Staffline
Group PLC

Leading. Trusted. Changing lives.

Annual Report and Accounts
2023

Staffline is one of the UK and Ireland's leading recruitment and training providers.

The Group delivered a robust trading and cash flow performance for the year, particularly in the Recruitment GB division, against a challenging macroeconomic backdrop in the UK.

Underlying operating profit for the year was in line with market expectations at £10.3m, and strong cash generation underpinned a £5.0m share buyback programme during the second half of the year, alongside management-initiated efficiency and overhead reduction programmes.

Financial Highlights*

Revenue
£938.2m ▲ 1.1%
2022: £928.1m

Gross sales value**
£1,055.7m ▲ 3.6%
2022: £1,018.9m

Gross profit
£80.8m ▼ (1.5)%
2022: £82.0m

Underlying*** operating profit
£10.3m ▼ (14.2)%
2022: £12.0m

Underlying*** EBITDA
£15.2m ▼ (13.6)%
2022: £17.6m

Reported loss after tax
£(11.0)m ▼ £(14.8)m
2022: £3.8m profit

Underlying*** diluted earnings per share
3.1p ▼ 2.6p
2022: 5.7p

Basic and diluted loss per share
(5.3)p ▼ (7.6)p
2022: earnings 2.3p

Pre-IFRS 16 net cash
£3.8m ▼ £(1.2)m
2022: £5.0m

Net debt
£(0.2)m ▼ £(0.3)m
2022: £0.1m cash

* All values relate to continuing activities apart from Reported loss after tax.
** Gross sales value represents the 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

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At a Glance

Enabling the future of work.

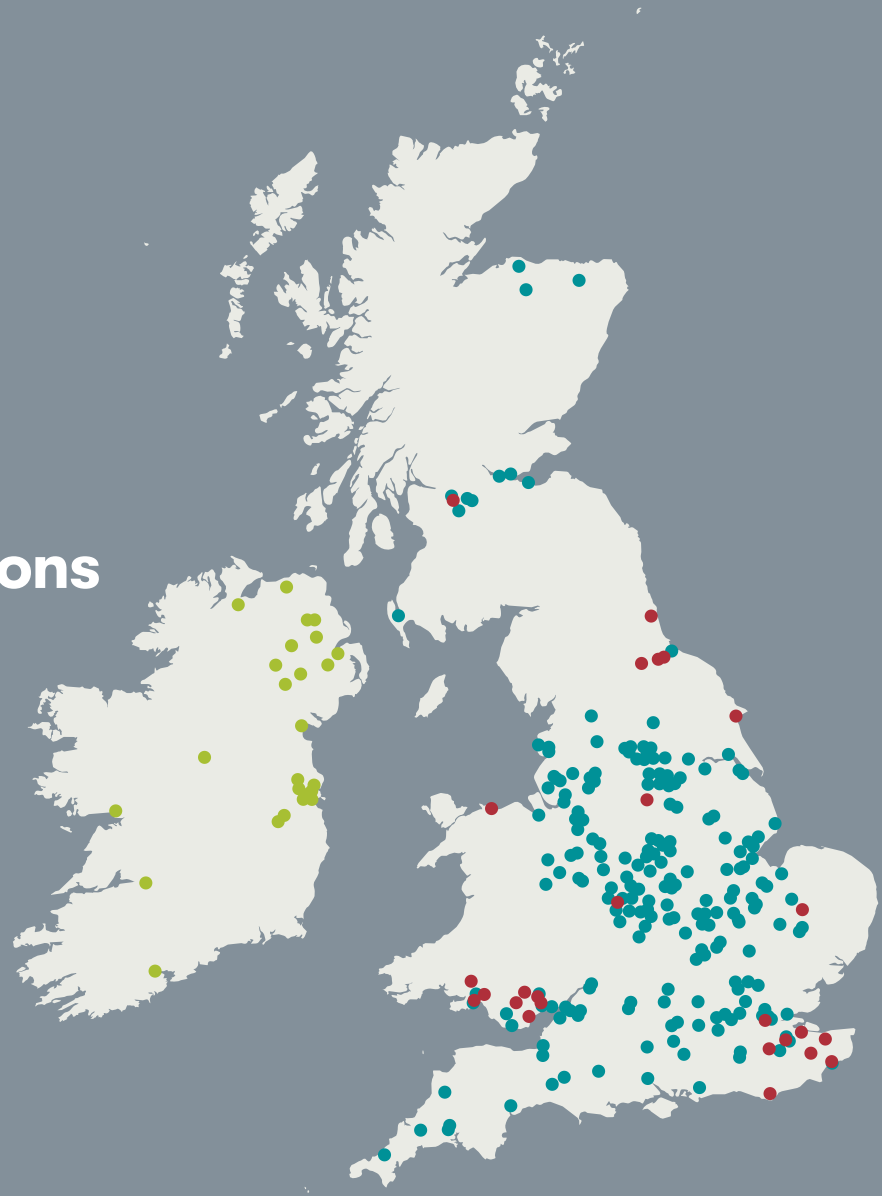
Our purpose.

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.

Our locations



Locations **455**

- **Recruitment GB:** customer sites, branches and offices
- **Recruitment Ireland:** customer sites, branches and offices
- **PeoplePlus:** teaching locations and offices

The Group has extensive scale and reach and a proven track record of exceptional delivery

Staffline Recruitment GB

Recruitment GB is one of the largest recruitment businesses operating across England, Scotland and Wales. It is a market-leading provider of flexible, blue-collar workers supplying an average of c.28,000 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. The division's services encompass branches, permanent and contract recruitment, as well as Managed Service Provision and Recruitment Process Outsourcing delivered through its portfolio of brands.

Workers deployed every day (average)

c.28,000

- Food and related 55%
- Manufacturing 18%
- Retail 12%
- Driving 10%
- Other 5%

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

Staffline Recruitment Ireland

Recruitment Ireland is a leading workforce solutions provider with 12 branch locations and 11 onsite customer locations, all of which operate across multiple industries and supply c.4,000 staff per day on average. Staffline Ireland offers Temporary and Permanent workforce solutions as well as Recruitment Process Outsourcing and Managed Service Provision across the island of Ireland. It services a diverse range of blue-collar and white-collar customers, including within the agri-food sector, the banking and telecoms sectors as well as the public sector in both Northern Ireland (where it is the largest employer in the region) and the Republic of Ireland where it has achieved recent significant new customer wins.

Workers deployed every day (average)

c.4,000

- Food and related 30%
- Local government 20%
- Banking 9%
- Health 14%
- Other 27%

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

PeoplePlus skills for growth

PeoplePlus is a leading workplace training 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.

Unemployed people supported towards getting a job

10,294

- Justice 50%
- Employability 40%
- Community Services 9%
- Partner Services 1%

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

Chairman's Statement

Staffline has worked tirelessly to ensure our business is well funded, generates good levels of free cashflow, and where possible, creates opportunities to reward shareholders.

Tom Spain
Chairman

Introduction

I would like to start by thanking our staff and management teams for their tireless work in 2023. Positive results are mostly a combination of a lot of hard work and skill, sometimes they get the assistance of a bit of luck. With a combination of higher interest rates and a gloomy outlook for the UK economy our luck was out in 2023. It would have been easy to adjust the goal posts, but credit to our management teams and staff, we found a way to deliver robust performance with full year underlying operating profit slightly ahead of market expectations.

We hope to continue to build on this platform by further strengthening relationships with our key customers in helping them to achieve their staffing and training needs with a trusted and reliable partner in 2024 and beyond.

There are three ways we can continue to grow our brand: be the cheapest, be the most convenient or be the best. It is an extremely rare thing for any company to do all three – we will attempt to be the best and try for one more. The dynamics of capitalism will mean everyone else will be trying to do a combination of the same. To succeed in a fast-paced world we will need to continue to adapt, stay relevant and deliver. Keeping our top talent and developing them further will be essential if we are to reach this goal.

Capital allocation

Net cash (pre-IFRS 16) was also a highlight in 2023. The year ended significantly ahead of original market expectations by £6.8m, our ongoing balance sheet strength maintained with net cash of £3.8m (2022: £5.0m). The litmus test of creating shareholder value on a long-term basis will be how well we use the profits generated by the business.

The elegant name given to such decisions is "capital allocation". In simple terms, the success of any business is how well management make decisions on retained cash and its reinvestment, as well as their choices about when and how to redistribute that cash to shareholders.

In 2023 the stock market gave us an excellent opportunity to repurchase 10% of the Company's outstanding shares at what we regard to be very attractive prices. Yet, this begs the question "What is a buyback?" and "Why do we think our remaining shareholders should like them so much?- Well, it's really very simple; a buyback is another form of capital distribution.

When companies choose to distribute a dividend, our investors, receive an income payment from the company whether they want it or not. With buybacks, the company purchases shares from investors who want to sell them (perhaps because they need the money, or perhaps because they have forgotten the reason why they bought their shares in the first place). When cancelling these shares after purchase, their proportional ownership of the business grows for those who hold on to their shares, as well as their claim on any future cashflows.

What's notable is that during that process we were able to buy back those shares at an average purchase price of 30p. While we won't provide a running commentary on what we regard the intrinsic value of the Company to be, we will repurchase shares when they are trading at a substantial discount to what we believe they are worth.

We don't know exactly what 2024 will hold for the price of our publicly traded shares. What we can say though, is that we intend to generate more cash and if some of that cash is better used in the repurchase of the Company's shares, we will not be slow in doing so.

Board changes

In April 2023, we appointed Amanda Aldridge as a Non-Executive Director. Amanda chairs the Group's Audit Committee and was appointed to the Remuneration and Nominations Committees. We are very grateful for her significant contribution already towards the business' present and future achievements.

I am also humbled that my position of Chair has now been made permanent, and I look forward to continuing to work with all of the Group's staff, customers and other stakeholders to drive Staffline's ongoing prosperity.

Looking ahead

As we navigate the inevitable challenges of 2024 and beyond, I am confident in Staffline's resilience and ability to seize opportunities in a testing macro environment. Ultimately, we are not just a people business, we are a people-focused business; striving to match rewarding work opportunities with those who seek them.

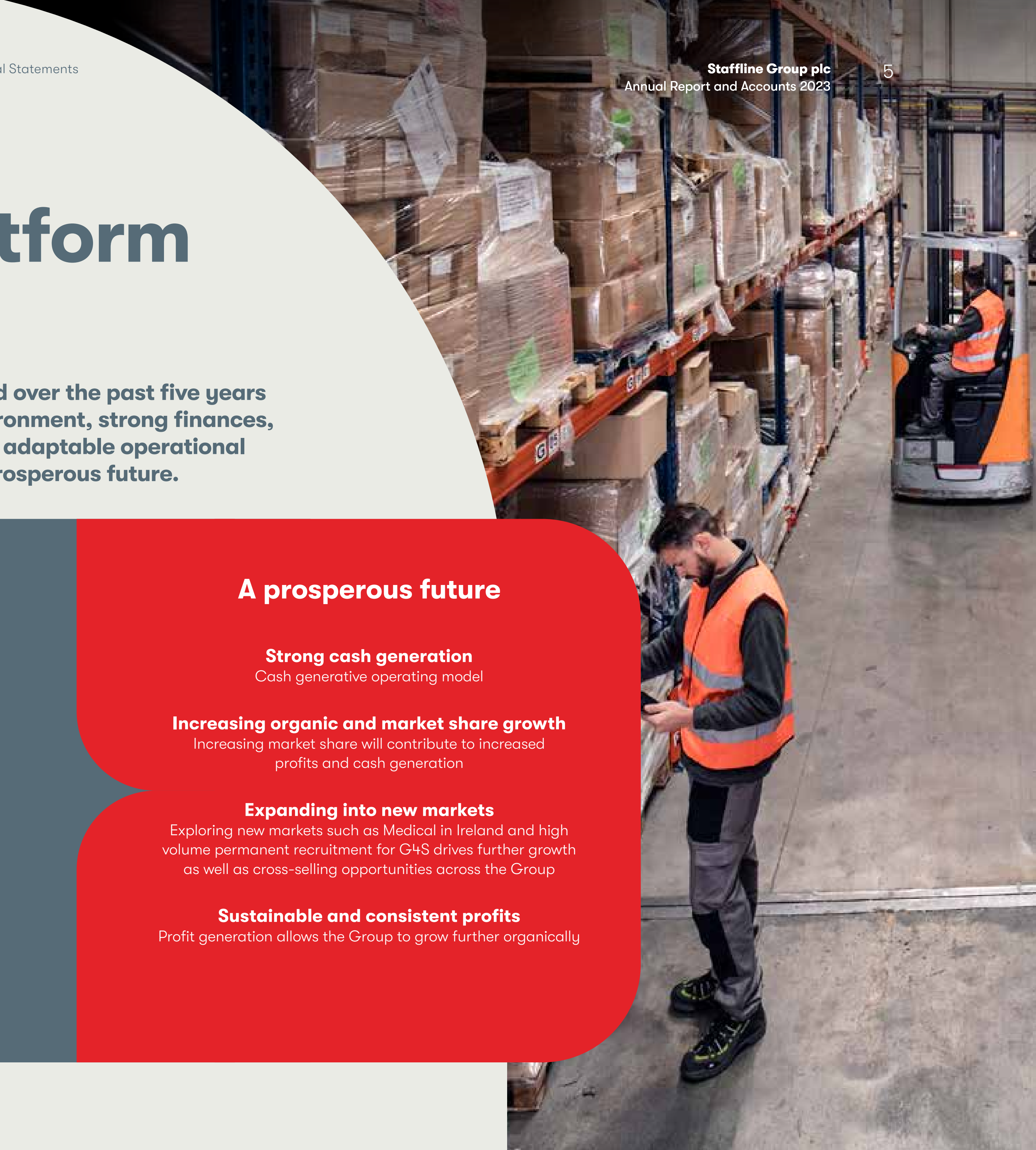
Our passion for helping our extraordinary clients achieve their objectives through first-class recruitment is evidenced by both the enduring relationships we have forged with so many of our partners, and our ability to consistently secure top-level client wins. We hope to do more of the same in the year ahead.

Tom Spain
Chairman
18 March 2024

Investment Case

A strong platform for growth.

The Staffline Group has been transformed over the past five years with a focus on a robust governance environment, strong finances, close client relationships and flexible and adaptable operational delivery, leaving it well positioned for a prosperous future.



Firm foundations

Market leader
Scale and geographic coverage with the reputation as the quality supplier in the sector

Largest listed blue-collar recruiter
The listing requirements and obligations of regular reporting and transparency ensure a trusted recruitment partner

Blue chip customers
Enviable long-term customer relationships with large brands and strong position in niche markets

Strong finances
Healthy balance sheet and cash generative with defensive sectors such as food and logistics

A prosperous future

Strong cash generation
Cash generative operating model

Increasing organic and market share growth
Increasing market share will contribute to increased profits and cash generation

Expanding into new markets
Exploring new markets such as Medical in Ireland and high volume permanent recruitment for G4S drives further growth as well as cross-selling opportunities across the Group

Sustainable and consistent profits
Profit generation allows the Group to grow further organically

Chief Executive Officer's Review

I am pleased to report that Staffline has delivered a robust trading performance across 2023, demonstrating both the resilience of the Group's operating model in a challenging macroeconomic backdrop, and also the success of our strategy.

Albert Ellis
Chief Executive Officer

Introduction

I am pleased to report that Staffline has delivered a robust trading performance across 2023, demonstrating the strength of the Group's operating model and the success of our strategy against a challenging macroeconomic backdrop. We continued to grow our recruitment market share, driven by contract renewals and awards, alongside further strengthening our balance sheet, enabling us to carry out a £5m share buyback programme, which is an important component to our capital allocation policy.

In 2023, the Group generated Underlying operating profit of £10.3m, slightly ahead of market expectations, whilst cashflow performance was well ahead of original market expectations. Revenue was up 1.1%, set against a highly competitive recruitment market, and reinforced by market share gains, predominantly in Recruitment GB, which reported a 3.7% increase in revenues throughout the second half. In H2 2023, the Group outperformed the prior six months, despite a weaker sector backdrop, showcasing the robustness of our strategy and the determination of our team. Staffline has continued to deliver on its strategy of market share gains and is expanding its business in the Republic of Ireland, which is evidenced by our success over the last 12 months and our new contract win with An Garda Síochána (the Republic of Ireland Police Service). The Group's reputation for outstanding service delivery, with market-leading scale and reach, has underpinned new mandates with both existing and new customers.

Our results for 2023 are a testament to not only the resilience of our business, but also the hard work of our people who have worked tirelessly to deliver these results.

I would personally like to thank all our talented leadership team and dedicated staff for their unwavering commitment to Staffline's success.

Strategy

Throughout 2023, Staffline successfully implemented its key strategic goals. We expanded our recruitment portfolio and were successful in increasing our operational footprint across both recruitment verticals with new contract awards won in Recruitment GB and Recruitment Ireland. We further leveraged our leadership across the blue-collar recruitment market through securing sole and majority supply with both new and existing customers. In addition, we invested in our technology infrastructure and delivery capacity in our Recruitment Ireland division, which will position us well to capitalise on the multiple contracts secured during 2023 and early 2024.

Furthermore, our PeoplePlus business was restructured in the year, with the strategic focus now being on Employability (including the Restart programme) and Prison Education. PeoplePlus has a strong market share across both sectors, and we expect to see growth in these areas as the benefits of the restructure start to impact the Group's progress.

Finally, we maintained a tight control over our cost base, prioritising operational efficiency and cost management, and further strengthening our balance sheet, which enabled the Group to execute a £5m share buyback programme (10% of outstanding shares) in H2 2023. The Board sees share buybacks as a valuable way of returning excess cash to shareholders and I am pleased that we were able to deliver on this in 2023.

Recruitment GB

I am pleased to report a strong fourth consecutive year of underlying profitable growth within Recruitment GB, despite a reduction in demand driven by the ongoing cost of living crisis continuing to dampen consumer confidence. In light of these weaker macroeconomic conditions the division carried out a restructuring programme to optimise the cost base, incurring a non-underlying charge of £1.8m. This, alongside tight control of overheads, enabled the division to report underlying operating profit of £8.6m.

