

Sainsbury's Argos.

"We are delighted to have been able to support Argos. Argos now has a stronger Managed Service Provision in place, with total visibility and control of its costs.

For more information visit: www.staffline.co.uk/for-employers/case-studies

Best-fit platform for stronger performance

Argos, part of Sainsbury's since 2016, is one of the UK's leading general merchandise retailers, offering more than 60,000 products through its website, apps, stores and "Click & Collect" points within Sainsbury's supermarkets.

Argos is a technology-led retailer with a website that receives in excess of 1bn visits a year with circa 90% of its sales originating online. Essential to its business model is a market-leading fast track delivery service.

The Argos home delivery network has over 45 strategically placed locations across the UK. Argos uses agency labour in two of its core channels with the workers supplied requiring varying skill sets to undertake activities to best serve customers. The two channels are:

- the small item parcel network serving in-supermarket stores and fast track customers from over 15 local fulfilment centres, which require warehouse operatives for picking and packing, van drivers for delivery, and on-doorstep customer service; and
- the large item two-person delivery channel in which they require warehouse operatives, 7.5 tonne delivery drivers and drivers' mates who can offer the customer an exemplary level of customer service, delivering goods to the customer's room of choice.

At the start of 2022, Argos already had an existing MSP partner for its temporary labour across its driving estate but approached Datum RPO for a proposal that would enhance capabilities in this area. Argos also invited Staffline Recruitment GB to become a supplier of driver resources for key locations within the home delivery network.

From the outset of the MSP project, Datum RPO Staffline GB's RPO business worked closely with key stakeholders within the Argos Group to tightly scope requirements. Many essential factors had to be considered: from ensuring control and visibility of job cards and complete visibility of data by the Argos site teams, through to the need for complete commercial confidentiality and ensuring GDPR requirements were met.

To create a best-fit solution for Argos, Datum RPO invested heavily in the development of its technology so that the functionality would be tailored to Argos' specific requirements. The Datum RPO MSP solution was then rolled out seamlessly to 45 locations and circa 70 suppliers. The system is now embedded within Argos and is fully utilised by all home delivery depots across the network. Additionally, Staffline continues to deliver temporary driving resources to Argos as one of its main agency suppliers.

Looking back at the achievements of the past 12 months, Lewis Furlong, Head of Productivity and Efficiency, Supply Chain and Logistics, Sainsbury's Argos, said, "The initial transition to Datum RPO from a long-standing neutral vendor relationship has been seamless. It was orchestrated well by the project team and we didn't lose any of our supplying agencies or, more importantly, disrupt our operations through the transition which is testament to the execution and detailed planning."

Lewis added, "We are looking forward to taking it to the next level by fully utilising the system platform to capture the entire life cycle of using temporary workers. Datum RPO has enabled better visibility of performance and we have enlisted their services to proactively spot issues and provide solutions in advance of our operations experiencing disruption".

From the perspective of Datum RPO Neil Jackson, Director at Datum RPO says, "We are delighted to have been able to support Argos. Argos now has a stronger Managed Service Provision in place, with total visibility and control of its costs, complete assured compliance for every agency and every worker".

Operational Review continued

Staffline
Recruitment Ireland

New and emerging sectors driving growth.

Recruitment Ireland built on its reputation as a market leader for recruitment across the Island of Ireland in 2022, pivoting towards new and emerging sectors, adapting to the changing nature of on-sites and using the opening of strategic branches in key geographical areas to strengthen its recruitment offering.

Its ambition has also extended to the successful launch of two significant new divisions to the business; *Staffline Medical* tapping into the significant gaps in the healthcare market in the Island of Ireland and finding an international solution to many of the challenges that exist; *Staffline Executive Search* is its new high-end and discreet recruitment service which introduces the best talent in the island of Ireland to a selection of outstanding clients in professional services.

It has also invested in internal functions, with the roll-out of "Stellar" a new, state of the art system, which streamlines the process of registering candidates and its payroll function, which gives it new ways of analysing data to help improve delivery for both clients and candidates alike. A true digital transformation which will help earmark Recruitment Ireland as a market leader and a recruiter of choice for those seeking work.

Tina McKenzie
Managing Director,
Recruitment Ireland

Core activities

Blue collar
- Operatives (Production | Packing | Warehousing)
- Technicians (Logistics | Machine | Product)
- Supervisors
- Line Leaders
- Administrators (Customer Service)

White collar
- Business Development Manager
- HR Manager
- Finance Manager
- Executives

Public sector
- Groundskeeper
- Safety Officer
- Wardens
- Instructors
- Shared Services Support Officer
- Environmental Health Officer

Banking
- Cash Handler
- Machine Operator

Other
- Temporary/ Contingent Resourcing
- Executive Search and Selection
- Permanent Resourcing
- HR Consultancy
- Assessment Centres
- Psychometric Testing and Ability Testing
- Outplacement
- MSP/RPO
- Master Vendor

Revenue

£110.6m

Workers deployed every day (average)

4,500

Permanent recruitment gross profit increased by

45%

Offices and on-site locations across the Island of Ireland

28

Case study

Dale Farm.

> **“Recruitment Ireland provides us with an on-site service that works well for the flexible demands of our business.**

For more information visit:
www.staffline.ie/blog

Employing over 1,200 people across the UK and Northern Ireland, Dale Farm is one of the most expansive dairy companies in the UK. Their business spans the food chain from animal feed to collecting milk from farms, from processing products to store delivery. Their products are supplied into retail, foodservice, and ingredients markets in more than 45 countries.

Recruitment Ireland is proud to support Dale Farm by providing an on-site solution for the past eight years focused on the provision of quality temporary staff to their six sites in Northern Ireland.

The post Covid-19 pandemic economy in Northern Ireland presented the business with several challenges in sourcing staff with a tightening local labour market. In Northern Ireland, unemployment was the lowest in the UK at 2.7% (NISRA Labour Force Survey) and the introduction of settled status for non-UK nationals had a detrimental effect on new migration into Northern Ireland. This, coupled with competition from other food manufacturers in the immediate area offering permanent opportunities, ensured that the team needed to be on top of their game to ensure the requirements of Dale Farm were met, especially in peak periods.

Dale Farm is an innovative and constantly evolving business and key to its growth is a readily available pool of temporary workers that it can flex-up and down as business demands.

The account team works closely on-site with the Dale farm HR and Production teams to develop candidate attraction strategies and to ensure it has a constant pipeline of suitably experienced candidates available for work. Recruitment Ireland has a permanent office on the largest site at Dunman, Cookstown, and this ensures the team are highly visible and accessible to both the client and candidates. This also enables us to provide added value such as induction training, help with onboarding, temporary worker clinics to deal with any issues or queries, and progress checks to ensure workers are happy in the role and progressing in line with requirements of the client.

Karen Gow, HR Director at Dale Farm, says: “Staffline Ireland provides us with an on-site service that works well for the flexible demands of our business. The team can supply the right people in the right place at the right time and they partner with us to offer people excellent jobs with the opportunity to develop their skills in a range of different areas. We are delighted to work with Staffline Ireland as the largest provider of temporary staff in Northern Ireland”.

Operational Review continued

PeoplePlus
skills for growth

Employability driving growth.

PeoplePlus has been a pioneer in promoting and delivering the benefits of socially responsible recruitment: meeting employer needs while also positively impacting society and the economy by ensuring that people from disadvantaged groups can obtain sustainable employment. These disadvantaged groups include many of the most vulnerable in society: young people not in education, employment, or training; carers; ex-offenders; and people with long-term health and disability challenges.

Committed teams in PeoplePlus work across Britain to deliver a range of employability and skills services on behalf of central and local government, including employability support, skills training, assistance with self-employment, independent living services, prison education services, as well as the support they give to help employers grow and achieve their social value objectives, via socially responsible recruitment practices and wider social value initiatives. In 2018, the organisation committed to an ambitious mission to make a difference to the lives of 1m people by 2022 and in December of that year, this mission was achieved, with an astonishing 1,001,147 number of lives changed. The new mission for 2023 and beyond reflects the continued leadership of PeoplePlus in the field of social value creation and the important range of partner and employer services it offers to organisations keen to develop their own ESG programmes: their vision is for a society where every individual is able to reach their full potential, regardless of their background or circumstances.

And the mission is to lead the way in making this future a reality: working directly and indirectly for those who need support and with those who can support, to ensure that every organisation in our society strives to increase the value it brings to that society, to our communities and to the lives of the individuals in them.

PeoplePlus: leading the way in creating social value.

Kenny Boyle
Managing Director, PeoplePlus

Key sectors

Skills – Adult Education

- Training and qualifications to enhance career prospects
- Work with Local Enterprise Partnerships and local authorities
- LearningPlus e-learning platform
- Apprenticeships and traineeships in Wales

Community Services

- Helping people live independently
- Direct payments service
- Supporting carers through Gloucestershire Carers Hub

Justice

- Largest independent provider of prison education in the UK
- Education in prisons and Young Offender Institutions
- Information Advice and Guidance ("IAG") services
- Wayout TV – in cell learning

Partner Services

- Social Recruitment Framework
- Social Recruitment Advocacy Group
- Social impact Hub
- Network of over 650 partners
- Over 400 employers
- Wellbeing Programme 'YouCan'

Employability

- Restart Scheme in England and Wales
- FairStart Scotland
- Self employment support in Manchester and West Yorkshire

Key statistics

Between January 2018 to December 2022, we made a difference to the lives of **1,001,147** people

Since 2019 we have delivered **over 137,000** qualifications to **49,808** learners

10,506 learners in prisons started **26,233** courses in 2022 with 91% success rate

In-cell learning channel **Wayout TV** is shown in **72** prisons

Over **12,650** people have joined us on the **Fair Start Scotland** service and **4,300** have started sustainable work since 2017

16,850 people have joined the Restart Scheme, of which **5,562** have started work since 2021

We support in excess of **10,000** people every year with Direct Payments, part of PeoplePlus Independent Living Services

Case study

Changing lives.

For more information visit:
peopleplus.co.uk/news

“The Gloucestershire Carers Hub is a Godsend. I don’t know where we’d be without their support, they’re here for us 24 hours a day and nothing is ever too much trouble.

Bob and his wife Beryl.

The Community Services division at PeoplePlus offers people the opportunity to live independently by processing direct payments for over 10,000 people a year and running the PeoplePlus Gloucestershire Carers Hub that offers support to unpaid carers. The Gloucestershire Carers Hub has helped 4,600 carers this year. One of those carers is Bob. Bob’s wife Beryl was diagnosed with dementia a couple of years ago, and Bob relies on support, advice, respite and social activities from the PeoplePlus Gloucestershire Carers Hub to help him with his caring role.

RESTART SCHEME

The Restart Scheme gives enhanced support for eligible claimants to find jobs.

The service forms part of the Government’s Plan for Jobs, which is helping millions of people across the country into employment. PeoplePlus is delivering the Restart Scheme in conjunction with Reed in Partnership in Kent and the North East, and in partnership with Serco in Wales.

The scheme gives personalised support to individuals looking for work including health and wellbeing advice and a tailored action plan. The support ensures that individuals are ready for the right job at the right time.

PeoplePlus works with employers to help them recruit in a socially responsible way. By recruiting people who are on the scheme they can access:

- a talent pool of candidates who are actively looking for employment;
- candidates who have been pre-screened and given prior support to ensure they are job-ready;
- a full needs analysis of their business in order to understand the culture, the job opportunities available, progression opportunities for the individual and a true partnership experience to ensure the right people are employed by the right businesses; and
- security that employers are recruiting in a socially responsible way, helping those who are often hardest to reach back into the labour market.

Once the individual has started work, PeoplePlus will give up to 12 months in-work support to that person; covering travel and PPE costs, wellbeing advice and much more, to ensure the individual feels totally supported to do their job.

Financial Review

Strong trading further strengthens the balance sheet.

Daniel Quint
Chief Financial Officer

Gross profit to underlying operating profit conversion improved to 14.4%

Closing net cash Pre-IFRS 16

£5.0m

Introduction

The Group traded strongly during 2022 and exceeded both net cash and underlying operating profit expectations, despite the continuing economic challenges. Gross sales for 2022 increased by 3.5% to £1,031.3m (2021: £996.5m) driven by new managed service provider customer wins. Total revenue for the year of £940.5m (2021: £942.7m) was lower than the previous year by 0.2%. Gross profit across the recruitment businesses increased by 4.7% to £64.9m (2021: £62.0m), offset by a reduction in PeoplePlus' gross profit to £18.3m (2021: £20.8m). This resulted in Group gross profit increasing to £83.2m (2021: £82.8m), with gross profit margin stable at 8.8%. The Group continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 12.4% to 14.4%, delivering a 16.5% increase in underlying operating profit to £12.0m (2021: £10.3m). The Group's reported profit after tax increased to £3.8m (2021: £1.2m).

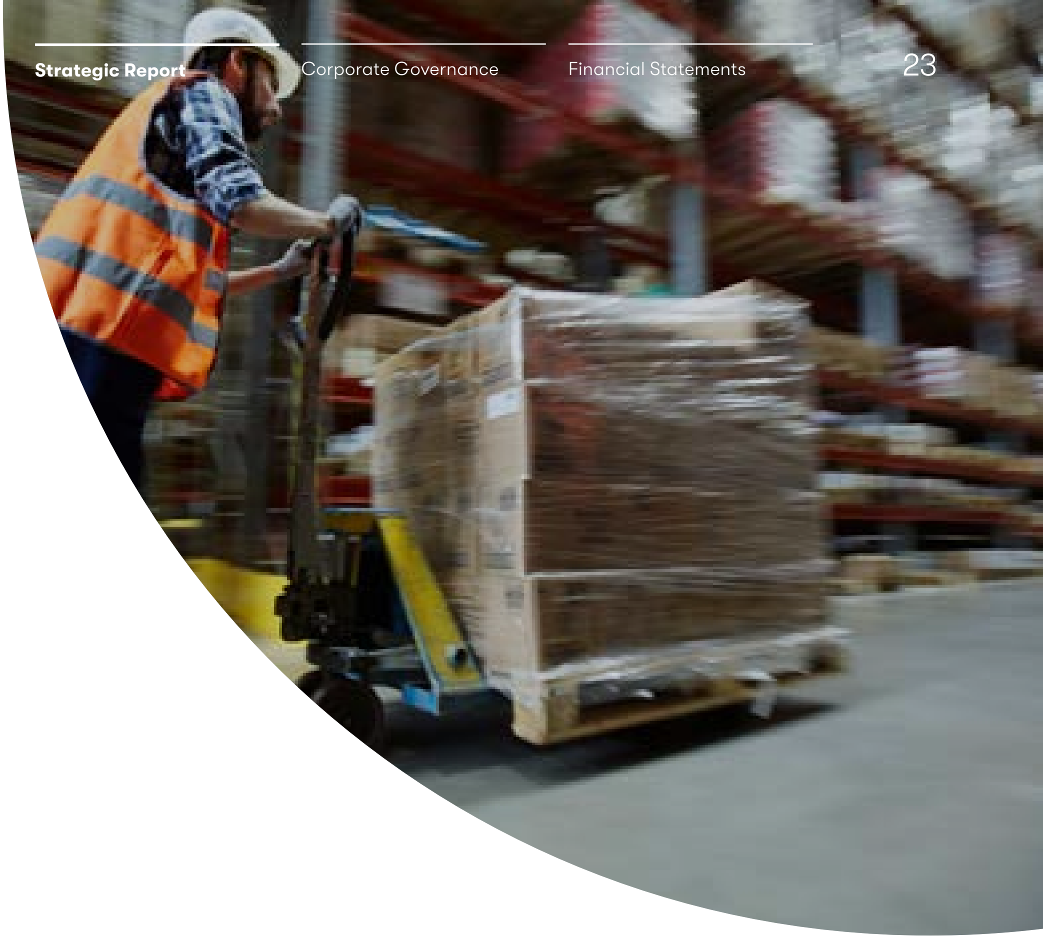
The Group has pursued a policy of organic growth with a focus on cost control and working capital, conserving its cash reserves, and further strengthening its balance sheet.

The Group ended the year with pre-IFRS 16 net cash of £5.0m (2021: £6.9m), notwithstanding the two Covid-19 pandemic-related one-off payments of the final repayment of deferred VAT of £5.8m and £6.2m advance payments from the Ministry of Justice. This means that the Group generated an underlying improvement in net cash of £10.1m.

The Group's purchase of a 3-year interest rate cap in October 2021, in order to manage its debt financing costs, meant that the impact of the increase in the Bank of England base rate from 0.25% to 3.50% during 2022 was largely mitigated.

The Group's strengthened balance sheet and its significant financing headroom leaves it well placed to navigate the ongoing global macroeconomic headwinds as well as capitalise on market opportunities to further grow market share.

Interest rate cap product protects against rising interest rates



Gross sales value increased by 3.5% to £1,031.3m reflecting new client opportunities in our expanding Managed Service Provider (“MSP”) business, Datum RPO

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

Underlying[1] divisional performance – continuing operations

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Group Costs 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m
Revenue	**752.0**	**110.6**	**77.9**	**–**	**940.5**	747.9	111.7	83.1	–	942.7
Year-on-year revenue increase/(decline)	***0.5***	***(1.0)%***	***(6.3)%***	***–***	***(0.2)%***	*2.2%*	*(7.3)%*	*10.8%*	*–*	*1.6%*
Gross sales value[3]	**842.8**	**110.6**	**77.9**		**1,031.3**	801.7	111.7	83.1		996.5
Year-on-year gross sales value increase	***5.1%***	***(1.0)%***	***(6.3)%***	***–***	***3.5%***	*5.6%*	*(7.3)%*	*(10.8)%*	*–*	*2.7%*
Gross profit	**52.0**	**12.9**	**18.3**	**–**	**83.2**	50.7	11.3	20.8	–	82.8
Year-on-year gross profit increase/(decline)	***2.6%***	***14.2%***	***(12.0)%***	***–***	***0.5%***	*9.7%*	*7.6%*	*16.2%*	*–*	*11.0%*
Gross profit as a % of revenue	***6.9%***	***11.7%***	***23.5%***	***–***	***8.8%***	*6.8%*	*10.1%*	*25.0%*	*–*	*8.8%*
Underlying operating profit/(loss) before tax	**8.3**	**3.2**	**3.8**	**(3.3)**	**12.0**	7.1	2.5	4.1	(3.4)	10.3
Underlying operating profit as a % of revenue	***1.1%***	***2.9%***	***4.9%***	***–***	***1.3%***	*0.9%*	*2.2%*	*4.9%*	*–*	*1.1%*
Underlying operating profit as a % of gross profit	***16.0%***	***24.8%***	***20.8%***	***–***	***14.4%***	*14.0%*	*22.1%*	*19.7%*	*–*	*12.4%*
Pre-IFRS 16[2] net cash excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**5.0**	–	–	–	–	6.9
Post-IFRS 16 net cash excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**0.1**	–	–	–	–	2.3

Financial Review continued

Key performance indicators – continuing operations

	Recruitment GB 2022	**Recruitment Ireland 2022**	**PeoplePlus 2022**	**Total Group 2022**	Recruitment GB 2021	Recruitment Ireland 2021	PeoplePlus 2021	Total Group 2021
Hours worked by temporary workers	**44.0m**	**6.7m**	**–**	**50.7m**	51.1m	7.1m	–	58.2m
Gross profit per fee earner	**£76.5k**	**£102.2k**	**–**	**£80.6k**	£71.5k	£111.5k	–	£76.5k
Revenue per employee	**–**	**–**	**£55.7k**	**–**	–	–	£62.6k	–

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.

3 Gross sales value represents the fair value of consideration received or receivable for the supply of services, including agency sales, (excluding fees) net of VAT.

For management reporting purposes, the Recruitment GB division presents its "gross sales", which includes sales under agency arrangements. The reporting of gross sales gives an indication of the full level of activity undertaken by the division. This value is adjusted for revenue reporting in accordance with IFRS 15. The adjustment relative to reported revenue for the Group is as follows:

	2022 £m	**2021 £m**
Gross sales value	**1,031.3**	**996.5**
Agency sales	**(90.8)**	**(53.8)**
Revenue as reported	**940.5**	**942.7**

Recruitment GB

Revenues in the Recruitment GB division increased by £4.1m to £752.0m. The division experienced some reduction of volumes from retail and logistics customers that had benefited from increased workload during the Covid-19 pandemic, which was more than offset by significant new contracts, and increased demand from some existing customers, BMW and Sainsbury's/Argos being prominent examples.

Gross profit of £52.0m (2021: £50.7m) resulted in gross profit margin increasing to 6.9% (2021: 6.8%), reflecting the slight shift from lower margin sectors such as food production, toward marginally higher returns from recovering sectors such as travel and aviation, as well as the increase in permanent recruitment activity commented on below. Increases in general pay rates, in many cases double-digit percentages, combined with the increase in the National Minimum Wage in April 2022, from £8.91 to £9.50 per hour for over 23's, do not impact absolute gross profit but do negatively impact gross margin percentage achieved.

Gross profit generated from temporary recruitment reduced as a proportion of the total to 92.5% (2021: 95.7%), with the remaining 7.5% (2021: 4.3%) of gross profit generated from permanent recruitment. This represented a 77% increase in gross profit generated from permanent recruitment to £3.9m (2021: £2.2m). Hours worked reduced to 44.0m (2021: 51.1m) reflecting reduced year-over-year supermarket and online retail volumes and the strategic exit from a significant high volume, low margin contract during 2021. Revenues were boosted in the second half by the successful implementation of the new contract with BMW Group, whilst also generating strong organic growth with existing customers. The division continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 14.4% to 16.0%, delivering a 16.9% increase in underlying operating profit to £8.3m (2021: £7.1m).

Recruitment Ireland

Revenues in the Recruitment Ireland division reduced by £1.1m to £110.6m, reflecting the reduction in temporary worker hours to 6.7m (2021: 7.1m). A 45% increase in permanent recruitment fees enabled the division to deliver its strongest results since 2019, as well as a record trading performance in the Republic of Ireland.

Gross profit of £12.9m (2021: £11.3m) resulted in gross profit margin increasing to 11.7% (2021: 10.1%), reflecting the further shift toward permanent recruitment business. Gross profit generated from temporary recruitment accounted for 82.9% (2021: 86.7%) of the total, with the remaining 17.1% (2021: 13.3%) of gross profit generated from permanent recruitment.

Additionally, tight control of the cost base resulted in the gross profit to underlying operating profit conversion rate improving to 24.8%, up from 22.1% in the prior year, generating an underlying operating profit of £3.2m (2021: £2.5m).

PeoplePlus

PeoplePlus revenues reduced by 6.3%, from £83.1m to £77.9m, primarily as a result of reduced revenues from Skills training, which was severely impacted by a significant reduction in the number of candidates available as a result of the tight labour market which enabled workers to enter jobs without workplace skills training. The division successfully delivered its first operating profit of £1.2m from the Restart sub-contracts in the second half of the year and the tight labour market conditions aided other Employability programmes, which performed well.

Following the rebuild of the division's overhead base that commenced in 2021, the division has maintained its revenue to underlying operating profit conversion at 4.9%, resulting in underlying operating profit of £3.8m (2021: £4.1m).

During the year it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations. Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves (see Note 3).

Revenue per employee was £55.7k during 2022 (2021: £62.6k), an 11% decrease, resulting from the reduced revenues from Skills training. PeoplePlus achieved a gross margin of 23.5% in 2022, which compares to 25.0% in 2021, largely due to the reduced contribution from skills training.

Group costs

Group costs, which include Directors' remuneration costs, have decreased to £3.3m (2021: £3.4m) reflecting continued close management of corporate spend.

Group result

Underlying operating profit was £12.0m (2021: £10.3m), an increase of 16.5%, and marginally ahead of market expectations for the year. Total non-underlying charges on continuing activities before tax, which are described below, were £7.4m (2021: £8.0m), which were all non-cash.

The underlying profit before taxation on continuing operations for 2022 was £9.3m (2021: £7.9m). Underlying profit before taxation as a percentage of revenue was 1.0% (2021: 0.8%). The underlying profit after tax on continuing operations for the year was £9.4m (2021: £8.7m).

The Group's reported profit before taxation was £1.9m in the year (2021: loss £(0.1)m).

Net Finance Charges

Net finance charges incurred in the year amounted to £2.7m (2021: £2.4m), reflecting part of the increase in overnight SONIA rates during 2022 from c.0.25% to c.3.40%. However, the Group limited its exposure to these interest rate increases through the use of an interest rate cap, which was purchased in October 2021. This reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement ("RFA") (£26.0m at 31 December 2022) and the customer finance arrangements (£51.7m at 31 December 2022). 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 £1.9m (2021: £1.7m), which included the movement of deferred tax balances. The Group has an estimated current corporation tax liability of £0.1m (2021: £nil) in respect of the year. Remaining tax losses of £17.8m 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.

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 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. The alternative performance measures used are described in Note 3.

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 to £7.4m in the year (2021: £8.0m), relating solely to amortisation of intangible assets arising on business combinations. As stated below the existing intangible assets on business combinations will all be fully amortised by the end of 2023.

The charge in the year for amortisation of intangible assets arising on business combinations relates to the following acquisitions: Vital Recruitment (charge £3.0m: 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 £0.2m: asset fully amortised during 2022); and others (charge £0.6m: asset fully amortised during 2022).

Non-underlying charges – continuing operations	2022 £m	2021 £m
Amortisation of intangible assets arising on business combinations	**7.4**	8.0

Government Support

During the first year of the Covid-19 pandemic 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.

Earnings per share

Statutory basic and diluted loss per share on continuing activities in 2022 were both 2.3p (2021: both 1.3p).

For the year, the weighted average number of shares (basic) is 163,753,217 (2021: 122,178,126).

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic earnings per share of 5.7p (2021: 7.1p) and diluted earnings per share of 5.7p on continuing activities (2021: 7.1p).

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

Reconciliation of operating loss to EBITDA	2022 £m	2021 £m
Operating profit	**4.6**	2.3
Non-underlying costs	**7.4**	8.0
Underlying operating profit	**12.0**	10.3
Depreciation and loss on disposals	**5.6**	6.6
Underlying EBITDA	**17.6**	16.9
Lease rental payments	**(1.6)**	(1.7)
Underlying EBITDA (pre-IFRS 16)	**16.0**	15.2

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

Since 2020 strong trading cash flows during both 2021 and 2022, alongside the equity raise in 2021, have increased the Group's equity by £54.1m to £71.7m.

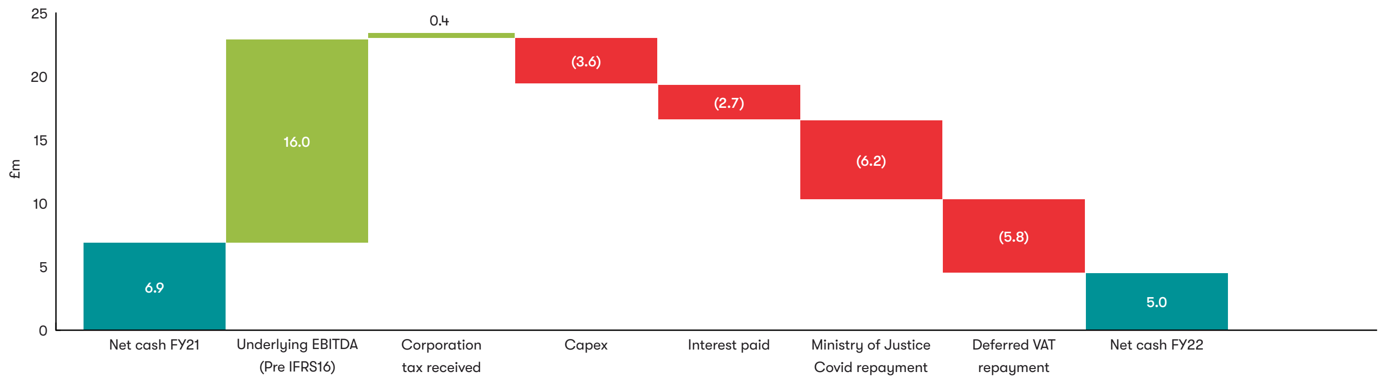
The movement in net debt is shown in the table below. Strong trading cash flows were offset by working capital movements, which included the final repayments of deferred VAT of £5.8m and £6.2m of the Covid-19 pandemic-related advance payments from the Ministry of Justice.

Movement in net debt

	2022 £m	2021 £m
Opening net cash/(debt) (pre-IFRS 16)	**6.9**	(8.8)
Cash generated before change in working capital and share options	**17.6**	16.5
Principal repayment of lease liabilities	**(1.6)**	(1.7)
Change in trade and other receivables	**1.5**	(12.2)
Repayment of advance receipts from the MoJ	**(6.2)**	4.2
Deferred VAT (net of corporation tax offset)	**(5.8)**	(36.6)
Change in trade, other payables and provisions	**(0.9)**	(0.7)
Taxation and interest received	**(2.3)**	3.9
Capital investment (net of disposals)	**(3.6)**	(4.5)
Net proceeds from equity issue	**–**	46.4
Payments from restricted funds for NMW	**–**	0.9
Settlement of NMW liabilities from restricted funds	**–**	(0.9)
Other	**(0.6)**	0.4
Closing net cash (pre-IFRS 16)	**5.0**	6.9
IFRS 16 lease liabilities	**(4.9)**	(4.6)
Closing net cash (post-IFRS 16)	**0.1**	2.3

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 cash (pre-IFRS 16) bridge from January 2022 to December 2022



The Group's headroom relative to available committed banking facilities as at 31 December 2022 was £75.9m (2021: £78.4m) as set out below:

	2022 £m	2021 £m
Cash at bank	**31.0**	29.8
Undrawn receivables finance facility agreement	**44.9**	48.6
Banking facility headroom	**75.9**	78.4

Working capital financing

The Group manages its working capital requirements using an RFA, and a number of separate, non-recourse, customer financing arrangements whereby specific customers' invoices are settled in advance of their normal settlement date via a funding intermediary.

The principal terms of the RFA are described in Note 21. The RFA leverages the Group's trade receivables with sufficient headroom and flexibility to manage the variability and size of weekly cash outflows. The balance outstanding at 31 December 2022 was £26.0m (2021: £22.9m).

The balance funded under the customer financing arrangements at 31 December 2022 was £51.7m (2021: £42.3m).

Dividends

The Board is not proposing a final dividend payment for 2022 (2021: £nil).

Going Concern

For the period to 31 December 2024, the Group's cash flow forecasts indicate ongoing headroom in the RFA 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
20 March 2023

ESG Report

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

A word from our Chief Executive Officer, Albert Ellis

Welcome to Staffline's 2022 ESG Report.

Staffline recognises the value of Environmental, Social and Governance ("ESG") and the vital importance of delivering our purpose to put people into work. As a business focused on recruitment, skills and employability training, we play a pivotal role in changing lives and empowering communities in both the UK and the Island of Ireland.

Given the size of our business, it is important that we provide leadership and set an example in operating sustainably, not only in the corporate space but more widely as an organisation of influence in society and in our communities. Our clear commitments outlined in this report – overseen by our ESG Committee – align with many of the targets and ambitions of our partners and stakeholders, many of whom are also leading by example.

People placed into good work
c.93,000

Unemployed people supported towards getting a job
16,850

Inmates educated in 2022
10,506

Our approach.

Our purpose drives our activities. As a blue-collar recruiter and training provider, we play an important role in helping to enhance the prospects of those looking for work and thus support local communities and wider society.

Our commitment to the development of people and communities and related environmental, social and governance responsibilities is integral to our business.

These responsibilities guide our activities and underpin our approach to sustainability.

Our strategy

Our sustainability strategy sets out how we deliver against our responsibilities and is based around four key pillars, covering environmental, social and governance issues.

Making a positive difference to people and society

Our key focus and the area where we can deliver the greatest positive impact. By developing skills and delivering training and support services, we engage and transform the lives, including many from disadvantaged backgrounds, helping unlock potential to improve prospects and get people into jobs.

- Providing good work
- Delivering employability and skills training
- Community engagement

Supporting and developing our people

We share a commitment to change and improve the working lives of our people every day. We invest in all stages of the employee journey, driving a high-performance mindset through effectively engaging our people, whilst supporting and creating a sense of belonging, too.

- Wellbeing
- Training, development and reward
- Diversity, equity, inclusion and belonging ("DEIB")
- Health and safety

Reducing our environmental impact

We place great importance on seeking to minimise our environmental impact, and we recognise that our environmental responsibilities are integral to our business.

- Energy and carbon reporting
- Carbon offsetting
- Task Force on Climate-related Financial Disclosures ("TCFD")

Doing business in a responsible way

Sound governance and doing business in a responsible way supported by our policies and values are fundamental to the way the Group operates. Overseen and guided by our ESG Committee, we aim to demonstrate these responsibilities within our corporate policies and through our actions.

- Governance
- Responsible business
- Regulatory compliance

ESG Report continued

Making a positive difference to people and society.

87%

of people who started a course and were subsequently offered a job; started employment

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.

Providing good work

We work hand-in-hand with our clients as an integrated business partner. Our candidates' work experience is equally important to us and we continue to focus on helping them find good work with the most reputable employers.

We resource, recruit and mobilise large-scale workforces to meet the ever-changing needs of our customers, matching peaks and troughs on a continual basis.

Delivering employability and skills training

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, supporting individuals to secure employment and helping employers to fill vacancies.

Through our PeoplePlus business we deliver skills and training, provide employment support and prison education, as well as working with over 400 employers to deliver recruitment, training and employability solutions so people can access the right employment opportunities and enhance their career prospects.

Across our employability programmes we were able to support over 17,000 individuals in 2022. In addition, we support people to set up and run their own businesses. Since establishing our self-employment provision in Manchester and Yorkshire more than 10 years ago we have helped over 100,000 people to become self-employed, with an 80% sustainment rate.

Our #GetBritainWorking campaign supports the Government's Way to Work initiative. Around 1,000 Jobcentre colleagues took part in the launch of the chatbot Flin, which uses our technology to allow claimants to book interviews directly. Connecting our interview booking technology with our wider services, we provide support to prepare people for work and connect those looking for work with employer vacancies to offer interviews as and when individuals are ready.

To complement our skills and employability training, our PeoplePlus Wellbeing team supported more than 500 people to better understand emotion, reduce isolation, build confidence, and improve resilience.

Between January 2018 to December 2022, we made a difference to the lives of

1,001,147

people

Since 2019 we have delivered over 137,000 qualifications to

49,808

learners

c.500

people supported to improve and maintain wellbeing in 2022

c.8,500

people trained for vacancies available via our Social Recruitment Partners in 2022

14,096

prisoners used our Initial Advice and Guidance service in 2022

Case study

Our support ensures that individuals are ready for the right job at the right time

RESTART SCHEME

Restart forms part of the Government's Plan for Jobs, which is helping millions of people across the country – many of whom had their employment status impacted by the Covid-19 pandemic. PeoplePlus is delivering the Restart Scheme in conjunction with Reed in Partnership in Kent and the North East, and in partnership with Serco in Wales.

The scheme gives personalised support to individuals looking for work including health and wellbeing advice and a tailored action plan. Our support ensures that individuals are ready for the right job at the right time. 16,850 people have joined the Restart Scheme with us and 5,562 have started work since summer 2021 as a result.

PeoplePlus skills for growth

Case study

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 72 prisons throughout England.

Wayout TV

- PeoplePlus has delivered education in prisons for 15 years and is the largest independent provider of prison education in England. We deliver education to 22 prisons and one Youth Offender Institution ("YOI"), and provide information, advice and guidance to 16 prisons and 2 YOIs.
- Nearly a third of all PeoplePlus colleagues work in the Justice division of the business, and the impact of their work supporting those with some of the most challenging barriers is truly life changing. During 2022, 10,506 prisoners started 26,233 courses, with 92% of these successfully completing them.

In an average year, 2 million hours of face-to-face learning are delivered across PeoplePlus' prison network, and each hour of education has the potential to persuade offenders to change their lives for the better.

ESG Report continued

Case study

Social Impact Hub

The Social Impact Hub is a suite of social value programmes designed to address barriers to employment, harnessing the collective power of employers, partners and trusted local organisations to tackle these barriers.

The programmes place particular emphasis on supporting:

- Ex-offenders
- Long-term unemployed
- BAME communities
- People with disabilities or learning differences
- Veterans
- Refugees

The Social Impact Hub is co-created with local communities, including local authorities and trusted Voluntary, Community and Social Enterprise ("VCSE") providers, to ensure the solutions are based on local needs and bring together the best quality services from private and not-for-profit sectors. We use a social value calculator to demonstrate the value of the Social Impact Hub work.

Enabling people into good work

Our recruitment businesses have national coverage across Great Britain and Ireland providing 'good work' to a total of around 93,000 different blue-collar workers in the year.

They work at around 400 client sites, branches and recruitment hubs across a wide range of industries including supermarkets and retail, drinks, driving, food processing, logistics and manufacturing.

Prevention of modern slavery

136,000 people in the UK are estimated to be victims of modern slavery, around 1 in 500 people.

Staffline places up to c.36,000 people into good work each day. We are committed to protecting our workers from labour exploitation and modern slavery, and apply a robust seven stage red flag test to inform how we recognise and react to signs of human exploitation. We monitor and analyse data to identify areas of risk and work closely with our sites, which are key to identifying possible victims. We spend time building strong relationships with those we work with to be better able to recognise the signs that something may be wrong.

We train all permanent staff on how to spot the signs, and we also marked the most recent Anti-Slavery Day with a **SPOT**, **THINK**, **ACT**.

SPOT – the red flags
THINK – of your safety and those around you
ACT – by contacting the Compliance Team

During the year, we assisted the authorities with 52 modern slavery investigations, which led to the identification of 36 suspected victims. In addition, we helped the Police/Gangmasters and Labour Abuse Authority (GLAA) in their enquiries with a further 34 confirmed victims.

We work continuously to prevent unlicensed gangmasters from infiltrating our business and exploiting our workers and engage with authorities and charities to tackle modern slavery, including Care and Justice, Avadu Project, Hope for Justice and the GLAA. We also work with the Stronger Together initiative, using the Responsible Recruitment Toolkit to keep modern slavery high on ethical agendas.

Over 59 businesses have now joined Scotland Against Modern Slavery ('SAMS'), which our Scottish business Brightwork co-founded with the Scottish Government and Police Scotland to raise awareness of human trafficking and exploitation with the business community and support victims into permanent jobs through Brightwork. Through SAMS we have supported 17 victims of Labour Exploitation into work and have continued to run regular on line and face-to-face business focussed events to raise awareness of the current issues locally and globally.

Through vigilance, caring, and the proactive approach of our employees and our supply chain, we strive to eliminate this complex and evolving crime.

Our Modern Slavery Statement can be found at: www.stafflinegroupplc.co.uk/about-us/modern-slavery/.

Community engagement

Supporting our local communities is a core part of our ethos. We help people to live independently through our direct payments service, and our local services and volunteering activities support individuals and community-based organisations.

Working with 21 local authorities across England and Wales, our community support services enable thousands of people each year across England and Wales to live independently with direct payments.

Our Carers Hub in Gloucestershire gave free support services to 4,600 people in 2022 while our YouCan wellbeing programme supported 496 service users to build confidence and connections, reduce isolation, and improve wellbeing resilience.

During 2022, our employees delivered over 4,000 volunteer hours to local charities, schools and community-based organisations. Separately, the Group donated £19,086 to local and national charities.

4,000

volunteer hours to local charities, schools and community-based organisations during 2022

£19,086

donated to local and national charities

AREA	AIMS FOR 2023
Providing good work	• Grow customer base and continue to diversify sector and service offering, specifically managed service provision. • Continue to increase engagement with our worker population.
Delivering employability and skills training	• Identify further roles and employers with whom to address barriers to employment. • Implement skills and training solutions to support those in employment to progress within their roles and develop their careers.
Prevention of modern slavery	• Continue to train our people and apply our processes to identify areas of risk, and work with third parties to prevent cases of modern slavery.
Community engagement	• Encourage our people to support charitable initiatives by providing paid time off for volunteering and promoting fundraising opportunities.

ESG Report continued

Supporting and developing our people.

We share a commitment to improve the working lives of our people every day. We invest in all stages of the employee journey, driving a high-performance mindset through effectively engaging our people, whilst supporting and creating a sense of belonging.

8

Diversity, Equity and Inclusion ("DEIB") campaigns delivered

We listen, act and support.

The Group's employees are central to our ongoing success and future growth, so Staffline strives to create a genuinely inclusive environment in which employees can flourish and develop through learning and development opportunities, regular performance reviews and career progression.

We communicate and engage with our people via various channels, including in-person, virtual and electronic communication, and ensure the voice of our people is heard. We regularly survey our employees and act on feedback via transparent action plans.

In 2022, our Group employee turnover rate was 40.5%. This figure includes all employee attrition, redundancy, dismissals and TUPE out. Our Group average sickness absence rate, including long-term sickness, was 2.72%.

The wellbeing of our people is a key part of our people strategy. We want our people to feel safe and supported, and, in a world of increasing uncertainty and mental health challenges, we are committed to providing our people with access to wellbeing initiatives that support their whole lives, not only their work lives.

All employees across our group have access to wellbeing support, such as private medical insurance or medical cash plans, telephone, online, app or face-to-face professional counselling support, and support programmes for carers. We have provided comprehensive mental health training, including Mental Health First Aid, personal wellbeing and instigating mental health conversations with others.

Financial wellbeing is of increasing importance, therefore in addition to offering regular salary reviews and benchmarking, we offer financial wellbeing benefits that give all employees access to discounts and vouchers for a diverse range of products, in addition to salary sacrifice schemes.

Our hybrid working and flexible working policies continue to prove popular, offering choice to our employees where possible.

2.72%

Absence rate

325

employees earned promotions

37

Apprenticeships

Case study

YouCan Programme supporting our people with their wellbeing

PeoplePlus Internal YouCan Programme is a bespoke wellbeing programme for colleagues that provides information, advice and supportive discussion on four key topics:

YouCan Be You – explores emotions and feelings and introduces coping strategies for work and life.

YouCan Bounce Back – looks to improve resilience, confidence, self-esteem and tackles burn out.

YouCan Be Healthy – introduces small changes that make big differences through sleep, exercise and healthier lifestyles.

YouCan Do It – encourages positive thinking, mindfulness techniques, being thankful and creating a practical plan for the future.

Health and safety

Our workers' health, safety and welfare remain a priority. In 2022, there were a total of 332 reported incidents/accidents at customer sites, 46 of which were reportable to the Health and Safety Executive (the "HSE") or equivalent.

Accident data is reported by each operating division monthly, and the Group's Governance Director leads on evaluating themes and learnings, and assessing our data against national average comparators. Minor accidents (such as cuts and bruises) and near-miss incident reports made up 43% of the total reported matters in 2022. "Struck by moving/falling object" is the second most common reported accident type (14% of the total), seven of which were reportable under RIDDOR.

This category does not include vehicles or moving machinery; most cases involve pallets and/or storage cages and occurred within a warehouse/distribution centre environment. "Injured while handling, lifting, or carrying" is the joint-third most common reported accident type (12% of the total), which is to be expected given the nature of assignment tasks within the many 'general operative' warehouse roles supplied by Staffline. "Slips, trips, and falls on the same level" is the joint-third most common reported accident type (12% of the total).

Spotlight:

PeoplePlus IIP Silver

In 2022, our PeoplePlus business was proud to be awarded the prestigious Investors In People Silver accreditation. IIP focus on "making work better", working closely with organisations to measure engagement and share insights to improve their culture following a rigorous, broad and deep assessment across the whole organisation. This approach allows PeoplePlus to better understand our culture and identify areas for development to drive sustainable success.

Our colleagues described a culture of trust, where they feel their voice is heard and they are recognised and rewarded.

INVESTORS IN PEOPLE | Silver

ESG Report continued

Leading our approach

Sarah Taylor
People Director
Staffline Recruitment GB

2022 was the year we created our new normal, balancing online communications with face-to-face, encouraging our people to have their voice heard through regular pulse surveys, in quarterly town hall meetings and through our elected Your Voice reps. We continue to celebrate our differences through our bi-monthly campaigns, raising awareness of the key Diversity, Equity, Inclusion and Belonging topics that enable us to create an inclusive culture.

I am delighted with the number of people that we were able to recognise and promote in 2022, enabling employees to develop their careers with us and be showcased in our monthly STARS awards.

In 2023, we will continue to drive a high performance and experience culture, ensuring every employee feels valued, is engaged, developed and rewarded for their performance.

Jessica Chadwick
People Director
PeoplePlus

A key focus in 2022 was to build our workforce capacity in our core operational divisions of Prison Education, Employability and Adult Skills, and more recently in our new Youth Offending Institute. We also set out to achieve an Investors In People Accreditation, and were delighted to be awarded a Silver Accreditation in August 2022. Our distinct Trademarks at PeoplePlus were further strengthened with the introduction of a 4th Trademark 'Customer First', which was voted for and chosen by our colleagues. Towards the end of 2022, we celebrated the significant milestone of directly impacting the lives of 1m people by 2022 – a mission that we set four years previously.

In 2023, we will continue to focus on developing an environment that attracts, retains and develops the very best talent for our business. We are also excited to launch our new strategy for Learning and Development; creating a culture of learning and empowering employee growth through a new learning ecosystem.

Sinead Sharpe
HR Director
Staffline Recruitment Ireland

Staffline Recruitment Ireland has continued to grow from strength to strength in 2022 – an 8% increase in headcount reflects our ability to attract the talent so key to our position of profitability, in spite of a competitive external market. I am proud that this year, we committed to ongoing people development via a programme of funding as standard for professionally recognised recruitment qualifications; in addition to introducing six-monthly Talent Review Forums which will consolidate our succession planning. We launched our first Culture Audit Survey in 2022 which provided rich data and highlighted our high performance culture. More importantly, it was an opportunity for the business to listen and act on suggested improvement to our benefits, which are now more valuable and inclusive than ever. As a result, we have introduced new Menopause and Diversity, Equity, Inclusion and Belonging Policies, and signed up to the Mental Health Charter.

Celebrating and recognising our people remains critical to creating our culture of belonging. Our Management Conference earlier this year was a welcome opportunity for our people to network, share and plan for growth in what promises to be an exciting and rewarding 2023 for us all.

We invest in training and development

Just as our employees invest their time and effort into our clients, we in turn invest in their potential. In 2022, we built upon our core learning and development foundations, offering:

- Funded professional qualifications
- Apprenticeship Programmes for a range of roles
- Sales Skills training for client-facing recruitment roles
- Blended learning opportunities – ranging from online, interactive bespoke e-learning to 1-2-1 expert sessions

Our people tell us that they want to know that there's a clear career path available to them. Employees are supported to move across traditional paths in order to gain a wider view of how our businesses operate. In 2022, 325 employees earned promotions and robust succession planning remains a key focus – Talent Review Forums take place at least annually and involve the highest levels of leadership across the Group.

We celebrate success.

Rewarding our people

We are proud to recognise our people's wins, recognising and rewarding team and individual success. In addition to regular "instant" and "thank you" gifts, vouchers or card recognitions, our businesses recognise performance excellence via formal monthly, quarterly and annual awards – based on achievement of sales targets, new business wins, and manager or colleague nomination schemes.

Our Long Service Award schemes recognise and celebrate loyalty and commitment to our businesses, and we also encourage employees to use our referral schemes to introduce new talent to our workforce.

Case study

Staffline Ireland reward philosophy

All employees of Staffline Ireland have the opportunity to participate in our reward schemes, which are based on three core principles to balance rewarding high performance and sustainable profit:

Accountability – our business commits to pay the UK Living wage as a minimum, and seeks employee accountability via achievement of role and team-specific KPI's/targets

Incentivising – our reward schemes motivate our talent, consistent with being a high-performance business

Sustainability – our reward schemes are fully sustainable and self-funding

In addition, our reward scheme includes:

- competitive, targeted commission schemes, which pay regular bonuses based on profit margin targets achieved;
- quarterly bonuses for any top commission earners;
- a monthly league table for individual consultants and operational teams with the opportunity to win valuable vouchers; and
- an annual international trip for the highest performing operational teams/individual consultants/ back office superstar.

Case study

Staffline GB learning and development solutions

At Staffline, our ambition is to be the Netflix of learning by creating a tailored and targeted experience for every employee, based on their development plan, personal interests and job role. We do all of this using our learning experience platform ("LXP") through audience-targeted home pages and banners with the aim of increasing engagement and interest in personal and professional development.

We offer a variety of learning solutions, from traditional face-to-face learning through to virtual learning bursts covering performance conversations, career progression and employee relations topics. In addition, we were inspired by TikTok to create our systems training within the LXP, embracing the theory of micro learning to keep our training engaging, quick to interact with and readily understood.

We also understand the importance of learning through our internal experts and mentors, and launched 30-minute "ask the expert" Q&A sessions. These provide an opportunity for individuals to learn more about a focus topic and to ask questions.

ESG Report continued

How we're supporting and developing our colleagues

Dovile Kopacz
Account Manager
Staffline Ireland

After graduating from university in Lithuania as a dental hygienist, I visited my family in Northern Ireland and never left! Staffline Recruitment saw my potential, quickly promoting me from Team Leader to Trainee Account Coordinator, then Senior Account Co-ordinator to Account Manager for one of our biggest clients this year.

I have a natural drive to ensure I make the best impact I can in meeting my clients' expectations. Recruitment gives us endless opportunities to change people's lives – it's so rewarding to see people being offered permanent roles.

Staffline has the same strong values as I do, and makes me feel that my work is meaningful and that what I do makes a difference. The opportunities are endless and it's important to me to feel proud of my workplace – Staffline gives me that and more.

Rik Molloy
Business Manager
PeoplePlus

I originally joined PeoplePlus in 2013 as a Job Coach on The Work Programme, and worked in three different branches during my first five years with the company. This was my first step into the world of employability and I've never looked back! In 2018 I left PeoplePlus, stepping in to work on a lottery-funded project that helped the 50+ community to combat loneliness and social isolation. I missed the buzz of helping people back into employment, so rejoined PeoplePlus as Employment Advisor in the Folkestone branch.

Within three months I was promoted to a Business Manager position as I wanted to help my colleagues love this sector as much as I do. No two days are the same in this business and I feel that working for PeoplePlus is a privilege because we make positive changes in people's lives and make a real difference in our community.

Jamie Marshall
Process and Systems Manager
Staffline GB

I started my recruitment career in 2004 as a trainee recruiter working for one of our competitors, progressed to become a branch manager, then moved to another company as an on-site Account Manager. I loved this role because it had a greater focus on people and was a fast-paced, agile working environment. In 2011, I joined Staffline as an Account Manager at Fox's Biscuits, and was made to feel part of the Staffline family from day one.

In 2018, I was promoted to an area Account Manager role and was responsible for looking after five sites and teams within the Yorkshire region. I had always had an interest in systems and ensuring we use them properly to drive efficient practices and enable our people to spend time with candidates, workers and clients. This interest led me to move into a newly created role in 2011 as Process and Systems Manager. I enjoy the role as it allows me to learn and share my knowledge with people at all levels within the business and I can see measurable results through the work I am delivering. I love working for Staffline because of the truly amazing people I get to work with every day.

Gender pay gap

On 5 April 2022, the Group employed c.2,000 permanent employees and c.36,300 temporary contractors. Overall, amalgamating all business areas and including the temporary workforce, the mean gender pay gap was 7.6% (2021: 7.9%). For the permanent employees, the mean gender pay gap was 15.7% (2021: 16.4%). Further information can be found at www.stafflinegroupplc.co.uk/about-us/gender-pay-gap-report/.

AREA	AIMS FOR 2023
Wellbeing	• Continue to maintain and improve positive engagement scores. • Through effective recruitment, reward and engagement strategy, continue to reduce levels of attrition and sickness absence.
Training, development and reward	• All employees continue to have regular performance reviews and personal development plans. • Continue to evolve how we encourage individuals to embrace the social aspect of our LXP learning platform to drive learning through peer-to-peer recommendation rather than relying solely on the Learning and Development team.
Diversity, Equity, Inclusion and Belonging	• Completion of outstanding DEIB facets, as well as ongoing training to embed these key values across the Group.

Creating an inclusive culture.

Diversity, Equity, Inclusion and Belonging

Our aim is to create a culture where every employee belongs and feels included. Nurturing a truly diverse and inclusive Company is not only the right thing to do but is crucial to our long-term success.

We are committed to three things:

1. **We are aware**: Through national campaigns, employee development and senior leadership sponsorship we are committed to increasing awareness of DEIB across the Group and our employees.
2. **We are trusted** by our people and our customers to create a working environment that is inclusive and encourages our people to talk openly, authentically and without consequence.
3. **We evolve**: Through effective policy change we strive to create a more inclusive culture for our people.

60/40
women/men gender split

49
women in leadership positions

8
DEIB campaigns delivered

We are aware

Increasing awareness of Diversity, Inclusion, Equity and Belonging ("DEIB") is the first step to creating a more inclusive culture across the Group. In 2022, we increased awareness through internal campaigns, employee development and deepening our understanding of who our employees are. Examples of what we achieved in the year are below:

- Delivered eight campaigns: International Women's Day, Neurodiversity, Earth Day, Mental Health Awareness, Pride, Black History Month, Menopause Awareness and Movember, covering seven of the ten DEIB facets
- 39 women attended the Remarkable Women in Leadership programme
- Provided unconscious bias training to 94% of employees
- Created e-learning modules on unconscious bias, disability awareness and inclusion training
- Enhanced our employee data to include monitoring of all ten facets of diversity to improve positive action planning
- Introduced the option for colleagues to inform us that they are a carer so we can support them with their caring responsibilities

We are trusted

Our people and customers trust us to create a working environment that is inclusive, and encourages our people to talk openly, authentically and without consequence. We recognise the importance of listening to our employees with the aim of creating a more supportive and engaged place to work. In 2022, we asked our employees what they would like us to talk about in 2023 with regards to DEIB and this feedback will shape our focus areas. Some examples of what we did in 2022 are below:

- Received Diversity Mark NI Bronze level accreditation for our commitment to DEIB
- Provided Mental Health Conversations training to 81% of all employees, with 100% of our employees in the Island of Ireland having completed DEIB training
- Provided mental health awareness sessions to 54% of line managers in PeoplePlus
- Created a BAME forum aimed at bringing together employees from a BAME background to talk openly about their experiences
- Supported a cross-section of UK and international charities through fundraising and volunteer days

We evolve

As a responsible employer we are committed to continuing to review and introduce policies that reflect the changing nature of the world of work, and to nurturing a more inclusive culture. As part of those regular reviews, not only are we looking at what is included in our policies, but also the language within them to ensure they are using inclusive language.