Revenues within the division were, as expected, weighted positively to the second-half, comparing favourably to the rest of the sector, which reported widespread declines. H2 2023 revenues increased by 3.7% year-on-year, driven by organic growth, which was supported by our traditional trading peak in the run up to Christmas. This significant increase offset weak demand in H1 2023 alongside lower permanent fees throughout the year. During the year we grew our market share, securing numerous contract renewals with major top 20 customers such as M&S, Bakkavor, Tesco, Laithwaites and AMFRESH. We also concluded a sole supplier partnership with Morrisons, where we now supply over 95% of their blue-collar temporary labour requirements.

Datum, our managed service business, secured numerous major projects in the year, most notably for Pilgrims and Argos Sainsburys. Omega, our technical and engineering recruitment business, delivered year-on-year growth and outperformed many of its peers. Their performance was buoyed by expansion into new sectors such as technology. We also plan to add two additional regional offices in Birmingham and Leeds, expanding our presence in these regions.

Recruitment Ireland

Recruitment Ireland, which has a higher proportion of white-collar recruitment than the rest of Staffline's operations, reported a decline in perm fees compared to the prior year. Despite this challenging backdrop, the team secured new wins with Avondale Foods and Maersk, and following a thorough public procurement process, secured a strategic partnership with An Garda Síochána to recruit white-collar roles across various support disciplines with revenues expected to flow through into the second half of the year. In addition, Recruitment Ireland invested in a digital platform to enable volume growth throughout 2024 and beyond. This was part of a long-term strategy of prioritising infrastructure preservation, fee-earning capacity and organisational strength to enable the business to capitalise on growth opportunities in the future. The short-term impact on operating profit is visible through much of 2023. However, permanent recruitment revenue began to recover in H2 2023, and we anticipate a stronger revenue performance in 2024 as the Northern Ireland government resumes.

PeoplePlus

PeoplePlus has strong market share across both the Justice and Employability markets, and we anticipate that we will continue to grow this position now that the division has transitioned to a simpler operating model. Tenders totalling c.£310m across several public service contracts have been bid for and results are awaited. If successful, results from these bids are expected to begin to come on stream at the end of H2 2024, impacting full year Group operating profits from 2025.

The Prison Education Framework contract was successfully extended to March 2025, with PeoplePlus performing particularly well under the new "Payment by Results" terms. As previously reported, several long-term contracts have come to a natural end. However, our near-term bid pipeline remains substantial, and we are optimistic about potential revenue impact from 2025-26. Further progress across its portfolio of Restart sub-contracts was made, despite lower than anticipated participant volumes, with the announcement that an extension is being implemented to June 2027.

Additional initiatives to broaden our market reach resulted in the pilot programme "Midlife MOT" for the DWP aimed at workforce retention, as well as our first contract with HMP Werrington, the young offender's institution. Investment has been made in diversifying the range of commercial services offered – notably in social value consultancy and social recruitment support – which are proving attractive to a growing portfolio of private sector employer customers. In recognition of the success of these new areas, PeoplePlus was voted the Social Responsibility Organisation of the Year 2023 by Investors in People.

PeoplePlus undertook a major restructuring exercise, exiting the in-person skills market and focusing on digital training. Accordingly, a charge relating to trading losses and exit costs of £3.1m has been disclosed as "Discontinued" in these results. The low levels of unemployment associated with a reduction in demand for in-person skills training, as well as political uncertainty, has led to the reappraisal of the carrying value of goodwill, generating an impairment of £8.9m, which has no cash impact.

Board changes

We were delighted to welcome Amanda Aldridge to the Board as a non-executive director ("NED") in April 2023. Amanda is an experienced NED and chairs the Group's Audit Committee and has been appointed to Staffline's Remuneration and Nomination Committees, replacing Ian Starkey.

I am also pleased to announce that Tom Spain has been appointed as permanent Chair of the Board. Tom was appointed Interim Chairman in May 2022 and his contribution has been invaluable, providing advice and support to the Board.

Current trading and outlook

Staffline's performance throughout 2023 demonstrated the resilience of the business model and its strong cash generating nature, despite the well-known economic challenges in the market.

Management are encouraged by the uplift in temp working hours which are c.5% higher compared to prior year for the first 10 weeks of 2024, and the pipeline of permanent fees in Ireland, which is at record levels as a result of contract wins, and we await the outcomes from PeoplePlus's large outstanding bid pipeline. Accordingly, with our increasing market share and strong balance sheet we are confident that we can use our market leading positions to continue to grow the Group organically, positioning us well for the economic recovery when it comes.

Albert Ellis
Chief Executive Officer
18 March 2024

Our Business Model

Changing lives and communities.

Our focus is to make a positive difference to peoples lives and to the communities in which we operate.

Our drivers of success

Talent
- Succession and leadership
- Talent attraction and retention
- Productivity incentives
- Compensation

Operational excellence
- Focus and simplicity
- Clear leadership
- Organisational design
- KPI reporting

Clients and branding
- Leveraging existing clients
- Focus on growth sectors
- Growing sales pipeline
- Cross-selling

National reach and scale
- Presence across the whole UK
- Onsite and branch network
- 455 locations
- 28,000 workers out each day (average)

Databases, tech and innovation
- Digital transformation
- Cyber security and data management
- Automation and AI
- Technology supply chain

Financial strength
- Strong balance sheet
- Significant financing headroom
- Refinanced with lower costs
- Interest rate cap

Enabling the future of work.

Complete labour solutions

Develop

Workers and disadvantaged people

Adult education • Prison education
Skills-based employability programmes and support

A highly flexible, robust & skilled workforce

Deploy

Workers across the UK and RoI

Recruitment process outsourcing
Managed service provision • Branches, permanent and contract recruitment

Complete labour solutions

Delivering sustainable value

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

Investors
Strong cash generation driven by consistent profit delivery enabled by strong financing arrangements with significant headroom.

Partners
Working with our partners through the labour supply chain, both in skills training and workforce deployment technology allows us to deliver for our customers.

Communities and government
Contributing to the communities we work within as well as supporting government in helping people get into work.

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

Suppliers
Seek strong and enduring partnerships on fair terms.

Our Strategic Priorities

Consistent, sustainable growth.

Through its four strategic priorities, Staffline continues to lead the market as a trusted partner in providing flexible workforce solutions, and the national delivery of employability and skills training.

Capitalise on market leadership

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

Progress in FY23

Increased market share with key customers including GXO, Sainsbury's and Tesco as well as winning sole supply with Morrisons and AMFRESH.

Future outlook

Continued market share growth with top customers in distribution and food retail supply chain.

Broaden portfolio of services

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

Progress in FY23

Launched relationship with G4S offering permanent recruitment and started Medical division in Ireland.

Future outlook

Expansion of G4S into their other sectors as well as expansion of medical.

Grow in Republic of Ireland

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.

Progress in FY23

Won our largest contract to date in RoI with the An Garda Síochána, the national police and security service of the RoI.

Future outlook

Other contract opportunities are live.

Ongoing profit growth in PeoplePlus

Despite a commissioning lull, 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.

Progress in FY23

Submitted £250m bid for Prisons Education Services renewal.

Extended government's employability programme, Restart.

Future outlook

Opportunities to expand into the private prison sector.

Our Strategy in Action

GXO

GXO Logistics, a leading global logistics provider with around £7bn in revenue, has awarded Staffline's Recruitment GB the dedicated temporary labour supply to a further 14 distribution centres across the UK for several major High Street brands, growing the Staffline share of GXO labour supply business in the UK by an additional 40%.

AMFRESH GROUP

Staffline and AMFRESH are jointly growing their existing partnership to a sole supply agreement at its facilities in Peterborough and Alconbury, Cambridgeshire. Following an extensive review of its agency labour provision, AMFRESH awarded sole supply on a multi-year contract basis to Staffline. See case study on page 17.

Staffline Medical

Staffline Medical division in Ireland recruits internationally on behalf of the leading private medical and healthcare sector providers across the island of Ireland, helping them fulfil their permanent nursing and healthcare professional recruitment needs. Staffline Medical, successfully launced in 2023, was set up in response to the significant and ongoing staff shortages in nurses and healthcare professionals across the island. We primarily recruit from the Philippines, where the calibre, professionalism and empathy of nurses from this country make them arguably the best in the world.

Social Recruitment Advocacy Group

The Social Recruitment Advocacy Group has been set up to encourage employers to place greater emphasis on recruiting people who are disadvantaged in the labour market. Despite employers struggling with persistent vacancies, individuals who already face significant challenges in the labour market risk falling even further to the back of the queue.

The new group, chaired by former Skills Minister Rt Hon Anne Milton, will drive positive action to address significant employability gaps. Importantly it has an explicit goal to be action-oriented.

What is social value recruitment and why is it important?

Social recruitment is an approach to hiring that positively impacts every part of society and the economy by moving unemployed people, who are furthest away from the labour market, into sustainable jobs. The “disadvantages” or “barriers” to employment are created by a huge range of factors. Individuals from Black and Ethnic Minority communities, young people not in education, employment or training (NEET), unpaid carers, prison-leavers, those living in poverty and areas of multiple deprivation, people with long-term health and disability challenges – all need support.

By encouraging more employers to actively pursue positive action that results in more people from disadvantaged backgrounds having employment opportunities opened up to them, we will create a more inclusive and dynamic economy that contributes to stronger economic growth.

A Belfast firm is set to recruit hundreds of people for the Republic’s police and security service An Garda Síochána.

Staffline Recruitment Ireland has beaten rivals in a public procurement process to land the contract to provide end-to-end recruitment solutions across a number of staff grades.

It will play a pivotal role in helping the force recruit top talent across various disciplines including human resources, medical, finance, legal, engineering, and administration.

This strategic partnership signifies a new chapter in its journey and highlights the Company’s commitment to delivering excellence in recruitment services to public sector organisations.

Operational Review

Staffline Recruitment GB

Against the backdrop of continuing macroeconomic pressures, with inflation impacting demand and creating further cost pressures for its client base, Recruitment GB delivered another year of positive out-performance vs the market.

Frank Atkinson
Managing Director, Recruitment GB

Through its customer strategy, rolling out a new Strategic Relationship Management programme alongside a preoccupation with service excellence, the business has made great progress against the five-year strategy throughout 2023, growing ahead of the market, as illustrated by the following:

- Through the launch of a quarterly client survey, customer service satisfaction was shown to have improved to an average of 86% in 2023 vs 69% in 2022.
- Customer retention has improved to 95% in 2023 from 71% in 2022.
- Share of our customer's labour supply has grown by 46%, organically, year on year.

Contract renewals and extensions

AMFRESH GROUP
LAITHWAITES
OSCAR MAYER
TESCO
Danish Crown
M&S EST. 1884
Morrisons
GXO

Strategic customer partnerships, delivering service excellence

Key sectors, activities and specialisms

Food and drink
- Production
- Packaging
- Warehouse operations
- Distribution

Logistics
- Third-party logistics
- Support functions
- Manufacturers
- Retail
- Grocery brands

Technical and engineering
- Specialist divisions
- Aviation
- Construction
- Automotive
- Engineering

Aviation
- Security-cleared personnel
- Drivers
- Ramp agents
- Baggage handlers
- Aircraft cleaning

Driving
- HGV Class 1
- HGV Class 2
- Home delivery drivers

Automotive
- Engineers
- Technicians
- Purchasing controllers
- Planners
- Linefeed operations
- Health and safety managers
- Warehouse controllers

Administrative and office
- Office and administrative roles

Recruitment process outsourcing
- Specialist division
- Supports operation and compliance
- Recruitment operations
- Construction
- Facilities management
- Food processing
- House builders
- Care sector

Strength of market position and balanced portfolio capitalised

Recruitment GB recruits both temporary and permanent labour alongside its Recruitment Process Outsourcing (RPO) solutions and Managed Service Provision (MSP). We are leading players in core sectors that have resilient consumer demand across a broad range of specialisms, from food and drinks manufacturers to supermarkets to automotive manufacturers. Within these sectors we partner with market-leading brands in their fields, such as BMW GROUP, GXO, AMFRESH Group, Tesco and Sainsbury's Argos. All of this across the UK through onsite operations and Branches as required.

This balanced portfolio provides Recruitment GB with financial stability in the face of sector-specific headwinds.

Furthermore, it creates the opportunity for future growth by offering more of its services to existing customers whilst expanding within those sectors where we have more prospective customers to supply.

Whilst Recruitment GB benefits from this balanced portfolio, it continues to diversify into new and emerging markets as evidenced with Datum RPO expanding into the care sector and Omega expanding into the US IT sector. Alongside this, we offer agile and bespoke customer solutions that result in value creation for the client as well as the Group, examples of which can be found in the ESG Report on pages 32 and 35.

Operational Review
continued

Recruitment GB

Over the course of the last two years, the senior leadership team in Recruitment GB has evolved, building on capability and experience within the recruitment industry, whilst also acquiring new talent from outside the sector that compliments the core skills required, including strategic thinking, governance and compliance, commercial acumen and people leadership.

The senior management team, underpinned by values and purpose, are accountable for the culture and performance of the organisation, driving the business to evolve with an eye to the future, whilst responding to the ever-changing marketplace of today, balancing investment with efficiency.

During 2023, Staffline Recruitment GB reorganised the business with the aim of getting even closer to its customers whilst revitalising the focus on growth with specialist brands such as Omega and Datum RPO. This will enable broader portfolios to be developed within high-growth sectors within the core business.

In 2023, the business added new expertise to the senior team, bringing a wealth of experience from within the recruitment industry, to lead the specialist divisions, which include our branch business, Datum RPO and our permanent recruitment business, Omega. This will enable future growth and resilience outside of the traditional service offerings.

With the balance of skills and expertise, the business is confident about the people around the senior leadership table with new faces, talent promoted and experienced experts in equal measure.

Progressive, multi-disciplined and experienced leadership

Case study

A growing partnership

AMFRESH are the leading fresh produce supplier to the UK's foremost retailers, operating from new purpose-built state-of-the-art facilities in Peterborough and Alconbury, Cambridgeshire alongside an own label food and drink operation in Skelmersdale, Lancashire. AMFRESH source the freshest produce from Spain, South Africa, Chile, Peru and many other countries via their own farms and a global network of farming partners to deliver top experiences for consumers by sorting, processing, packing, storing and shipping product for sale at retail.

Staffline and AMFRESH have a shared goal of high standards and quality that deliver for AMFRESH retail partners and consumers, whilst offering #Goodwork in the best-in-class environment for our joint workforce.

Following an extensive review of its agency labour provision, AMFRESH Group awarded sole supply on a multi-year contract to Staffline, demonstrating the strong operational and strategic partnership that has been established. Staffline and AMFRESH work collaboratively to meet headcount requirements, with quality workers, whilst providing transport solutions as needed.

Staffline offers an embedded, experienced onsite team to manage the workforce requirements throughout the week, providing full support in the recruitment, onboarding and training of the workforce. This ensures that the workforce selected are inducted and work-ready once they reach the site. Furthermore, AMFRESH benefit from the fact that Staffline offers passenger transport to our workers supplied to AMFRESH utilising our own fleet of Coaches and Minibuses with a PSV (Private Service Vehicle) license and managed through the Group's dedicated transport division, Driving Plus. Owning our own transport business is considered a notable USP in this marketplace, and with three new 70-seat coaches added to the fleet in 2023 we plan to expand this service proposition throughout 2024 and beyond.

Our strategic partnership continues to work collaboratively; from Staffline's ability to conduct joint market reviews, identifying suitable areas of the region to market and attract workers; through to development of agency analytics, providing improved accuracy of forecast demand, to help ensure optimum fulfilment. The induction process has been enhanced, ensuring workers are equipped to fulfil the role requirements, whilst seeking further cost-effective operational solutions. An ongoing worker experience feedback programme is conducted with an action plan to aid retention.

This collaborative partnership approach supports our ambition of offering the best-in-market service, with consistent and quality labour provision, to support the future growth aspirations of AMFRESH.

Operational Review
continued

Staffline
Recruitment Ireland

The key to Staffline Ireland's success in 2023 was its commitment to adaptability, innovation and the wellbeing of its workforce.

Tina McKenzie MBE
Managing Director, Recruitment Ireland

Despite operating in challenging conditions with rising inflation, continued skills shortages and political instability in Northern Ireland, the business has proven itself to be resilient, maintaining its position as the dominant market leader in Northern Ireland and continuing to grow market share in the highly fragmented Republic of Ireland market.

The global landscape presented numerous obstacles, from economic uncertainties to the ongoing challenges brought about by the ever-evolving local political environment. However, in the spirit of resilience that defines Staffline Ireland, the business navigated these external challenges with determination and foresight. Its ability to weather storms, pivot in the face of uncertainty and emerge stronger is a testament to the robustness of its business model and the dedication of its talented team. In pursuit of sustained growth it has remained steadfast in its commitment to fostering a workplace culture that values innovation, diversity and continuous improvement. Strategic investments in CRM technology, human capital and brand awareness, have not only fortified its market position, but also ensured that it has remained profitable and cash positive over the last decade.

One of the defining strengths that sets Staffline Ireland apart in the competitive landscape is its unique and diverse mix of business offerings, which makes the business ready for long-term growth. From volume blue-collar onsite solutions to high-end roles in Executive Search, an expansive branch network and key public sector contracts in health care, policing and leisure, its multifaceted approach not only shields it from the volatility of specific sectors but also positions it as a versatile player capable of adapting to changing market conditions without compromising market share.

We entrusted Recruitment Ireland Executive Search with a crucial senior role within our organisation and the experience was seamless. Their support throughout the process was unwavering, and the team was keenly attuned to our needs.

Artisan Finnebrogue

Key sectors, activities and specialisms

Blue-collar
- Production
- Packing
- Warehousing
- Technicians
- Logistics
- Supervisors
- Line Leaders
- Administrators
- Customer Service

White-collar
- Business development manager
- HR manager
- Finance manager
- Executives

Banking
- Cash handler
- Machine operator

Public sector
- Groundskeeper
- Safety officer
- Wardens
- Instructors
- Shared services officer
- Environmental health officer

Other
- Contingent resourcing
- Executive search and selection
- Permanent resourcing
- HR consultancy
- Assessment centres
- Psychometric and ability testing
- Outplacement
- Managed Service Provider
- Recruitment Process Outsourcing
- Master vendor

It also has the distinct advantage of operating in two separate jurisdictions, leveraging the diversification of economic conditions in dual markets.