During the year, we adapted our flexible working policies to ensure that we respond to flexible working requests from day one of an employee's career with us, offer hybrid working where appropriate and support all employees who may require this.

Some examples of the new policies and guidance that we introduced in 2022 include:

- Menopause policy
- Gender identity guidance
- Additional paid time off for maternity and paternity leave

ESG Report continued

Reducing our environmental impact.

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

Energy and carbon reporting.

We aim to demonstrate these responsibilities through our actions and within our corporate policies. During 2022, the ISO 14001 Environmental Certification was achieved within the PeoplePlus business, and plans are now in place to expand the Certification into the Staffline GB business during 2023-2024.

Extensive work has been undertaken throughout 2022 to strengthen our controls and reporting arrangements for Scope 1 (gas) and Scope 2 (electricity) emissions. On a like-for-like (properties occupied in both the current and prior years) basis, the tCO_2e emissions for the Group were broadly equal to the 2021 reported emissions (267.78 tCO_2e in 2022, compared with 269.44 tCO_2e in 2021), and therefore show a 44% reduction against the baseline year emissions, which Staffline Group set in 2019.

There have been significant changes to our physical estate and the number of properties from which services are provided due to the implementation of the PeoplePlus Restart Scheme, providing unemployment support services to people in Wales, the Home Counties, and in the North East of England.

2022 is our first reporting year where, following the introduction of a comprehensive survey being issued to all of our remote and home-based workers, we now have this additional strand of data to help us understand the emissions for colleagues within our workforce working (mostly) outside of our property estate.

Due to the increasing scale of the PeoplePlus operations and breadth of our reporting coverage, the overall Scope 1 and Scope 2 carbon emissions for the business have risen year-on-year, as shown in the table and graphic within this section. The dashed line within the graphic shows the total usage on a like-for-like basis, as referenced above.

The reporting and monitoring arrangements in place for current emissions for the sources included in Scope 1 and 2 of the GHG Protocol are embedded. The methodology used to calculate our emissions is based on guidance issued by the SECR and has been calculated using the revised carbon conversion factors published by BEIS for each of the years noted. These disclosures are made in accordance with Streamlined Energy and Carbon Reporting guidelines. The data included covers the 2019–2022 (inclusive) financial years.

Each of the Group's trading divisions has Carbon Reduction Plans in development which will detail the divisional carbon footprint and confirm the business's commitment to achieving Net Zero by 2050. Each Carbon Reduction Plan, once finalised, will be subject to regular review and, where required, shall be published on the appropriate websites.

Working with our partner organisations, our PeoplePlus has for the first time in its history introduced a carbon off-setting scheme, with the initial intention of achieving its 2022 target to offset 20% of its carbon emissions produced from all business travel (car, rail, and air) within the year. In order to demonstrate PeoplePlus' total commitment to being a greener and more responsible business, 100% of the carbon emissions produced from all business travel have been offset. 1,479 trees have been planted as part of a reforestation programme in Haiti, which equates to a carbon offset of 233.94kg of CO_2. Our partnership will continue throughout 2023 and beyond, as we continue to commit to reducing our carbon emissions, as set out in our Carbon Reduction Plans. 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 below.

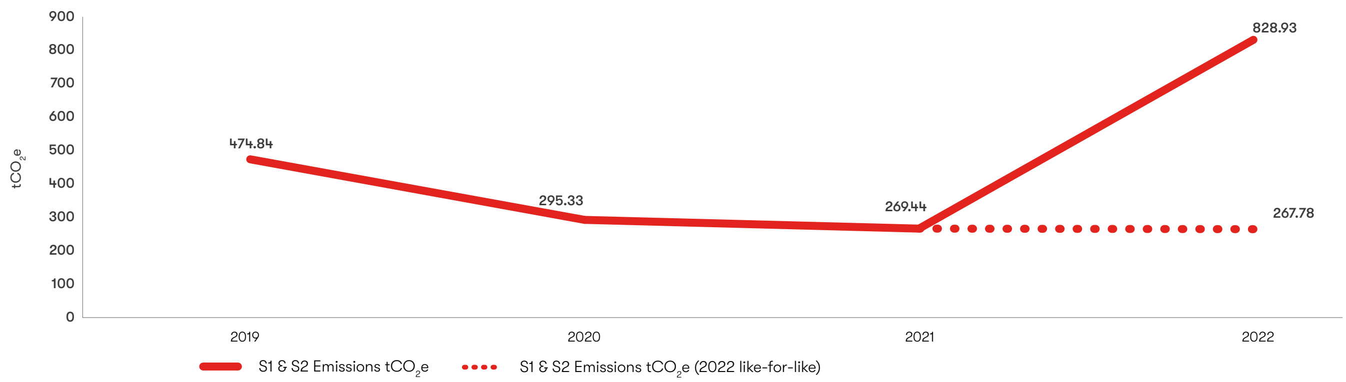
UK energy use

Consumption in metric tonnes CO_2e

	2019	2020	2021	2022
Group Total – Scope 1 (Gas)	**123.47**	**48.34**	**82.02**	**256.83**
Staffline Recruitment Limited	41.95	32.42	29.2	**114.58**
Staffline Northern Ireland	0	0	0	**0**
PeoplePlus Group Limited	81.52	15.92	52.82	**142.25**
Group Total – Scope 2 (Electricity)	**351.37**	**246.98**	**187.42**	**572.10**
Staffline Recruitment Limited	128.23	127.45	95.9	**154.44**
Staffline Northern Ireland	36.35	55.99	43.06	**47.04**
PeoplePlus Group Limited	186.79	63.54	48.46	**370.62**
Group Total – Scope 3 Partial (Business Travel)		**Not recorded**		**606.01**
Staffline Recruitment Limited		Not recorded		**332.35**
Staffline Northern Ireland		Not recorded		**39.72**
PeoplePlus Group Limited		Not recorded		**233.94**
Total Consumption in Metric Tonnes CO_2e	**474.84**	**295.32**	**269.44**	**1,433.94**
Carbon Offset		Not recorded		**233.94**
Efficiency Ratio				
Number of Employees	2,457	2,163	2,326	**1,763**
Total Emissions in Tonnes CO_2e per Employee	0.19	0.14	0.12	**0.81**

UK Scope 1 and 2 emissions

(2019-2022) by tCO_2e



Various research projects have been undertaken during the year to develop our early thinking in terms of stakeholder analysis, and the extent to which we are considering the influence and interest of various third parties. Initial reviews have been carried out to help our thinking on various 'macro' matters and working through climate scenarios to consider the long-term impacts of such things as extreme temperatures and rising sea levels, and the likely impacts on our business.

We have commenced the data gathering process for our Scope 3 emissions for categories 1 (Purchased Goods and Services) and 6 (Business travel) and have put processes in place so that moving forward we can fully capture all elements. One of our supply partners is able to provide the data for the category 1 emissions for their deliveries to/ collections from one of the group businesses. This partner has well established environmental practices and has been instrumental in our learning and has supported with our own initiatives within the business, which included an increase in the volume/scale of recycling taking place within our offices.

Moving forward in to 2023, we will be investing more time for categories 5 (Waste generated in operations) and 7 (Employee commuting), so that we have a better understanding of our emissions in these areas and are already planning a reporting survey/exercise to collect the category 7 data. The certification to ISO14001 (Environmental) in one of the group businesses has naturally created the framework for elements of environmental reporting, which will grow as the practices of the environmental standard are further embedded.

ESG Report continued

Carbon offsetting

Working with our partner organisation Trees4Travel, PeoplePlus introduced a carbon offsetting scheme, with the initial intention of offsetting 20% of the carbon emissions produced from business travel (car, rail, and air) during 2022.

In order to demonstrate PeoplePlus' commitment to being a greener and more responsible business, 100% of business travel-related carbon emissions were offset. 1,479 trees were planted as part of a reforestation programme in Haiti, offsetting 233.94kg of CO_2. Our partnership will continue throughout 2023 and beyond, as we continue to commit to reducing our carbon emissions in line with our Carbon Reduction Plans.

AREA	AIMS FOR 2023
Energy and carbon reporting	• Expand ISO 14001 certification into the Staffline GB business during 2023-2024. • Finalise Carbon Reduction Plans for each of the Group's trading divisions. • Develop data gathering and reporting of Scope 3 emissions. • Deepen climate change scenario analysis.
Carbon offsetting	• Continue to invest in carbon offsetting, while increasing focus on renewable energy sources to reduce the need for offsetting.

TCFD

We are pleased to report more fully against the requirements of the Taskforce on Climate-related Financial Disclosures ("TCFD"), and are working to develop our reporting next year.

Governance

The Board retains primary responsibility for oversight of ESG matters including climate-related risks but has delegated responsibility for development of relevant strategy, policies, monitoring and controls to the ESG Committee. This was established in 2021 and comprises senior managers from various functions across the Group. The Committee has been chaired by the Group Chief Financial Officer since October 2022, providing a direct link to the Board.

The Committee met regularly during 2022 to drive development of the Group's overall ESG strategy, risk management and monitoring arrangements and both internal and external reporting on ESG matters.

The Board received regular updates on ESG-related matters throughout the year and has been closely involved with the development of Staffline's external reporting in this area.

Delegation of responsibility for oversight of climate-related risk to the Audit Committee will be considered periodically by the Board.

Strategy

The Board recognises that climate change will inevitably impact on the business environment in which Staffline operates. Whilst some changes, particularly transition to a low or net zero carbon economy, will have a direct impact on the Group's operations these are considered unlikely to be material. Indirect impacts through changes to customers' business models, supply chains and operations are a more significant source of uncertainty.

Staffline has adopted a strategy of positive engagement with stakeholders around ESG matters including climate change and will continue to pursue active dialogue with all parties to better understand how their respective requirements are likely to develop in the short to medium term. This understanding will inform the development of the Group's strategy in the medium term.

In the opinion of the Board, Staffline is a low impact business in environmental terms but as part of its commitment to doing business responsibly should seek to reduce or eliminate such impacts where it is commercially sustainable to do so.

Risk management

A preliminary exercise to identify climate-related risks and opportunities was undertaken during the year. A further exercise to evaluate the likelihood and impact of potential exposures, both direct and indirect, will be completed in early 2023.

Potential direct impacts on Staffline include increased labour and energy costs (including carbon-related taxes) that may not be fully transferable to customers, disruption due to extreme weather conditions and changes in the type and/or level of taxation to which the Group is exposed. Increased migration into the UK, whether driven mainly or partly by climate change, may increase the labour pool and provide opportunities for Staffline. Impacts on the Group's customers are likely to include all of the above plus other supply chain challenges such as producer/supplier relocation and more complex supply chains to ensure continuity.

Identifying the impact measures to be used and approach to assessing severity of potential impacts will require the involvement of functions from across the Group, including individuals with customer-facing roles at a senior level.

It is Staffline's intention that any material climate-related risks will be included in the Group's 2023 Annual Report and Accounts along with information about mitigating actions either in place or to be implemented.

Metrics and targets

Staffline measures and reports Scope 1 and Scope 2 emissions and has in place Carbon Reduction Plans to support the Group's commitment to achieving Net Zero by 2050. More detailed information about the Group's activities and intentions in this area is provided on pages 40 and 41.

1,479

trees were planted as part of a reforestation programme in Haiti

ESG Report continued

Doing business in a responsible way.

Staffline regards sound governance and doing business in a responsible way as fundamental to the way the Group operates.

This approach is endorsed by the Board and cascaded through the business via the policies, values and working practices that are in place, which may be standard across the Group or, where appropriate, tailored to individual divisions. Key aspects of Staffline's approach are summarised here.

Governance

Significant effort has been put into strengthening divisional control environments, particularly around accounting and finance, over recent years and all senior finance staff are professionally qualified. Ongoing investment in the development of operational management information within Recruitment GB is supporting continuous improvements in data quality and providing increased insight into the business at a detailed level.

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 both compliance with existing legislation and the potential impact of future developments, is a standing item on the divisional and Group risk registers. The Group makes use of 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.

Key policies are reviewed annually by the Board or appropriate Board sub-committees, and employees are provided with training to ensure awareness of policies and Staffline's commitment to ensuring compliance. Whilst the Board delegates responsibility for oversight of policy implementation to the Group Chief Executive Officer, day-to-day operational responsibility is delegated to management at specific locations or within specific functions.

The Group does not, as a matter of stated policy, make political donations.

Responsible business

Staffline operates a zero-tolerance approach to unethical behaviour. The Group has in place clear policies on health, safety and environmental matters and prevention of fraud, bribery, money laundering, facilitation of tax evasion, modern slavery and other ethics-related areas. These are supported by the Group Whistleblowing Policy, which covers all employees and by the separate "Speakup" process for temporary workers within Recruitment GB, which was introduced during 2022. Appropriate monitoring and periodic audits are also undertaken.

Staffline handles large volumes of both employees' and temporary workers' personal data, and maintaining the security of this information is vital to the Group's reputation. Cyber security is a high priority for Staffline so systems are constantly monitored, and all employees are provided with regular awareness training to reduce the risk of data loss or leakage.

The Group seeks independent accreditation of its processes and practices where it is appropriate to do so. PeoplePlus has held ISO 14001 and Cyber Essentials Plus accreditations for several years, and Recruitment GB will be seeking both accreditations during 2023, having achieved EcoVadis silver accreditation for its environmental management practices during 2022.

The Board is committed to supporting diversity within the Group's workforce and ensuring that discrimination has no place in hiring, promotion or termination decisions. We endeavour to treat everyone fairly in relation to job applications, training, promotion, and career development. The executive management team at 31 December 2022 was made up as follows:

Identified	Ethnicity	Female	Male	Other/ PNTS	**Total**
White	British	14	16	–	30
White	Irish	2	2	–	4
Asian	British	–	1	–	1
		16	**19**	**–**	**35**

The size of the Board is not expected to increase beyond the current five members but ensuring appropriate diversity will be a key consideration in any future Board appointments. Further information can be found on page 62.

Section 172 and stakeholder engagement

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 2022, 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.

Key decisions made by the Directors are described more fully in the Strategic Report on pages 5 to 13.

How we engage with our key stakeholders

Staffline as a responsible employer

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

2022 saw a welcome return to meeting in-person, with employee forums, annual conferences and quarterly town hall meetings providing valuable opportunities to share, listen and learn. We aim to do more of what our people like, and improve upon what they tell us they want from an employer of choice. We offer opportunities to feed back to the top levels in each of our businesses through regular management and leadership events with our executive teams. We gather and analyse HR data through regular employee pulse/voice surveys across each of the Group businesses, and respond transparently to what our people are telling us by sharing our findings and planned actions at all levels of each business. Colleagues tell us that they value regular communication with their managers, our medical benefits and annual leave. We continue to review our benefits on an ongoing basis.

Further information about Staffline as a responsible employer can be found on pages 34 to 39.

Staffline as a responsible partner for temporary workers

Temporary workers are an integral part of Staffline's customers' businesses and the Group's ethos in respect of these workers is summed up by its mission statement "Providing Good Work".

The Recruitment divisions are committed to paying workers accurately and on time and to ensuring all relevant rules and regulations, such as Agency Worker Regulations, National Minimum Wage and holiday pay rules, are complied with.

Further information about how Staffline partners with its temporary workers can be found on pages 30 to 33.

Staffline as a responsible partner for job seekers and learners

Through its PeoplePlus division, Staffline supports those individuals who are furthest from the labour market through skills development and access to good employment.

Over 1m people have received such support through dedicated skills, employability, community service and justice-related contracts.

As a Merlin Standard organisation, PeoplePlus has a solid network of partners with relationships based on trust, good communication and transparency. This allows the right support to be put in place to ensure that, whatever the needs of our learners and job seekers, a diverse network of experts is available to support service delivery.

PeoplePlus also works with other providers in the skills and employability sectors to deliver the best outcome for every job seeker or learner by understanding their specific needs and matching them to the right skills training or employment opportunities. These may be anywhere in the country, but PeoplePlus also works at a local level, establishing strong relationships to match individuals to the right opportunities.

Further information about how PeoplePlus works with job seekers and learners can be found on pages 30 to 33.

Staffline as a responsible partner for customers

Staffline is committed to developing long-term partnerships with its customers, supporting their businesses as they adapt to meet their own customers' changing needs.

During 2022, this included working with a major retailer to introduce new ways of working that delivered productivity gains to the customer and led to additional revenue for Staffline.

Further information about how Staffline works with its customers can be found on pages 14 to 19.

Principal Risks and Uncertainties

Managing our risks.

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 operates in complex environments that present exposures to a wide variety of risks and uncertainties which require ongoing monitoring and management to mitigate against adverse implications for long-term performance. The most significant risks and uncertainties 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 as follows:

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

The order in which the risks described below are presented is broadly indicative of their relative significance to Staffline Group in the opinion of the Board, ranked from most significant to least.

Economic conditions

Risk

Any downturn 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.

2022 saw a marked increase in global economic uncertainty, driven largely by factors such as the conflict in Ukraine, increased domestic political tensions and mounting UK Government debt in the aftermath of the Covid-19 pandemic. These have together had an inflationary effect on energy, food and raw material costs. Increases in interest rates intended to counter these inflationary pressures have added to the financial challenges faced by businesses and consumers.

Increasing costs have led to pressure on governments to increase revenues from both personal and corporate taxes. Public sector wage demands may lead to an expectation of similar increases in the private sector and it may not be possible for Staffline to pass additional costs on to customers in full while maintaining current margins.

Economic conditions in the UK are also likely to be affected by increasing political uncertainty as the December 2024 deadline for the next General Election draws nearer, and this will be exacerbated if the government instability seen during the second half of 2022 persists into 2023.

Should any downturn become prolonged, the risk of customers being unable to meet their liabilities is likely to increase, potentially impacting on both profitability and cash flow.

Any increase in unemployment in the short to medium term might increase the availability of labour but is also likely to reduce consumers' capacity and/or appetite for discretionary spending. Securing a return to work for the long-term unemployed, a key activity for PeoplePlus, may become even more of a challenge should this happen.

Economic pressures are a key motivator for fraud, which is an inherent risk in any business but particularly those that, like Staffline, are heavily dependent on individuals behaving with honesty and integrity.

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 ongoing chronic labour shortages in sectors such as hospitality and agriculture and horticulture may combine with improving economic conditions to increase the supply of EU workers in the UK market. However, EU and non-EU immigration is a politically sensitive area in which government policy is not yet well defined and may be subject to change following a General Election.

Mitigation

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 crucial flexibility in an environment of unpredictable demand from their end customers.

Staffline provides temporary labour into a wide range of business sectors and customers in both the UK and the Island of Ireland. The food production, food logistics, online retail and public services sectors are typically more resilient than, for example, automotive or travel and tourism, which dilutes the Group's exposure to downturn in any specific business sector.

Recruitment GB has seen early signs that customers are now starting to reconsider the headcount strategies that have been in place since the onset of the worker shortage challenges that were first encountered during Q3 2021 and which were then relevant throughout all of 2022. There are early signs that customers are starting to reconsider their existing permanent vs temporary worker ratios, with a much reduced volume of "temp to perm" activity than that encountered in previous years.

This may increase reliance on temporary workers in the short to medium term while economic uncertainty persists, and in the event that worker shortage pressures continue to ease as is increasingly the case across a mixture of regions and sectors. In time this may present opportunities for Staffline through both increased demand generally and managed service arrangements under which a single provider, such as Staffline, is responsible for managing all of a customer's temporary labour requirements across multiple suppliers. Whatever resourcing model Staffline's customers employ, we work closely with them to understand their expected future needs and plan accordingly.

In October 2021, the Group entered into a three-year interest rate cap instrument that mitigates its exposure to rises in interest rates through to October 2024. This arrangement is kept under review to assess whether extension beyond the current expiry date would be commercially prudent. The interest rate cap, coupled with the headroom available within the Group's current financing arrangements, provides opportunities for volume and market share growth, particularly in Recruitment GB, because it provides a level of certainty around debt and financing costs in the short to medium term that many competitors do not share.

Increases in taxation and the cost of living may also see workers coming out of retirement and back into the labour pool, but this is not yet evident on any meaningful scale.

Staffline maintains close control over its credit terms and customer receivables and maintains credit insurance at a level the Board considers appropriate.

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. Restart, the key programme within the UK Government's Plan for Jobs, is underspent by £1.2bn and PeoplePlus is well placed to benefit from any spike in unemployment or Government initiative to address the increase in working age people who have opted out of the labour market over the last two years.

The Group maintains robust anti-fraud controls, both preventative and detective. Appropriate policies and staff training are in place and whistle-blowing processes are available to both employees and temporary workers. Any suspected fraud is thoroughly investigated and responsibility for remedial actions is clearly assigned and tracked to completion.

As a member of the Recruitment and Employment Confederation, Staffline actively engages with government to inform development of relevant policy.

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 be significantly reduced at some point in the future.

Risk management framework

The Group maintains policies, systems and processes to identify, monitor and respond to the risks and uncertainties it faces. 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 on behalf of 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 employment and taxation laws (including IR35 rules relating to workers operating via personal service companies), immigration laws, which establish "right to work" rules, Agency Worker Regulations, National Minimum Wage ("NMW") regulations, gangmaster licensing and Modern Slavery regulations.

While in the workplace, temporary workers generally fall under the direction and control of Staffline's customers but the complex and varied operational environments that exist across the Group lead to a risk of inadvertent breach of laws or regulations that could expose Staffline to liability.

As noted above in relation to economic conditions, future government policy in areas including taxation and immigration, both of which are highly relevant to Staffline's recruitment businesses, is currently uncertain. The announcement and subsequent reversal of policy decisions such as the Social Care Levy has added further complexity and incurred additional costs to update systems and advise customers about the effects of these changes.

Ongoing lack of clarity around future trading relationships between the UK and the EU, not least the jurisdictional position of Northern Ireland, also increases uncertainty about potential impacts on our customers' supply chains and their future labour requirements.

The ongoing costs of compliance in terms of process design and operation, monitoring and audit are built into customer pricing models, but the costs of investigating and remediating any regulatory breach and, where relevant, fines or other penalties could adversely affect the Group's profitability.

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 and any proposed changes.

New and existing employees in the Recruitment businesses are trained on the NMW regulations and sites that pay 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.

In-house compliance audit teams within the Recruitment businesses also 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.

2022 has seen further strengthening of the Group's control environment through investment in training and awareness programmes covering areas including bribery, fraud, competition law and prevention of facilitation of tax evasion. A whistle-blowing process for temporary workers in Recruitment GB was also introduced during 2022, supplementing the process in place for Staffline employees.

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

Principal Risks and Uncertainties continued

Increased since prior year

Reduced since prior year

Similar to prior year

Customer contracts, new business pipeline and service delivery – Recruitment GB and Recruitment Ireland

Risk

Much of Staffline's recruitment business is derived from long-term contracts or framework agreements and it is 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 sectoral diversity to ensure resilience.

The marketplace for temporary labour is highly competitive, with demand continuing to exceed supply plus rising costs and a range of legislative and regulatory factors. Taken together these could present additional challenges around margins achievable on continuing business, contract renewals and new business pipeline conversion rates.

Unrealistic or unsustainable pricing of tenders by competitors to secure new business is a constant threat.

Mitigation

The Group's approach is to develop its business 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 while extending its service offer into potential growth areas such as white-collar and permanent recruitment. In order to achieve this, Staffline has:

(i) defined a value proposition chain that clearly sets out how choosing Staffline allows customers to secure a differentiated service with high levels of compliance and explains the potential returns that offset any increase in service costs;

(ii) invested in market-leading technology to attract, onboard and communicate with workers and provide rich management information and insight for both Staffline and customer use; and

(iii) strengthened the Commercial teams that work with divisional Directors to analyse the current customer portfolio, drive efforts to secure strategic new business wins and ensure that robust pricing models are developed and maintained.

The Group continued investing in its branch network and digital technologies in the Recruitment businesses in both GB and Ireland during 2022 to increase its market presence and profile and speed up the process of attracting, onboarding and deploying workers to meet customer requirements.

Staffline is seeing opportunities arising from competitors' failure to deliver and is well placed to step in and offer customers a quality alternative. The greater certainty around debt and financing costs in the short to medium term referenced above is potentially a source of competitive advantage over smaller competitors with less robust finances.

Both Recruitment GB and Recruitment Ireland have identified areas of growth through extension of their service offering and expansion into new markets that are expected to come on stream during 2023 and into 2024.

Customer contracts, new business pipeline and service delivery – PeoplePlus

Risk

The PeoplePlus division delivers services through a variety of national and, increasingly, regional schemes aimed primarily at improving skills in the workforce and employability of those currently out of work. These are predominantly large, often complex, public sector contracts, and individual contract wins or losses could have a material impact on the Group's revenue and profitability.

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 relevant scheme rules. Poor or unsuccessful mobilisation of new contracts or poor contract performance could also have an adverse impact on the Group's profitability and reputation.

The sectors in which PeoplePlus has historically operated provide some limited potential for growth of either revenue or market share through securing multiple large scale contracts similar to those seen in the past, but initiatives such as the UK Shared Prosperity Fund ("UKSPF") and the planned transformation of the Prisoner Education Service ("PES") present significant opportunities in the medium term.

A reduction in planned customer volumes on the three contracts under the UK Government's "Restart" programme secured during 2021 led to renegotiation of contract pricing during 2022, but timescales and performance targets remain challenging, with any failure leading to a risk that penalties will be incurred.

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

Mitigation

PeoplePlus has identified a number of potential growth areas that form part of the division's medium-term plans. These include expansion into adjacent markets in which existing expertise and contacts can be leveraged and potential new markets where a social value-focused offering is not currently available.

Bid management capability in relation to commissioned services is focused on maintaining tight bid disciplines.

For non-commissioned services PeoplePlus is developing capabilities that provide an increasing opportunity for high-margin growth, through the provision of ancillary services to the wider provider community within these sectors. The most notable of these capabilities is our Social Recruitment Framework.

PeoplePlus has well-established contract mobilisation and contract management models through which it has successfully implemented and delivered high-profile government contracts over recent years.