Whether the market requires scalability in labour solutions or specialised talent acquisition for executive roles, Staffline Ireland is positioned as the go-to partner, ensuring that it not only meets but exceeds the expectations of its clients. Its extensive public sector contracts further amplify its adaptability. By forging partnerships with government entities, it not only contributes to essential public services but also creates a resilient revenue stream. This strategic positioning mitigates the impact of economic downturns and fosters a sense of stability, enabling the business to maintain and expand its market share even in challenging times.

Staffline Ireland has taken steps to reduce its environmental impact with strategic investment in cutting-edge technologies and implementation of digital solutions and streamlined processes for candidate registrations and payroll, reducing the need for office consumables.

This not only fosters an eco-friendly work environment but also optimises operational efficiency. The reduction in physical consumables aligns seamlessly with the commitment of the business to environmental stewardship, highlighting its dedication to minimising its environmental footprint, while embracing innovative solutions for a more sustainable future and simultaneously improving the candidate experience, customer service and employees' efficiency.

At Staffline Ireland, investment in people is such an important focus and the commitment to investing in people is at the core of its organisational ethos.

The business prides itself on providing industry-leading reward packages that go beyond conventional standards, recognising and valuing the dedication and expertise employees bring to its dynamic team, as well as proudly committing to being a "living wage" employer.

The award winning Corporate Social Responsibility (CSR) agenda of Staffline Ireland reflects its profound belief in making a positive impact on the communities it serves, emphasising its responsibilities to society. Furthermore, as a thought leader in the industry, it continually strives to foster an environment of innovation and learning, encouraging the professional growth of its employees and maintaining a position at the forefront of industry advancements. These pillars collectively exemplify its dedication to nurturing and empowering its people at every level.

HILTON FOODS

Recruitment Ireland has seamlessly met all our seasonal and peak staffing needs, providing high-quality candidates on a consistent basis. They understand our business requirements and we eagerly anticipate collaborating with them on our upcoming recruitment projects.

Hilton Foods HR Department

Operational Review
continued

PeoplePlus
skills for growth

PeoplePlus makes a difference to the lives of people every day by providing training, education and wellbeing support, enabling individuals to move into work or to live more independently.

Kenny Boyle
Managing Director, PeoplePlus

Employability

In PeoplePlus, committed teams work with the most disadvantaged groups in UK society, including prisoners and those with severe disabilities, to ensure individuals can reach their full potential, regardless of their background or circumstances.

The challenges confronting the UK labour market are long-standing and structural, accelerated by the Covid-19 pandemic:

- Fewer young people forming a smaller youth population, plus more students, meaning that the youth labour force has fallen from 4.7m to 4.2m in just ten years.
- Lower migration, which added 220k workers per year for the decade before Brexit, is adding just 130k workers per year since 2016.
- The ageing population: Thirty years ago there were four people aged 20-64 for every person aged 65 and over; in thirty years' time this will have halved to just two people.
- More people with long-term health conditions are staying out of work for longer.

The "Back to Work" plan announced by the Chancellor of the Exchequer in his 2023 Autumn Statement was welcome, in particular the extension and expansion of the Restart programme in England and Wales.

RESTART SCHEME

The work of PeoplePlus in employability stretches across England and Wales, where it has delivered the Restart scheme to 25,602 people since it began, placing 10,294 into paid employment.

fair start scotland

In Scotland, where PeoplePlus delivers the Fair Start Scotland scheme, the business has worked with 4,336 people during 2023, of whom 2,854 have started on a programme and, of these, 1,721 people have started employment.

The social recruitment mission is to ensure that every person of working age, including vulnerable and disadvantaged people, can participate in paid work. The benefits of this go well beyond improving the lives of individuals, their families and communities. PeoplePlus reaches those who have historically struggled to enter the labour force, particularly those who have become economically inactive, and this work is increasingly important, socially.

Key sectors, activities and specialisms

Justice
- Provider of prison education in the UK
- Education in Young Offender Institutions
- Information, Advice and Guidance services
- Wayout TV in-cell learning

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

Community services
- Helping people live independently
- Direct payments service
- Supporting carers

Partner services
- Social Recruitment Framework
- Social Recruitment Advocacy Group
- Social impact Hub
- Network of 650 partners
- Over 400 employers
- Wellbeing Programme "YouCan"

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

Social Recruitment Advocacy Group

In support of this mission, PeoplePlus convened the Social Recruitment Advocacy Group (SRAG), a bringing together of organisations who recognise the value of social recruitment and aim to address societal challenges and needs with a business-minded approach. Current members and partner organisations comprise c.130 employers, public sector, not-for-profit and community organisations from a variety of sectors across the UK, including G4S and Amey. These companies, and the people within them, want to make a real difference and to create true social impact.

In the space of a year, the SRAG has more than trebled in size and secured pivotal new members. PeoplePlus provides access to tools, advice, funding, consultancy and support for members, and has developed toolkits, one exploring how employers can support those with neurodivergent needs and the other looking at how employers can successfully employ prison-leavers into their business. PeoplePlus has awarded seven employers the SRAG "Charter Mark," a sign of commitment and prowess in the social recruitment space.

In addition, the Social Recruitment Framework at PeoplePlus is an example of collective power in action. Working with the extensive PeoplePlus employer network and with Staffline GB, PeoplePlus can identify job opportunities across the UK and work with training providers to train individuals with the right skills to secure employment. During 2023, PeoplePlus arranged training for 7,000 people, jobs for 2,000 people and created c.£30million worth of social value.

Justice

Over 600 PeoplePlus colleagues work in 22 prisons across England where PeoplePlus delivers education. During 2023, PeoplePlus delivered c.27,000 courses to c.11,700 prison inmates with a 92% achievement rate. PeoplePlus acts as an enabler in prison education, helping to ensure that prison-leavers have the qualifications and mindset needed to support their transition into sustained employment when they leave custody.

Ministry of JUSTICE

The benefits of creating effective pathways that make prison education work are huge and the cost of reoffending alone is estimated by the Ministry of Justice at £18bn each year. The potential to contribute positively to the UK economy through productive employment is even greater. Major employer partners of PeoplePlus such as Reed Boardall, Eurovia, The Restaurant Group, Morrison Water, National Trust and Keltruck, are committed to supporting prison-leavers, not just because it is socially responsible, but because they recognise there is a diverse and rich talent pipeline to tap into to drive productivity in their businesses.

WayoutTV

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 74 prisons throughout England and Wales.

Case study

Employment skills training

One of the initiatives supported by PeoplePlus during the year is hospitality training in "Bertie's Restaurant" at HMP Lincoln.

THE RIGHT COURSE

Opening in May 2023, Bertie's Restaurant is the result of a partnership between PeoplePlus and the charity The Right Course, founded by customer service expert and TV presenter Fred Sirieix and the Ministry of Justice. It is the first prison restaurant where prisoners will be both staff and customers, serving food to fellow prisoners and their families during visiting time, allowing full families to have a proper meal in a relaxed setting.

PeoplePlus has worked with businesses and individuals able to offer the inmates a high level of training, including the Hilton hotel chain, Greene King pubs and Michelin starred chefs with the aim of obtaining City & Guilds Level 2 Diploma in Catering and Hospitality, or front-of-house qualifications including barista training. A number these employers have offered former inmates employment on their release thanks to their work in Bertie's Restaurant. This project is testament to the commitment of PeoplePlus to upskilling prisoners in an innovative way that gets to the root of reoffending.

Financial Review

Resilient performance delivered full year Underlying operating profit of £10.3m in line with market expectations.

The Group ended the year with pre-IFRS 16 cash of £3.8m, after returning £5.0m to shareholders.

Daniel Quint
Chief Financial Officer

Introduction

On an underlying basis the Group delivered a resilient trading and cashflow performance for 2023, particularly in the Recruitment GB division, against a challenging macroeconomic backdrop in the UK. Underlying operating profit of £10.3m was slightly ahead of market expectations and strong cash flow was well ahead of original market expectations.

The Group incurred a non-underlying charge of £1.8m reflecting a reorganisation, rationalisation and restructuring programme in the Recruitment GB division. Additionally, PeoplePlus closed its in-person classroom-based training business to focus on digital training. These discontinued activities generated trading losses and exit costs totalling £3.1m before taxation. This contributed to the reappraisal of the value of goodwill associated with the PeoplePlus division, resulting in an impairment charge of £8.9m. These items contributed to a reported loss for the year of £11.0m (2022: profit £3.8m).

Gross sales for 2023 increased by 3.6% to £1,055.7m (2022: £1,018.9m) driven by strong growth in the Recruitment GB division. Total revenue for the year of £938.2m (2022: £928.1m) was higher than the previous year by 1.1%.

Gross profit across the recruitment businesses decreased slightly to £64.2m (2022: £64.7m), alongside a reduction in PeoplePlus' gross profit to £16.6m (2022: £17.3m). This resulted in Group gross profit reducing to £80.8m compared to £82.0m in the previous year and gross profit margin reducing to 8.6% from 8.8%.

The Group continued to control overhead costs tightly, resulting in an increase of under 1% in total overheads, despite considerable inflationary pressures. This contributed towards underlying operating profit on continuing activities of £10.3m, (2022: £12.0m).

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

The Group ended the year with pre-IFRS 16 net cash of £3.8m (2022: £5.0m), after returning £5.0m to shareholders via a share buyback programme. This means that the Group generated an underlying improvement in net cash of £3.8m.

Net underlying finance charges were £3.7m (2022: £2.7m), reflecting the significant increase in interest rates during 2023. However, 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 3.50% to 5.25% during the year was partly mitigated.

In December 2023, the Group refinanced its existing receivables facility with improved terms, reflecting progress in the business and ongoing balance sheet strength. The Group's balance sheet and its significant financing headroom have enabled a resilient performance despite the significant global macroeconomic headwinds and remain a strong platform to enable the Group to capitalise on market share growth opportunities.

Refinanced banking facilities with improved terms in Q4 2023, reflecting progress in the business and ongoing balance sheet strength.

The Group comprises three trading divisions, namely, Recruitment GB, Recruitment Ireland and PeoplePlus.

Underlying[1] divisional performance – continuing operations

	Recruitment GB 2023 £m	**Recruitment Ireland 2023 £m**	**PeoplePlus 2023 £m**	**Group costs 2023 £m**	**Total Group 2023 £m**	Recruitment GB[4] 2022 Restated £m	Recruitment Ireland 2022 £m	PeoplePlus[4] 2022 Restated £m	Group costs 2022 £m	Total Group 2022 Restated £m
Revenue	**763.0**	**108.3**	**66.9**	**—**	**938.2**	751.8	110.6	65.7	—	928.1
Year-on-year revenue increase/(decline)	**1.5%**	**(2.1)%**	**1.8%**	**—**	**1.1%**	0.5%	(1.0)%	8.5%	—	0.9%
Gross sales value[3]	**880.5**	**108.3**	**66.9**		**1,055.7**	842.6	110.6	65.7		1,018.9
Year-on-year gross sales value increase	**4.5%**	**(2.1)%**	**1.8%**	**—**	**3.6%**	5.1%	(1.0)%	8.5%	—	4.7%
Gross profit	**51.9**	**12.3**	**16.6**	**—**	**80.8**	51.8	12.9	17.3	—	82.0
Year-on-year gross profit increase/(decline)	**0.2%**	**(4.7)%**	**(4.0)%**	**—**	**(1.5)%**	2.6%	14.2%	(4.0)%	—	2.4%
Gross profit as a % of revenue	**6.8%**	**11.4%**	**24.8%**	**—**	**8.6%**	6.9%	11.7%	26.3%	—	8.8%
Underlying operating profit before tax	**8.6**	**1.8**	**3.1**	**(3.2)**	**10.3**	8.3	3.2	3.8	(3.3)	12.0
Underlying operating profit as a % of revenue	**1.1%**	**1.7%**	**4.6%**	**—**	**1.1%**	1.1%	2.9%	5.8%	—	1.3%
Underlying operating profit as a % of gross profit	**16.6%**	**14.6%**	**18.7%**	**—**	**12.7%**	16.0%	24.8%	22.0%	—	14.6%
Pre-IFRS 16[2] net cash excluding unamortised refinancing costs	**—**	**—**	**—**	**—**	**3.8**	—	—	—	—	5.0
Post-IFRS 16 net (debt)/cash excluding unamortised refinancing costs	**—**	**—**	**—**	**—**	**(0.2)**	—	—	—	—	0.1

Key performance indicators – continuing operations

	Recruitment GB 2023	**Recruitment Ireland 2023**	**PeoplePlus 2023**	**Total Group 2023**	Recruitment GB 2022	Recruitment Ireland 2022	PeoplePlus[4] 2022	Total Group 2022
Hours worked by temporary workers	**41.4m**	**6.2m**	**—**	**47.6m**	44.0m	6.7m	—	50.7m
Gross profit per fee earner	**£76.5k**	**£98.8k**	**—**	**£79.9k**	£76.5k	£102.2k	—	£80.6k
Revenue per employee	**—**	**—**	**£49.3k**	**—**	—	—	£55.7k	—

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 value of consideration received or receivable for the supply of services, including agency sales, (excluding fees) net of VAT.
4 Comparatives for 2022 have been restated to exclude discontinued activities.

Financial Review continued

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, with prior year values restated to exclude discontinued activities, is as follows:

	2023 £m	2022 Restated £m
Gross sales value	**1,055.7**	1,018.9
Agency sales	**(117.5)**	(90.8)
Revenue as reported	**938.2**	928.1

Recruitment GB

Revenues in the Recruitment GB division increased by £11.2m to £763.0m. The division experienced weak demand in the first half of the year, due to the cost of living crisis, as well as reduced permanent fees throughout the year, which held back a strong performance in the second half. The division benefited, particularly in the second half of the year, from its strategy of driving organic growth, expanding key strategic partnerships, whilst also renewing contracts with key customers.

Gross profit of £51.9m (2022: £51.8m) resulted in gross profit margin reducing slightly to 6.8% (2022: 6.9%), reflecting the sector-wide reduction in permanent recruitment activity. Increases in general pay rates combined with the increase in the National Minimum Wage in April 2023, from £9.50 to £10.42 per hour for over 23s, do not impact absolute gross profit but do negatively impact gross margin percentage achieved.

Gross profit generated from temporary recruitment increased as a proportion of the total to 93.3% (2022: 92.5%), with the remaining 6.7% (2022: 7.5%) of gross profit generated from permanent recruitment. Permanent recruitment fees reduced by 10.3% to £3.5m (2022: £3.9m). Hours worked reduced to 41.4m (2022: 44.0m), reflecting reduced year-over-year supermarket and online retail volumes.

Contrary to revenue declines in the first half of the year, revenues in the second half were 3.7% higher, year-on-year, at £421.8m (2022: £406.6m). This was driven by organic growth won earlier in the year as well as strong trading peak in the run up to Christmas, reflecting improved sentiment, particularly in the retail sector. The division continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 16.0% to 16.6%, which delivered a 3.6% increase in underlying operating profit to £8.6m (2022: £8.3m). In light of the weak economic backdrop the division has taken a restructuring charge of £1.8m to rationalise its cost base, which is expected to deliver annual savings of c.£3.5m.

Recruitment Ireland

Revenues in the Recruitment Ireland division reduced by £2.3m to £108.3m, reflecting the reduction in temporary worker hours to 6.2m (2022: 6.7m). This, combined with a 12% decrease in permanent recruitment fees, led to a reduction in profitability after the exceptionally strong result in 2022.

Gross profit of £12.3m (2022: £12.9m) resulted in gross profit margin reducing to 11.4% (2022: 11.7%), reflecting the lower permanent recruitment income. Gross profit generated from temporary recruitment accounted for 84.1% (2022: 82.9%) of the total, with the remaining 15.9% (2022: 17.1%) of gross profit generated from permanent recruitment.

Despite the lower levels of demand and local political uncertainty the division has continued to invest in its cost base and as a result has secured a significant contract win with the Republic of Ireland's An Garda, which commences in 2024. Underlying operating profit for the year was £1.8m (2022: £3.2m).

PeoplePlus

As previously reported, PeoplePlus' Skills training division was restructured during the year, with a shift away from in-person classroom-based training to focus on digital training. Consequently, the divisional results reported below and elsewhere in these financial statements exclude the results of the Skills division, which is treated as a discontinued activity.

PeoplePlus revenues increased by 1.8%, from £65.7m to £66.9m, based on the continuing strength of its contracts in the Justice and Employability sectors. The division continues to deliver strong performance in its Restart sub-contracts but a number of other profitable contracts have come to a natural end, alongside a quieter commissioning period. PeoplePlus achieved a gross margin of 24.8% in 2023, which compares to 26.3% in 2022, largely due to the completion of profitable Employability contracts.

Although the division reduced its overhead base in the second half of the year as contracts expired, this was unable to totally offset a reduction in underlying profit conversion, which reduced from 22.0% to 18.7%. Underlying operating profit for the year was £3.1m (2022: £3.8m).

In PeoplePlus, political uncertainty, low levels of unemployment and the impact of new contract revenue streams only flowing from 2025-26, will reduce short term profitability by around two thirds in 2024, as announced in the January trading update versus expectations. This and the exit from the Skills business, contributed to the reappraisal of the value of goodwill associated with the division, resulting in an impairment charge of £8.9m, which has no cash impact.

Group costs

Group costs, which include Directors' remuneration costs, have decreased to £3.2m (2022: £3.3m) reflecting continued tight control over corporate spend.

Group result

Underlying operating profit, which was in line with market expectations, was £10.3m (2022: £12.0m), a reduction of 14.2%. Total non-underlying charges on continuing activities before tax, which are described below, were £14.0m (2022: £7.4m), of which £12.2m was non-cash.

The underlying profit before taxation on continuing operations for 2023 was £6.6m (2022: £9.3m). The underlying profit after tax on continuing operations for the year was £4.9m (2022: £9.4m).