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

A transformation project to update systems and processes in the Independent Living Services ("ILS") business was launched during 2022 and following full implementation in 2023 will place the business on an advantageous footing in relation to a steady pipeline of regional opportunities with the potential to yield market share growth.

Regular internal and external audits of PeoplePlus' compliance against scheme rules are undertaken.

Accreditations such as ISO9001, ISO27001 and Cyber Essentials Plus have been maintained for several years and ISO14001 accreditation was achieved during 2022.

Principal Risks and Uncertainties continued

Increased since prior year

Reduced since prior year

Similar to prior year

Talent

Risk

Attracting and retaining the talent required to maintain and develop Staffline's business has remained challenging as the UK economy recovers from the impacts of the Covid-19 pandemic and businesses seek to return to some level of normality or even growth.

Competition for high-quality talent is intense and the risk that existing and/or potential employees could be attracted away from Staffline has increased. This is affecting not only middle and senior management levels but is increasingly extending to all levels of the permanent workforce.

There is also the risk and potential extent of disruption due to attrition, additional recruitment costs and increased salary costs.

Many organisations have restructured and reorganised to reflect new ways of working post the Covid-19 pandemic and employees' expectations around pay, benefits, working conditions and organisations' stances on environmental and social matters have shifted.

Mitigation

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. The pay of employees in the lower pay bands is closely monitored and adjusted where necessary to mitigate the impact of tightening financial conditions on potentially vulnerable employees.

All 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. Employee benefits offerings are kept under regular review and were enhanced for Recruitment GB staff during 2022 by initiatives including roll-out of a MediCash affordable health care programme, which is similar to arrangements already in place in Recruitment Ireland. PeoplePlus introduced new Long Service Awards for colleagues who reach five, ten, fifteen and twenty-year service milestones.

The Board has in place Remuneration and Nominations 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 34 to 39.

IT systems, data security and cyber threats

Risk

Like all large-scale businesses, Staffline is 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 divisions carry out weekly payroll runs for temporary labour workforces in the UK and the Island of Ireland. A failure in key operational systems, the payroll system or BACS software could lead to workers not being paid correctly and on time and to consequent reputational damage and/or worker attrition.

PeoplePlus, through its Independent Living Services ("ILS") activities, helps over 10,000 people across England and Wales manage their personal health budgets and pay for the care services they require. Any systems failure could have significant adverse impacts on service users and lead to reputational damage.

Mitigation

Investment in the Group's cyber security arrangements continued during 2022 and delivered both additional capabilities and remediation of known vulnerabilities. PeoplePlus obtained SOC 2 certification in respect of its Restart contracts during 2022 and maintained its established ISO27001 and Cyber Essentials Plus certifications. Recruitment GB is currently pursuing Cyber Essential Plus accreditation.

During 2022, Recruitment Ireland invested in modernisation of its CRM systems, both improving system functionality and greatly reducing the risks associated with the legacy systems.

An ongoing programme of reducing the amount of infrastructure that resides outside the direct control of the Group's IT functions and standardising IT operating models across the Group will continue during 2023.

IT Disaster Recovery Plans are in place and would be invoked in the event of critical interruption to one or more of Staffline's core IT services.

Disaster recovery capability in relation to core IT systems is tested regularly, and resilience was further improved during 2022 by consolidation and re-platforming of data centre services and transition to greater use of cloud-based services.

The Covid-19 pandemic 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.

A transformation project to update systems and processes in the ILS business was launched during 2022 and, following full implementation in 2023, will deliver significant improvements in process efficiency, control and resilience.

The Group maintains both business interruption and cyber insurance policies. These may not fully cover all risks and potential losses, but the Board is satisfied with the scope and level of mitigation provided, which is reviewed annually.

Sustainability

Risk
Climate change presents both direct risks to the Group's own operations and indirect risks through uncertainty about customers' responses and how these will affect their business models, supply chains and operations. Whilst any changes will take place over a period of time, allowing the Group to adapt alongside its customers, some uncertainty remains.

In the view of the Board, any risks to Staffline arising from climate change are likely to be low-impact, not material and to have no implications for the long-term viability of the Group.

Staffline's own business operations produce relatively low levels of greenhouse gas emissions (see page 41), 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.

There are also known challenges, such as developing monitoring and reporting processes to comply with increasing disclosure requirements such as the Task Force on Climate-related Financial Disclosures ("TCFD"), which applies to financial reporting periods commencing after 6 April 2022 in the case of AIM-listed companies.

Mitigation
The Board is responsible for ESG matters and has established 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.

Whilst understanding and meeting customers' and other stakeholders' expectations around ESG is likely to lead to some incremental costs to the Group, the Board believes that ESG matters, particularly around the social value contributed by PeoplePlus, offers significant opportunities for Staffline to drive stakeholder engagement.

Further information about the ESG Committee's remit and Staffline's ESG-related actions and targets are set out on pages 40 to 42.

Liquidity risk and compliance with banking facility agreements

Risk
On 20 May 2021, the Company and certain fellow subsidiary undertakings entered into a £90m RFA to replace the existing Group banking arrangements. The RFA has a termination date of 1 December 2025 but this is potentially subject to extension if agreed by all parties.

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 to 31 December 2022 and will be tested quarterly thereafter subject to compliance being maintained prior to that date.

Increases in central bank interest rates intended to reduce inflationary pressures in the global economy are forecast to continue into 2023 and will increase financing costs for both businesses and consumers, in some cases significantly.

Mitigation
The Group has prepared financial forecasts covering the period to 31 December 2024 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 2022.

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 cash flow 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.

As noted in the commentary about risks associated with economic conditions above, Staffline has in place an interest rate cap instrument covering the period through to October 2024 and is therefore less exposed to fluctuations in interest rates.

Corporate Governance.

Inside this section

Interim Chairman's Introduction

"Since my appointment as Interim Chairman, the Company and the Board have continued to build on the significant progress already made in improving the Group's governance, operational and financial processes.

Tom Spain
Interim Chairman

As an AIM-listed company, Staffline Group plc has chosen 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 Nominations, Remuneration and Audit 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 Interim Chairman on 26 May 2022, the Company and the Board have continued to build on the significant progress in improving the Group's governance, operational and financial processes. The Group has also further strengthened its financial position.

During the year, there have been a number of Board changes. In May 2022, the Group announced the departure of Ian Lawson from his role as Chairman. The position of Chairman was assumed in an interim capacity by myself, and my tenure as Interim Chairman remains ongoing.

Additionally, in April 2022, Richard Thomson resigned from the Board as the Senior Independent Director, a role assumed by Ian Starkey in May 2022. In November, we announced that Ian Starkey, Senior Independent Director, had informed the Company that he will not be standing for re-election at the 2023 AGM. The Company has begun the process of searching for a replacement and a further update will be given in due course. On behalf of the Board, I extend our sincere thanks to Ian Lawson, Richard Thomson and Ian Starkey for the instrumental roles that they have played in transforming the Group into the strong and resilient business it is today.

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.

Tom Spain
Interim Chairman
20 March 2023

Board of Directors

Tom Spain
Interim Chairman

Date of appointment
Appointed to the Board as Non-Executive Director on 28 July 2021 and acting as Interim Chairman from 26 May 2022.

Background and experience
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 and 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.

External appointments
Tom Spain founded the business Henry Spain Investment Services Limited in 2010.

Albert Ellis
Chief Executive Officer

Date of appointment
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.

Background and experience
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. Previously, Albert also held a number of senior finance roles within Hays Plc, the FTSE 250 recruitment company. Albert is a qualified Chartered Accountant.

External appointments
Albert was appointed as a Non-Executive Director of HRnet Group with effect from 1 October 2022. HRnet Group, one of the largest Asia-based recruitment agencies, listed on the Mainboard of the Singapore Exchange (“SGX”), is the second largest shareholder in the Company (holding approximately 15% of the current issued share capital). Albert was formerly a Trustee of Asia House.

Daniel Quint
Chief Financial Officer

Date of appointment
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.

Background and experience
Daniel is an experienced Chief Financial Officer and a Fellow of the Institute of Chartered Accountants in England and Wales. With over ten 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 Chief Financial Officer at AIM-listed Young and Co’s Brewery PLC. Prior to this, Daniel spent three years as Chief Financial Officer of SPIE UK, the leading energy, safety and environmental solutions provider.

External appointments
None.

Catherine Lynch
Independent Non-Executive Director

Date of appointment
Appointed to the Board on 1 January 2021.

Background and experience
Catherine is a highly experienced HR Director, with over 20 years’ experience and was formerly Chief People Officer UK and Ireland at Flutter Entertainment plc. 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 and 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 and Nominations Committees.

External appointments
Catherine is currently Group HR Strategy, Technology and Insight Director at Rentokil Initial plc.

Committee Membership

A Audit Committee

N Nominations Committee

R Remuneration Committee

Denotes Chair

Ian Starkey
Senior Independent
Non-Executive Director

Date of appointment
Appointed to the Board on 1 January 2021 and as Senior Independent Director on 26 May 2022.

Background and experience
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 Chair of the Audit Committee.

Ian Starkey, Senior Independent Non-Executive Director and Chair of the Audit Committee, has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director.

External appointments
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.

Managing Directors

Frank Atkinson
Managing Director,
Recruitment GB

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

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

External appointments
None.

Tina McKenzie
Managing Director,
Recruitment Ireland

Date of appointment
Tina launched Recruitment Ireland in 2013 as a start-up after running various Randstad companies across the UK for over 11 years.

Background and experience
Tina is a high profile and multi award winning Managing Director with 25 years' experience in the recruitment industry. As Recruitment Ireland's first employee, Tina has grown the business to where it is today. Tina also launched PeoplePlus NI in 2014; successfully delivering contracts for the Justice Department, ESF, the Department of Economy and the Department for Communities.

External appointments
Tina chairs the Federation of Self Employed and Small Businesses ("FSB") in Northern Ireland, is a member of the UK FSB Policy Board, chairs the Department of Economy sub-group on the response to the Covid-19 pandemic and holds the office of Honorary Consul to Finland for Belfast.

Kenny Boyle
Managing Director,
PeoplePlus

Date of appointment
Formerly Chief Operating Officer of PeoplePlus and Divisional Managing Director of Employability, Kenny was appointed to the role of Managing Director, PeoplePlus, in December 2021.

Background and experience
An experienced operator in outsourced public services, Kenny joined the PeoplePlus business in 2018 from Capita where, as Managing Director, he oversaw the delivery of the Government's Pensions Automatic Enrolment policy to all UK employers and staff. Kenny has a background in managing large scale communications and service operations for consumer-facing organisations, notably British Airways, BT, Virgin Media, Avios and VisitBritain.

External appointments
Kenny is the Chairman of leading disability charity, Tourism for All.

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 activities 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 Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code").

The requirements of the QCA Code and how the Company complies with them are set out below:

	Principle	Compliance
1	**Establish a strategy and business model which promote long-term value for shareholders**	The Group's vision is to be a world class recruitment and training Group, the clear market leader and a 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 pages 6 and 7 and the strategic priorities of the Group are set out on pages 8 and 9. The Group comprises three operating divisions: Recruitment GB, Recruitment Ireland and PeoplePlus. Recruitment GB is a provider of flexible blue-collar workers across a wide range of industries. Recruitment Ireland is a generalist recruitment solutions provider, operating via on-site operations and a branch network covering all major cities across the Island of Ireland. PeoplePlus is a provider of skills and employment training and support, delivering adult education, prison education and skills-based employability programmes across England, Scotland and Wales. The principal risks and uncertainties faced by the Group in achieving its strategic objectives are detailed on pages 46 to 51.
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 ("AGM"). Shareholders will be able to attend the 2023 AGM in person and arrangements will be made to enable shareholders to submit written 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 following the meeting. A dedicated email address exists to enable all current and prospective shareholders to contact the Group directly at investors@staffline.co.uk. The Board recognises that, whilst the majority of shareholders are large institutions, the Company's private shareholders are important, and the Board welcomes dialogue with them. The Company uses the 'Investor Meet' platform for its investor presentations and the Board studies closely the polls, feedback, questions, and analytics generated, demonstrating its shareholder engagement activities. The links to presentations slides, and the Q&A can be found in the Media Library at www.stafflinegroupplc.co.uk/investor-relations/media-library. In addition to the formal institutional meetings at the half-year and year-end, the Executive Directors meet existing and prospective investors throughout the year as part of an ongoing investor engagement strategy. The Interim Chairman also meets key shareholders during the year to discuss corporate governance matters and listen to any concerns that are raised. The Senior Independent Director is also usually available to meet with shareholders and provides an independent point of contact on Board matters. During the year, the Interim Chairman consulted with certain of the Company's major shareholders who were opposed to certain resolutions proposed at the Company's 2022 AGM regarding the authority to issue Ordinary Shares of the Company. The Remuneration Committee Chair consulted with a number of the Company's major shareholders on certain remuneration issues, including the design and grant of options under the Long-Term Incentive Plan for Executive Directors and senior management.

	Principle	Compliance
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, having particular regard to: • the likely consequences of any decision in the long term; • the interests of the Group's employees and temporary workers; • fostering strong and transparent relationships with customers, suppliers, regulators and investors; • reducing the risk of modern slavery and other labour abuse mechanisms in our supply chains; • the impact of the Group's operations on communities and the environment; • maintaining a reputation for high standards of business conduct; and • the need to act fairly between shareholders of the Company. This underpins the Board's approach to setting the overall strategic direction of the Group and supports 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. This is demonstrated through Board decisions and within corporate policies. Information on how the Board considered its stakeholders when making principal decisions is provided within the ESG Report on pages 44 and 45.
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 is designed to provide reasonable but not absolute assurance against material misstatement or loss. The Group's Head of Internal Audit oversees a robust, standardised approach to risk management at Group level that 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 work of 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 46 to 51 of this report. Group-level policies intended to establish a standard approach across the business in relation to matters such as fraud, bribery, competition, whistle-blowing and conflicts of interest were fully rolled out during 2022 and now form part of mandatory training for most employees. The Head of Internal Audit works closely with divisional Governance and Compliance teams and plays an important role in the sharing of knowledge and good practice across the divisions. The creation of a Group Governance Director role, which sits across Recruitment GB and PeoplePlus, has led to a programme of continuous improvement that continued during 2022 and included greater standardisation and documentation of operational processes, strengthening of compliance enforcement measures and driving accountability where control failures are identified. The Recruitment divisions maintain independent compliance audit functions that sit locally within each division and are responsible for checking workers' legal employment status and compliance with industry body and regulatory standards e.g. Recruitment and Employment Confederation ("REC") and Gangmasters and Labour Abuse Authority ("GLAA"). The Payroll teams in both Recruitment divisions also receive ongoing training to ensure compliance with relevant legislation and procedures. A clear structure of delegated authority levels covering a wide range of transactions is in place along with a formalised Schedule of Matters Reserved for the Board, which is reviewed annually. 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. Further delegation of authority within the divisions is also documented, with arrangements aligned to each division's particular organisational structure and operations. There is also regular review of financial information, including year-to-date performance against both current year budget, prior year, and latest forecast, at all management levels up to and including the Board. Both risks to financial performance and potential opportunities are monitored to ensure performance in line with expectations.

Corporate Governance Report continued

Principle	Compliance
5 **Maintain the Board as a well-functioning, balanced team led by the Chair**	See below

The Board's role is to provide leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board

The Board is satisfied that there is an appropriate balance of Executive and Non-Executive Directors, with two Executive and three Non-Executive Directors, two of whom are independent. Tom Spain, the Interim 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 resources, reporting and planning of the Group.

Ian Starkey and Catherine Lynch, the two Independent Non-Executive Directors, bring independent and objective analysis to all matters considered by 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. It is intended that the Senior Independent Director supports the Interim Chairman and provides an independent point of contact for 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 AGM and meetings with shareholders and employees.

The Board meets at least six times each year. During 2022, the Board held 13 formal Board meetings. A minority of meetings were remote.

Individual directors' attendance at the 13 Board meetings held in 2022 is summarised below:

Director	Number of meetings attended	Maximum number of meetings possible
Tom Spain[1] (Interim Chair)	13	13
Albert Ellis	13	13
Daniel Quint	13	13
Ian Starkey[2]	13	13
Catherine Lynch	12	13
Ian Lawson[3] (Chair)	4	4
Richard Thomson[4]	4	4

1 Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022.

2 Ian Starkey was appointed as Senior independent Director on 26 May 2022. Ian Starkey has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or the Company's AGM in 2023, whichever is the earlier.

3 Ian Lawson resigned as Independent Non-Executive Chairman and Director of the Company on 25 May 2022.

4 Richard Thomson resigned as Director and Senior independent Director on 26 April 2022.

In relation to this principle, the Board considered the ongoing Board restructuring with the appointment of Tom Spain as Interim Chairman in May 2022 and the process of searching for a replacement Independent Non-Executive and Audit Committee Chair, following the forthcoming resignation of Ian Starkey.

Directors are given comprehensive, 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.

Details of the members of the Board and its Committees are set out on pages 54 and 55.

	Principle	Compliance
5	**Maintain the Board as a well-functioning, balanced team led by the Chair** continued	The Board delegates certain functions to its three principal Committees: **Nominations Committee** Responsible for ensuring that the Company has the executive and non-executive Board leadership it requires. **Remuneration Committee** Responsible for the review, recommendation and implementation of the Group's remuneration strategy, its framework and costs. **Audit Committee** Responsible for the integrity of the Company's financial statements and reporting, ensuring the necessary internal controls and risk management systems are in place and effective. Detailed reports for the: Nominations Committee; Remuneration Committee; and Audit Committee are provided on pages 62, 63 to 67, and 68 to 73, respectively.
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	The Board currently comprises the Interim Chairman, two independent Non-Executive Directors and two Executive Directors, who provide a range of different experience and backgrounds. Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022. Tom Spain founded the business Henry Spain Investment Services Limited in 2010. Ian Starkey, 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 Board. Ian chairs the Audit Committee, but has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board on 16 May 2023 or at the AGM, whichever is the earlier. The Board is currently seeking a suitably qualified and experienced non-executive to join the Board and accept appointment to chairmanship of the Audit Committee. Catherine Lynch is a highly experienced HR Director, with over 20 years' experience, is currently Group HR Strategy, Technology and Insight Director at Rentokil Initial plc, and was formerly Chief People Officer UK and Ireland at Flutter Entertainment plc. She is a Fellow of the Chartered Institute of Personnel and Development ("CIPD"), and is currently on the Advisory Board of Dial Global, a community focused on inclusion. Catherine chairs the Remuneration and the Nominations Committees. Albert Ellis and Daniel Quint are both Chartered Accountants with over 40 years, board level experience at private and public companies between them. Albert was appointed as a Non-Executive Director of HRnet Group Limited with effect from 1 October 2022. HRnet Group Limited is the second largest shareholder in the Company (holding approximately 15% of the current issued share capital). The Nominations Committee is responsible for the appointment of Directors but ensures that the whole Board is involved in the process. The Board believes that the 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 54 and 55. Directors are encouraged to keep their skills up to date by attending appropriate training courses. A number of Directors are either currently, or have previously been, members of other Boards where new skills can be learned. During the year, the Board undertook a review of its executive talent management strategy with an external consultancy specialising in Chief Executive Officer succession and assessment, leadership, succession and career management, which worked with the senior management team and the Board as an independent adviser and objective sounding board.

Corporate Governance Report continued

	Principle	Compliance
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022. During the latter part of 2022, the Board conducted an in-house self-evaluation with the use of a questionnaire that 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 Interim Chairman and Senior Independent Director, as appropriate. The Interim Chairman and Senior Independent Director discussed the outcome of the evaluation, including any recommendations and actions, with the Board. The Board evaluation is conducted on an annual basis which will include an external evaluation at least every three years. It is proposed that the first external Board evaluation be conducted during 2023.
8	**Promote a corporate culture that is based on ethical values and behaviours**	The Group's corporate values are detailed on the website: www.stafflinegroupplc.co.uk/about-us/strategy-vision-and-values/ and are as follows: • 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 Board processes and decisions. Group policies including Anti-Bribery, Anti-Fraud, Anti-Money Laundering and Whistle-blowing, are owned by the Board, details of which are provided in the Audit Committee report on pages 63 to 67. The Board is committed to reducing the threat of modern slavery and human trafficking and the Group works with like-minded organisations to try to achieve this as described in the ESG Report on page 32, along with our commitment to health and safety and our approach to UK Data Protection Regulations.

	Principle	Compliance
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	In accordance with best governance practice, the Board maintains a Schedule of Matters Reserved for the Board, which is reviewed annually. These matters include: • overall leadership of the Company and setting the Group's strategy, objectives, values and standards; • oversight of the Group's operations; • approving any changes to the Company's structure and capital; • approval of annual budgets and any material changes to these; • approval of the Annual Report and Accounts, half-yearly reports, dividend policy and any significant changes in accounting policies or practices; • communications with shareholders; • approval of contracts of the Group or contracts proposed by any subsidiary not in the ordinary course of business; • approval and oversight of major investments and capital projects; • ensuring maintenance of a sound system of internal controls and risk management that adapts to changes in the Group's business activities; • Board and Committee membership; • remuneration of Directors, the Company Secretary and senior executives; • prescribing a matrix of authority limits for delegation to divisional senior management; and • approval of key Group-level policies. The Interim Chairman 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: Nominations Committee, Remuneration Committee and the Audit Committee.
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 hold regular meetings with institutional shareholders. They also update on the performance of the Group to shareholders and wider stakeholders at the interim and annual results presentations. The Executive Directors also hold regular meetings and maintain an ongoing dialogue with the Group's lenders.

Nominations Committee Report

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.

Catherine Lynch
Chair of
Nominations Committee

Membership and meetings

The Nominations Committee comprises two members, Catherine Lynch, Independent Non-Executive Director and Ian Starkey, Senior Independent Non-Executive Director. The Committee is chaired by Catherine Lynch, unless the matter under discussion is her own succession. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Committee is also assisted by executive search consultants as and when required.

During 2022, the Committee met on two occasions, the second of which was to review Board effectiveness and the appointment of Tom Spain as Interim Chairman at the AGM on 26 May 2022. However, in addition, several informal meetings and discussions were also held with the Chief Executive Officer and others, as part of the process to appoint a new Non-Executive Director and Chair of the Audit Committee following the forthcoming resignation of Ian Starkey.

Role of the Committee

The Committee regularly reviews the structure, size and composition of the Board and its Committees to ensure they continue to provide informed and constructive support and challenge to the management team. The Committee is responsible for identifying and reviewing suitable candidates through a formal and transparent process, and for ensuring that plans are in place for orderly succession to the Board. It also oversees the development of a pipeline for succession to senior management roles.

Key items considered by the Committee

Succession planning and talent management strategy

The Committee met with the Chief Executive Officer to review succession plans. The focus of these discussions was to review our succession planning strategy and ensure robust plans were in place for members of the Executive and their direct reports. The Committee will keep succession planning under close review in 2023 to implement the actions identified by the evaluation.

The Committee also considered the position of Interim Chairman, the reduction in the number of directors from seven to five and the reduced number of Independent Directors.

Board diversity and inclusion

The Nominations Committee focuses on the leadership required for the executive management team to fulfil its purpose, achieve its vision and execute its strategy. This requires a clear focus on inclusion and diversity to maximise the skills and capabilities from which the executive management team can benefit. Our policy is to have a broad range of skills, backgrounds and experience on the Board and executive management team. Alongside the Board, the Committee continues to champion the benefits of diversity and inclusion at Board, Committee and senior management level. Appointments are always based on merit, and we continue to challenge our external search consultants where necessary, to ensure that diversity and inclusion is always considered when drawing up candidate shortlists.

Meetings

The Nominations Committee meets at least once a year and otherwise, as required. The meeting attendance for the two meetings held in 2022 is shown below, along with the key agenda items:

Director	Number of meetings attended	Maximum number of meetings possible
Ian Lawson (Chairman)[1]	1	1
Richard Thomson[2]	–	–
Catherine Lynch (Chair)[3]	2	2
Ian Starkey[4]	2	2

1 Ian Lawson resigned as Independent Non-Executive Chairman and Director of the Company on 25 May 2022.

2 Richard Thomson resigned as Director and Senior independent Director and member of the Committee on 26 April 2022.

3 Catherine Lynch was appointed as Chair of the Committee on 1 June 2022.

4 Ian Starkey, Senior Independent Non-Executive Director and Chair of the Audit Committee, has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or at the Company's AGM in 2023, whichever is the earlier.

Tom Spain, Interim Chairman, is invited to attend all meetings as an observer and attended all relevant meetings during the year.

Audit Committee Report

The Audit Committee oversees Staffline's financial reporting and internal control processes by working with management, the external auditor and the Group's internal audit and governance teams. Sound understanding of the key risks faced by the Group is key to the Committee's role.

Ian Starkey
Chair of the Audit Committee

Membership and meetings

The Audit Committee comprises two members, Ian Starkey, Senior Independent Non-Executive Director and Catherine Lynch, Independent Non-Executive Director. The Committee is chaired by Ian Starkey.

Ian Starkey has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board on 16 May 2023 or at the AGM, whichever is the earlier. The Board is currently seeking a suitably qualified and experienced Non-Executive to join the Board and accept appointment to Chairmanship of the Audit Committee.

The Committee meets at least four times a year, as required by its terms of reference, which are available at www.stafflinegroupplc.co.uk/about-us/corporate-governance/. Meetings are scheduled at appropriate intervals throughout the financial reporting and audit cycle, with additional meetings held as required.

Director	Number of meetings attended	Maximum number of meetings possible
Ian Starkey (Chair)	5	5
Ian Lawson[1]	1	1
Richard Thomson[2]	1	1
Catherine Lynch	4	5

1 Ian Lawson resigned as Independent Non-Executive Chairman, Director of the Company and member of the Committee on 25 May 2022.

2 Richard Thomson resigned as Senior Independent Director, Director of the Company and member of the Committee on 26 April 2022.

The Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit and the Group's external auditor are invited to attend all scheduled meetings of the Committee and other meetings as appropriate to the business to be considered. Tom Spain, Interim Chairman, is invited to attend all meetings as an observer and attended all relevant meetings during the year.

Committee agendas are structured around an underlying annual cycle of review and monitoring of financial reporting matters and the internal control environment, whilst also maintaining ongoing oversight of risk, internal control and other control matters through quarterly updates. Key items covered by this annual cycle are summarised below:

Meeting	Financial Reporting Matters	Internal Control Matters
March	External audit findings and results announcement Approval of Annual Report and Accounts	Internal control observations arising from external audit
June	Requirements in relation to half-year procedures	Internal control presentations by Divisional Finance Directors and Divisional IT management Review of key Group compliance policies (e.g. anti-fraud, anti-bribery and anti-money laundering policies) Mid-year review of progress against the internal audit work programme
September	Half-year results announcement	Review of divisional and Group risk registers
December	External audit planning and fee proposal Review of external auditor independence	Review of Committee effectiveness Review of external and internal audit effectiveness and performance Approval of next year's internal audit work programme

Audit Committee Report continued

Role and responsibilities

The Audit Committee is an integral part of Staffline's governance infrastructure, providing independent oversight of the Group's financial reporting, internal control and risk management arrangements.