The Group's reported loss before taxation was £(7.9)m in the year (2022: profit £1.9m).

Net finance charges

Net underlying finance charges incurred in the year amounted to £3.7m (2022: £2.7m), reflecting part of the increase in overnight SONIA rates during the year from c.3.50% to c.5.25%. 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"). The instrument, which has a term of three years from 13 October 2021, delivered receipts totalling £1.9m (2022: £0.3m).

In 2022, the net finance charge benefited from a non-cash interest hedging credit adjustment of £0.4m, which has partially reversed in the current year, resulting in an interest hedging adjustment charge of £0.1m.

Taxation

The total tax charge for the year was £(0.5)m (2022: credit £1.9m), which relates to the movement of deferred tax balances. The Group does not have an estimated current corporation tax liability for the year. Remaining tax losses of £14.4m carried forward in all divisions have been recognised as a deferred tax asset.

The amortisation charge relating to intangible assets arising on business combinations and the goodwill impairment charge, which are not deductible under UK corporation tax, have been added back to taxable profits.

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 £14.0m in the year (2022: £7.4m), which is analysed below.

Non-underlying expenses – continuing operations	**2023 £m**	2022 £m
Reorganisation, rationalisation and restructuring costs	**1.8**	–
Amortisation of intangible assets arising on business combinations	**3.3**	7.4
Goodwill impairment	**8.9**	–
	14.0	7.4
Tax credit on above non-underlying expenses	**(1.2)**	(1.8)
	12.8	5.6

During the year the Recruitment GB division undertook a reorganisation, rationalisation and restructuring programme in response to the impact of economic and inflationary cost pressures on customers' permanent and temporary worker requirements. The scope of the activities included a reduction in administration headcount, a streamlining of the property portfolio and the consolidation of selected third-party spends.

The charge in the year for amortisation of intangible assets arising on business combinations relates to the following acquisitions: Vital Recruitment (charge £0.7m: asset was fully amortised by February 2023); Passionate about People (charge £1.7m: asset was fully amortised by October 2023); and Grafton (charge £0.9m: asset was fully amortised by June 2023). The intangible assets on business combinations are all fully amortised at the end of 2023.

The results of an impairment review showed that an impairment charge to goodwill of £8.9m was required in the PeoplePlus cash-generating unit. Further details are given in Note 11.

Share buyback programme

On 1 August 2023, the Group announced the launch of a share buyback programme to repurchase Ordinary Shares in the capital of the Company up to an aggregate value of £4.0m. The 12,672,174 Ordinary Shares purchased at an average price of 31.6p, pursuant to the share buyback were immediately cancelled.

On 4 October 2023, the Group announced the launch of a further share buyback programme to repurchase up to 3,904,598 Ordinary Shares in the capital of the Company. The 3,904,598 Ordinary Shares purchased at an average price of 26.4p, pursuant to the share buyback were immediately cancelled. As a result of these programmes, the Company reduced the Ordinary Shares in issue from 165,767,728 to 149,190,956.

The share buybacks were operated in accordance with the terms of the Company's general authority to repurchase Ordinary Shares granted by shareholders at its Annual General Meeting, held on 12 June 2023.

Financial Review continued

Cancellation of share premium account

At the Company's Annual General Meeting held on 12 June 2023, the shareholders approved a special resolution to cancel the entire amount standing to the credit of the Company's share premium account, subject to the approval of the High Court of England and Wales. Approval was granted by the Court on 18 July 2023 and as a result the Company had distributable reserves of £85.8m with effect from 20 July 2023, being the date that the Court's decision was registered at Companies House.

Earnings per share

Statutory basic and diluted loss per share on continuing activities in 2023 were both (5.3)p (2022: both 2.3p earnings).

Following the share buyback programme, under which the shares purchased were cancelled, the weighted average number of shares (basic) is 157,247,639 (2022: 163,753,217).

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic earnings per share of 3.1p (2022: 5.7p) and diluted earnings per share of 3.1p on continuing activities (2022: 5.7p).

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

The table below reconciles underlying EBITDA on continuing operations to operating profit.

Reconciliation of operating loss to EBITDA	2023 £m	2022 £m
Operating (loss)/profit	**(3.7)**	4.6
Non-underlying costs	**14.0**	7.4
Underlying operating profit	**10.3**	12.0
Depreciation	**4.9**	5.6
Underlying EBITDA	**15.2**	17.6
Lease rental payments	**(1.8)**	(1.6)
Underlying EBITDA (pre-IFRS 16)	**13.4**	16.0

Note: Underlying operating profit is before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying expenses. EBITDA represents earnings before interest, taxation, depreciation and amortisation.

Statement of financial position, cash generation and financing

The Group has continued to deliver strong trading cash flows with net cash (pre-IFRS 16) at the end of the year significantly ahead of market expectations, maintaining ongoing balance sheet strength.

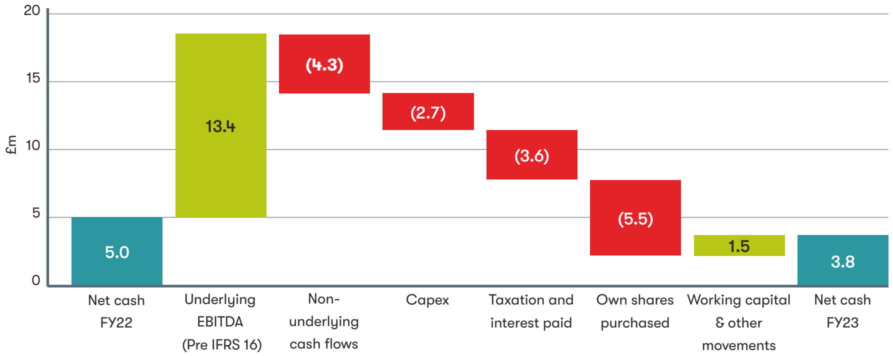
The movement in net debt is shown in the table below. Strong trading cash flows were offset by the outflow from the share buyback programme and additional working capital investment in receivables growth in the final quarter of the year.

Movement in net debt

	2023 £m	2022 £m
Opening net cash (pre-IFRS 16)	**5.0**	6.9
Cash generated before change in working capital and share options	**10.5**	17.6
Principal repayment of lease liabilities	**(1.8)**	(1.6)
Change in trade and other receivables	**(9.5)**	1.5
Repayment of advance receipts from the MoJ	**—**	(6.2)
Deferred VAT	**—**	(5.8)
Change in trade, other payables and provisions	**10.8**	(0.9)
Taxation and interest paid	**(3.6)**	(2.3)
Capital investment (net of disposals)	**(2.7)**	(3.6)
Own shares purchased	**(5.5)**	—
Other	**0.6**	(0.6)
Closing net cash (pre-IFRS 16)	**3.8**	5.0
IFRS 16 lease liabilities	**(4.0)**	(4.9)
Closing net (debt)/cash (post-IFRS 16)	**(0.2)**	0.1

Note: Underlying operating profit is before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying expenses. EBITDA represents earnings before interest, taxation, depreciation and amortisation.

Net cash (pre-IFRS 16) bridge from January 2023 to December 2023



The Group's headroom relative to available committed banking facilities as at 31 December 2023 was £62.4m (2022: £75.9m) as set out below:

	2023 £m	2022 £m
Cash at bank	**13.3**	31.0
Undrawn receivables finance facility agreement	**49.1**	44.9
Banking facility headroom	**62.4**	75.9

Working capital financing

The Group manages its working capital requirements using a receivables finance agreement ("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 RFA leverages the Group's trade receivables with sufficient headroom and flexibility to manage the variability and size of weekly cash outflows. On 14 December 2023, the Group and its lenders agreed to an amendment to the RFA with improved terms, reflecting progress in the business and ongoing balance sheet strength. The key terms of the facility are set out below:

i) maximum receivables financing facility of £60.0m (previously £90.0m) over a four-year term, with a one-year extension option;
ii) an Accordion option of up to an additional £20.0m (previously £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 a maximum of 2.25% (previously 2.75%) over SONIA, with a margin ratchet downward to 1.5% (previously 2.0%), dependent upon the Group's leverage reducing to less than 1.00x;
v) a non-utilisation fee of 0.35% (previously 0.7% during 2023);
vi) maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant of 4.0x; and
vii) minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges.

The balance outstanding on the RFA at 31 December 2023 was £9.5m (2022: £26.0m).

The balance funded under the customer financing arrangements at 31 December 2023 was £46.8m (2022: £51.7m).

Dividends

The Board is not proposing a final dividend payment for 2023 (2022: £nil).

Going concern

For the period to 31 December 2025, 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
18 March 2024

ESG Report

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

Daniel Quint
Chief Financial Officer
and Board member responsible for ESG

Welcome to Staffline's 2023 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 the Group provides leadership and sets an example in operating sustainably, not only in the corporate space but also more widely as an organisation of influence in society and in our communities. The clear commitments outlined in this report, which are overseen by our ESG Committee, seek to align with the ambitions of our partners and stakeholders, many of whom are also leading by example in the ESG space.

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

People placed into good work
c.96,000

Prisoners educated
c.11,700

CO_2 emissions year-on-year
↓20.4%

Our approach.

Our purpose drives our activities. As a major recruiter and training provider across multiple sectors, we play a crucial role in both preparing people for employment and connecting them to suitable opportunities, which supports local communities and wider society.

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.

1 Making a positive difference to people and society

This is our key focus and the area where we can deliver the greatest positive impact.

By developing skills and delivering training and support services, we transform lives, including those of many people from disadvantaged backgrounds, helping to unlock potential, improve prospects and get people into fulfilling jobs.

- Providing good work
- Delivering employability and skills training
- Community engagement
- Social Recruitment Advocacy Group

2 Supporting and developing our people

We share a commitment to changing and improving 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.

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

3 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.

- Monitoring energy use and carbon emissions
- Carbon offsetting activities
- Developing our reporting on environmental matters, including compliance with the Task Force on Climate-related Financial Disclosures ("TCFD")

4 Doing business in a responsible way

Sound governance and doing business in a responsible way 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 as a business and as individuals.

- Governance
- Responsible business
- Regulatory compliance

ESG Report continued

1 Making a positive difference to people and society.

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.

We have supported
10,294
people to start work in 2023

We have delivered
c.27,000
courses to
c.11,700
prisoners in 2023

Wayout TV available in
74
prisons, providing in-cell learning and information, advice and guidance to prisoners

We have supported over
2,600
people into self-employment since 2020

We have
c.130
member and partner organisations in our Social Recruitment Advocacy Group

We support
c.9,000
heath and social care service users with advice, guidance and payment management services

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 in a socially responsible way. Through our PeoplePlus business we deliver training and employment support to enable people to find and sustain employment, as well as offering self-employment mentoring. We also provide education services in prisons, enabling prisoners to improve their literacy and numeracy and gain sector-specific qualifications and industry accreditations to prepare them for work when they are released.

In 2023, we supported over 10,000 people into work through our employability programmes and Social Recruitment Framework and we helped nearly 12,000 prisoners start or continue their education journey.

Creating social value
We work with over 400 employers to help them recruit in a socially responsible way. Through tailored solutions, we guide businesses to identify and implement practices that foster inclusivity and equity in their hiring processes, leading to employment of individuals from disadvantaged backgrounds with whom we work every day.

By proactively engaging with employers and leveraging the collective power of our Social Recruitment Advocacy Group, we can equip more employers with the knowledge, tools and partnerships necessary to create a more inclusive and equitable workplace supporting and representing our wider community.

For more information, please see page 31

Independent Living Services
PeoplePlus' health and social care support services enable thousands of people across England and Wales to live independently by providing advice and guidance and/or managing their payments to care providers.

This year we have supported c.9,000 people across 22 local authorities. We also run the Gloucestershire Carers Hub, which supported c.5,400 carers in 2023.

Area	Actions
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 barriers to employment can be addressed. • Implement skills and training solutions to support those in employment to progress within their roles and develop their careers.
Modern slavery	• Continue to train our people and apply our processes to identify areas of risk and work with third parties to identify and/or prevent modern slavery cases occurring.
Community engagement	• Encourage our people to support charitable initiatives by providing paid time off for volunteering and promoting fundraising opportunities.

Social Recruitment Advocacy Group

Social Recruitment Advocacy Group

Creating real, scalable social value

In 2022, we launched the Social Recruitment Advocacy Group (SRAG) to enable individuals from disadvantaged backgrounds to enter the workforce by asking employers to recruit differently. The group, chaired by former Shadow Cabinet Minister the Rt Hon Anne Milton, brings together like-minded organisations to address societal challenges and needs with a business-oriented approach.

As a leader in social value creation, PeoplePlus provides SRAG members with comprehensive tools, advice, funding guidance, consultancy and support, creating a lasting impact and fostering a powerful social movement that empowers and builds momentum.

From online "lunch and learn" sessions to quarterly face-to-face conferences, SRAG actively engages its members, co-creating toolkits to guide them in adopting best practices for recruiting from diverse and under-represented groups including the unemployed, people not in education, employment or training ("NEETs"), armed forces veterans, people with disabilities, racial, ethnic, religious and cultural minorities, prison-leavers and those with neurodivergent needs.

In just over a year, the number of member and partner organisations working with SRAG has more than tripled, reaching c.130 employers across the UK and it continues to grow. These organisations, including BMW, G4S, Amey, and Morrison Water Services, alongside public sector, non-profit, and community organisations, are committed to making a positive impact and unlocking true social value.

SRAG members receive a "Charter Mark" recognition, categorised into bronze, silver, gold, or ambassador levels, reflecting the maturity and effectiveness of their recruitment, retention and development practices. The ultimate goal is for all members to reach ambassador level, enabling true social value creation on a significant scale, driving positive societal change and fostering a more inclusive and equitable society.

To find out more about SRAG, scan here

ESG Report continued

G4S Secure Solutions

Social value-based recruiting in action

PeoplePlus and Recruitment GB are together playing a pivotal role in supporting G4S Secure Solutions (UK) Limited's ("G4S") approach to recruitment, workforce development and social value activity as part of their "social value" objectives. The relationship with G4S has grown over the past 18 months and is now a swiftly evolving strategic partnership between PeoplePlus and Recruitment GB that is supporting G4S UK-wide to become one of the UK's leading social value creators.

Over the years, G4S has embedded social value into its core business operations, notably through initiatives in prisons, community engagement and employability training. The need to focus on social value as part of organisations' Environmental, Social and Governance strategy has accelerated significantly over recent years, not only because it's the right thing to do, but because it significantly helps with attraction, retention and development of staff, creating an inclusive, equitable and diverse workforce.

The security industry has been looking for an effective response to the challenges presented by the labour market, so G4S sought guidance from PeoplePlus as social value creation experts. The partnership extends beyond conventional recruitment strategies, aiming to break down barriers, promote diversity and create equitable opportunities within their workforce.

Bridget Brookfield, HR Director at G4S, acknowledges the transformative impact: "It's been a journey for us, and the partnership with PeoplePlus has been fantastic in helping us embed social value into all of our recruitment strategies."

G4S joined the Social Recruitment Advocacy Group (SRAG), a body set up by PeoplePlus to encourage employers, at scale, to place greater emphasis on recruiting people who are disadvantaged in the labour market. As one of the founding members, G4S has attained "Silver" Charter Mark status, demonstrating a strong commitment to social value and social recruitment. Going beyond the basics they are implementing concrete measures to promote diversity, inclusion and social responsibility within their workforce. Since joining SRAG, G4S has been shortlisted for the Social Mobility Initiative in the British Diversity Awards.

Through PeoplePlus over 260 unemployed people have benefited from training and employability support to prepare for work with G4S during 2023 alone with 54 having started work so far, creating over £0.8m worth of social value in this initiative alone.

By addressing the need for efficient recruitment Recruitment GB has significantly impacted G4S's processes to reduce the "time to hire". The initial trial involved support with market-leading attraction techniques, referencing support and in-work employee feedback data to support retention.

Overall, this collaboration has supported improved efficiency of G4S's recruitment process.

The synergies between PeoplePlus and Recruitment GB exemplify a shared commitment to social responsibility, diversity and inclusion. Both organisations work collaboratively with G4S to support the business as an ambassador for social value and a market-leading socially impactful organisation.

The relationship between G4S and Staffline Group continues to grow as we build on our strong strategic relationship through further initiatives under way in 2024.

Justice

Rehabilitation through education and advice in prisons

PeoplePlus and Prison Education

PeoplePlus is the largest independent provider of prison education services in the UK, delivering education in 22 prisons and one Young Offender Institution (YOI). Advice and guidance is also offered in 16 prisons and the YOI on behalf of HM Prison Service and the Ministry of Justice. Our curriculum focuses on addressing the literacy and numeracy needs of prisoners and supporting them to develop the skills they need to access work on release.

We deliver over 600 different qualifications covering functional skills (maths, English and IT) as well as vocational skills (construction, catering, hairdressing etc.) The curriculum is bespoke to each prison and is delivered in partnership with prison governors and local employers so it is tailored to the learners and reflective of local labour market needs. In 2023, we delivered c.27,000 courses to c.11,700 prisoners.

Innovation behind bars

We offer innovative services to support prisoners in custody. **WayOut TV** is our unique in-cell learning TV channel which is live in 77 prisons. It produces and curates educational content to complement our education and training and it allows prison governors and staff to communicate directly with the prison population through notices, adverts, interviews and a news feed. We produce over 450 video notices and prison-related advertisements every month.

Way2Learn helps prisoners access education in their cells and is particularly beneficial for those who do not feel comfortable in a formal learning environment. The platform uses bespoke video, e-books and PowerPoint content to provide an educational experience that fits prisoners' own pace of learning and can complement classroom-based learning. Some of the courses are now being endorsed by the University of the West of England (UWE Bristol).

Higher education opportunities

The Crito Project is a charitable organisation in exclusive partnership with PeoplePlus and the University of East Anglia (UEA). Starting in 2013, it has run at six prisons, providing over 100 students with over 1,200 hours of face-to-face higher education.

Since its inception, Crito has worked to emulate the model developed in the US by the Bard College Prison Initiative – the most successful prison/university partnership in history.

Crito's current 15-month curriculum comprises two foundation modules that prepare students for higher education and three accredited modules taken directly from the UEA's syllabus and taught by tutors from UEA.