The Committee's key responsibilities, as defined by its terms of reference, and its approach to fulfilling them are summarised below:

Responsibility	Approach
Oversight of the effectiveness, integrity and quality of the Company and Group's financial reporting	The Committee Chair maintains ongoing contact with both executive management and the external auditor to discuss the Group's current practices in areas that might have a financial reporting impact or implication. The Group operates a policy of early engagement with the external auditor when any change in accounting policy or practice that might impact on the Group's financial reporting is being considered.
Monitoring developments in relevant financial reporting legislation and regulation and their adoption by the Group	The Committee reviews management reports assessing the impact on the Group's financial reporting of both proposed and enacted changes to relevant accounting standards, guidance and other regulatory matters. The external auditor also provides regular updates on the regulatory environment and potential changes.
Appointment of the external auditor and oversight of their independence and performance	The Committee monitors the length of tenure of the incumbent external auditor, receives feedback from management on the auditor's performance and reviews regulatory reports such as the Audit Quality Inspection and Supervision Reports published by the Financial Reporting Council ("FRC"). The Committee also reviews findings arising from the auditor's work and seeks feedback from management with regard to the auditor's performance, understanding of the Group's business and operations and interaction with Staffline personnel. Whist any tender process for audit services would be completed by executive management the Committee would maintain oversight, and any recommendation by management would be subject to the Committee's approval prior to being put before shareholders at the Company's AGM.
Oversight of the external audit process, including meeting the external auditor and reviewing any reports from them regarding financial reporting and internal control systems	The Committee receives formal reports from the external auditor on the completion of their audit work. These are reviewed by the Committee and discussed with the auditor and with executive management. As noted above, the Committee Chair maintains ongoing contact with the external auditor both with and without executive management involvement.
Oversight of the design, implementation and effectiveness of internal financial controls, including identifying and commissioning specific internal control reviews	The Committee receives formal presentations on the financial control environment within each division from Divisional Finance management. These cover accounting adjustments and any concerns in relation to internal controls identified during the external audit, control improvement initiatives and resourcing of Finance and Governance teams. The Chairman of the Committee also meets with Divisional Finance Directors at least once a year to discuss matters relating to financial reporting, internal controls and governance. The Committee has historically commissioned specific internal audit reviews where concerns arisen or independent insight and assurance is required.
Oversight of the internal audit function, including its independence and effectiveness	The Committee reviews annually the charter under which the Group Head of Internal Audit operates. This incorporates safeguards to protect the function's independence including direct access to the Group Chief Executive Officer or Committee Chair if required. The Committee also meets with the Head of Internal Audit once a year without executive management in attendance and seeks confirmation of the function's freedom from inappropriate influence or interference.
Oversight of the Group's risk register, risk appetite and risk mitigation arrangements	The Committee reviews outputs from the annual risk assessment process overseen by the Group Head of Internal Audit (see Principal Risks and Uncertainties on page 46 for more detail), which considers potential threats, existing controls and further mitigating actions where risk is seen as exceeding the appetite set by the Board. Divisional management provide ongoing commentary on risk within their regular Board reports and the internal audit work programme is closely linked to risk registers.
Review of the effectiveness of the Group's whistle-blowing arrangements	Whistle-blowing reports are summarised and reported to the Committee every quarter as part of regular internal controls updates from the Group Head of Internal Audit. The Committee formally reviews and approves re-adoption of the Group Whistle-blowing Policy annually.

Financial reporting

Key matters considered by the Committee in relation to the Group's financial reporting for the year ended 31 December 2022 comprised:

Description of matter	Committee actions and conclusions
PeoplePlus Clawback Provisions and prior period adjustment The Committee considered the adequacy of PeoplePlus' provisions against clawback claims for historical errors in revenue recognition.	The Committee considered a management paper covering the factual background to clawback claims received during 2022 and the proposed accounting treatment by way of prior period adjustment, it was satisfied that the approach adopted was appropriate. The Committee also noted the auditor's finding, reported to its meeting in March 2023, that no material errors or omissions in this area had been identified.
Going Concern While business performance has improved during the year and future financing is secured, current economic uncertainties present an ongoing risk to Staffline's performance and stability.	The Committee and Board receive regular updates in respect of the Group's actual and forecast performance and its ability to maintain compliance with its obligations under the financing agreement entered into in June 2021. The Board received detailed presentations from divisional management and Group executives as part of the annual budgeting process, after which it approved the annual budget for the year ending 31 December 2023 and the forecast for the following year. 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 2022 remains appropriate. The Committee also noted that the auditor had highlighted no concerns in this area when reporting on the findings of the 2022 audit at its meeting in March 2023.
Accounting treatment of interest rate cap The Group entered into an interest rate cap instrument during 2021. Accounting treatment of such arrangements is defined by IFRS 9 Financial Instruments.	The Committee reviewed a paper prepared by the Group Finance team covering accounting treatment of the interest rate cap instrument. In the opinion of the Committee, the accounting treatment adopted remains appropriate and the arrangement complies with the requirements of IFRS 9.
PeoplePlus income recognition on significant contracts PeoplePlus has had historical issues around retention of adequate records to substantiate revenue invoiced to customers and recognised in the accounts in respect of certain contracts. In addition, it operates under three long-term Restart sub-contracts where the recognition of revenue and costs at interim stages depends on management estimates.	The Committee had considered in 2021 a management paper covering revenue recognition that was compiled with input from external advisers. The principles applied at that time remain relevant in respect of 2022 reporting, but an updated paper was considered by the Committee which was satisfied that management had drawn appropriate conclusions, that the accounting treatment complies with the requirements of IFRS 15 and that there is no basis for identifying these contracts as either onerous or potentially onerous. The Committee considered the assumptions underlying the forecasts of revenue and costs for the Restart sub-contracts.
Valuation of goodwill and intangible assets IAS 36 "Impairment of Assets" requires that reporting entities undertake periodic reviews of the carrying value of assets to identify any indicators that assets may be overvalued in relation to the future economic benefits that they are expected to generate.	The Committee reviewed a paper prepared by the Group Finance team summarising the impairment review carried out on the goodwill, intangibles and property, plant and equipment allocated to the Group's cash-generating units at 31 December 2022. Detailed assumptions used in the review were considered by the Committee and deemed reasonable and appropriate.

Audit Committee Report continued

Description of matter	Committee actions and conclusions
Valuation of investments The external auditor's planning document relating to the 2022 audit noted valuation of investments and the value at which they are carried in the Group's financial statements as an 'other' risk, rather than a key audit risk. Work performed as part of the auditor's normal procedures identified a potential understatement in the impairment of Staffline Group plc's investment in PeoplePlus Group proposed by management.	The Committee concurred with management's view that an impairment of £8.2m in the Company's investment of £50.4m in PeoplePlus was required and noted that this had no effect on the Group result.
Use and disclosure of Alternative Performance Measures The Committee considered the appropriateness of the APM's, including the reasons for their use, the definitions and prominence.	The Committee noted the APM's used were consistent with 2021, with the exception of the Gross Sales Value metric, which it considers a useful addition.

Other Matters Considered

Other financial reporting and external audit-related activities undertaken by the Committee during the year included:

- review of key accounting judgements and estimates;
- approval of annual external audit plans, auditor's fees and engagement letter;
- review of year-end external audit findings, including reports on internal controls;
- approval of the annual results announcement and the Annual Report and Accounts;
- approval of the interim results announcement and periodic trading updates; and
- approval of the Letters of Representation provided to the external auditor.

External audit

Grant Thornton LLP was appointed as the Group's external auditor in November 2019 and was the reporting auditor for the Group's 2019 financial year.

Every year, the Committee assesses the performance of the external auditor and the effectiveness and efficiency of the audit process. In carrying out its assessment in 2022 the Committee considered:

- feedback from the Group Chief Financial Officer and Group Finance team, who monitor the external auditor's performance, behaviour and effectiveness during the audit and liaise with divisional Finance teams;
- key audit plans and reports, which were discussed and, where appropriate, challenged;
- the nature, tone and content of engagement with the external auditor during both Committee meetings and ad-hoc meetings, including meetings without any member of management present;
- the Committee Chair's discussions with the Senior Statutory Auditor and audit management team ahead of Committee meetings at which the external auditor is due to present to the Committee; and
- how the auditor supports the work of the Committee and how the audit contributes insights and adds value.

The Committee was satisfied with the auditor's performance during the year ended 31 December 2022 and audit of the Group's financial results and reporting for this period.

Independence and non-audit Services

The Committee monitors the arrangements in place to safeguard the external auditor's independence. Whilst these are largely determined by the external auditor, the Group also has in place a formal policy covering provision of non-audit services. This clearly defines what services may and may not be provided by the Group's external auditor as a matter of Staffline policy.

Non-audit services provided by the external auditor during the year ended 31 December 2022 comprised agreed upon procedures on the Group's interim results and audit work on PeoplePlus' defined pension benefit scheme. Both are recurring engagements that were approved by the Committee and are permitted under the Group's policy on non-audit services. The external auditor's risk assessment procedures identified no risk to the auditor's independence as a result of these engagements.

Internal controls, risk management and governance

The Committee took the following actions during 2022 to maintain and support development of the Group's internal control, risk management and governance arrangements:

- ongoing monitoring of a project established to resolve process and organisational challenges within one of PeoplePlus' operating divisions;
- review and approval for re-adoption of the Group's Schedule of Matters Reserved to the Board, the Group Delegation of Authority Policy and key compliance-related Group-level policies including the Anti-Fraud Policy, Anti-Bribery Policy, Anti-Money Laundering Policy, Anti-Facilitation of Tax Evasion Policy and Whistle-Blowing Policy;
- approval of various changes to the Group's delegation of authority matrix;
- review and approval for re-adoption of The Group's policies on non-audit services and treatment of bid-related costs;
- approval of a Group policy covering political and charitable donations and sponsorships to formalise and standardise practice in this area;
- review of the external auditor's findings in relation to internal control matters and management's responses to the items raised;
- review of divisional and Group risk registers and management's plans to mitigate the level of risk exposure;
- monitoring of progress made in delivering the transformation project in PeoplePlus' ILS business; and
- consideration of the implications for Staffline of proposed changes to UK corporate governance regulations, including additional disclosure requirements that will take effect in the coming financial year.

Areas of focus in 2023

- development of a structured approach to annual review of the Group's financial controls framework;
- implementation of TCFD reporting requirements (see page 42 for further details);
- building on the use of risk appetite to target risk management activity within the operating divisions;
- development of corporate governance and reporting arrangements in response to expected legislation following publication of the UK Government's consultation on reform of corporate governance, corporate reporting and audit systems; and
- Consideration of the Group's policies for hedging interest rate risk and the cost of share option awards.

Internal audit

The Group has an in-house internal audit function, which was established in 2020 and reports through the Group Chief Financial Officer for administrative purposes.

During 2022, the Committee received internal reports covering:

- cyber security arrangements;
- business continuity planning in respect of temporary worker payrolling in the GB and the Island of Ireland recruitment businesses;
- site and branch-level anti-fraud controls in respect of temporary worker payrolling in the Recruitment GB business;
- key financial controls in the Recruitment Ireland business;
- financial controls in PeoplePlus' Independent Living Services business;
- controls relating to prevention of bribery and facilitation of tax evasion across Staffline Group; and
- follow-up of the 2021 internal audit review of temporary worker payroll processes in the Recruitment GB business.

The 2023 internal audit work programme approved by the Committee includes reviews of:

- PeoplePlus record-keeping and revenue recognition on major contracts;
- talent management;
- major project governance;
- tax reporting processes in support of Senior Accounting Officer ("SAO") sign-off;
- contract approval processes; and
- specialist payrolls in the Recruitment GB business

Work on development of Staffline's corporate governance arrangements to comply with expected new UK reporting requirements will also form part of the Internal Audit function's 2023 activity.

Remuneration Committee Report

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 relevant regulations.

Catherine Lynch
Chair of the Remuneration Committee

The Remuneration Committee comprises two members, Catherine Lynch, Independent Non-Executive Director and Ian Starkey, Senior Independent Non-Executive Director. The Committee is chaired by Catherine Lynch.

Independence will be considered as part of the process to appoint a new Non-Executive Director and Chair of the Audit 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 relevant regulations. In addition to reviewing and agreeing Directors' remuneration, the Committee also approves proposed remuneration packages for new appointments and remuneration changes for all employees whose basic gross salary is £125,000 or above.

The members of the Committee are Independent Non-Executive Directors. Except as shareholders and Directors, none of the members has any other 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 2022 is shown below:

Director	Number of meetings attended	Maximum number of meetings attended
Catherine Lynch (Chair)	6	6
Ian Lawson[1]	3	3
Richard Thomson[2]	1	1
Ian Starkey[3]	6	6

1 Ian Lawson resigned as Independent Non-Executive Chairman and Director of the Company on 25 May 2022.

2 Richard Thomson resigned as Director and Senior independent Director and member of the Committee on 26 April 2022.

3 Ian Starkey, Senior Independent Non-Executive Director and Chair of the Audit Committee, has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or at the Company's AGM in 2023, whichever is the earlier.

The Group Chief Executive Officer and Group Chief Financial Officer are invited to attend all scheduled meetings of the Committee and other meetings as appropriate to the business to be considered. Tom Spain, Interim Chairman, is invited to attend all meetings as an observer.

Key items considered by the Committee during 2022

- consideration of remuneration arrangements to be offered to senior management appointments within the Group;
- bonus objectives and 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;
- the design of the Long-Term Incentive Plan for Executive Directors and senior executives; and
- standardisation of contracts for the Group's senior executive management.

Advisers to the Committee

During the year, the Committee Chair consulted with a number of the Company's major shareholders on the remuneration and 'reward philosophy' of Executive Directors and certain members of the senior management team and, in particular, long-term incentive arrangements.

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.

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.

Summary of policy on Directors' remuneration

Component	Purpose and link to strategy	Operation	Maximum	Performance
Basic salary	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.	Reviewed annually after considering pay levels at comparably sized listed companies and sector peers; the performance, role and responsibility of each Director; the economic climate, market conditions and the Company's performance; and the level of pay across the Group as a whole. 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.	n/a	n/a
Benefits	To provide market-competitive benefits package.	Offered in line with market practice, and include life assurance, private medical insurance, car allowance and permanent health insurance.	n/a	n/a
Pension arrangements	To provide an appropriate level of retirement benefit.	The Group has a defined contribution pension scheme with Scottish Widows for all permanent employees. During 2022, Executive Directors were entitled to receive a contribution from the Group equivalent to 15% of their basic salary into this or another scheme of their choice.	15% of base salary	n/a
Annual bonus	To reward performance against annual targets which support the strategic direction of the Group.	Annual bonuses are awarded at the discretion of the Remuneration Committee as an incentive and to reward individual performance during the financial year pursuant to specific performance criteria. In exercising its discretion, the Committee takes into account the underlying operating profit before interest and 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. Awards are based on annual performance and are normally payable in the proportion to following the elements, 66.67% through payroll and 33.33% in the Company's Ordinary Shares. Details of the 2022 annual bonus payable to Albert Ellis and Daniel Quint on 31 March 2023 are provided below on page 70.	100% of salary	Sliding scale financial and/ or personal/ strategic targets
Long Term Incentive Plan ("LTIP")	To drive and reward the achievement of longer term objectives, support retention and promote share ownership for Executive Directors.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/clawback provisions at the discretion of the Committee. Details of the LTIP awards to Albert Ellis and Daniel Quint as at 31 December 2022 are provided on pages 70 and 71.	100% of salary	Performance metrics will be linked to financial and/or share price and/ or strategic and/or performance
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.	Details of the SAYE options awarded to Albert Ellis and Daniel Quint as at 31 December 2022 are provided on page 71.	n/a	n/a

Remuneration Committee Report continued

Component	Purpose and link to strategy	Operation	Maximum	Performance
Shareholding guidelines	To promote share ownership for Executive Directors.	Executive Directors are expected to build a shareholding in the Group over time by retaining the net of tax LTIP awards which vest.	200% of salary for the Chief Executive Officer, 200% of salary for the Chief Financial Officer.	n/a
Non-Executive Directors	The Committee determines the fees for the Non-Executive Directors which are agreed by the Board.	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. Fees may include a basic fee and additional fees for further responsibilities. Fees are paid in cash.	n/a	n/a

The remuneration of the Directors, which was all paid by the Group, is detailed on page 73 of these financial statements.

Basic salary

The Committee reviewed the salaries of Albert Ellis and Daniel Quint in December 2021, and their salaries received a 2.5% increase with effect from 1 January 2021, following benchmarking with comparable companies and in line with that of the wider population of permanent employees. The Committee reviewed the salaries of Albert Ellis and Daniel Quint in December 2022, but on this occasion, their salaries did not receive an increase in the light of the economic outlook and in line with the senior management team.

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

- details of the remuneration Albert Ellis received during the year ended 31 December 2022 in his position as Chief Executive Officer are provided on page 73; and
- during the period from 18 May 2020 to 31 January 2021, Daniel Quint continued to receive payment in his capacity as Interim Chief Financial Officer. Details of the remuneration he received during the year ended 31 December 2022 in his position as Chief Financial Officer are provided on 73.

Salary review

The Committee reviewed the salaries of Albert Ellis and Daniel Quint in December 2022. Their salaries received a nil increase with effect from 1 January 2023, following benchmarking with comparable companies and in line with that of the senior management team.

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.

2022 Annual bonus

Albert Ellis and Daniel Quint received 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 was not contractual and was at the sole discretion of the Committee.

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. In 2021 and 2022, the Board approved the award of, and granted, nil cost options (the "Options") over its 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 years ending 31 December 2024 and 31 December 2025, respectively. 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 2024 and 2025, respectively, are above a minimum target.

The Options awarded to, and held as at 31 December 2022, by Albert Ellis and Daniel Quint, are set out in the table below:

Director	Date of award	Options granted	Vesting date	Vesting period end date
Albert Ellis	June 2021	573,770	June 2024	June 2031
	May 2022	711,806	May 2025	May 2032
		1,285,576		
Daniel Quint	June 2021	450,820	June 2024	June 2031
	May 2022	559,276	May 2025	May 2032
		1,010,096		

On 17 February 2023, the Company awarded the following nil cost share options to Albert Ellis and Daniel Quint:

Director	Date of award	Options granted	Vesting date	Vesting period end date
Albert Ellis	February 2023	1,043,485	February 2026	February 2033
Daniel Quint	February 2023	819,881	February 2026	February 2033

The vesting of these Options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial year ending 31 December 2025. The financial performance criteria are based on Group performance, with 50% of the Options awarded subject to achieving earnings per share hurdles and 50% subject to achieving underlying operating profit hurdles.

The Group intends to fully satisfy the future exercise of options through purchases of Ordinary Shares by the Employee Benefits Trust in order to limit the level of dilution experienced by existing shareholders.

SAYE Share Scheme

The operation of SAYE demonstrates a level of employee engagement, retention, and workforce advocacy.

In 2021, the Company announced the grant of options to employees as part of its SAYE share scheme for 2021.

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.

As at 31 December 2022, options over 925,392 Ordinary Shares remain in the SAYE share scheme for 2021 (133 employees), representing 5.7% of the permanent workforce. Details can be found on page 113.

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

Both directors forfeited the options they held under the SAYE scheme for 2021.

On 9 November 2022, the Company announced the grant of options to employees as part of its SAYE share scheme for 2022. 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 29.96p, a 20% discount to the closing middle market price of 37.45p on the trading day before the invitation to participate was made on 12 October 2022. The options have a contract start date of 1 December 2022 and are exercisable between 1 December 2025 and 31 May 2026.

A total of 196 employees elected to participate, and, pursuant to these elections, a total of 3,277,333 options over Ordinary Shares were granted on 8 November 2022, representing 19.8% of the current issued share capital of 165,767,728 shares.

Options totalling 120,160 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 2022
Albert Ellis	Chief Executive Officer	60,080
Daniel Quint	Chief Financial Officer	60,080

As at 31 December 2022, options over 3,230,472 Ordinary Shares remain in the SAYE share scheme for 2022 (193 employees), representing 8.2% of permanent workforce. Details can be found on page 113.

Remuneration Committee Report continued

Pension arrangements

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.

Following a decision of the Remuneration Committee taken in December 2022, 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 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 £18,000 and £15,000 p.a. respectively; and
4. permanent health insurance.

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

Non-Executive Directors' remuneration

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

The remuneration of the Independent Non-Executive Directors, 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; (iii) with effect from 26 May 2022 to the Senior Independent Director; and (iv) with effect from 1 June 2022 the Chair of the Nominations 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 2022, 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 2023.

Tom Spain was elected as Interim Chairman at the Annual General Meeting on 26 May 2022. 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 and Daniel Quint both have service agreements which are terminable on 12 months' notice given by either party.

Appointments

Up until their resignations on 26 May 2022 and 26 April 2022, respectively, Ian Lawson and Richard Thomson each had contracts terminable on six months' notice given by either party. 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 from 28 July 2021. At the end of the Fixed Term appointment, Tom Spain and the Board agreed to an extension and renewal with effect from 26 May 2022, terminable on one months' notice. There is no contractual termination payment.

Ian Starkey, Senior Independent Non-Executive Director and Chair of the Audit Committee, has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or the Company's AGM in 2023, whichever is the earlier.

Directors' remuneration summary (audited)

The table below sets out the remuneration received by the Directors in respect of the years ended 31 December 2022 and 2021:

Directors	Year	Salary, fees £000	Annual bonus[2] £000	Car allowance £000	Pension[3] £000	Pay in lieu of notice £000	Others[4] £000	Total £000
Executive Directors								
A Ellis	**2022**	**359**	**359**	**18**	**54**	**–**	**2**	**792**
	2021	350	350	12	35	–	2	749
D Quint [1]	**2022**	**282**	**282**	**15**	**42**	**–**	**2**	**623**
	2021	292	252	11	25	–	2	582
Chair								
T Spain [5]	**2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	–	–	–	–	–	–	–
I Lawson [6]	**2022**	**42**	**–**	**–**	**–**	**–**	**–**	**42**
	2021	96	–	–	–	–	–	96
Non-Executive Directors								
C Lynch [7]	**2022**	**48**	**–**	**–**	**–**	**–**	**–**	**48**
	2021	45	–	–	–	–	–	45
I Starkey [8]	**2022**	**48**	**–**	**–**	**–**	**–**	**–**	**48**
	2021	45	–	–	–	–	–	45
R Thomson [9]	**2022**	**13**	**–**	**–**	**–**	**20**	**–**	**33**
	2021	43	–	–	–	–	–	43
	2022	**792**	**641**	**33**	**96**	**20**	**4**	**1,586**
	2021	871	602	23	60	–	4	1,560

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

2 The bonus was settled in the proportion to following the elements, 66.67% through payroll and 33.33% in the Company's Ordinary Shares.

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

4 Others represent medical insurance benefits.

5 Tom Spain was elected as Interim Chairman at the Annual General Meeting on 26 May 2022. Tom Spain agreed that no fee shall be payable in respect of his (or any replacement representative director) appointment.

6 Ian Lawson became Independent Non-Executive Chairman on 1 January 2021.

7 Catherine Lynch was appointed as an Independent Non-Executive Director and Remuneration Committee Chair on 1 January 2021. She was appointed Nominations Committee Chair on 1 June 2022.

8 Ian Starkey was appointed as an Independent Non-Executive Director and Chair of the Audit Committee on 1 January 2021. He was appointed Senior Independent Director on 26 May 2022. Ian Starkey has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or at the Company's AGM in 2023, whichever is the earlier.

9 Richard Thomson resigned as Director and Senior independent Director on 26 April 2022.

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 2022.

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 5 to 51 Pages 52 to 91 Page 77
Nominations Committee Report	Page 62
Remuneration Committee Report	Pages 68 to 73
Audit Committee Report	Pages 63 to 67
Future development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 5 to 51
Stakeholder Engagement and Key Decisions	Details can be found in the Strategic Report on page 44 and in the s172 Statement on page 45
Greenhouse gas emissions – Streamlined Energy and Carbon Reporting	Details can be found in the ESG Report on page 41
Financial instruments	Details can be found in the Notes to the Financial Statements on pages 125 and 126.
Task Force on Climate-related Financial Disclosures ("TCFD")	Reference can be found in the ESG Report on page 42

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 dividend payment for 2022 (2021: £nil).

Directors

The names and biographies of the Directors who held office at the date of this Annual Report are set out on pages 54 and 55. Changes to Directors from 1 January 2022 and up until the date of this Report are provided in the table below:

Director	Position	Date of appointment	Date of resignation
Ian Lawson	Independent Non-Executive Chairman	1 January 2021	26 May 2022
Richard Thomson	Senior Independent Non-Executive Director	17 September 2019	26 April 2022
Ian Starkey[1]	Senior Independent Non-Executive Director	1 January 2021	
Tom Spain[2]	Interim Chairman	28 July 2021	

1 Ian Starkey was appointed as Senior independent Director on 26 May 2022. Ian Starkey has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or the Company's AGM in 2023, whichever is the earlier.

2 Tom Spain was re-elected as a Non-Executive Director and appointed as the Interim Chairman at the AGM on 26 May 2022.

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 and SAYE schemes. Senior staff participate in various bonus scheme and the LTIP arrangements linked to financial performance. Further details can be found in the ESG section of the Strategic Report on pages 34 to 39.

Employment of 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 role 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 year.

Charitable donations

The Group made charitable donations of £19,086 in the year (2021: £18,488).

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 2022, 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 2,014,511 shares are held by the Employee Benefit Trust ("EBT"). Therefore, the total voting rights in the Company are 163,753,217.

Shares held in the EBT are intended to be used to satisfy awards made under employee share schemes. During the year the EBT acquired 1,050,000 shares and issued 176,164 shares to Executive Directors as part settlement of a bonus award.

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 2023.

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 Annual General Meeting 2023 will be held at 09.30am on Monday, 12 June 2023 at the offices of DLA Piper LLP, 160 Aldersgate Street, London, EC1A 4HT. The business to be considered at the meeting is set out in a separate Notice of Meeting which can be viewed on the Group's website at: www.stafflinegroupplc.co.uk/investor-relations/agm.

Substantial shareholdings

The interests, by Parent Company, of the top ten shareholders in the issued Ordinary Share capital of the Company, which have been notified as at 31 December 2022, were as follows, representing 88.6% of the total issued Ordinary Share capital:

	Ordinary Shares of 10p each ('000)	**Percentage of Ordinary Shares (%)**
Henry Spain Investment Services	28,811	17.6
HRnet Group Limited	25,067	15.3
Schroder Investment Management	18,106	11.2
Gresham House Asset Management	17,014	10.4
Fidelity International	16,326	10.0
Aberdeen Standard Investments	12,476	7.6
Lombard Odier Investment Managers	9,643	5.9
Hargreaves Lansdown, stockbrokers	7,082	4.3
Interactive Investor	6,386	3.9
Teviot Partners	4,140	2.5
	145,051	**88.6**

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 56.7%.