PeoplePlus currently has a cohort of ten students at HMP Highpoint, with several more on a waiting list for the 2024 intake. Our first cohort is due to graduate in July 2024.

Midlife MOT

Empowering employees for a secure future

PeoplePlus delivers the Midlife MOT programme in the North East of England on behalf of the Department for Work and Pensions. The programme is a brand new initiative commissioned this year and PeoplePlus is one of the first providers to deliver the contract. This has enabled us to give valuable insight and feedback to the Government on how we can further support those in their midlife in order to improve in-work support and retention.

Set up to prepare people who are 45-55 to think about their future through financial guidance, including investments and pensions, and health and wellbeing advice including a "health MOT", it is a free programme for employers and their employees.

Covering three key areas of work, wellbeing and wealth, the individuals work with experienced advisors from PeoplePlus to develop a personalised programme which could include health checks, wellbeing sessions taken from our successful YouCan programme, workshops on finances and dedicated one-to-one support from a career coach.

This year, we've partnered with 30 businesses and 160 individuals in the North East region to foster a more motivated and experienced workforce. Our tailored programmes have empowered participants to manage their health, plan for retirement with confidence and make informed financial decisions. One participant observed: "I usually look online to seek information like this, but having a person talk to you, through all the various subjects, has been incredibly beneficial."

Case study

Staffline and PeoplePlus support Tesco

Supporting people to secure rewarding work

Having worked with PeoplePlus since 2017 and employed over 800 people through Staffline Recruitment and PeoplePlus, Tesco approached PeoplePlus in May 2023 to facilitate their training and recruitment needs for the 2023 festive period and oversee their recruitment needs into 2024.

Using our network of 37 training providers, we were asked to coordinate around 900 training and employment opportunities across 580 stores in the run up to Christmas. Tesco's mission aligns closely to our own – helping people from disadvantaged backgrounds to hone their skills and self-confidence, to ultimately help them secure employment.

One of those people is Liam, who started work with Tesco last year, having gone through the pre-employability training programme with PeoplePlus before starting a placement and ultimately securing full-time employment. Liam lacked confidence, had low self-esteem and was very shy. Working closely with his "work buddies" at Tesco his confidence grew and he began to enjoy his job, working hard and interacting more with his team. A year later, Liam calls his colleagues his friends, has a permanent contract with Tesco and is supporting himself financially.

Tesco is a shining example of how Staffline and PeoplePlus together can strategically support a large employer with their recruitment needs all over the UK. Having already created around £12.4 million of social value, 2024 is set for future collaboration and a dynamic working relationship.

Listen to his story here:

Liam's Story | Tesco Movement to Work

ESG Report continued

2 Supporting and developing our people.

We share a commitment to improving the working lives of our people every day. Our leaders, aligned to our values, drive a high-performance culture through effectively engaging and developing our people, while supporting and creating a sense of belonging.

We invest in training and development

Promotions

243

in 2023, equating to over 10% of employees and indicative of a healthy organisation according to Strategic Human Resource Management, the US equivalent of the UK Chartered Institute of Personnel and Development.

Active apprenticeships

73

in Recruitment GB and PeoplePlus during the year

Personal development

>5,200

hours of non-mandatory training completed by PeoplePlus employees in 2023

We listen, act and support

Retaining key talent and fostering engagement and commitment are essential to Staffline's future growth. Engaging with our employees to understand their needs is an ongoing and two-way process.

All employees are invited to take part in regular engagement surveys. Over 75% of survey respondents in the Recruitment businesses are happy with their experience of working for Staffline and 75% of respondents in these businesses are likely to recommend Staffline as a great place to work. Meanwhile 87% of respondents in PeoplePlus said they were proud to work for the business.

Seeking employee feedback, listening and acting on it is essential, but is only one part of the engagement journey.

In 2023, we have:

- introduced a new career development tool for Operational employees;
- implemented carers leave before the legislation commenced;
- introduced the Big Idea suggestion scheme;
- implemented monthly team lunches to encourage collaboration and communication;
- introduced new benefits as a result of employee feedback; and
- redesigned our employee engagement survey.

Staffline continues to focus on the continual development of its employees through:

- creating the best start: every employee receives company-wide and role-specific inductions;
- new manager inductions for new or promoted employees;
- monthly 121's with line managers that focus on performance and development;
- on-the-job development and secondment opportunities; and
- transparent career opportunities throughout the organisation.

We celebrate success by showcasing our very best

We continue to recognise our people's wins, recognising and rewarding team and individual success through formal monthly, quarterly and annual awards based on our values and results. This is in addition to various more formal incentive schemes.

Celebration can be both internal and external:

External

- Kevin Clarke – won the Temporary Consultant of the Year award at the 2023 Employment & Recruitment Federation ("ERF") Awards.
- Laura Craughwell – shortlisted for Permanent Consultant of the Year at the 2023 Employment & Recruitment Federation Awards.
- Hannah Fitzsimons and Niall McKenna – both shortlisted for Temporary Recruiter of the Year at the 2023 Employment & Recruitment Federation Awards.
- PeoplePlus was placed in the "Top Ten Companies to Work For" in the Investors In People ("IIP") Silver 250+ category.
- PeoplePlus won the IIP Social Responsibility Organisation of the Year Award 2023-24.
- Staffline Recruitment Ireland won the "Best Place to Work" in the Irish News awards.
- PeoplePlus influenced a new category in the "Skills for Justice" Educator of the Year awards, ensuring recognition of the value added by the prison education teams.

Internal

Recognising our employees who go above and beyond in their roles is a key part of our people and culture ethos. Employees can be recognised in many ways through recognition awards, length of service milestones and so much more. Below are a few examples of how we recognise our employees across the business:

- Employees in Recruitment GB who go above and beyond in their roles and how they represent our values can be nominated each quarter for Staffline Stars awards. At the end of the year all the winners during the year are reviewed and considered for the overall Star of the Year award, which was shared between two worthy winners in 2023.

- Other employees who go above and beyond in their roles are recognised through our Simply the Best awards, instant awards and service milestones.
- Twenty-one Recruitment Ireland high performers and service stars won a trip to Barcelona in recognition of their excellent performance.

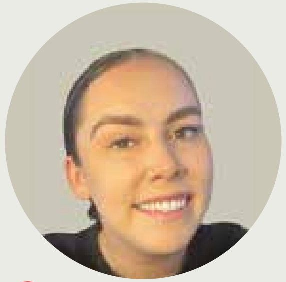

Celebrating a five year contract anniversary with the PeoplePlus team in Scotland


PeoplePlus, IIP Social Responsibility Organisation of the Year Award winners

Stars of the Year Award winners Jayne and Asta


Kevin Clarke, ERF Temporary Consultant of the Year Award winner


Staffline Ireland, Irish News Best Place to Work Award winners



I started my Level 3 L&D Apprenticeship back in March 2021 and what a journey it has been. Time management was definitely a challenge for me, but it was absolutely all worth it and now I have another qualification under my belt!

Leanne Process & Systems Coordinator

I've just completed Team Leadership Level 2! It was a very interesting course with a lot of information that I didn't already know. It was a lot of hard work but once I got into it, it was manageable.

Lyndsay Payroll Coordinator

Recruitment GB's Learner Experience Platform, known as LXP, provided me with a flexible, self-directed approach to learning. Five stars from me!

Laszlo Area Account Manager

On the LXP, I am able to find a lot of useful information relating both to my job duties and to general working regulations and more.

Asta Service Consultant

ESG Report continued

Listening to our employees and responding

Working in the criminal justice sector can be challenging so ensuring that we recruit applicants who have the right mindset, equip them both through induction and going forward, and then listen to what they need, is crucial.

To support our Prison Education Framework contract we have gone “back to the floor” and listened to our teams on the ground. As a result, we have implemented different recruitment routes (one being Over-50’s recruitment) and redesigned our onboarding and induction processes to incorporate feedback from new starters.

We listened to the local issues and to some of the wider issues that were being raised. We reviewed working patterns to give maximum flexibility, implemented benefits and recognition in the format they wanted, improved development opportunities through CPD and apprenticeships and sometimes just clearly and transparently explained why we couldn’t do certain things.

We updated the format of our engagement survey and doubled the participation rate as employees saw that we were listening and it was gratifying to see our engagement ratings increase and to know that employees now feel seen, heard and connected while, at the same time, seeing our absence and attrition rates reduced.

In addition to employee engagement surveys, in 2023 Staffline has continued to focus on supporting the wellbeing of its employees. The cost of living crisis has affected everyone across their day-to-day spending. At Staffline, we acknowledge that balancing the food shop, travel and housing costs can challenge our physical and mental wellbeing, which also has a cost, so we have provided a practical solution for all our employees during 2023 in the form of Medicash, a benefit that helps with essential medical costs ranging from prescriptions and opticians’ and dentists’ charges to complementary therapies and so much more.

I used Medicash at the dentist and optician this month. I just went for a check-up and an eye test, got receipts which I scanned on the app and I got refunded a week later.

Our Addition benefits discount also makes a huge difference. I was buying an iPad for £480 and went on the Smartspending app and requested an instant gift voucher to cover the cost. With our discount this saved me nearly £40 and it only took seconds to do.

One colleague has saved £217 this year on shopping.

James
PeoplePlus

I recently had a check-up at the dentist and a hygienist appointment, so two appointments in one day, which cost £64. I submitted all the receipts to Medicash and was reimbursed within two working days.

It is such a great benefit that supports everyday medical expenses.

Nicola
Recruitment GB

Case study

Leadership development

Leading the culture of the organisation

In 2023, our focus across the Group has been on acquiring new leadership talent and developing existing talent to ensure Staffline's sustainability.

With the market place continually evolving, we strive to ensure a diverse leadership capability that is right for now and the future.

Here are some of the new and newly promoted leaders in the business.

Rachel Jacob
Account Director, Tesco

Rachel joined Recruitment GB in October 2023 and is responsible for leading the Tesco account within our Supermarkets division.

Rachel came to us with years of experience in the recruitment industry and a track record of excellent leadership and delivery.

Aaron Savage
Branch Manager

Aaron joined Staffline Ireland in April 2023.

"I have worked in many different companies and none has demonstrated Staffline's culture of togetherness, support and positivity on a daily basis.

Having started as a Senior Recruitment Consultant in the recently opened office in Limerick, I was promoted to Branch Manager in August 2023 and have enjoyed every second of it. The support I have received from every colleague has helped me get to where I am today."

Heather Waterhouse
People Director

Heather joined us earlier this year, bringing a wealth of experience from working in commercial organisations for many years. Some were very different to PeoplePlus (e.g. heavy engineering, privately-owned) and some had similar challenges (e.g. criminal justice system, mental health and unionised). Heather has brought executive coaching and mediation skills to help develop our leadership teams and a different perspective that is challenging our thinking on many levels.

ESG Report continued

Embedding an inclusive culture

Our aim remains the same: To create a culture where every employee belongs and feels included.

We are aware

Through national campaigns, employee development and senior leadership sponsorship we are committed to increasing awareness of DEIB among employees across the Group.

In 2023, we have continued with our focus on creating awareness of DEIB whilst embedding our learnings from 2022. Focus this year has been less about national weeks and more about employee requests and trending topics. We asked our employees what areas they would like us to focus on in 2023 and they told us:

- cost of living
- parenthood
- age and generation
- physical disability
- women's health, including menopause
- breast and cervical cancer
- men's health

Awareness is generated through specific campaigns and longer-term focus and support groups for unpaid carers, neurodiversity, disability and BAME. All of these are supported by line manager guidance and all-employee resources including ongoing evolution of training around minority groups and discrimination.

We are trusted

Working with our people, our communities and our customers we seek to create a working environment that is inclusive and encourages employees to speak openly, authentically and without consequence about matters that concern them.

We have also continued to update and deliver mandatory training and support the recruitment and development of mental health champions.

When it comes to being trusted externally, we consciously aim to recruit and develop talent that reflects the communities that we serve to ensure that we are representative of society.

We evolve

Through effective policy change and ongoing communication we strive to create a more inclusive culture for our people.

Our people, customers and communities trust us to create an environment that is inclusive and encourages our people to talk openly, authentically and without consequence. Our employees have the opportunity to speak out openly through various forums and engagement sessions, or privately through our Employee Assistance Programme or our whistle-blowing process.

Women in Business partnership – Ireland

Staffline Ireland established a strategic partnership with Women in Business NI to support their innovative Timely Careers platform. This is Northern Ireland's first jobs platform and support service specialising in flexible, part-time job share and term-time working opportunities, aiming to remove traditional barriers to working for women and those with carer responsibilities.

Employee gender split (Group-wide)

63% female

37% male

Women in senior leadership positions

53

Collaborations

Rest Less is the UK's fastest growing digital community for the over 50s with over 1.1 million members. PeoplePlus has engaged with Rest Less as a potential source of recruits, particularly tutors to support the division's prison education services, and this initiative is expected to continue into 2024.

- Reach Next Generation, a not-for-profit organisation that aims to inspire and build self confidence in young girls aged between 11 and 15, hosts events across the country. Recruitment GB was proud to sponsor their Nottingham event in October 2023.

Internal policies

We continue to develop and implement policies that reflect the changing nature of the world of work to ensure that we remain an employer of choice for our existing and future employees. In 2023, we have made the following changes:

- Maternity and paternity: Enhanced paternity to two full weeks and enhanced maternity pay across the divisions.
- Carers policy: Carers now receive five days of unpaid leave, ahead of government changes.
- Safe Leave policy in ROI: Implemented ahead of the bill to support victims of domestic violence, the policy provides five days of safe leave.
- Company sick pay policy: Amended to reflect length of service rather than a blanket "one size fits all" approach.

Recruitment firm teams up with careers platform supporting women

Area	Actions
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 online 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.

Gender pay gap reporting

On 5 April 2023, the Group employed c.2,300 permanent staff and c.29,700 temporary workers. The mean gender pay gap for all employees and workers taken together was 11.4% (2022: 7.6%). The figure for temporary workers specifically was 11.05% (2022: 7.1%) and for permanent staff specifically was 15.1% (2022: 15.7%). All temporary workers on an assignment are paid the same hourly rate for the same work irrespective of gender, but certain roles that generally attract higher rates of pay, such as driving and manufacturing jobs, tend to be male-dominated.

The Group's gender pay gap reports can be found on our website at: www.stafflinegroupplc.co.uk/about-us/gender-pay-gap-report/.

ESG Report continued

3 Reducing our environmental impact.

Staffline is committed to clear and comprehensive reporting that reflects ongoing development of the corporate reporting environment in relation to climate change and sustainability, including both mandatory requirements and discretionary good practice.

Staffline Group plc Board

Responsible for:

Defining ESG/sustainability strategy based on recommendations from ESG Committee and input from external stakeholders
Approving ESG Committee Terms of Reference
Approving climate-related metrics and targets and monitoring achievement

ESG Committee
(chaired by Group CFO)

Senior management workstream leads from:

- Divisional Human Resources/People teams
- Marketing/Communications team
- Divisional Governance teams
- Group Finance team
- Group Internal Audit function
- Company Secretarial function

Responsible for:

- Supporting the Board's ongoing development of ESG strategy
- Reviewing emerging trends and good practice in ESG management and reporting
- Developing Staffline's approach to ESG/sustainability risk management
- Compilation of Staffline's internal and external reporting on ESG/sustainability matters

Audit Committee
(chaired by Non-Exec Director)

Responsible for:

- Overseeing risk management and internal control arrangements in respect of climate-related and other risks
- Overseeing the Group's compliance with reporting and disclosure regulations

Divisional Ops Boards
(chaired by Divisional MDs)

Responsible for:

- Overseeing implementation of Group strategy on ESG/sustainability matters

Divisional Management Teams

Responsible for:

- Implementing Group strategy on ESG/sustainability matters
- Liaison with customers and suppliers around ESG/sustainability-related risks and opportunities
- Maintaining appropriate internal controls

The following statement is structured in accordance with the guidance contained within "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" published by the TCFD in October 2021 and incorporates the components of the Non-Financial and Sustainability Information Statement ("NFSI Statement") required under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance and climate-related risks and opportunities

Governance structure

The adjacent graphic sets out the component parts and respective responsibilities of Staffline's governance framework for identifying, assessing and managing climate-related risks and opportunities.

The role of the Board

The Board is responsible for setting the Group's overall business strategy and overseeing its delivery. Ensuring effective management of risks and opportunities including, but not limited to, those arising from climate change is seen by the Board as a fundamental part of securing the Group's long-term sustainability.

The Board sets, and periodically reviews, the ESG Committee's terms of reference. The Group CFO, who chairs the ESG Committee and is the nominated Board member responsible for sustainability matters, provides a conduit between the Board and the Committee and reports regularly to the Board regarding the Committee's activities.

The Audit Committee monitors the Group's management of exposure to climate-related risks as part of its role in overseeing the Group's overall risk management arrangements, as described below. It is also responsible for ensuring that the Annual Report and Accounts and all other public announcements fully comply with relevant laws and regulations and that all such information is presented in a true and fair manner.

The role of management

The senior managers comprising the ESG Committee are drawn from across the Group's trading businesses and central functions. They support development, communication and implementation of ESG/sustainability policy and initiatives to promote awareness of sustainability-related risks including climate change. As noted with regard to Staffline's processes for identifying and assessing climate related risks (see below), the ESG Committee contributed to an internal risk assessment exercise around climate-related risks. The wider management teams are central to Staffline's overall business risk assessment processes as described on page 50, which consider climate change alongside other business risks.

The Committee also plays a coordinating role in defining metrics and ensuring that data sets used in reporting on ESG/sustainability matters are consistent across the Group.

The management teams within Staffline's trading divisions are responsible for identifying and realising opportunities to improve the sustainability of Staffline's operations, including delivery of formally defined Carbon Reduction Plans covering Staffline Recruitment Limited and PeoplePlus Group Limited.

Strategy

Climate-related risks and opportunities

The risks and opportunities faced by Staffline are both direct (affecting Staffline's business model, operations and financial position) and indirect (affecting customers' and clients' business models, operations and financial position).