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

Report of the Directors continued

Directors' shareholdings

The beneficial holdings of the Directors as at 31 December 2022 in the Company's issued share capital at 31 December 2022 was as follows:

Director	Ordinary Shares of 10p each in issue	% of total
Albert Ellis	472,407	0.33%
Daniel Quint	349,077	0.22%
Catherine Lynch	10,000	0.01%
Ian Starkey	50,000	0.03%
Tom Spain[1]	1,300,000	0.90%

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 28,811,478 Ordinary Shares at 31 December 2022.

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. In 2021 and 2022, the Board has approved the award of, and granted, nil cost options (the "Options") over its Ordinary Shares of 10 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 years ending 31 December 2024 and 31 December 2025, respectively. 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 2024 and 2025, respectively, are above a minimum target.

The Options awarded to, and held as at 31 December 2022, by Albert Ellis and Daniel Quint, are set out in the table below:

Director	Date of award	Options granted	Vesting date	Vesting period end date
Albert Ellis	June 2021	573,770	June 2024	June 2031
	May 2022	711,806	May 2025	May 2032
		1,285,576		
Daniel Quint	June 2021	450,820	June 2024	June 2031
	May 2022	559,276	May 2025	May 2032
		1,010,096		

On 17 February 2023, the Company awarded the following nil cost share options to Albert Ellis and Daniel Quint:

Director	Date of award	Options granted	Vesting date	Vesting period end date
Albert Ellis	February 2023	1,043,485	February 2026	February 2033
Daniel Quint	February 2023	819,881	February 2026	February 2033

The vesting of these Options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial year ending 31 December 2025. The financial performance criteria are based on Group performance, with 50% of the Options awarded subject to achieving earnings per share hurdles and 50% subject to achieving underlying operating profit hurdles.

The Group intends to fully satisfy the future exercise of options through purchases of Ordinary Shares by the Employee Benefits Trust in order to limit the level of dilution experienced by existing shareholders.

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. During the year, eligible employees were invited to subscribe for options over the Company's Ordinary Shares of 10 pence each ("Ordinary Shares") with an exercise price of 29.96p, a 20% discount to the closing middle market price of 37.45p on the trading day before the invitation to participate was made on 12 October 2022. The options have a contract start date of 1 December 2022 and are exercisable between 1 December 2025 and 31 May 2026. Options totalling 120,160 were granted to the Executive Directors as follows:

Director	2022 SAYE options granted*
Albert Ellis	60,080
Daniel Quint	60,080

* Each director listed above has forfeited their options held under the SAYE scheme for 2021.

Post balance sheet events

There were no further events in addition to the 2023 grant of the LTIP between the balance sheet date of 31 December 2022 and the approval of these accounts on 22 March 2022 that are required to be brought to the attention of shareholders.

Auditor

The Directors who hold office at the date of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

Louise Barber FCG
Company Secretary
20 March 2023

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
20 March 2023

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 "Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, 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 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 Company's affairs as at 31 December 2022 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 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 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 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 Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Company's business model including effects arising from macroeconomic uncertainties such as COVID-19 and the cost of living crisis, 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 Company's financial resources or ability to continue operations over the going concern period.

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.

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 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.

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

Our approach to the audit

Grant Thornton
An instinct for growth™

Overview of our audit approach

Overall materiality

Group: £1.71m, which represents 0.18% of the Group's total revenue.

Company: £1.38m, which represents 2% of total assets capped at 80% of Group materiality.

Key audit matters were identified as:

- Recruitment revenue unusual account combinations – occurrence (same as previous year)
- PeoplePlus revenues with a variable element – occurrence (same as previous year except for accuracy which is no longer considered to be a key audit matter)
- PeoplePlus revenue recorded under the Restart contract – occurrence and accuracy (new)
- PeoplePlus clawback provisions – completeness and accuracy (same as previous year)
- Goodwill and other intangible assets – valuation (new)
- Going concern basis of accounting (new)
- Investments in the Company – valuation (new)

Our auditor's report for the year ended 31 December 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to:

- PeoplePlus Group unbilled revenue (accrued income) – occurrence (existence), accuracy and valuation (Group)

We do not consider this to be a key audit matter this year as the risk surrounding this item has reduced significantly due to the improved performance of the Group, strengthening of the finance team, and reduction of errors identified in this area as part of the audit. We therefore consider that this key audit matter is no longer relevant.

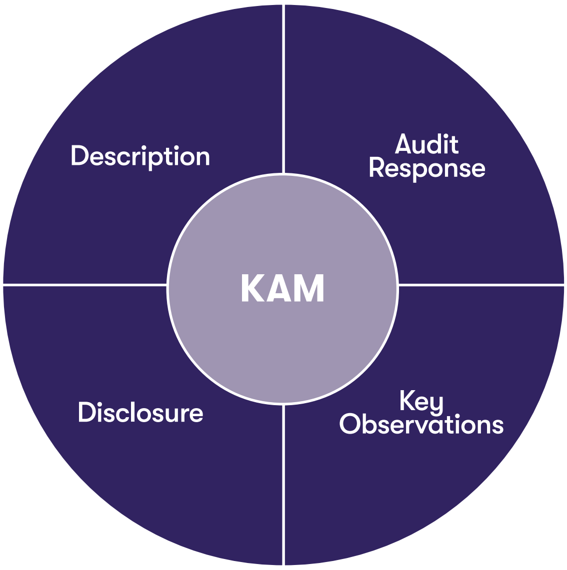
Our audit scope remained consistent with the previous year and our work performed over components covered 97% of the Group's revenue, and 99% of the Group's profit before tax. Our audit approach was consistent with the previous year.

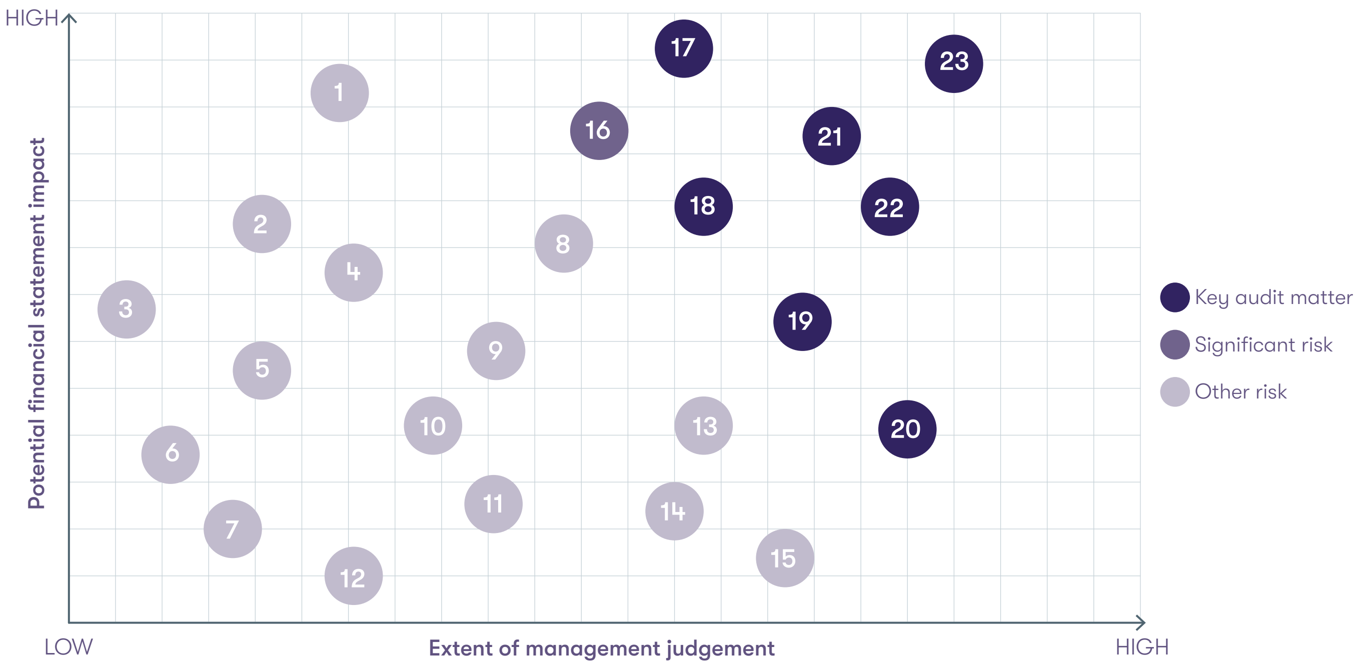
Independent Auditor's Report continued to the members of Staffline Group plc

Key audit matters

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

In the graph, we have presented the key audit matters, significant risks and other risks relevant to the audit.





1. Recruitment revenue – occurrence and accuracy
2. Temporary payroll - completeness and accuracy
3. Cash - existence
4. Defined benefit pension scheme assets - existence and accuracy
5. Borrowings – completeness and presentation
6. PeoplePlus payroll – accuracy and completeness
7. Hedge accounting - valuation and presentation
8. Defined benefit pension scheme liabilities - accuracy
9. PeoplePlus revenue – occurrence and accuracy
10. PeoplePlus creditors - completeness
11. Deferred tax – accuracy and valuation
12. Recruitment rebates - completeness and accuracy
13. Holiday pay accrual – completeness and accuracy
14. Non underlying administrative expenses - presentation
15. PeoplePlus accrued income – occurrence and accuracy
16. Management override of controls
17. Recruitment revenue unusual account combinations - occurrence
18. Investments - valuation
19. PeoplePlus revenues recorded under the Restart contract – occurrence and accuracy
20. PeoplePlus clawback provisions – completeness and accuracy
21. Goodwill and other intangible assets - valuation
22. PeoplePlus revenues with a variable element - occurrence
23. Going concern basis of accounting

Key Audit Matter – Group	How our scope addressed the matter – Group
Recruitment revenue unusual account combinations – occurrence We identified occurrence of recruitment revenue unusual account combinations as one of the most significant assessed risks of material misstatement due to fraud. Under ISA (UK) 240 revised there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Revenue recorded by the Group is one of the key factors that impacts underlying operating profit and is a Key Performance Indicator for the Group. The majority of revenues within the recruitment sector are considered non-complex. Unusual account combinations 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, ensuring they were appropriately designed and implemented to mitigate the risk of fraud in revenue recognition; • Performed a walkthrough of the process for initiating and recording revenue transactions to ensure processes and controls were designed and implemented effectively across the population of revenue transactions; • Assessed whether the accounting policies adopted by the directors are consistent and appropriate, 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; • Utilised audit data analytics techniques to identify potentially unusual transactions within revenue. For recruitment revenues we expect the majority of 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 combinations of every transaction which impacts revenue or receivables in the recruitment streams during the period and selected for testing any transactions which were not in line with our understanding of the business. We then obtained sufficient and appropriate evidence to support those transactions; and • Supported the audit data analytic via the testing the design, implementation and 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: Audit Committee Report, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting Policies • Financial statements: Note 4, Segment Reporting	**Our results** Our audit did not identify any material adjustments in relation to the occurrence of recruitment revenue unusual account combinations.

Independent Auditor's Report continued to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus revenues with a variable element – occurrence We identified occurrence of variable revenue earned on significant contracts within PeoplePlus Group as one of the most significant assessed risks of material misstatement due to fraud. Revenue contracts with a variable element are more likely to be subject to manipulation through reporting revenues earlier than the performance obligation has been met.	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, ensuring they were appropriately designed and implemented to mitigate the risk of fraud in revenue recognition; • Performed a walkthrough of revenue transactions to ensure processes and controls were designed and implemented effectively across the population of revenue transactions; • Assessed whether the accounting policies adopted by the directors are consistent and appropriate, 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; and • Tested a sample of variable fee income earned in the period back to supporting documentation in order to ensure the training and related validation procedures have been provided, being the trigger for revenue recognition, and that the revenue can be substantiated.
Relevant disclosures in the Annual Report and Accounts • Corporate Governance: Audit Committee Report, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting Policies • Financial statements: Note 4, Segment Reporting	**Our results** Our audit work did not identify any material adjustments in relation to the occurrence of income earned on variable fee contracts within PeoplePlus Group.

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus revenue recorded under the Restart contract – occurrence and accuracy We identified the occurrence and accuracy of revenue earned on the Restart contract as one of the most significant assessed risks of material misstatement due to fraud. Management judgement exists in determining the transaction price (fixed and variable elements), its allocation to performance measures and the period of recognition using an input method as a measure of completion of performance obligations. The opportunity therefore exists to manipulate revenue recognition.	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, ensuring they were appropriately designed and implemented to mitigate the risk of fraud in revenue recognition; • Performed a walkthrough of revenue transactions to ensure processes and controls were designed and implemented effectively across the population of revenue transactions; • Assessed whether the accounting policies adopted by the directors are consistent and appropriate, 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; • Tested a sample of income earned on the Restart contracts in the period back to supporting documentation in order to ensure the relevant milestones have been met meaning revenue occurred and can be substantiated; and • Assessed the accuracy of management's forecasts by considering the reliability of past forecasting with reference to actual results.
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 • Financial statements: Note 4, Segment Reporting	**Our results** Our audit work did not identify any material adjustments in relation to the occurrence and accuracy of income earned on the Restart contract within PeoplePlus Group.

Independent Auditor's Report continued to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus clawback provisions – completeness and accuracy We identified the PeoplePlus contractual clawback provision as one of the most significant assessed risks of material misstatement due to error. During the year additional claims have been made against PeoplePlus regarding the level of revenue recognised in prior periods, which has resulted in a prior period adjustment. 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, to understand how revenue was incorrectly claimed in prior periods and recognition of provisions; • Assessed whether the accounting policies adopted by the directors are consistent and appropriate, 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; • Obtained management's judgement paper to support their assessment of the quantum and recognition of the prior period adjustment and challenged key assumptions within; • Recalculated and challenged the calculations behind the clawback prior period adjustment recorded and corroborated the underlying assumptions; • Challenged the appropriateness of the adjustments determined by management, including considering and assessing the completeness of the adjustment by considering whether a similar issue may exist.
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 accuracy and completeness of the contractual clawback provisions within PeoplePlus Group.

Key Audit Matter – Group	How our scope addressed the matter – Group
Goodwill and other intangible assets - valuation We identified valuation of goodwill and other intangible assets as one of the most significant assessed risks of material misstatement due to error. International Accounting Standard (IAS) 36 'Impairment of Assets' requires management to assess at the end of each reporting period whether there is any indication that an asset may be impaired, and to perform an annual assessment to determine whether the Group's goodwill and other intangible assets within a cash generating unit ('CGU') are impaired. At 31 December 2022 the Group's market capitalisation was equivalent to the net asset value of the Group, indicating that an impairment adjustment may be required. Additionally, rising inflation and interest rates have resulted in an increased weighted average cost of capital ('WACC').	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment of the allocation of assets to either Recruitment GB, Recruitment Ireland or PeoplePlus, being the relevant CGUs used in their impairment calculations and challenged those against our understanding of the business units and operating structure of the Group; • Obtained and challenged management's assessment of impairment indicators relating to intangible assets by assessing whether any CGUs showed further indicators of impairment such as a decline in performance or performance below budget; • Checked the arithmetical accuracy of each CGU impairment calculation, including the associated sensitivity analysis; • Considered and evaluated the competence, capability and objectivity of management's expert, Evelyn Partners; • Used our internal valuation specialists to inform our challenge of management and their valuation expert, that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market; • Assessed whether trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different CGU and that the assumptions are consistent with our knowledge of the business; and • Assessed the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends, as well as industry benchmarking and inspecting the forecast cash flows.
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 • Financial statements: Note 11, Goodwill • Financial statements: Note 12, Intangible Assets	**Our results** Our audit did not identify any material adjustments in relation to the valuation of goodwill and other intangible assets.

Independent Auditor's Report continued to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern basis of accounting We identified going concern basis of accounting as one of the most significant assessed risks of material misstatement due to error. Performance in the year has improved, however there is significant uncertainty around the current economic environment. There are uncertainties arising from increasing energy prices and the cost of living crisis.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of how management prepared their base case forecasts for the period to 31 December 2024; • Assessed the accuracy of management's forecasts by considering the reliability of past forecasting with reference to actual results; • Performed arithmetical and consistency checks on management's model with support from our internal financial modelling specialists; • Obtained an understanding of key assumptions underpinning the model, including future borrowing requirements, key trading assumptions and testing these assumptions; • Assessed the accuracy of the debt covenant calculations within the forecasts and agreeing these to the finance facilities agreement; assessing and challenging the robustness of management's forecasts by applying our own sensitivities, including reverse stress testing; • Considered the feasibility of mitigating actions available to management to continue as a going concern if downside sensitivities were to crystallise; and • Assessed the adequacy of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts • Principal risks and uncertainties: Risk one • Corporate Governance Code: Audit Committee, The key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting Policies	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Key Audit Matter – Company	How our scope addressed the matter – Company
Investments in the Company – valuation We identified the valuation of investments in the Company as one of the most significant assessed risks of material misstatement due to error. International Accounting Standard (IAS) 36 'Impairment of Assets' requires management to assess at the end of each reporting period whether there is any indication that an asset may be impaired, and to perform an annual assessment to determine whether the Company's investments are impaired. At 31 December 2022 the Group's market capitalisation was equivalent to the net asset value of the Group, indicating that an impairment adjustment may be required. Additionally, rising inflation and interest rates have resulted in an increased weighted average cost of capital ('WACC').	In responding to the key audit matter, we performed the following audit procedures: • Checked the arithmetical accuracy of the impairment calculation; • Considered and evaluated the competence, capability and objectivity of management's expert, Evelyn Partners; • Utilised our internal valuation experts to inform our challenge of management and their valuation specialist, and that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market; • Checked trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different investment and that the assumptions are consistent with our knowledge of the business; • Tested the accuracy of management's forecasting through a comparison of budget to actual data, historical variance trends and inspected the forecast cash flows; and • Compared the investments held to the net assets of the subsidiary and challenging management on whether there were indicators of impairment.
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 • Financial statements: Note 13, Fixed Asset Investments	**Our results** Our audit did not identify any material adjustments in relation to the valuation of investments.

Independent Auditor's 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.

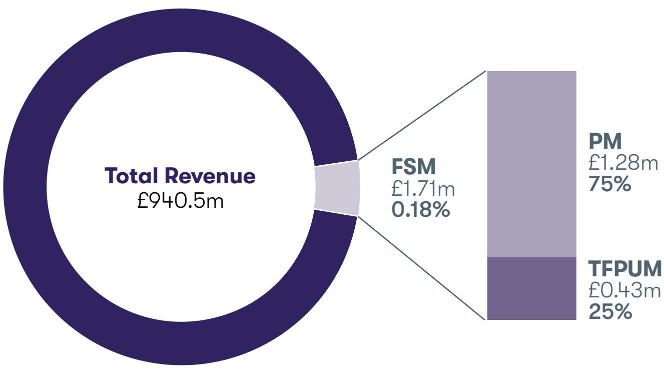
Materiality was determined as follows:

Materiality measure	Group	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	£1.71m which is 0.18% of Group revenue	£1.38m which is 2% of total assets capped at 80% 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 of an appropriate percentage to apply to that benchmark • The consideration of other qualitative factors including the previous year materiality and results of competitor benchmarking Revenue is considered to be the most appropriate benchmark as it is a key performance indicator for the Group, and the Group has been close to breakeven for several years. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the increased stability of the group and underlying operating profit improving. The materiality determined was not revised during the audit.	In determining materiality, we made the following significant judgements: • The consideration of other qualitative factors, including the previous year materiality 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 undertaking any trading activities. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 due to the 80% benchmark being higher. This is as a result of the way materiality has been allocated to each component and reflects the improved performance and stability of the Group and company. 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	£1.28m, which is 75% of financial statement materiality	£1.04m 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 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

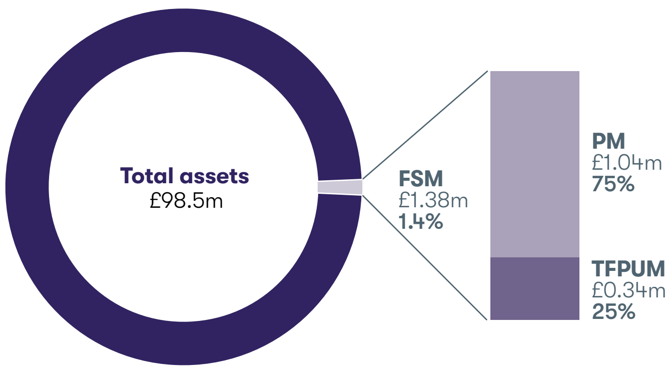
Materiality measure	Group	Company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Non-routine 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	£85,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£69,000 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 – Company



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

Independent Auditor's 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 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 identified three operating 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 these operating 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, consolidated gross profit or absolute consolidated profit before taxation to be financially significant to the Group.

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

The audit of financial information of each of the following components was completed using the relevant component materiality as determined for each component:

- 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 UK team from London. 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 PBT
Full-scope audit	6	97%	99%
Specific audit procedures	0	0%	0%
Analytical procedures	23	3%	1%

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 themselves. 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 Company and their 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

As explained more fully in the directors' responsibilities statement set out on page 77, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 through our inquiries of management, knowledge of the business, and review of minutes from board meetings and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (International Financial Reporting Standards, United Kingdom Generally Accepted Accounting Practice the Companies Act 2006 and the QCA Corporate Governance Code);
- 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 post year end consolidation journals;
  - Potential management bias in determining revenue recognition on certain significant contracts (being those with a variable element) within PeoplePlus Group; and
  - Potential management bias in determining revenue recognition on the Restart contract within PeoplePlus Group.
- Our audit procedures involved:
  - evaluating the design effectiveness and assessing the design and implementation 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 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 provisions made by management;
  - understanding performance obligations within key contracts and testing the related accounting, including variable consideration;
  - testing the completeness of the Group's related party transactions through information obtained at the Company 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.
- 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 revenue earned on non-routine contracts in PeoplePlus Group (Restart and those with a variable element), and manipulation of recruitment revenue have been communicated with the audit team. These areas are also reported as key audit matters in the Key Audit Matter section of our report where the matters and specific procedures that were performed in response are 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.

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

Use of our report

This report is made solely to the 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
20 March 2023

Financial Statements.

Inside this section

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	**2022 £m**	2021 £m
Continuing operations			
Revenue	4	**940.5**	942.7
Cost of sales	5	**(857.3)**	(859.9)
Gross profit		**83.2**	82.8
Administrative expenses	5	**(78.6)**	(80.5)
Operating profit		**4.6**	2.3
Underlying operating profit before non-underlying administrative expenses		**12.0**	10.3
Administrative expenses (non-underlying)	5	**(7.4)**	(8.0)
Operating profit		**4.6**	2.3
Finance income	6	**0.7**	–
Finance charges	6	**(3.4)**	(2.4)
Net finance charges		**(2.7)**	(2.4)
Profit/(loss) for the year before taxation		**1.9**	(0.1)
Tax credit	8	**1.9**	1.7
Profit from continuing activities		**3.8**	1.6
Loss from discontinued operations	10	**–**	(0.4)
Profit for the year		**3.8**	1.2
Items that will not be reclassified to profit and loss – actuarial gains net of deferred tax		**0.4**	0.7
Items that will be reclassified to profit and loss:			
– effective portion of gain on hedging instrument measured at fair value net of deferred tax		**1.5**	0.2
– cumulative translation gain/(loss)		**0.1**	(0.3)
Other comprehensive income for the year net of deferred tax		**2.0**	0.6
Total comprehensive income		**5.8**	1.8
Earnings per Ordinary Share	9		
Continuing operations: Basic and diluted		**2.3p**	1.3p
Discontinued operations: Basic and diluted		**–**	(0.3)p
Total earnings per share: Basic and diluted		**2.3p**	1.0p

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £m	Own shares £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 2020 (reported)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(57.9)**	**19.9**
Prior year adjustment (Note 3)	–	–	–	–	–	(2.3)	(2.3)
At 31 December 2020 (restated)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(60.2)**	**17.6**
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**	**(58.2)**	**65.9**
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.3	–	–	0.3
Issue of shares to management	–	0.7	–	–	–	(0.6)	0.1
Own shares purchased	–	(0.4)	–	–	–	–	(0.4)
Transactions with owners	**–**	**0.3**	**–**	**0.3**	**–**	**(0.6)**	**–**
Profit for the year	–	–	–	–	–	3.8	3.8
Cash flow hedge reserve	–	–	–	–	1.5	–	1.5
Actuarial gain on pension scheme, net of taxation	–	–	–	–	–	0.4	0.4
Cumulative translation adjustments	–	–	–	–	–	0.1	0.1
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**1.5**	**4.3**	**5.8**
At 31 December 2022	**16.6**	**(4.5)**	**111.8**	**0.6**	**1.7**	**(54.5)**	**71.7**

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

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £m	Own shares £m	Share premium £m	Cash flow hedge reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2021	**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**
Loss for the year	–	0.3	–	–	(2.9)	(2.6)
Cash flow hedge reserve	–	–	–	(0.2)	0.2	–
Total comprehensive income for the year, net of tax	**–**	**0.3**	**–**	**(0.2)**	**(2.7)**	**(2.6)**
At 31 December 2022	**16.6**	**(4.5)**	**111.8**	**–**	**(27.0)**	**96.9**

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

Consolidated and Company Statements of Financial Position

As at 31 December 2022

		Consolidated			Company	
	Note	**2022 £m**	2021 Restated £m	1 January 2021 Restated £m	**2022 £m**	2021 £m
Assets						
Non-current						
Goodwill	11	**59.6**	59.6	59.6	**–**	–
Other intangible assets	12	**9.4**	16.5	24.3	**–**	–
Investments	13	**–**	–	–	**59.6**	67.8
Property, plant and equipment	14	**7.6**	8.0	9.6	**–**	–
Deferred tax asset	24	**5.0**	4.9	4.7	**0.4**	0.8
Retirement benefit net asset	16	**0.2**	–	–	**–**	–
		81.8	89.0	98.2	**60.0**	68.6
Current						
Trade and other receivables	17	**119.8**	113.6	102.2	**3.2**	3.0
Current tax asset	8	**0.3**	0.6	1.7	**–**	–
Derivative financial instruments	18	**3.0**	0.5	–	**3.0**	0.5
Cash and cash equivalents	19	**31.0**	29.8	24.5	**0.1**	–
Restricted cash		**–**	–	0.9	**–**	–
		154.1	144.5	129.3	**6.3**	3.5
Debtors: amounts falling due after more than one year	17	**–**	–	–	**32.2**	30.8
Total assets		**235.9**	233.5	227.5	**98.5**	102.9
Liabilities						
Current						
Trade and other payables	20	**130.3**	134.3	155.6	**1.0**	3.4
Borrowings	21	**26.0**	22.9	13.0	**–**	–
Provisions	23	**0.9**	1.4	3.8	**–**	–
Lease liabilities	15	**1.5**	1.3	1.6	**–**	–
		158.7	159.9	174.0	**1.0**	3.4
Non-current						
Borrowings	21	**–**	–	20.0	**–**	–
Other liabilities	22	**–**	0.3	7.3	**–**	–
Provisions	23	**0.6**	1.4	1.2	**–**	–
Lease liabilities	15	**3.4**	3.3	3.9	**–**	–
Deferred tax liabilities	24	**1.5**	2.7	3.5	**0.6**	–
		5.5	7.7	35.9	**0.6**	–
Total liabilities		**164.2**	167.6	209.9	**1.6**	3.4
Equity						
Share capital	25	**16.6**	16.6	6.9	**16.6**	16.6
Own shares		**(4.5)**	(4.8)	(4.8)	**(4.5)**	(4.8)
Share premium		**111.8**	111.8	75.1	**111.8**	111.8
Share-based payment reserve		**0.6**	0.3	0.6	**–**	–
Cash flow hedge reserve		**1.7**	0.2	–	**–**	0.2
Profit and loss account		**(54.5)**	(58.2)	(60.2)	**(27.0)**	(24.3)
Total equity		**71.7**	65.9	17.6	**96.9**	99.5
Total equity and liabilities		**235.9**	233.5	227.5	**98.5**	102.9

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £(2.9)m (2021: profit of £1.4m). The accompanying Notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 20 March 2023 and signed on their behalf by:

Albert Ellis
Director
20 March 2023

Daniel Quint
Director
20 March 2023

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Note	**2022 £m**	2021 £m
Cash flows from operating activities	30	**5.5**	(28.7)
Taxation received	8	**0.4**	5.8
Net cash inflow/(outflow) from operating activities		**5.9**	(22.9)
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	14	**(1.0)**	(2.4)
Sale of property, plant and equipment		**–**	–
Purchase of intangible assets – software	12	**(2.3)**	(2.1)
Total cash flows arising from investing activities		**(3.3)**	(4.5)
Total cash flows arising from operating and investing activities		**2.6**	(27.4)
Cash flows from financing activities			
Net movements on Receivables Finance Agreement	21	**3.1**	9.9
Loan repayments	21	**–**	(20.0)
Principal repayment of lease liabilities	15	**(1.6)**	(1.7)
Net interest paid		**(2.5)**	(1.9)
Payment from restricted fund		**–**	0.9
Settlement of NMW liabilities from restricted fund		**–**	(0.9)
Own shares purchased		**(0.4)**	–
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		**(1.4)**	32.7
Net change in cash and cash equivalents		**1.2**	5.3
Cash and cash equivalents at beginning of year		**29.8**	24.5
Cash and cash equivalents at end of year	19	**31.0**	29.8

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

Notes to the Financial Statements
The year ended 31 December 2022

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 138 and within Note 13. The Company's registration number is 05268636.