Direct impacts are easier to assess but are potentially less significant than indirect impacts, which are likely to manifest differently in terms of nature, scope and timing across the business sectors in which Staffline, particularly the recruitment businesses, operates.

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. Staffline has adopted a strategy of positive engagement with stakeholders around ESG/sustainability 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, but the Board does not believe that either the Group's strategy or its core business model will be materially affected.

ESG Report continued

The table below summarises the key climate-related risks and opportunities that the Board considers relevant to Staffline, and potentially material in nature based on financial impact and/or impact on Staffline's operating model.

	TCFD category	Potential impacts	Potential severity	Proximity	Staffline response
Direct risks					
Carbon pricing via taxation or other means (e.g. carbon credits)	Transition/ Policy and Legal	• Increased operating costs/ reduced profitability	Low to Moderate	Short to Medium term	• Carbon Reduction Plans including offsetting of some emissions • Offset costs by increasing margins where possible
Climate-driven increases in food and/or energy costs	Transition/ Market	• Increasing wage expectations from employees and workers/ pressure on margins	Low to Moderate	Short to Medium term	• Constant monitoring of pay trends • Ongoing dialogue with customers and clients • Targeted pay increases directed towards lower-paid employees
Increased regulation, including emissions limits, reduction targets and/or increased reporting	Transition/ Policy and Legal	• Increased operating costs and administrative overheads	Low to Moderate	Short to Medium term	• Ongoing monitoring of regulatory landscape • Use of external advisors to support strategy development and reporting
Unsuitable properties due to e.g. lack of adequate air conditioning	Physical/ Chronic	• Investment in upgrading or relocating activities	Low	Medium to Long term	• Compile business case for investment or relocation to remediate unsuitable properties • Revise qualifying requirements for selection of new properties

	TCFD category	Potential impacts	Potential severity	Proximity	Staffline response
Indirect risks					
Changes in customers' and clients' operating models and supply chains, including demand for labour and/or operating locations	Transition/ Market	• Fulfilment challenges (volume, skills and location) affecting time to hire and cost of payroll	Low to Moderate	Short to Medium term	• Constant communication with customers and clients directed towards developing long-term partnerships beyond simple transactional relationships
Social change affecting customers' and clients' attractiveness as places of work if their sustainability performance is seen as deficient	Transition/ Market	• Fulfilment challenges as above	Low to Moderate	Short to Medium term	• Major customers and clients are predominantly large listed PLCs, private companies or public sector organisations with stated commitments to long-term sustainability

	TCFD category	Potential impacts	Potential severity	Proximity	Staffline response
Opportunities					
Operational efficiency through increased focus on sustainability of operations	Resource efficiency	• Cost reduction	–	Short to Medium term	• Focus on cost base • Active programme to achieve sustainable sourcing
Increasing inward migration due to climate change in areas outside Europe	Markets	• Increased availability of labour, particularly for blue-collar roles	–	Medium to Long term	• Develop strategies to target new labour pools as they emerge
Placement of workers into higher skilled green technology roles in e.g. automotive and construction sectors	Markets	• New customers/ revenue streams • Additional volume and/or higher margins	–	Medium to Long term	• Drive business development efforts in potential growth sectors, whether new or adjacent to currently active sectors

Severity
Low – Long transition period and/or little or no operational disruption and/or financial impact
Moderate – Medium transition period and/or limited operational disruption and/or financial impact
High – Short transition period and/or high operational disruption and/or financial impact

Proximity
Short term – Expected to crystallise within the next three years (FY 2024-2026)
Medium term – Expected to crystallise within the next four to seven years (FY 2027-2030)
Long term – Not expected to crystallise within the next seven years (FY 2031 or later)

Effect of climate-related risks and opportunities on Staffline's strategic, financial and operational planning

The Group is not a significant producer of greenhouse gases, waste, pollutants or tangible products requiring disposal at the end of their useful life. The Board does not consider climate change a material strategic threat to Staffline but recognises its implications for the overall business environment in which the Group operates.

Staffline seeks to maintain flexibility in its fixed cost base, making use of leased properties and fixed-term employment contracts in cases where permanent roles are not appropriate, such as project-focused roles with a limited duration.

Business resilience to different climate scenarios

The Covid-19 pandemic in 2020 demonstrated Staffline's ability to respond quickly and effectively to unexpected and far-reaching change while maintaining services to customers and clients. Hybrid or home-based working patterns are now well established across the business, reducing, but not eliminating, dependence on fixed working locations.

The Board believes that different climate scenarios (e.g. a less than 2°C rise in temperatures vs a greater increase) would not lead to materially different direct impacts on the Group's activities. Work to assess the potential indirect impacts is an ongoing process of engagement with customers and clients to understand their view of climate-related risks, how their activities might be affected and how this might affect Staffline.

A high-level review of the Group's property portfolio was carried out during 2023 to identify properties that might be subject to risk of flooding or could become unsuitable due to lack of air conditioning in the event of a sustained rise in temperatures. Most properties were found to be at low risk of flooding, but some properties were found to be potentially unsuitable at certain times of year and would require either investment in air conditioning or relocation of activities to a more suitable property. Either of these situations will involve both initial outlay and ongoing costs that are likely to exceed current expenditure. Further work to assess the potential financial impact will be carried out during 2024.

Risk management

Identifying and assessing climate-related risks

The ESG Committee sponsored an internal risk assessment exercise that assessed the proximity and potential severity of climate changes, including increased temperatures, reduced precipitation, rising sea levels, increased frequency of extreme weather events and climate-change driven changes in the regulatory and tax environment. Impacts were assessed in terms of both direct impacts on Staffline and its operations and indirect impacts on customers' and clients' business models and operations, which are inevitably more difficult to predict with any degree of certainty.

The Board is satisfied that the Group has limited exposure to climate-related disruption of its supply chain because it is essentially people-based, but further work will be undertaken to confirm that all material risks have been identified.

Direct impacts were categorised as potentially affecting one or more of the following: Staffline's business model; its operations and operating costs; its employees; or its workers. Indirect impacts were initially considered by customer business sector and potential implications were then mapped to the same broad impact categories as direct impacts.

Climate-related risks are reflected in the Group's risk management process via inclusion within the relevant component items on the Divisional and Group risk registers. For example, the impact of carbon pricing and/or changes in taxation is considered as part of the overall regulatory environment and compliance risk landscape.

Managing climate-related risks

The Board recognises the importance of identifying and managing climate-related risks, not least because of the scope and enduring nature of these risks and the opportunities for competitive advantage they may create. However, the Board regards climate-related risks as an integral part of the overall risk environment within which the Group operates and believes that risk management processes should address risk via an integrated approach that supports efficiency and effectiveness and reduces opportunities for conflict between risk management activities.

Climate-related risks and Staffline's risk management approach

Climate-related risks have historically been reflected within the relevant component items on Divisional and Group risk registers, such as regulatory/taxation risk and service offer and delivery risk, which incorporates unpredictability of short- and longer-term customer demand in the recruitment businesses. This reflects multiple factors, including changes in labour supply due to climate-related migration, changes to customers' and clients' business models, such as increased automation in food and retail logistics and the effect of future carbon pricing regimes on the aviation sector.

Staffline's recruitment businesses in particular are exposed to fluctuations in demand for temporary labour driven by changing demand for their customers' products and services, most notably in the food and retail sectors, but also in sectors such as automotive and aviation.

It is not possible to produce accurate long-term forecasts of future demand beyond broad market trends, which are affected by many factors other than, and more significant than, climate change. All the Group's trading businesses maintain close relationships with their customers and clients to review current and emerging trends and provide appropriate flexibility with business plans, both operational and financial.

Area	Actions
Climate-related risks	• Continue engagement with customers and clients
Energy and carbon reporting	• Continue regular review and update of Carbon Reduction Plans • Extend ISO 14001 accreditations • Extend Scope 3 emissions data gathering
Carbon emissions	• Review opportunities identified by Compliant Energy Audits • Extend use of renewable energy at source • Extend availability of hybrid and electric vehicles through salary sacrifice car schemes
Carbon offsetting	• Continue offsetting programme

ESG Report continued

Metrics and targets

Climate-related metrics

Measurement of Scope 1 and 2 greenhouse gas ("GHG") emissions is now well-established within Staffline Recruitment Limited and PeoplePlus Group Limited, which together comprise the majority of the Group's business.

Development of Scope 3 emissions monitoring is progressing well and data gathering for other emission classes is underway. This will allow targets for future years to be set in the form of reductions or restrictions on any increase arising from new business, acquisitions or other underlying business growth.

Greenhouse Gas Emissions

The Group places 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. We aim to demonstrate these responsibilities through our actions and within our corporate policies, supported by our ISO 14001 Environmental Certification in the PeoplePlus and Datum RPO businesses. Plans to expand this certification into Recruitment GB are progressing and will continue in 2024.

2022 was the first reporting year where, following a comprehensive survey of our remote and home-based workers, we had this additional strand of data to help us understand the emissions for colleagues working mostly outside our property estate. This data continues to be included within the reported Scope 1 and Scope 2 figures.

The data in Table 1 and Table 2 covers financial years 2022 and 2023 and details emissions and energy consumption across all large UK entities in the Group. Energy usage from subsidiaries outside the UK is not in scope for this report and is therefore excluded.

Our UK total net emissions have fallen from 1,200.99 tCO_2e in 2022 to 997.50 tCO_2e in 2023.

Reporting and monitoring arrangements for current emissions for sources included in Scopes 1 and 2 of the GHG Protocol are in place and embedded. The methodology used to calculate our emissions is based on the Streamlined Energy and Carbon Reporting ("SECR") guidelines and has been calculated using the revised carbon conversion factors published by the Department for Business, Energy and Industrial Strategy ("BEIS") for each of the years noted. These disclosures are made in accordance with SECR guidelines.

We have continued the Scope 3 emissions data gathering process for categories 1 (Purchased Goods and Services), 5 (Waste Generated in Operations) and 6 (Business Travel), which includes all methods of travel and considers emissions for hotel use. Salary sacrifice car schemes in operation across the Group include electric and hybrid vehicles; we expect the take-up and general use to increase over time, in line with trends seen in the broader domestic use market.

Each of the Group's trading divisions has Carbon Reduction Plans either in place or under development that detail the divisional carbon footprint and confirm the business's commitment to achieving Net Zero by 2050. These plans will be updated in early 2024 to reflect 2023 usage data and to consider the in-year initiatives and activities that have been underway.

Table 1 – UK energy use – emissions in metric tonnes CO_2e

	2023	2022
Group total – Scope 1 (Gas)	**514.50**	**256.82**
Staffline Recruitment Limited	**217.08**	114.58
Staffline Northern Ireland	**0.29**	0.00
PeoplePlus Group Limited	**297.13**	142.25
Group total – Scope 2 (Electricity)	**355.23**	**572.10**
Staffline Recruitment Limited	**137.00**	154.44
Staffline Northern Ireland	**34.34**	47.04
PeoplePlus Group Limited	**183.89**	370.62
Group total – Scope 3 (Partial only)	**521.41**	**606.01**
Staffline Recruitment Limited	**340.49**	332.35
Staffline Northern Ireland	**45.11**	39.72
PeoplePlus Group Limited	**135.81**	233.94
Total emissions in metric tonnes CO_2e	**1,391.14**	**1,434.93**
Total carbon offset	**393.64**	**233.94**
Carbon offset (Trees4travel)	**319.02**	233.94
2023 renewable electricity at source offset	**74.62**	–
Net total emissions in metric tonnes CO_2e	**997.50**	**1,200.99**
Efficiency ratio		
Number of employees	1,604	1,763
Net total emissions in metric tonnes CO_2e per employee	0.62	0.68

Table 2 – UK energy use – consumption in kWh

	2023	2022
Group total – Scope 1 (Gas)	**2,798,188**	**1,396,761**
Staffline Recruitment Limited	**1,180,638**	623,133
Staffline Northern Ireland	**1,592**	0
PeoplePlus Group Limited	**1,615,958**	773,628
Group total – Scope 2 (Electricity)	**1,523,661**	**2,453,895**
Staffline Recruitment Limited	**587,609**	662,432
Staffline Northern Ireland	**147,306**	201,775
PeoplePlus Group Limited	**788,745**	1,589,688
Total consumption in kWh	**4,321.849**	**3,850,656**
Efficiency ratio		
Number of employees	1,604	1,763
Total consumption in kWh per employee	2,694.42	2,184.15

In 2024, we will continue to invest more time on gathering data for categories 5 (Waste Generated in Operations) and 7 (Employee Commuting). Certification to ISO 14001 (Environmental) standard in one of the Group businesses (Datum RPO) has naturally created the framework for elements of environmental reporting and this will grow as the practices of the standard are further embedded.

Carbon offsetting

Working with our partner organisations, we introduced a carbon offsetting scheme in 2022 and this initiative has continued in 2023. Last year we planted 1,479 trees as part of an international reforestation programme, which equated to a carbon offset of 233.94 tCO_2e and in 2023 we have planted a further 1,876 trees allowing us to offset a further 319.02 tCO_2e. This initiative has therefore planted a total of 3,370 trees to date, removing a total of 552.96 tCO_2e. Our partnership will continue throughout 2024 and beyond as we remain committed to reducing our carbon emissions, as set out in our Carbon Reduction Plans.

Making the switch to green (renewable) energy at source continues to form part of our strategy to reduce our carbon emissions, as set out in our Carbon Reduction Plans.

We've already made a great start to progressing this initiative, with 74.62 tCO_2e being offset during 2023. This important work will continue throughout 2024 and on an ongoing basis.

Responsible partnering

Working with responsible businesses is a continuing priority for Staffline, as we want to ensure that our partners share our commitment to help to protect the environment. Bodyguard Workwear support the Recruitment GB business and are leading innovators in textiles and garment manufacture. An innovative collaboration between our two businesses launched in 2023 has successfully removed all single-use plastics associated with our garment (typically high-visibility vests) deliveries across England and Wales. We're working together to ensure that Scope 3 emissions reporting arrangements are introduced from 2024 and we will continue collaborating on other key projects such as use of upcycled fabrics and other recycled materials.

BODYGUARD WORKWEAR

Energy Saving Opportunities Scheme

The Group is committed to working with the UK Environment Agency and continuing to comply with the Energy Saving Opportunities Scheme ("ESOS"), the third phase of which has taken place during 2023. Our Recruitment GB and PeoplePlus businesses have been subject to independent ESOS Compliant Energy Audits in accordance with the ESOS Phase 3 regulations. Both audits were completed successfully with some suggestions for energy saving opportunities that will be considered as part of our review of Carbon Reduction Plans.

Audit reports will be shared with the UK Environment Agency once the portal allowing for document uploads has been launched.

Climate-related targets and performance monitoring

Staffline Recruitment Limited and PeoplePlus Group Limited have published Carbon Reduction Plans. Whilst these are not mandatory for Staffline Recruitment Limited, some government contracts operated by PeoplePlus do require plans to be in place and prime contractors are devolving this requirement where PeoplePlus is operating as a second tier provider (e.g. the Department for Work and Pensions' Restart programme).

Activities to support achievement of this target include:

- setting and achievement of environmental objectives (currently PeoplePlus Group only);
- achievement of ISO 14001 certification (PeoplePlus Group) and development of strategy to support extension of certification to Recruitment GB in 2025 or 2025;
- extension of data capture and reporting to include Scope 3 emissions;
- recycling initiatives in place at most business locations and awareness campaigns continuing;
- waste management controls in place in most business locations;
- active monitoring of business mileage and promotion of alternatives (currently PeoplePlus Group only);
- carbon offsetting project implemented in 2022 and continuing; and
- increased efforts to transition energy supplies to renewable sources.

Greenhouse gas emissions data is collated and reported annually, providing the key metric by which Staffline judges its progress towards achieving its stated targets.

4 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 within the Group and Divisional teams are professionally qualified. Ongoing investment in operational management information systems 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. 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 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. Divisional Compliance teams undertake compliance monitoring work and, where appropriate, provide both specialist support with investigations and general support to promote awareness and understanding across Staffline's operations.

Staffline Recruitment Ltd, Brightwork and PeoplePlus are all ISO 9001 accredited, meaning that management systems are subject to regular independent audit.

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 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 and a formal policy covering donations and sponsorships is in place.

Responsible business

Staffline operates a zero-tolerance approach to unethical behaviour. The Group has defined 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 Whistle-blowing Policy, which covers all employees and by the separate "Speakup" process for temporary workers within Recruitment GB. Appropriate monitoring including periodic audits and reporting on whistle-blowing reports to the Audit Committee is also in place.

Parts of Recruitment GB and Recruitment Ireland's activities are overseen by the Gangmasters and Labour Abuse Authority ("GLAA"), which conducts regular checks on working conditions and payment practices to ensure workers are not being exploited. Staffline also maintains a clear zero tolerance position in relation to modern slavery. All permanent staff are provided with training on how to spot potential indicators of labour exploitation and the Recruitment businesses work proactively with regulatory bodies and the police.

Brightwork, Recruitment GB's Scottish business, has played a leading role in the creation of Scotland Against Modern Slavery ("SAMS"), a joint initiative with the Scottish Government and Police Scotland aimed at raising awareness of human trafficking and labour exploitation within the business community.

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. Clear processes and reporting lines are also in place for use when a potential or actual data breach is identified.

The Group seeks independent accreditation of its processes and practices where it is appropriate to do so. PeoplePlus has held ISO 27001 and Cyber Essentials Plus accreditations for several years and both Recruitment businesses will be seeking Cyber Essential Plus accreditation during 2024. Recruitment GB achieved EcoVadis Silver accreditation for its environmental management practices during 2022 and this was retained in 2023. Plans are in place for the Division to achieve ISO 14001 accreditation in 2024 or 2025.

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. Staffline endeavours to treat everyone fairly in relation to job applications, training, promotion, and career development.

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. The appointment of Amanda Aldridge to replace Ian Starkey has significantly improved the gender balance on the Board. Further information can be found on page 59.

Principal Risks and Uncertainties

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's risk management framework and internal control systems facilitate robust risk management by establishing multiple integrated "lines of defence".

Approach to risk

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

The Group's risk management framework and internal control systems are central to the identification of existing and emerging risks and the development of mitigating actions, which may include avoidance, reduction and/or transfer of risk.