The financial statements for the year ended 31 December 2022 (including the comparatives for the year ended 31 December 2021) were approved and authorised for issue by the Board of Directors on 20 March 2023.

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 75, the largest shareholder held 17.6% of the Company's issued share capital as at 31 December 2022.

3 Accounting policies
Basis of preparation
The Consolidated financial statements are prepared for the year ended 31 December 2022. 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 UK adopted International Accounting Standards. The financial statements are prepared under the historical cost convention except for equity-settled share options, derivative financial instruments and the retirement benefit net asset, 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.

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 10 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27. The principal risks and uncertainties to which the Group is exposed are described on pages 46 to 51.

As described in the Chief Executive Officer's Review, despite the challenging trading conditions experienced across all divisions in the Group during 2022, the Group reported an underlying operating profit for the year on continuing activities. In the recruitment divisions, the recovery from the Covid-19 pandemic in early 2022 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 skills training as a result of the tight labour market with workers being able to go straight into jobs without pre-job training.

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 generating increased underlying profit and positive cash generation.

The Directors have prepared updated forecasts and cash flow projections to 31 December 2024, 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 forecast period.

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 46 to 51. 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 2022, the Group had net cash of £5.0m (2021: net cash of £6.9m), on a pre-IFRS 16 basis, and has committed debt facilities until 1 December 2025. For the period to 31 December 2024, 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 22 to 27.

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

The year ended 31 December 2022

3 Accounting policies continued

Prior year restatement

During the year, it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations.

As with any prior year adjustment, management have applied their judgement based on relevant information now available which management should have had access to at the time. The £2.6m error is based on management's best estimate of the amount of the revenue reversal but this remains subject to final agreement between the respective parties.

Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves.

The required adjustment is set out in the table below; trade receivables, as included in current assets, is overstated by £2.6m and deferred tax assets, as included in non-current assets, is understated by £0.3m.

Restatement of Consolidated statement of financial position:

As at 1 January 2021 and at 31 December 2021

	2020 Reported £m	Revenue overstated £m	2020 Restated £m	2021 Reported £m	Revenue overstated £m	2021 Restated £m
Assets						
Non-current	97.9	0.3	98.2	88.7	0.3	89.0
Current	131.9	(2.6)	129.3	147.1	(2.6)	144.5
Total assets	229.8	(2.3)	227.5	235.8	(2.3)	233.5
Liabilities						
Current	174.0	–	174.0	159.9	–	159.9
Non-current	35.9	–	35.9	7.7	–	7.7
Total liabilities	209.9	–	209.9	167.6	–	167.6
Equity						
Total equity	19.9	(2.3)	17.6	68.2	(2.3)	65.9
Total equity and liabilities	229.8	(2.3)	227.5	235.8	(2.3)	233.5

Consolidation of subsidiaries

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 December 2022 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.

Gross value of sales

Gross sales value represents the fair value of the consideration received or receivable for the supply of services, including agency sales (excluding fees) which are subject to an IFRS 15 agency adjustment, net of value added tax, rebates and discounts and after eliminating sales within the Group.

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. 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. 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 the island of 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
The year ended 31 December 2022

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.

Gross sales value represents the fair value of the consideration received or receivable for the supply of services, including agency sales which are subject to an IFRS 15 agency adjustment, net of value added tax, rebates and discounts and after eliminating sales within the Group.

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.

Deferred income is short-term in nature (less than one year) and is 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. In some circumstances management is also required to form judgements when determining the amount of revenue where there is uncertainty about the future performance of the contract. 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 2021, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") in the UK and claimed and received a total of £1.6m. 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.

Notes to the Financial Statements continued
The year ended 31 December 2022

3 Accounting policies continued

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.

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, 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 assesses 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 statement of financial position. 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.

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

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

Notes to the Financial Statements continued
The year ended 31 December 2022

3 Accounting policies continued

Pensions continued

Defined Contribution Plan

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

Financial Assets

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

Trade receivables are initially recognised at transaction cost. Other 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 number of customer financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. 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.

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 income statement on an accruals basis. Working capital funding is currently provided via an RFA 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 RFA 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.

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 27.

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 represents the cost of shares acquired by 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.

Notes to the Financial Statements continued
The year ended 31 December 2022

3 Accounting policies continued

Share-based employee remuneration
All share-based payment arrangements are recognised in the Consolidated financial statements. The Group operates equity-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.

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 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 and setting the price to be charged. 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.

Borrowings

The Group has a 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 charge through profit and loss. Details of the Group's borrowings are given in Note 21.

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.

The Company has previously recognised impairment losses on its investments in certain subsidiary undertakings and has recognised a further impairment of £8.2m to its investment in PeoplePlus during the year. The carrying value of investments at 31 December 2022 is £59.6m (2021: £67.8m), see Note 13.

Revenue and profit recognition – PeoplePlus

The ultimate profitability of long-term contracts is based on estimates of future revenue and costs and compliance with complex performance obligations, which are reliant on the knowledge and experience of divisional management. Material changes in these estimates could affect the profitability of individual contracts. Ongoing contract profitability is monitored monthly.

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 similar economic characteristics. Historically and going forward, management will integrate new acquisitions into the main trading entities within each operating segment.

Notes to the Financial Statements continued
The year ended 31 December 2022

4 Segment reporting – continuing operations continued
Segment information for the reporting year is as follows:

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Group Costs 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m
Sales revenue from external customers	**752.0**	**110.6**	**77.9**	**–**	**940.5**	747.9	111.7	83.1	–	942.7
Cost of sales	**(700.0)**	**(97.7)**	**(59.6)**	**–**	**(857.3)**	(697.2)	(100.4)	(62.3)	–	(859.9)
Segment gross profit	**52.0**	**12.9**	**18.3**	**–**	**83.2**	50.7	11.3	20.8	–	82.8
Administrative expenses	**(40.5)**	**(9.3)**	**(12.5)**	**(3.3)**	**(65.6)**	(40.4)	(8.4)	(14.0)	(3.4)	(66.2)
Depreciation, software & lease amortisation	**(3.2)**	**(0.4)**	**(2.0)**	**–**	**(5.6)**	(3.2)	(0.4)	(2.7)	–	(6.3)
Segment underlying operating profit*	**8.3**	**3.2**	**3.8**	**(3.3)**	**12.0**	7.1	2.5	4.1	(3.4)	10.3
Amortisation of intangibles arising on business combinations	**(5.9)**	**(1.3)**	**(0.2)**	**–**	**(7.4)**	(6.4)	(1.4)	(0.2)	–	(8.0)
Segment profit from operations	**2.4**	**1.9**	**3.6**	**(3.3)**	**4.6**	0.7	1.1	3.9	(3.4)	2.3
Finance (costs)/income	**(3.1)**	**(0.1)**	**–**	**0.5**	**(2.7)**	(2.0)	(0.3)	–	(0.1)	(2.4)
Segment profit/(loss) before taxation	**(0.7)**	**1.8**	**3.6**	**(2.8)**	**1.9**	(1.3)	0.8	3.9	(3.5)	(0.1)
Tax credit	**1.8**	**–**	**(0.2)**	**0.3**	**1.9**	0.3	(0.1)	–	1.5	1.7
Segment profit/(loss) from continuing operations	**1.1**	**1.8**	**3.4**	**(2.5)**	**3.8**	(1.0)	0.7	3.9	(2.0)	1.6

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

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Staffline Group 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus Restated 2021 £m	Staffline Group 2021 £m	Total Group Restated 2021 £m
Total non-current assets	**28.4**	**12.2**	**36.2**	**–**	**76.8**	36.0	11.6	36.5	–	84.1
Total current assets	**117.6**	**19.9**	**13.3**	**3.3**	**154.1**	106.6	20.1	17.3	0.5	144.5
Total assets (consolidated)	**146.0**	**32.1**	**49.5**	**3.3**	**230.9**	142.6	31.7	53.8	0.5	228.6
Total liabilities (consolidated)	**135.1**	**11.0**	**17.5**	**0.6**	**164.2**	128.0	13.2	26.3	0.1	167.6
Cash capital expenditure inc software	**2.0**	**0.5**	**0.8**	**–**	**3.3**	2.8	–	1.7	–	4.5

The analysis above excludes deferred tax assets as required by IFRS 8 Operating segments.

Revenues can be analysed by country as follows (96.7% of revenues arising within the UK in 2022, 97.0% in 2021):

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Total Group 2021 £m
UK	**751.8**	**80.0**	**77.9**	**909.7**	747.8	83.9	83.1	914.8
Republic of Ireland	**–**	**30.6**	**–**	**30.6**	–	27.8	–	27.8
Portugal	**0.2**	**–**	**–**	**0.2**	0.1	–	–	0.1
	752.0	**110.6**	**77.9**	**940.5**	747.9	111.7	83.1	942.7

No customer contributed more than 10% of the Group's revenue during either 2022 or 2021.

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2022 £m	2021 £m
Employee benefits expenses – cost of sales	**836.2**	834.1
Other cost of sales	**21.1**	25.7
Employee benefits expenses – administrative expenses	**47.3**	46.1
Depreciation and software amortisation	**5.6**	6.3
Operating lease expenses	**1.2**	1.5
Other administrative expenses	**17.1**	18.7
	928.5	932.4
Disclosed as:		
Cost of sales	**857.3**	859.9
Administrative expenses – excluding non-underlying expenses	**71.2**	72.5
	928.5	932.4

Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**17**	15
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of subsidiaries	**682**	620
– Audit of the pension scheme	**18**	16
– Audit-related assurance services	**15**	15
– Audit fee expenses	**13**	20
Total	**745**	686

Non-underlying expenses – continuing operations

	2022 £m	2021 £m
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	**7.4**	8.0
Tax credit on above non-underlying expenses	**(1.8)**	(0.9)
Post taxation effect on above non-underlying expenses	**5.6**	7.1

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 and Brightwork.

Notes to the Financial Statements continued

The year ended 31 December 2022

6 Finance income and charges

Finance income

	2022 £m	2021 £m
Receipts from derivative	**0.3**	–
Derivative ineffectiveness	**0.4**	–
	0.7	–

Finance charges

	2022 £m	2021 £m
Interest payable on bank and other funding	**2.9**	1.8
Interest on lease liabilities	**0.1**	0.1
Amortisation of refinancing costs	**0.3**	0.5
Amortisation of derivative cost	**0.1**	–
	3.4	2.4
Net finance charges	**2.7**	2.4

7 Directors' and employees' remuneration

Employee benefits expense – consolidated

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

	2022 £m	2021 £m
Wages and salaries	**79.2**	72.3
Social security costs	**7.7**	6.7
Other pension costs – defined contribution plans	**2.4**	3.1
Other pension costs – defined benefit plan service cost	**0.1**	–
	89.4	82.1
Share-based payment charge – equity-settled	**0.3**	0.1
	89.7	82.2
Included in administrative expenses (Note 5)	**47.1**	40.8
Included in cost of sales	**42.3**	41.3
Share-based payment charge – equity-settled	**0.3**	0.1
	89.7	82.2

	2022 Number	2021 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
– Sales and administrative	**2,318**	2,336

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

	2022 £m	2021 £m
Wages and salaries payable to employees	**729.8**	737.6
Social security costs	**55.2**	49.4
Other pension costs – defined contribution plans	**8.9**	7.4
Gross cost	**793.9**	794.4
Coronavirus Job Retention Scheme receipts	**–**	(1.6)
	793.9	792.8

	Number	Number
The average monthly number of temporary workers contracted by the Group during the year was:	**34,989**	37,844

The average number of persons (including Directors) employed by the Company during the year was six (2021: six). 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 (2021: £nil).

Directors' remuneration is detailed on pages 70 to 73 of the Report on Remuneration and disclosed further in Note 26.

Share-based employee remuneration

SAYE share option plan 2019

In November 2019, Staffline granted options to employees as part of its SAYE share scheme for 2019. Eligible employees were invited to subscribe for options over Staffline's Ordinary Shares of 10 pence 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 then current issued share capital of 68,930,486 shares. As at 31 December 2022, options over 42,725 shares remain (9 employees), options over 1,293,369 shares having lapsed (161 employees).

SAYE share option plan 2021

In October 2021, Staffline Group plc granted options to employees as part of its SAYE share scheme for 2021. Eligible employees across the Group were invited to subscribe for options over Staffline's Ordinary Shares of 10 pence 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 2022, options over 925,392 shares remain (133 employees), options over 1,505,331 shares having lapsed (139 employees).

SAYE share option plan 2022

In October 2022, Staffline Group plc granted options to employees as part of its SAYE share scheme for 2022. Eligible employees across the Group were invited to subscribe for options over Staffline's Ordinary Shares of 10 pence each ("Ordinary Shares") with an exercise price of 29.96p, a 20% discount to the closing middle market price of 37.45p on the trading day before the invitation to participate was made on 12 October 2021. The options have a contract start date of 1 December 2022 and are exercisable between 1 December 2025 and 31 May 2026. A total of 196 employees elected to participate and, pursuant to these elections, a total of 3,277,333 options over Ordinary Shares were granted on 8 November 2022, equating to 1.977% of the current issued share capital of 165,767,728 shares. As at 31 December 2022, options over 3,230,472 shares remain (193 employees), options over 46,861 shares having lapsed (3 employees).

Options awarded to Directors under the 2022 scheme are set out in the table below:

	Options granted
Albert Ellis – Chief Executive Officer	60,080
Daniel Quint – Chief Financial Officer	60,080

Notes to the Financial Statements continued

The year ended 31 December 2022

7 Directors' and employees' remuneration continued

Long-Term Incentive Plan

2021 Award

On 6 July 2021, the Board approved the award of and granted nil cost options (the "Options") over 1,678,279 Ordinary Shares of 10 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. Subsequent to the award, one of the executives resigned as an employee of the Group and accordingly options over 180,328 lapsed.

2022 Award

On 17 May 2022, the Board approved the award of and granted nil cost options (the "Options") over 2,899,725 Ordinary Shares of ten pence each in the Company ("Ordinary Shares") to certain employees, including persons discharging managerial responsibilities ("PDMRs"), 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 2024. 50% of the Options awarded are subject to achieving earnings per share hurdles and 50% are subject to achieving underlying operating profit hurdles. In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2024 is above a minimum target. The Options will vest from 13 May 2025 (the "Vesting Period") and will be exercisable until 13 May 2032.

The Options awarded each year to PDMRs which remain outstanding are set out in the table below:

	2022	2021	Total
Albert Ellis – Chief Executive Officer	**711,806**	573,770	1,285,576
Daniel Quint – Chief Financial Officer	**559,276**	450,820	1,010,096
Other senior executives – PDMRs	**630,952**	473,361	1,104,313
Other senior staff	**997,691**	–	997,691
	2,899,725	1,497,951	4,397,676

Share-based employee remuneration

A charge of £0.3m of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2022 (2021: £0.1m) which increased the share-based payment reserve by £0.3m (2021: £0.1m) in respect of equity-settled schemes.

	2022 £m	2021 £m
Save As You Earn Scheme	**0.2**	0.1
Long-term incentive plan	**0.1**	–
Total	**0.3**	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 page 73, and the divisional Directors. The aggregate remuneration, excluding share-based payment charges, for the divisional Directors for the year is £1.9m (2021: £2.1m). Further detail is provided in Note 26.

8 Tax expense

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

Continuing activities	2022 £m	2021 £m
Corporation tax		
UK corporation tax at 19.00% (2021: 19.00%)	**0.1**	–
Adjustments in respect of prior years	**–**	(0.5)
UK current tax credit	**0.1**	(0.5)
Deferred tax		
Timing differences arising in the year	**(0.6)**	(0.6)
Adjustments in respect of prior years	**(1.4)**	(0.6)
UK deferred tax credit	**(1.9)**	(1.2)
Total UK tax credit for the year	**(1.9)**	(1.7)

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

	2022 £m	2021 £m
Recruitment GB	**(1.8)**	(0.1)
Recruitment Ireland	**–**	(0.1)
PeoplePlus	**0.2**	–
Staffline Group	**(0.3)**	(1.5)
Total UK tax credit for the year	**(1.9)**	(1.7)
Underlying trading	**(0.1)**	(0.8)
Non-underlying trading	**(1.8)**	(0.9)
Total UK tax credit for the year	**(1.9)**	(1.7)

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% (2021: lower than the 19.00% standard rate). The differences are explained below:

	2022 £m Total	2021 £m Total
Profit/(loss) for the year before taxation	**1.9**	(0.1)
Tax rate	**19%**	19%
Tax on profit/(loss) for the year at the standard rate	**0.4**	–
Effect of:		
Remeasurement of deferred tax for changes in tax rates	**(0.4)**	(0.7)
Expenses not allowable	**–**	–
Income not taxable	**–**	(0.1)
Adjustments in respect of prior years	**(1.0)**	(1.1)
Tax losses available	**(0.7)**	(0.8)
Deferred tax not recognised	**0.2**	1.0
Actual tax credit	**(1.9)**	(1.7)
On underlying profit	**(0.1)**	(0.8)
On non-underlying loss	**(1.8)**	(0.9)
Actual tax credit	**(1.9)**	(1.7)

The total tax credit for the year of £1.9m (2021: £1.7m) arises principally from the movement of deferred tax balances. The Group has an estimated current corporation tax liability of £0.1m (2021: £nil) for the current year and is anticipating a refund relating to Research & Development tax relief claims. Corporation tax losses of £17.8m carried forward in all divisions and the Company have been recognised as a deferred tax asset. This includes tax losses, amounting to £4.3m (2021: £6.6m) whose short-term recoverability was previously less certain, which have now been recognised as a deferred tax asset.

Notes to the Financial Statements continued

The year ended 31 December 2022

8 Tax expense continued

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.

The deferred tax assets and liabilities at 31 December 2022 and at 31 December 2021 have been calculated based on 25%, reflecting the expected timing of reversal of the related timing differences.

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 2022 of £0.3m (2021: £0.6m) can be analysed as follows:

	2022 £m	2021 £m
Asset at the beginning of the year	**(0.6)**	(1.7)
Charge for the current year	**0.1**	–
Loss carried back to prior years	**–**	(0.4)
R&D tax credit	**(0.2)**	(0.2)
Received in the year	**0.4**	1.7
Asset at the end of the year	**(0.3)**	(0.6)
Balance for 2022 tax year (liability)	**0.1**	–
Balance of 2021 tax year (assets)	**(0.2)**	–
Balance of 2020 tax year (assets)	**(0.2)**	(0.6)
Asset at the end of the year	**(0.3)**	(0.6)

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 the "own shares" held in the Group's Employee Benefit Trust of 2,014,511 shares (2021: 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 senior staff under long-term incentive schemes and share options granted to employees under the SAYE scheme.

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

	Basic 2022	Basic 2021	**Diluted 2022**	Diluted 2021
Profit from continuing operations (£m)	**3.8**	1.6	**3.8**	1.6
Weighted average number of shares	**163,753,217**	122,178,126	**165,163,334**	122,682,511
Earnings per share from continuing operations (p)	**2.3p**	1.3p	**2.3p**	1.3p
Underlying earnings (post tax) from continuing operations (£m)	**9.4**	8.7	**9.4**	8.7
Underlying earnings per share (p)*	**5.7p**	7.1p	**5.7p**	7.1p
Loss from discontinued operations (£m)	**–**	(0.4)	**–**	(0.4)
Weighted average number of shares	**–**	122,178,126	**–**	122,682,511
Loss per share from discontinued operations (p)	**–**	(0.3)p	**–**	(0.3)p
Underlying loss from discontinued operations (£m)	**–**	–	**–**	–
Underlying loss per share from discontinued operations (p)*	**–**	–	**–**	–
Profit/(loss) for the year (£m)	**3.8**	1.2	**3.8**	1.2
Weighted average number of shares	**163,753,217**	122,178,126	**165,163,334**	122,682,511
Total earnings/(loss)per share (p)	**2.3p**	1.0p	**2.3p**	1.0p

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

For the year ended 31 December 2021, 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 1,410,117 (2021: 504,384).

Dividends

The Board is not proposing a dividend payment for 2022 (2021: £nil).

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 2021 and March 2021, which were 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 the 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 2021 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 2022 and 31 December 2022	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2022 and 31 December 2022	**33.1**	**–**	**24.5**	**57.6**
Net book amount at 31 December 2022	**21.4**	**5.7**	**32.5**	**59.6**
Net book amount at 31 December 2021	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 CGUs have been tested for impairment.

An impairment review was conducted as at 31 December 2022. The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2023–25, followed by an extrapolation of expected cash flows over the next two years with a long-term growth rate of 2% 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 CGUs. 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 17.3% for Recruitment GB, 16.5% for Recruitment Ireland and 14.2% for PeoplePlus (2021: 14.4% for Recruitment GB, 12.0% for Recruitment Ireland and 11.7% 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 £58.8m for Recruitment GB, £24.1m for Recruitment Ireland and £42.2m 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 an impairment adjustment of £8.2m is required to the Company's carrying value of its investment in PeoplePlus, but that no other impairment adjustments were indicated.

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
The year ended 31 December 2022

11 Goodwill continued

Impairment – 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 17.3% for Recruitment GB, 16.5% for Recruitment Ireland and 14.2% for PeoplePlus and a terminal growth value of 2%. 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 £29.5m for Recruitment GB, headroom of £13.0m for Recruitment Ireland and headroom of £6.3m for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £25.8m for Recruitment GB, reduces headroom to £11.3m for Recruitment Ireland and reduces headroom to £3.0m for PeoplePlus.

2. *The achievability of the forecasted future cash flows.* There is an inherent uncertainty regarding the achievability of forecasts, as there are macroeconomic factors outside of the Group's control. A sustained underperformance of 10% reduces the headroom to £23.7m for Recruitment GB, reduces headroom to £10.6m for Recruitment Ireland and reduces headroom to £2.1m for PeoplePlus. A sustained underperformance of 17% would be required before any impairment was necessary to the goodwill.

As at 31 December 2022, the Company had no goodwill (2021: £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 2021	**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**
Additions	2.3	–	–	–	2.3
Disposals	–	–	–	–	–
At 31 December 2022	**15.8**	**2.0**	**85.1**	**5.5**	**108.4**
Amortisation					
At 1 January 2021	**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**
Charged in the year	2.0	–	7.4	–	9.4
Disposals	–	–	–	–	–
At 31 December 2022	**9.6**	**2.0**	**81.9**	**5.5**	**99.0**
Net book amount at 31 December 2022	**6.2**	**–**	**3.2**	**–**	**9.4**
Net book amount at 31 December 2021	5.9	–	10.6	–	16.5

The Company has no other intangible assets (2021: £nil).

As at 31 December 2022, there are four individually material other intangible assets:

	2022 £m			2021 £m		
	Software	**Customer contracts and brands**	**Total**	Software	Customer contracts and brands	Total
Customer contracts in Endeavour Group	–	**0.4**	**0.4**	–	3.4	3.4
Customer contracts/brands in Passionate About People Group	–	**1.7**	**1.7**	–	4.0	4.0
Customer contracts in Grafton Recruitment	–	**0.8**	**0.8**	–	2.1	2.1
Payroll and Credit Control software developed for Recruitment division	**4.8**	–	**4.8**	5.1	–	5.1
Customer contracts in One Call Recruitment	–	**0.3**	**0.3**	–	0.9	0.9
Customer contracts in Brightwork	–	–	–	–	0.2	0.2
Others	**1.4**	–	**1.4**	0.8	–	0.8
Net book amount at 31 December 2022	**6.2**	**3.2**	**9.4**	5.9	10.6	16.5

Software, customer contracts and brands each have a useful economic life ("UEL") of 5.0 years. At 31 December 2022, the remaining UELs of the principal customer contracts are as follows:

	UEL (years)
Endeavour Group	0.2
Passionate About People Group	0.8
Grafton Recruitment	0.6
One Call Recruitment	0.4

13 Fixed asset investments – Company

	Investment in Group undertakings £m
Cost at 1 January 2021	**67.8**
Impairment adjustment	–
Net book amount at 31 December 2021	**67.8**
Impairment adjustment	(8.2)
Net book amount at 31 December 2022	**59.6**

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

The impairment review indicated that an impairment adjustment was required to the carrying value of the Company's investment in the PeoplePlus division. The impairment arose due to the combination of the increase in the discount rate and a reduction of forecast earnings by the division. The recoverable amount of the investment at 31 December 2022 is £42.2m. The recoverable amount of the investment was based on value-in-use calculations with the same assumptions as described in Note 11. A 1% increase in the discount rate applied would have resulted in an impairment of £11.5m. A sustained underperformance in the achievement of forecast profitability of 10% would have resulted in an impairment of £12.4m.