Clearer linkage between strategy and risk in the Group's external reporting was identified by the Board as an area of focus for 2023, resulting in a review of how risks are reported and implementation of a new approach within this Annual Report.

Risk assessment methodology

The Risk Management Policy implemented in 2020 is now established across the Group.

Recruitment GB and PeoplePlus maintain functional risk registers (Operations, Finance, Technology, People etc.) that are updated twice a year, reviewed by the respective divisional Risk and Compliance Committees and collated into divisional risk registers that reflect the Group's standard risk assessment methodology. Recruitment Ireland operates a more informal process based on quarterly review of the divisional risk register in place of separate functional risk registers.

The Group's risk assessment methodology requires that risks are evaluated based on the likelihood of occurrence and their potential impacts, which are considered in terms of business objectives around profitability, liquidity, reporting, regulatory compliance and reputation. The combination of likelihood and impact scores produces an overall risk score, which is used to rank risks based on the overall level of exposure they present.

Risk appetite

The Board has defined its appetite for risk in terms of the five objectives used in the risk assessment methodology as described above, which allows areas of potentially excessive exposure to be highlighted.

This appetite can be summarised as follows:

Increasing level of risk →

Risk management objective

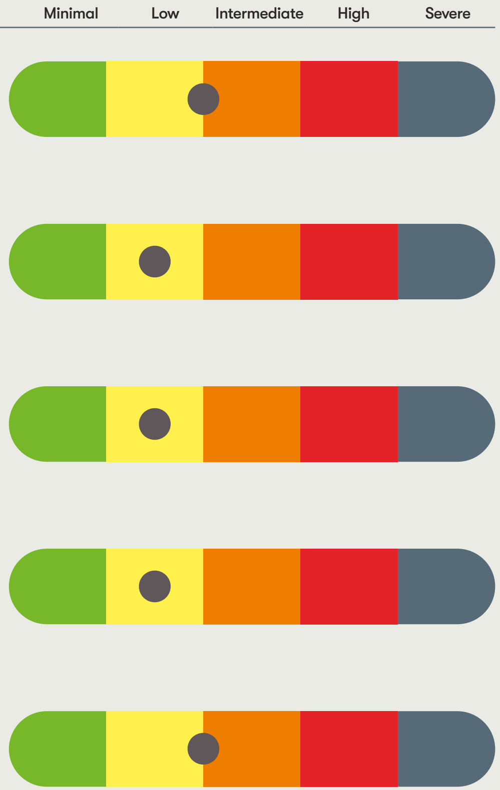
Profitability
Deliver financial results consistent with current budgets/forecasts and market expectation.

Liquidity
Comply with all financing agreement and other commitments required to maintain external financing.

Reporting
Provide timely, reliable and relevant key financial and non-financial information for internal and external audiences.

Compliance
Maintain compliance with all relevant laws/regulations in the applicable jurisdictions and market sectors.

Reputation
Maintain positive corporate reputation with investors, customers, and other relevant stakeholder groups.



Principal Risks and Uncertainties continued

Risk management process

The Group has in place a standardised approach to risk management that provides a consistent framework within which the trading divisions can identify, assess and manage their risks.

Risk management is an ongoing activity, supported by structured processes and documentation to facilitate communication and shared understanding between the trading businesses, compliance and internal audit functions and the Board. Where appropriate, external experts are engaged to provide advice, particularly in relation to legal, regulatory and compliance matters. The Group is also a member of trade bodies such as the Recruitment and Employment Confederation ("REC") and actively participates in consultations around matters relevant to the Group.

Divisional risk registers are reviewed and updated regularly and are consolidated annually to provide a Group view as part of the strategic planning and budgeting process. A three-year forward view is applied to ensure that emerging risks are included in the assessment process. The Group-level risk register process and its outputs are formally reviewed by the Audit Committee on behalf of the Board.

The Board also receives updates on key and emerging risks and any significant changes in the risk environment via routine monthly reports from divisional management.

Risk management and internal controls framework

The key components of the Group's risk management and internal controls framework and their interactions are summarised below:

Operational Teams (first line of defence)

Operational teams are responsible for conducting the Group's business in accordance with defined policies, procedures and culture/values.

Governance and Compliance Teams (second line of defence)

Governance and Compliance teams monitor and support the activities of operational teams, providing guidance and recommending corrective actions or process improvements where control weaknesses or failures have occurred.

Divisional Management

Divisional management oversee implementation of the risk management policies and culture defined by the Board and the internal control systems that support these objectives.

Board

The Board has overall responsibility for implementing and maintaining effective risk management and internal control processes and ensuring that the appropriate culture is established.

Day-to-day responsibility for delivery of these objectives is delegated to executive management.

Group Internal Audit (third line of defence)

The internal audit function provides independent evaluation of risk management and internal control processes operated by Operational Teams and Compliance and Governance Teams.

Audit Committee

The Audit Committee is responsible for overseeing the efficiency and effectiveness of the Group's risk management and internal control systems.

The Committee defines the level and nature of assurance required to support the Board in fulfilling its obligations in this area and ensures this assurance is obtained.

Direct reporting lines

Indirect/informal reporting lines

Principal Risks and Uncertainties continued

Principal risks

The most significant risks and uncertainties to which the Group is exposed are summarised below.

The assessment of these risks and the effectiveness of controls currently in place reflects management's view and is subject to change due to both internal and external factors affecting the overall risk environment in which the Group operates.

Risks are categorised as follows:

Strategic – Threats with the potential to affect the Group's ability to achieve its strategic objectives.

Operational – Threats inherent in the Group's day-to-day operations.

Financial – Threats arising from the Group's management of its financial resources and/or movements in financial markets.

		Strategic objectives affected	Residual risk level	Year-on-year trend
Strategic	Economic conditions	1	High	Stable
	New business pipeline and conversion rate – PeoplePlus	2, 3	High	Increased
	Labour market conditions	1, 4	Medium	Decreased
	Contract portfolio – Recruitment GB	1, 2	Medium	Stable
	People	1, 2, 3, 4	Medium	Stable
	Sustainability and climate change	1, 2	Low	Stable
Operational	Cyber security and IT systems	1, 2	Medium	Stable
	Legal and regulatory environment	1, 2, 4	Medium	Stable
	Service delivery – Recruitment GB	1, 2	Medium	Stable
	Service delivery – PeoplePlus	2, 3	Medium	Increased
Financial	Liquidity and covenant compliance	1, 2, 3, 4	Low	Stable
	Interest rates	1, 2, 3, 4	Low	Stable

Strategic objectives
1 Capitalise on market leadership
2 Broaden portfolio of services
3 Drive ongoing profit growth in PeoplePlus
4 Grow in Republic of Ireland

Risk trend indicators Increased Stable Decreased

Individual risks and the Group's response to each are summarised below:

Economic conditions

Residual risk level High **Year-on-year trend** Stable

Risk description

Economic conditions in the UK and Ireland affect the Group's business in a variety of ways including unpredictable customer demand driven by consumer spending and the impact of the cost of living and higher interest rates on wage expectations on the part of both workers and permanent employees.

Increased unemployment presents opportunities for both the recruitment businesses by expanding the potential labour pool and PeoplePlus through government employability training schemes such as Restart.

Economic conditions in the UK are likely to be affected by increasing political uncertainty in the run-up to the General Election that must be held before the end of January 2025.

Economic pressures are also a key motivator for fraud, which is an inherent risk in any business.

Staffline response

Staffline provides temporary labour into a wide range of business sectors in both the UK and the Republic 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.

Flexible labour resourcing has historically provided the Group's customers with an important mitigation strategy in times of unpredictable demand from their end customers.

The back-to-work education support services delivered by PeoplePlus could see increased demand should unemployment rates rise in the short to medium term. Recent Government announcements about out of work benefits reform may provide further opportunities.

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.

New business pipeline and conversion rate – PeoplePlus

Residual risk level High **Year-on-year trend**

Risk description

PeoplePlus 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. The division also operates in the Justice sector, delivering vocational and other training to prisoners through its contracts with the Ministry of Justice.

PeoplePlus was unsuccessful in a number of bids during 2023 and, whilst several large bids, including significant long-term contracts with the Ministry of Justice and Department for Work and Pensions, are in the new business pipeline, failure to secure one or more of these bids could have a material impact on the Group's revenue and profitability.

Large, complex public sector contracts are becoming less common, requiring a greater number of bids to be submitted to grow, or even maintain, historical levels of revenue.

Staffline response

PeoplePlus currently has a strong pipeline of opportunities, including a number of successors to contracts currently held, where past experience will inform both operational delivery proposals and pricing models.

A two-year extension of the Prison Education Framework ("PEF") contract with the Ministry of Justice commenced during 2023 and provides a strong platform for PeoplePlus' tender for Prison Education Service ("PES") contracts that are the successors to PEF. Extension of PeoplePlus' Restart contracts is also under negotiation.

Management have identified several 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.

PeoplePlus is also developing capabilities that provide an increasing opportunity for high-margin growth through the provision of ancillary services to the wider provider community within the non-commissioned services sector. The most notable of these capabilities is the Social Recruitment Framework ("SRF").

Labour market conditions

Residual risk level Medium **Year-on-year trend**

Risk description

The marketplace for temporary labour is highly competitive, with demand continuing to exceed supply, but has eased compared to the situation in 2022 and early 2023.

Immigration remains a politically contentious topic affecting availability of foreign labour. Recent changes to minimum salary requirements for Skilled Worker and Family visas and plans to review Student visas are expected to have an impact on the UK labour market and further changes are likely. Comparative economic conditions in workers' home countries and the UK also affect the attractiveness of the UK as a place of work.

The market is further complicated by legislative and regulatory factors, as referenced elsewhere.

Staffline response

Recruitment GB has paused investment in its branch network and is consolidating to improve operational efficiency but continues to invest in digital technologies to increase its market presence and profile, speed up the process of attracting, onboarding and deploying workers to meet customer requirements and provide rich management information and insight for both Staffline and customer use.

Recent changes to UK visa rules are expected to have only limited impact on the Group.

Tight labour markets are generally beneficial to PeoplePlus as they increase employers' focus on labour pools that are core to the division's activities, namely long-term unemployed and ex-offenders.

Contract portfolio – Recruitment GB

Residual risk level Medium **Year-on-year trend**

Risk Description

Much of Recruitment GB's 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.

Unrealistic or unsustainable pricing of tenders by competitors to secure new business is a constant threat, but also provides opportunities for Recruitment GB to acquire market share from competitors who may experience financial challenges in the current economic environment.

Staffline Response

Recruitment GB's approach is to develop its business with customers that pay appropriate pay rates to workers, provide appropriate margins for its services and offer opportunities to extend its service offer into potential growth areas such as white-collar and permanent recruitment.

Recruitment GB's customer portfolio and its pipeline of potential new business and contract renewals or extensions are closely monitored. All tenders and contracts are closely scrutinised by the Commercial team, who make appropriate recommendations to management regarding any terms that are outside the division's standard terms and conditions.

Principal Risks and Uncertainties continued

People

Residual risk level Medium **Year-on-year trend**

Risk description
Attracting and retaining the talent required to maintain and develop the Group's business remains a challenge. Candidates' and employees' expectations around pay, benefits and working conditions post-Covid 19 and in the current inflationary environment have changed. Organisations' stances on environmental and social matters have also become significant factors in attracting and retaining staff.

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

Staffline response
The Board has in place Remuneration and Nominations Committees to ensure appropriate governance of senior pay awards and promotions.

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 and discretionary pay awards may be made where specific high performers are seen as at risk of being attracted to roles outside the Group.

Further information about the Group's employee engagement, development and retention programmes is set out in pages 36 to 41.

Sustainability and climate change

Residual risk level Low **Year-on-year trend**

Risk description
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 have a gradual effect 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 the Group arising from climate change are likely to be low-impact and to have no material implications for the long-term viability of the Group.

Staffline response
Understanding and meeting customers' and other stakeholders' expectations around sustainability matters is likely to lead to some incremental costs to the Group, but the Board believes that they offer significant opportunities, particularly around the social value contributed by PeoplePlus and wider stakeholder engagement.

Further information about ESG and sustainability matters and climate change-related risks is set out on pages 42 to 47.

Cyber security and IT systems

Residual risk level Medium **Year-on-year trend**

Risk description
The Group is heavily reliant on IT systems to operate and support its business activities. Disruption due to a deliberate cyber attack or failure of old or poorly maintained hardware or software could result in serious business interruption, unexpected costs and/or adverse impacts on the Group's growth and diversification plans.

A failure in key operational systems, particularly the Recruitment divisions' payroll systems or PeoplePlus' Independent Living Services ("ILS") activities could lead to workers or personal carers not being paid correctly and on time with consequent reputational damage and/or worker attrition.

Staffline response
The Group has continued to invest in upgrading its cyber security arrangements, with roll out of secure devices with multi-factor authentication controls to all users completed during the year. PeoplePlus is already Cyber Essential Plus accredited and both Recruitment businesses are preparing to seek this accreditation during 2024.

Most core systems are hosted by major cloud service providers. Disaster recovery plans with contractual recovery objectives are in place for these systems, which are replicated to minimise downtime and potential data loss. Recovery capability is tested regularly and business continuity plans are in place to ensure an appropriate response to systems outages and other disruption scenarios. Key payrolls could, as a last resort, be run and paid via manual processes if necessary due to extended system outages.

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.

Legal and regulatory environment

Residual risk level Medium **Year-on-year trend**

Risk description

The Group operates in a fluid and increasingly complex legal and regulatory environment, particularly in relation to the supply of temporary labour.

Although temporary workers generally fall under the direction and control of Staffline's customers while in the workplace, inadvertent breach of laws or regulations could expose Staffline to liability.

Health and safety is an ongoing challenge in the prison education environment that forms part of PeoplePlus' operations.

Future government policy in areas including taxation, immigration and working hours, all of which are highly relevant to Staffline's recruitment businesses, is currently uncertain and may be subject to change of emphasis following the UK General Election that must be held before the end of January 2025.

Staffline response

The Group actively engages with customers, regulators, external professional advisers and industry bodies to assess the requirements and implications of relevant regulations and working practices and any proposed changes.

Employees in the Recruitment businesses are trained on National Living Wage (formerly National Minimum Wage) regulations. A monitoring process has been established and sites that pay workers at or just above minimum wage are regularly audited by in-house Compliance teams, with emphasis placed on sites that are seen as higher risk due to the nature of operations at customer premises.

Compliance with laws and regulations such as "right to work" checks and Agency Worker Regulations is also monitored through both planned audits and investigation of exceptions identified by data analysis.

Health and safety matters are closely monitored and regularly reported upon, with action plans drawn up where deficiencies or potential exposures are identified.

Management will be monitoring announcements of policy of the main political parties in the run up to and following the General Election to understand and mitigate the impact of relevant changes.

Service delivery – Recruitment GB

Residual risk level Medium **Year-on-year trend**

Risk description

Tight labour markets for both temporary and permanent workers and unpredictable levels of customer demand provide a constant challenge and require agility and innovation to ensure that customers' needs are met as they arise.

Shift patterns may be highly complex and unpredictable working patterns can increase the risk of worker attrition.

Failure to meet contractual service levels and/or customer expectations can lead to performance penalties and adverse impact on customer relationships.

Staffline response

Recruitment GB has established a strong customer proposition based on reliability, flexibility, use of technology and focus on compliance. Fulfilment rates are closely monitored and the Staffline management teams maintain close relationships with customers. Strengthening these relationships as part of developing long-term partnerships has been an area of increased focus during 2023.

Regular review meetings are held with customer management to discuss performance.

2023 has seen a number of new customer wins and increased shares of existing customers' business, demonstrating confidence in Staffline's ability to deliver consistently high service levels.

Service delivery – PeoplePlus

Residual risk level Medium **Year-on-year trend**

Risk Description

Poor or unsuccessful mobilisation of new contracts and/or poor performance on ongoing contracts could have an adverse impact on the Group's profitability and reputation.

Complex contracts such as the Restart and Prison Education Framework ("PEF") contracts and their successor Prison Education Services ("PES") contracts, which are the subject of a current tender, include demanding performance measures under which PeoplePlus takes on the risks of operating in unpredictable environments, particularly around recruitment and retention of staff.

Staffline Response

PeoplePlus has well-established contract mobilisation and contract management models through which it has successfully implemented and delivered high-profile government contracts over many 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 and ongoing monitoring of their compliance.

Regular internal and external audits of PeoplePlus' compliance against scheme rules are undertaken and a range of ISO accreditations are maintained.

PeoplePlus maintains strong working relationships with key customers such as the Ministry of Justice and Department for Work and Pensions, which have been built up over years of operating in sectors such as prison education and employability.

Principal Risks and Uncertainties continued

Liquidity and covenant compliance

Residual risk level Low **Year-on-year trend**

Risk description
Like most businesses, the Group is reliant on external financing to meet its short-term working capital requirements and longer-term investment plans.

It is essential that financing arrangements provide flexibility to allow unexpected events to be accommodated whilst, at the same time, limiting financing costs.

In December 2023, the Group entered into a new financing arrangement replacing the agreement entered into in June 2021. The new agreement involves two lenders and comprises a £60m Receivables Financing Agreement ("RFA") with a four-year term. Further details are provided in Note 21 to the Financial Statements on page 135.

Staffline response
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. 13-week cash flow forecasts are also prepared 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.

The Group has prepared financial forecasts covering the period to 31 December 2025 which show ongoing headroom is expected to be available within the new facilities and that compliance with the relevant covenants can be maintained for the full period of these forecasts.

Interest rates

Residual risk level Low **Year-on-year trend**

Risk description
Increases in central bank interest rates intended to reduce inflationary pressures in the global economy have continued during 2023, leading to increased financing costs for businesses and consumers.

Staffline response
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.

The interest rate cap, coupled with the headroom available within the Group's current financing arrangements, has provided opportunities for volume and market share growth, particularly in Recruitment GB, by allowing a level of certainty around debt and financing costs in the short term that many competitors do not share.

The arrangement was kept under review throughout 2022 and 2023 to assess whether extension beyond the current expiry date would be commercially prudent. However, extension would, in the view of the Board, now be too expensive, so a decision to renegotiate the Group's financing arrangements was made. Information about these new arrangements is set out above.