The recoverable amounts of the investments in the Recruitment GB and Recruitment Ireland divisions were based on the value-in-use of the subsidiaries. No impairment adjustment is required.

Notes to the Financial Statements continued
The year ended 31 December 2022

13 Fixed asset investments – Company continued
As at 31 December 2022, 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
Agency Plus Limited*	100%	England and Wales	Dormant
A La Carte Recruitment Limited*	100%	England and Wales	Dormant
Datum RPO Limited*	100%	England and Wales	Recruitment
Driving Plus Limited*	100%	England and Wales	Transport
Endeavour Group Limited*	100%	England and Wales	Dormant
Eos Works Limited*	100%	England and Wales	Dormant
Eos Works Group Limited	100%	England and Wales	Dormant
Staffline Recruitment (NI) Limited*	100%	Northern Ireland	Recruitment
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
IEG Limited	100%	England and Wales	Dormant
Vital Recruitment Limited*	100%	England and Wales	Dormant
Warwickshire and West Mercia Community Rehabilitation Company Limited*	100%	England and Wales	Dormant
Registered office: Cooldriona Court, Main Street, Swords, Co. Dublin, Ireland, K67 WN92			
Staffline Limited	100%	Republic of Ireland	Dormant
Staffline Recruitment (ROI) Limited*	100%	Republic of Ireland	Recruitment
Registered office: The Boat, 49 Queens Square, Belfast, BT1 3FG			
PeoplePlus (Works) NI Limited*	100%	Northern Ireland	Dormant
Registered office: 193/199 Bath Street, Glasgow, Scotland, G2 4HU			
Brightwork Limited*	100%	Scotland	Recruitment
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 2021	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**
Additions	2.3	0.6	0.3	–	3.2
Disposals	(1.7)	(1.5)	(0.1)	(0.1)	(3.4)
Transfer	0.4	(0.4)	–	–	–
At 31 December 2022	**15.7**	**11.0**	**1.4**	**0.4**	**28.5**
Depreciation					
At 1 January 2021	**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**
Charged in the year – operating	1.7	1.5	0.2	0.2	3.6
Charged in the year – impairment	(0.6)	–	–	–	(0.6)
Disposals	(1.3)	(1.4)	–	(0.1)	(2.8)
Transfer	0.2	(0.2)	–	–	–
At 31 December 2022	**9.6**	**9.6**	**1.3**	**0.4**	**20.9**
Net book value					
At 31 December 2022	**6.1**	**1.4**	**0.1**	**–**	**7.6**
At 31 December 2021	5.1	2.6	0.1	0.2	8.0

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

At 31 December 2022

	Carrying amount	**Depreciation expense**	**Impairment**
Office buildings	**4.7**	**(1.5)**	**0.6**
Computer equipment	**–**	**–**	**–**
	4.7	**(1.5)**	**0.6**

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)

As at 31 December 2022, the Company had no property, plant and equipment assets (2021: £nil).

Notes to the Financial Statements continued

The year ended 31 December 2022

15 Leases

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

	2022 £m	2021 £m
Current	**1.5**	1.3
Non-current	**3.4**	3.3
	4.9	4.6

The Group has leases for its operational and administrative offices. 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. 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	51	0.1–12.2	2.8	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 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 2022						
Lease payments	**1.6**	**1.2**	**0.8**	**0.6**	**1.0**	**5.2**
Finance charges	**(0.1)**	**(0.1)**	**(0.1)**	**–**	**–**	**(0.3)**
Net present value	**1.5**	**1.1**	**0.7**	**0.6**	**1.0**	**4.9**
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

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:

	2022 £m	2021 £m
Short-term leases	0.5	0.8
Leases of low-value assets	0.6	0.7
	1.1	1.5

The Group has not committed to any leases that have not yet commenced.

Total cash outflow for leases for the year ended 31 December 2022 was £2.8m (2021: £3.2m).

16 Retirement benefit net asset/(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 £7.1m (2021: £10.1m), only significant disclosures are reported below.

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

	2022 £m	2021 £m
Fair value of plan assets	7.1	10.1
Present value of funded obligations	(6.9)	(10.4)
Net asset/(liability) in the balance sheet at 31 December	0.2	(0.3)
Actuarial gain during the year, before tax	0.5	0.8
Deferred tax on gain	(0.1)	(0.1)
Actuarial gain during the year, post deferred tax impact	0.4	0.7

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:

	2022 £m	2021 £m
Balance at 1 January	10.1	9.8
Interest on assets	0.2	0.1
Expenses	(0.1)	(0.1)
Contributions – employer and member	0.2	0.2
Benefits paid	(0.2)	(0.2)
Actuarial gain/(loss) on asset return	(3.1)	0.3
Fair value of plan assets in the balance sheet at 31 December	7.1	10.1

At 31 December 2022, the scheme's assets, valued at market value, were distributed as follows:

	2022 £m	2021 £m
Bonds (44% of assets as at 31 December 2022)	3.1	5.7
Equities (11% of assets as at 31 December 2022)	0.8	3.3
Specialist (34% of assets as at 31 December 2022)	2.4	–
LDI (14% of assets as at 31 December 2022)	1.0	–
Cash (-3% of assets as at 31 December 2022)	(0.2)	1.1
Fair value of plan assets in the balance sheet at 31 December	7.1	10.1

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The year ended 31 December 2022

16 Retirement benefit net asset/(liability) continued

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:

	2022 £m	2021 £m
Balance at 1 January 2021	**10.4**	10.9
Interest cost on liabilities	**0.2**	0.1
Service cost – current accrual cost	**0.1**	0.1
Benefits paid – net of member contributions	**(0.2)**	(0.2)
Actuarial gain on change in assumptions	**(3.6)**	(0.5)
Present value of funded obligations in the balance sheet at 31 December	**6.9**	10.4
Membership numbers (active 2022: 12, 2021: 12)	**263**	263

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

	2022	2021
Future increase in inflation rate (RPI)	**3.15%**	3.30%
Future increase in inflation rate (CPI)	**2.55%**	2.70%
Salary increase	**3.15%**	3.30%
Discount rate	**4.9%**	1.90%
Future pension increases for leavers (RPI)	**3.15%**	3.30%

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 2021 projections with a long-term trend of 0.0% per annum
- Post-retirement mortality: CMI 2021 projections with a long-term trend of 1.25% per annum

The mortality assumptions used were as follows:

	31 Dec 2022 Years	31 Dec 2021 Years
Average expected future life at age 65 for a:		
– male currently aged 65	**27.2**	27.2
– female currently aged 65	**29.5**	29.4
– male currently aged 45	**28.7**	28.7
– female currently aged 45	**31.0**	30.9

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 (2021: £nil) contributions unpaid at the year-end.

A charge of £0.1m (2021: £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 £0.5m (2021: gain of £0.7m) is included within the consolidated statement of changes in equity.

At 31 December 2022, the Company had no pension balances (2021: £nil).

17 Trade and other receivables

	2022 Group £m	**2022 Company £m**	2021 Group Restated £m	2021 Company £m
Trade and other receivables	**109.2**	**0.5**	100.9	–
Amounts due from Group undertakings	**–**	**2.7**	–	3.0
Accrued income	**10.6**	**–**	12.7	–
Debtors: Amounts falling due after more than one year				
Amounts due from Group undertakings	**–**	**32.2**	–	30.8
	119.8	**35.4**	113.6	33.8

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 £32.2m as at 31 December 2022 (2021: £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 2022 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 £0.3m (2021: £0.7m). The bad debt provision is split as follows:

	2022 £m	2021 £m
Expected Credit Loss	**0.1**	0.1
Specific bad debt provision	**0.2**	0.6
Bad debt provision	**0.3**	0.7

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 29 for details.

18 Derivative financial instruments

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Cash flow hedge – interest rate cap	**3.0**	**3.0**	0.5	0.5

During 2021, the Group 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 RFA 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. See Note 29 for details of the Group's risk management objectives and policies.

The Group has designated the interest rate cap contract as a hedged instrument in a cash flow hedge relationship. 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.

The fair value of the derivative is based on market data to calculate the present value of all estimated flows associated with it 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 market, but the fair value is based on quoted market prices, broker/dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Notes to the Financial Statements continued
The year ended 31 December 2022

18 Derivative financial instruments continued
The movements on the fair value of the derivative financial asset and on the cash flow hedge reserve are as follows:

	Cash flow hedge reserve £m	Derivative financial asset £m
Initial cost	–	0.4
Movement through comprehensive income	–	(0.1)
Movement through cash flow hedge reserve	0.2	0.2
At 31 December 2021	0.2	0.5
Movement through comprehensive income – hedge ineffectiveness	–	0.4
Movement through cash flow hedge reserve	2.1	2.1
Deferred taxation	(0.6)	–
At 31 December 2022	1.7	3.0

19 Cash

	2022 Group £m	2022 Company £m	2021 Group £m	2021 Company £m
Cash and cash equivalents	31.0	0.1	29.8	–

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

Long-term credit ratings for the Group's main 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

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

	2022 £m	2021 £m
Cash at bank (as above)	31.0	29.8
Undrawn Receivables Finance Agreement	44.9	48.6
Banking facility headroom	75.9	78.4

20 Trade and other payables

	2022 Group £m	2022 Company £m	2021 Group £m	2021 Company £m
Trade and other payables	30.5	–	20.4	–
Accruals	44.1	–	45.8	–
Deferred income	8.5	–	14.3	–
Amounts due to Group undertakings	–	1.0	–	3.4
Other taxation and social security	47.2	–	53.8	–
	130.3	1.0	134.3	3.4

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 2021. 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. The final instalment of £5.8m was repaid in January 2022.

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.

For 2022, revenue includes £2.7m (2021: £6.9m) 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:

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
In one year or less or on demand*	**27.5**	–	24.2	–
In more than one year but not more than two years*	**1.1**	–	1.1	–
In more than two years but not more than five years*	**1.3**	–	1.3	–
In more than five years	**1.0**	–	0.9	–
Total borrowings	**30.9**	–	27.5	–

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

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Split:				
Current liabilities:				
Receivables Finance Agreement	**26.0**	–	22.9	–
Lease liabilities	**1.5**	–	1.3	–
	27.5	–	24.2	–
Non-current liabilities:				
Lease liabilities	**3.4**	–	3.3	–
Total borrowings	**30.9**	–	27.5	–
Less: Cash (Note 19)	**(31.0)**	**(0.1)**	(29.8)	–
Net cash	**(0.1)**	**(0.1)**	(2.3)	–

On 10 June 2021, the Group entered into a Receivables Finance 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 3.00x;
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.

Notes to the Financial Statements continued

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21 Borrowings continued

On entering into the RFA, 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, were cancelled. 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 £51.7m at 31 December 2022 (2021: £42.3m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

For the period to 31 December 2024, the Group's cash flow forecasts indicate ongoing headroom in the RFA and also full compliance with the financial covenants described above.

22 Other liabilities

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Due after more than one year (non-current)				
Retirement benefit net liability	–	–	0.3	–
	–	–	0.3	–

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 actuarial deficit by July 2029.

23 Provisions

	Staff costs £m	**Property costs £m**	**NMW remediation and financial penalties £m**	**Employee claim £m**	**2022 Group Total £m**	2021 Group Total £m
At 1 January 2022	0.9	1.8	0.1	–	2.8	5.0
Amounts charged to the income statement	–	0.8	–	0.2	1.0	0.5
Amounts transferred from accruals	–	–	–	–	–	0.1
Amounts utilised	(0.2)	(0.3)	(0.1)	–	(0.6)	(1.4)
Unused amounts reversed to the income statement	(0.4)	(1.3)	–	–	(1.7)	(1.4)
At 31 December 2022	0.3	1.0	–	0.2	1.5	2.8
Due within one year (current)	0.3	0.4	–	0.2	0.9	1.4
Due after more than one year (non-current)	–	0.6	–	–	0.6	1.4
At 31 December 2022	0.3	1.0	–	0.2	1.5	2.8

The Group makes provision for 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" dilapidation 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 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, which has been fully settled, related to historic HMRC National Minimum Wage breaches.

The Company has no provisions (2021: £nil).

24 Deferred taxation

	2022 Group £m	2022 Company £m	2021 Group Restated £m	2021 Company £m
Deferred taxation assets	**5.0**	**0.4**	4.9	0.8
Deferred taxation (liabilities)	**(1.5)**	**(0.6)**	(2.7)	–
Net asset/(liability)	**3.5**	**(0.2)**	2.2	0.8

The table below shows the Group movement in net deferred taxation during the year:

2022 Deferred tax assets/(liabilities)	**1 January 2022 Restated £m**	**Recognised in comprehensive income – current year £m**	**Recognised in comprehensive income – prior year £m**	**31 December 2022 £m**
Property, plant, equipment and software temporary timing differences	**0.2**	**–**	**(0.3)**	**(0.1)**
Acquired intangible assets	**(2.7)**	**1.8**	**–**	**(0.9)**
Provisions	**0.7**	**(0.3)**	**0.7**	**1.1**
Recoverable tax losses	**3.9**	**(0.5)**	**0.6**	**4.0**
Retirement benefit asset	**0.1**	**(0.1)**	**–**	**–**
Hedge instrument	**–**	**(0.6)**	**–**	**(0.6)**
Net asset	**2.2**	**0.3**	**1.0**	**3.5**
Recognised as:				
Deferred tax asset	**4.9**	**(0.9)**	**1.0**	**5.0**
Deferred tax liability	**(2.7)**	**1.2**	**–**	**(1.5)**
Net asset	**2.2**	**0.3**	**1.0**	**3.5**

The table below shows the Group movement in net deferred taxation during the prior 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 Restated £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	2.9	0.6	0.4	3.9
Retirement benefit asset	0.2	(0.1)	–	0.1
Net asset	**1.2**	**0.4**	**0.6**	**2.2**

The Group has utilised taxable losses against current year taxable profits amounting in aggregate to £7.0m (2021: £4.1m), during the year and has carried forward tax losses of £17.8m. 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. Tax losses, amounting to £4.3m (2021: £6.6m) whose short-term recoverability was previously considered to be less certain, and therefore not recognised as a deferred tax asset, have now been recognised.

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 £0.9m, being the estimated amortisation of intangible assets arising on business combinations of £3.3m 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.

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The year ended 31 December 2022

25 Share capital

	2022 **£m**	2021 £m
Allotted and issued		
165,767,728 Ordinary 10p Shares	**16.6**	16.6

	2022 **Number**	2021 Number
Shares issued and fully paid at the beginning of the year	**165,767,728**	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**	165,767,728

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 2,014,511 shares held at 31 December 2022 (2021: 1,140,400 shares) by the Employee Benefit Trust where the right to dividends has been waived.

On 21 May 2021, the Group announced a proposed Placing, Subscription and Open Offer (the "Fundraise") following conditional agreement of a 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 ten 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 directors) remuneration, which includes the Group Directors' remuneration disclosed above, is detailed below:

	2022 **£'000**	2021 £'000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**1,996**	2,508
Bonus	**1,275**	137
Pension contributions	**193**	159
Benefits in kind	**12**	12
Pay in lieu of notice	**20**	–
Share-based employee remuneration charge	**106**	20
	3,602	2,836

The emoluments of the highest paid director were £791,000 (2021: £749,000).

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.

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 £26.0m (2021: £22.9m).

28 Capital commitments

The Group and Company had no material capital commitments at either 31 December 2022 or 31 December 2021.

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:

	2022 Loans and receivables and balance sheet totals £m	2021 Loans and receivables and balance sheet totals £m
Trade and other receivables (Note 17):		
• held to collect	**103.6**	97.5
Cash and cash equivalents (Note 19)	**31.0**	29.8
Accrued income (Note 17)	**10.6**	12.7
	145.2	140.0

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.

Notes to the Financial Statements continued

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29 Risk management objectives and policies continued

Credit risk continued

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 31 December 2021, 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 2022	**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	**0.02 %**	**0.25 %**	**0.80 %**	**1.24 %**	
Gross carrying amount – trade receivables	**95,213**	**6,569**	**1,085**	**1,677**	**104,544**
Loss allowance	**19**	**16**	**9**	**21**	**65**

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 (including specific provisions)	34	28	19	27	108

The closing loss allowance for trade receivables as at 31 December 2022 reconciles to the opening loss allowances as follows:

	2022 £m	2021 £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 2022 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 an RFA of up to £90.0m (31 December 2021: £90.0m). As at 31 December 2022, £26.0m (2021: £22.9m) of the RFA was utilised.

The Group has covenants attached to its banking facilities as described in Note 21. For the period to 31 December 2024, the Group's cash flow forecasts indicate ongoing headroom in the RFA 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:

	2022 Less than one month £m	**2022 Between 1 and 3 months £m**	**2022 Between 3 and 12 months £m**	**2022 Total £m**	2021 Less than one month £m	2021 Between 1 and 3 months £m	2021 Between 3 and 12 months £m	2021 Total £m
Receivables Finance Agreement	**0.4**	**25.6**	**–**	**26.0**	7.6	15.3	–	22.9
Lease liabilities	**0.1**	**0.3**	**1.1**	**1.5**	0.1	0.3	0.9	1.3
Trade and other payables	**24.9**	**5.5**	**0.1**	**30.5**	18.8	1.6	–	20.4
Accruals	**20.8**	**10.9**	**12.4**	**44.1**	24.8	8.4	12.6	45.8
Total	**46.2**	**42.3**	**13.6**	**102.1**	51.3	25.6	13.5	90.4

The analysis of the maturity of financial liabilities at 31 December 2022 is as follows:

	2022 Less than one year £m	**2022 One to five years £m**	**2022 More than five years £m**	**2022 Total £m**	2021 Less than one year £m	2021 One to five years £m	2021 More than five years £m	2021 Total £m
Receivables Finance Agreement	**26.0**	**–**	**–**	**26.0**	22.9	–	–	22.9
Lease liabilities	**1.5**	**2.4**	**1.0**	**4.9**	1.3	2.4	0.9	4.6
Trade and other payables	**30.5**	**–**	**–**	**30.5**	20.4	–	–	20.4
Accruals	**44.1**	**–**	**–**	**44.1**	45.8	–	–	45.8
Total	**102.1**	**2.4**	**1.0**	**105.5**	90.4	2.4	0.9	93.7

The accruals figure includes £10.6m (2021: £13.1m) of employee obligations, which are not within the scope of IFRS 7, 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 2022 is as follows:

	2022 Less than one year £m	**2022 One to five years £m**	**2022 More than five years £m**	**2022 Total £m**	2021 Less than one year £m	2021 One to five years £m	2021 More than five years £m	2021 Total £m
Receivables Finance Agreement	**26.0**	**–**	**–**	**26.0**	23.0	–	–	23.0
Lease liabilities	**1.6**	**2.6**	**1.0**	**5.2**	1.4	2.5	1.0	4.9
Trade and other payables	**30.5**	**–**	**–**	**30.5**	20.4	–	–	20.4
Accruals	**44.1**	**–**	**–**	**44.1**	45.8	–	–	45.8
Total	**102.2**	**2.6**	**1.0**	**105.8**	90.6	2.5	1.0	94.1

Notes to the Financial Statements continued

The year ended 31 December 2022

29 Risk management objectives and policies continued

Interest rate risk

In October 2021, the Group 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 RFA 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.

	2022	2021
	+1%	+1%
Decrease in net result and equity (£m)	**(0.2)**	(0.6)

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 undertaken at inception and at subsequent half-year ends and year-ends. Further effectiveness testing will be undertaken periodically. As at 31 December 2022 some of the quarterly nominal amounts specified in the instrument exceeded the Group's updated borrowings forecasts, resulting in an ineffectiveness value of £0.4m (2021: £nil). This amount has been credited to finance income in the income statement. Other 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:

	2022 Financial liabilities at fair value through profit or loss £m	**2022 Other financial liabilities at amortised cost £m**	**2022 Liabilities not within the scope of IFRS 9 £m**	**2022 Balance sheet total £m**
Receivables Finance Agreement	–	**26.0**	–	**26.0**
Lease liabilities	–	**4.9**	–	**4.9**
Trade and other payables	–	**30.5**	–	**30.5**
Accruals	–	**44.1**	–	**44.1**
Deferred income	–	–	**8.5**	**8.5**
Taxation and social security	–	–	**47.2**	**47.2**
Provisions	–	–	**1.5**	**1.5**
Total	**–**	**105.5**	**57.2**	**162.7**

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

	2021 Financial liabilities at fair value through profit or loss £m	2021 Other financial liabilities at amortised cost Restated £m	2021 Liabilities not within the scope of IFRS 9 £m	2021 Balance sheet total Restated £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**

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 inflow/(outflow) from operating activities

	2022 £m	2021 £m
Profit/(loss) before taxation from:		
Continuing operations	**1.9**	(0.1)
Discontinued operations	**–**	(0.4)
	1.9	(0.5)
Adjustments for:		
Finance income	**(0.7)**	–
Finance charges	**3.4**	2.4
Depreciation and amortisation – underlying	**5.5**	6.3
Amortisation – non-underlying	**7.4**	8.0
Loss on disposal of property, plant and equipment	**0.1**	0.3
Cash generated before changes in working capital and share options	**17.6**	16.5
Change in trade and other receivables	**(3.8)**	(12.2)
Change in trade, other payables and provisions	**(8.6)**	(33.1)
Cash generated from/(used by) operations	**5.2**	(28.8)
Employee cash-settled share options	**0.3**	0.1
Net cash inflow/(outflow) from operating activities	**5.5**	(28.7)

Notes to the Financial Statements continued
The year ended 31 December 2022

30 Cash flows from operating activities – consolidated continued

Movement in net debt

	2022 £m	2021 £m
Net cash/(debt) at 1 January	**2.3**	(14.3)
Loan repayments	**–**	20.0
Net drawdowns from Receivables Finance Agreement	**(3.1)**	(9.6)
Lease payments, additions, disposals and interest	**(0.3)**	0.9
Change in cash and cash equivalents	**1.2**	5.3
Net cash at 31 December	**0.1**	2.3
Represented by:		
Cash and cash equivalents (Note 19)	**31.0**	29.8
Current borrowings (Note 21)	**(26.0)**	(22.9)
Lease liabilities (Note 15)	**(4.9)**	(4.6)
Net cash at 31 December	**0.1**	2.3

The movements in net debt, excluding refinancing costs, can be further summarised as follows:

	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 2021	(5.5)	(20.0)	(13.3)	(38.8)	24.5	(14.3)
Cash flows during the year	1.7	20.0	(9.6)	12.1	5.3	17.4
Non-cash movements in leases	(0.8)	–	–	(0.8)	–	(0.8)
Net cash/(debt) at 31 December 2021	(4.6)	–	(22.9)	(27.5)	29.8	2.3
Cash flows during the year	1.6	–	(3.1)	(1.5)	1.2	(0.3)
Non-cash movements in leases	(1.9)	–	–	(1.9)	–	(1.9)
Net cash/(debt) at 31 December 2022	**(4.9)**	**–**	**(26.0)**	**(30.9)**	**31.0**	**0.1**

31 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 21.

32 Changes in accounting policies

There were no new accounting pronouncements requiring adoption in the year.

33 Post balance sheet events

There were no events between the balance sheet date of 31 December 2022 and the approval of these accounts on 20 March 2023 that are required to be brought to the attention of shareholders.

Staffline Group plc
Unaudited Five-Year Summary of Financial Data

	Financial reporting years ended 31 December £m				
	2022	2021 Restated	2020 Restated	2019	2018
Comprehensive income					
Turnover	**940.5**	942.7	927.6	1,063.0	1,120.9
Underlying operating profit	**12.0**	10.3	4.8	0.6	32.8
% margin	**1.3**	1.1%	0.5%	0.1%	2.9%
Operating profit/(loss)	**4.6**	2.3	(44.3)	(38.5)	(14.7)
Net profit/(loss) after taxation	**3.8**	1.2	(52.7)	(46.3)	(16.0)
Underlying earnings/(loss) per share (diluted)	**5.7p**	7.1p	5.0p	(7.4)p	88.3p
Declared dividend per share	**n/a**	n/a	n/a	n/a	11.3p
Dividend cover v underlying diluted EPS	**n/a**	n/a	n/a	n/a	n/a
Financial position					
Goodwill	**59.6**	59.6	59.6	94.9	117.2
Intangible assets	**9.4**	16.5	24.3	34.0	42.9
Property, plant and equipment	**7.4**	8.0	9.6	14.6	7.6
Trade and other receivables	**122.1**	114.7	103.9	137.7	159.5
Cash and cash equivalents	**31.0**	29.8	24.5	25.0	16.2
Restricted cash	**–**	–	0.9	12.7	–
Trade and other payables	**(132.5)**	(134.3)	(155.6)	(128.7)	(143.4)
Borrowings (excluding deal fees)	**(26.0)**	(22.9)	(33.0)	(84.5)	(80.0)
Lease liabilities (IFRS 16)	**(4.9)**	(4.6)	(5.5)	(8.4)	–
Deferred tax net asset/(liability)	**3.5**	2.2	1.2	(3.3)	(5.8)
Other net assets/(liabilities)	**2.1**	(3.1)	(12.3)	(20.5)	(31.4)
Net assets	**71.7**	65.9	17.6	73.5	82.8
Net cash/(debt), pre-IFRS 16, excluding deal fees	**0.1**	6.9	(8.8)	(59.5)	(63.8)
Goodwill, intangibles	**69.0**	76.1	83.9	128.9	160.1
Other net assets/(liabilities)	**2.6**	(14.8)	(55.2)	4.1	(13.2)
Cash flows					
Underlying operating profit	**12.0**	10.3	4.8	0.6	32.8
Loss on discontinued activities	**–**	(0.4)	(5.0)	(3.7)	–
Non-underlying cash costs	**–**	–	(4.5)	(5.7)	(30.2)
Depreciation, amortisation	**5.7**	6.6	8.2	7.3	4.8
Working capital movements	**(12.7)**	(45.1)	62.2	3.1	12.8
Capital expenditure, including software	**(3.1)**	(4.4)	(2.4)	(5.1)	(6.4)
Taxation received/(paid) (net)	**0.4**	5.8	(0.5)	(1.1)	(6.4)
Adjusted free cash from operations	**2.3**	(27.2)	62.8	(4.6)	7.4
Dividends and interest paid	**(2.5)**	(1.9)	(8.5)	(6.0)	(9.8)
Business acquisitions including debt acquired	**–**	–	(0.3)	(7.2)	(49.6)
Payment into restricted fund	**–**	–	–	(12.7)	–
Issue of share capital (net)	**–**	46.4	–	38.0	5.0
Others	**(1.7)**	(11.8)	0.1	–	–
Reduction/(increase) in net debt	**(1.9)**	5.5	54.1	7.5	(47.0)

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Daniel Quint (Chief Financial Officer)
Ian Starkey (Non-Executive Director)
Catherine Lynch (Non-Executive Director)

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