Corporate Governance

Inside this section

Chairman's Introduction

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.

Tom Spain
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 maintaining and improving the Group's governance, operational and financial processes. The Group has also further strengthened its financial position.

During the year, there were a number of Board changes. I assumed the position of Chairman in May 2022, in an interim capacity, and this was made permanent on 18 March 2024.

In April 2023, we announced the appointment of Amanda Aldridge as a Non-Executive Director, with effect from 17 April 2023. Following her appointment, Amanda has chaired the Group's Audit Committee, and was appointed to the Remuneration and Nominations Committees, replacing Ian Starkey who, as previously announced, resigned from the Board on 16 May 2023.

On behalf of the Board, I extend our sincere thanks to Ian Starkey for the instrumental role that he 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.

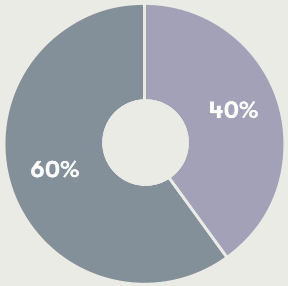
The following pages of this Corporate Governance Report set out how the Group has complied with the QCA Code, the activities of each Board Committee and the actions that we have taken to strengthen further our internal processes and controls.

Tom Spain
Chairman
18 March 2024

Highlights 2023/24

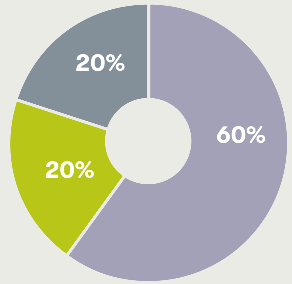
- **In April, we announced the appointment of Amanda Aldridge as a Non-Executive Director. Following her appointment, Amanda has chaired the Company's Audit Committee and was appointed to the Remuneration and Nominations Committees.**
- **In December, it was confirmed that the Group had achieved a "Low" risk rating from HMRC's Business Risk Review process, following several years of relationship building and focus on continuous improvement of relevant business processes.**
- **Implementation during the year of a structured process for annual review by the Board of the Group's internal control arrangements represented a significant further enhancement of the Group's internal control arrangements.**

Gender diversity



Female Male

Board tenure



>3 years 1-3 years <1 year

Board attendance

Board Member	Meetings attended
Tom Spain (Chairman)	●●●●●●●●●●●●●●●● 16/17
Albert Ellis	●●●●●●●●●●●●●●●●● 17/17
Daniel Quint	●●●●●●●●●●●●●●●●● 17/17
Ian Starkey[1]	●●●●●● 6/6
Catherine Lynch	●●●●●●●●●●●●●●●● 16/17
Amanda Aldridge[2]	●●●●●●●●●●●● 12/13

1 Ian Starkey resigned as a Director and Senior Independent Director, Chair of the Audit Committee and member of the Remuneration and Nominations Committees on 16 May 2023.
2 Amanda Aldridge was appointed as an Independent Non-Executive Director of the Company, Chair of the Audit Committee and member of the Remuneration and Nominations Committees on 17 April 2023.

Skills and experience

	Executives		Non-Executives		
Skill area	Albert Ellis	Daniel Quint	Tom Spain	Catherine Lynch	Amanda Aldridge
Sector experience	●	●			
Business strategy	●	●	●	●	●
Business transformation	●	●		●	●
Financial reporting	●	●			●
Governance and internal controls	●	●		●	●
Capital markets and financing	●	●	●		●
M&A/business development	●	●		●	●
HR/People	●			●	
Other Board experience	●	●	●	●	●

Our Board

Committee Membership: A Audit Committee N Nominations Committee R Remuneration Committee ■ Denotes Chair

Tom Spain
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 until 18 March 2024, when his appointment was made permanent.

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 17% 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

A N R

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

Background and experience
Catherine is a highly experienced HR Director, with over 25 years' experience, and is currently Chief People Officer at Essentra plc, a global manufacturer and distributor of plastic injection moulded components. She has held a number of HR Director roles at leading companies such as Rentokil-Initial plc, Flutter Entertainment plc, BGL Group and Santander, and was Chief People Officer at Virgin Media for several years. 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, which Catherine is extremely passionate about.

Catherine is Chair of the Remuneration and Nominations Committees.

External appointments
Catherine is currently Chief People Officer at Essentra plc, a global manufacturer and distributor of plastic injection moulded components.

Amanda Aldridge
Independent Non-Executive Director

A N R

Date of appointment
Appointed to the Board on 17 April 2023.

Background and experience
Amanda is a Fellow of the Institute of Chartered Accountants in England and Wales and has extensive audit, governance and capital market experience having worked at KPMG LLP ("KPMG") for 33 years until 2017, including 20 years as a partner. During her time at KPMG, Amanda held numerous positions including Head of the Retail Sector practice before becoming Head of Contract Governance in the Risk Consulting Division.

Amanda is Chair of the Audit Committee and a member of the Remuneration and Nominations Committees.

External appointments
Amanda is currently a Non-Executive Director and Audit Committee Chair of Impact Healthcare REIT plc, Brunner Investment Trust Plc and Low Carbon Contracts Company Limited.

Amanda will also be joining the Board of Helical plc, as a non-executive director, from 1 April 2024.

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 MBE
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.

In June 2023, Tina McKenzie was awarded an MBE in the King's inaugural Birthday Honours for Services to the Economy in Northern Ireland.

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 UK 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.

> **The Board is satisfied that it has an appropriate mix of skills and experience to deliver the Company's strategy.**

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 its continued success 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" or "the Code"). An updated version of the Code was published in November 2023 with companies expected to reflect the amended requirements in any disclosures made after 1 April 2024. However, Staffline already substantially complies with these amended requirements and has therefore chosen to report against these requirements.

The requirements of the QCA Code 2023 and how the Company complies with each of them are set out below:

Principle 1 — Establish a purpose, strategy and business model which promote long-term value for shareholders

The Group's purpose: Enabling the future of work by developing and deploying a highly flexible, robust and skilled workforce.

The Group's vision is to be a world class recruitment and training group, the clear market leader in the UK and Ireland 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 8 and 9 and the strategic priorities of the Group are set out on pages 10 and 11.

The Group comprises three operating divisions: Recruitment GB, Recruitment Ireland and PeoplePlus, details of which are provided in the Operational Reviews on pages 14 to 21.

The principal risks and uncertainties faced by the Group in achieving its strategic objectives are detailed on pages 49 to 56.

Principle 2 — Promote a corporate culture that is based on ethical values and behaviours

The Group's corporate values are detailed on the Staffline Group 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 policies, details of which are provided in the Audit Committee Report on pages 72 to 79, are owned by the Board.

The Board is committed to reducing the threat of modern slavery and human trafficking and the Group works with like-minded organisations to achieve this as described in the ESG Report on page 48, along with the commitment to health and safety and the approach to UK Data Protection Regulations.

Principle 3 — Seek to understand and meet shareholder needs and expectations

The Board is accountable to shareholders for the long-term success of the Group.

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.

Links to presentations slides 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 Chairman also meets key shareholders during the year to discuss corporate governance matters and listen to any concerns that are raised. The Independent Non-Executive Directors are also usually available to meet with shareholders and provide an independent point of contact on Board matters at the AGM and can be reached by email at investors@staffline.co.uk.

During 2023, 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.

All shareholders are encouraged to attend the Annual General Meeting ("AGM"). Shareholders will be able to attend the AGM 2024 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.

Principle 4 Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success

The Board recognises its social, environmental, and economic 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 social, environmental, and economic 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;
- setting high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

This wider perspective 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.

The statement on Stakeholder Engagement, which sets out how the Board considered its stakeholders when making principal decisions, can be found on pages 68 and 69.

Principle 5 Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Board maintains a strong system of internal controls to safeguard shareholders' interests and the Group's assets and regularly monitors its effectiveness. The system of internal financial controls in place is designed to provide reasonable but not absolute assurance against material misstatement or loss.

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.

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 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. 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 49 to 56.

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. The Head of Internal Audit works closely with divisional Governance and Compliance teams and facilitates the sharing of knowledge and good practice across the divisions.

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"), the Gangmasters and Labour Abuse Authority ("GLAA") and National Minimum Wage "NMW" regulations. The Payroll teams in both Recruitment divisions also receive ongoing training to ensure compliance with relevant legislation and procedures.

Alongside the core regulatory compliance functions fulfilled by the divisional People team and Health, Safety and Environment team, PeoplePlus also maintains a Contracts Assurance team, which is responsible for monitoring compliance with contractual requirements such as eligibility criteria for drawdown of funding for training and employability schemes.

Corporate Governance Report continued

There is regular review of financial information, including year-to-date performance against 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 that performance is in line with expectations and that opportunities are exploited.

Principle 6 Establish and maintain the Board as a well-functioning, balanced team led by the Chair

The Board provides leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed.

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 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 resourcing, reporting and planning of the Group.

Amanda Aldridge 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 Executive Directors' delivery of the Group's strategic objectives within the risk and governance structure agreed by the Board.

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 2023, the Board held 17 formal Board meetings.

Individual Directors' attendance at the Board meetings held in 2023 is summarised below:

Director	Number of meetings attended	Maximum number of meetings possible
Tom Spain (Interim Chair)	16	17
Albert Ellis	17	17
Daniel Quint	17	17
Ian Starkey[1]	6	6
Catherine Lynch	16	17
Amanda Aldridge[2]	12	13

1 Ian Starkey resigned as a Director and Senior Independent Director, Chair of the Audit Committee and member of the Remuneration and Nominations Committees on 16 May 2023.
2 Amanda Aldridge was appointed as an Independent Non-Executive Director of the Company, Chair of the Audit Committee, and member of the Remuneration and Nominations Committee on 17 April 2023.

The Board delegates certain functions to its three Committees: Nominations Committee, Remuneration Committee and the Audit Committee.

In relation to this principle, the Board carefully considers the composition of the Board and during the year appointed Amanda Aldridge as Independent Non-Executive and Audit Committee Chair in April 2023, in anticipation of the resignation of Ian Starkey in May 2023.

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.

The Board delegates certain functions to its three principal Committees:

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

Audit Committee
The Audit Committee works with management, the external auditor and the Group's internal audit and governance teams to oversee Staffline's financial reporting, internal control and risk management processes.

Remuneration Committee
The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives in a manner that is aligned to shareholder interests, while also complying with the requirements of relevant regulations.

Details of the members of the Board and its Committees are set out on page 60.

Detailed reports for the Nominations Committee, Audit Committee and Remuneration Committee are provided on pages 70 and 71, 72 to 79, and 80 to 86, respectively.

Principle 7 Maintain appropriate governance structures and ensure that, individually and collectively, directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises the Chairman, two independent Non-Executive Directors and two Executive Directors, who provide a range of experience and backgrounds detailed in the Board "Skills and experience" matrix on page 59.

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 page 60.

Tom Spain, the 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.

Tom Spain founded Henry Spain Investment Services Limited in 2010 and is actively engaged in the business.

Amanda Aldridge, a qualified Chartered Accountant, has significant financial expertise, specifically in financial management, control and reporting. Amanda also has extensive audit, governance and capital markets experience having worked at KPMG LLP for 33 years until 2017, including 20 years as a partner. During this time, Amanda held numerous positions including Head of the Retail Sector practice before becoming Head of Contract Governance in the Risk Consulting Division.

Catherine Lynch is a highly experienced HR Director, and is currently Chief People Officer at Essentra plc, a global manufacturer and distributor of plastic injection moulded components. She has held a number of HR Director roles at leading companies such as Rentokil-Initial plc, Flutter Entertainment plc, BGL Group and Santander, and was Chief People Officer at Virgin Media for several years. Catherine is a Fellow of the Chartered Institute of Personnel and Development and is currently a member of the Advisory Board of Dial Global, a community focused on inclusion.

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 17% of the current issued share capital).

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

Directors are encouraged to keep their skills up to date by attending appropriate training courses. Directors are either currently, or have previously been, members of other Boards.

Principle 8 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

During the latter part of 2023, the Board conducted an in-house self-evaluation using 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 Independent Non-Executive Directors, as appropriate. The Interim Chairman and Independent Non-Executive Directors discussed the outcome of the evaluation, including any recommendations and actions, with the Board.

The Board evaluation is conducted on an annual basis and it is proposed that the Board evaluation will be externally facilitated from time to time.

Principle 9 Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Remuneration policy developed by 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 complying with the requirements of relevant regulations.

Further information about the Remuneration Policy and how it supports long-term value creation and the Company's purpose, strategy and culture can be found on pages 80 to 86.

Corporate Governance Report continued

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

The Board represents and promotes the interests of the Group's shareholders and is accountable to them for the long-term success of the Group. The statement on Stakeholder Engagement can be found on pages 68 and 69.

The Executive Directors hold regular meetings with institutional shareholders. They also provide updates 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.

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 published in November 2023.

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 2023, 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.

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.

Throughout the year the Group's divisions provide valuable opportunities to share, listen and learn via in-person meetings, regular online communications, employee forums, annual conferences and quarterly town hall meetings. The Group's aim is 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 respective leadership teams in each of the Group's businesses through regular management and leadership events. We gather and analyse personnel management data through regular employee pulse/voice surveys across each of the Group businesses and respond transparently to what our people are telling us by sharings findings and planned actions at all levels of each business. Colleagues tell us that they value regular communication with their managers and, the Group's medical benefits and annual leave packages. We continue to review the benefits offer on an ongoing basis.

→ Further information about Staffline as a responsible employer can be found in the ESG Report on pages 36 to 41.

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 in the ESG Report on pages 30 to 35.

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.

From 2018, over 1 million people have received such support through dedicated skills, employability, community service and justice-related contracts.

As a Merlin Standard accredited 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 the Group's learners and job seekers, a diverse network of experts is available to provide the support they need.

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 in the Strategic Report on pages 20 and 21 and in the ESG Report on pages 30 to 35.

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.

Staffline works with a number of blue chip customers to introduce innovative ways of working that deliver productivity gains to the customer and provide additional revenue for the Group. Through the Group's social advocacy offering, PeoplePlus provides a valuable resource for matching disadvantaged individuals with suitable employers, as described on page 31.

→ Further information about how Staffline works with its customers can be found in the ESG Report on pages 30 to 35.

Staffline as a responsible partner for investors and lenders

The Group maintains regular dialogue with its shareholders and finance providers in support of its long-term partnerships.

The Executive Directors engage with the investor community and with lenders via face to face meetings and regular presentations, typically connected with trading updates and other finance-related events. The Group seeks the support of shareholders through long-term relationships based on transparency and trust. Likewise, the Group's lenders have shown their ongoing support for the Group by entering into an updated financing arrangement in December 2023, as described in the Chief Finance Officer's review on page 27.

Our principles in action

Key decisions made by the Directors are described below and in the Strategic Report on pages 1 to 56.

- **Share buyback programme** Following authorisation received at the AGM in June 2023 to acquire up to 10% of the Company's own shares, the Board considered the potential for implementing a share buyback programme at its meeting in July 2023. In consideration of the Group's available cash resources and taking account of medium-term plans and growth prospects, the Board announced the launch of the first of two share buyback programmes on 1 August 2023. The launch of the programme reflected the Group's disciplined approach to the allocation of capital with the main objective being to enhance shareholder value. This first programme completed on 30 August 2023, with £4.0m returned to shareholders.

  The second share buyback programme was announced on 4 October 2023 and completed on 13 November, with a further £1.0m returned to shareholders.
- **Refinancing of debt facilities** The current Board has sought positive engagement with the banking community in general and specifically with its new lenders following the refinancing arrangements concluded in June 2020 and June 2021. The Group has complied with the requirements of the respective agreements throughout and has always maintained open and transparent communications with its lenders. The substantial increase in interest cost since early 2022 has largely been offset by the interest rate cap instrument that was purchased in October 2021. The instrument expires in October 2024 and the Board has sought to ensure that the Group has in place the best available terms under its receivables facility. A refinancing exercise was completed on 14 December 2023, which reduced the total facility amount and improved other elements in favour of the Group's medium-term interests. Further details are provided in Note 21.
- **Closure of Skills training activities** In recent years, levels of employment have remained high alongside an unprecedented number of vacancies. These conditions have assisted the Group's organic growth in the provision of blue-collar temporary labour but meant that demand for in-person employment skills training has reduced substantially with workers bypassing traditional skills training in favour of immediate employment. In response the Group has restructured the PeoplePlus division's Skills training activities by closing in-person training venues in order to focus on digital delivery methods. The closure is treated as a discontinued activity in the year as described in Note 10.
- **Acquisition of software intellectual property** The Recruitment GB division uses an advanced digital platform for recording worker personal information and timesheet data. Since implementation, the division has sought to work with the software provider to enhance the capability of the platform. Whilst the provider has responded positively to requests for some enhancements specific to Staffline, not all changes requested are applicable for the standard product. In view of the critical nature of the platform and the desire to implement regular upgrades, the division has negotiated the purchase of the rights to the intellectual property of the software for a period of seven years. This will reduce third-party reliance for 24/7 availability and enable in-house enhancements to be implemented at a deeper level and at pace.

Nominations Committee Report

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

Catherine Lynch
Chair of the Nominations Committee

Membership and meetings

The Nominations Committee comprises two members, Catherine Lynch, Independent Non-Executive Director and Amanda Aldridge, 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.

The Nominations Committee meets at least once a year and otherwise, as required. During 2023, the Committee met on two occasions, the first of which was to review the process to appoint a new Non-Executive Director and Chair of the Audit Committee following the resignation of Ian Starkey, Senior Independent Non-Executive Director and Chair of the Audit Committee. The second meeting reviewed the continuation of Tom Spain's appointment as Interim Chairman at the AGM on 26 May 2022.

The meeting attendance for the two meetings held in 2023 is shown below:

Director	Number of meetings attended	Maximum number of meetings possible
Catherine Lynch (Chair)	2	2
Ian Starkey[1]	1	1
Amanda Aldridge[2]	1	1

1 Ian Starkey resigned as a Director and Senior Independent Director and member of the Committee on 16 May 2023.
2 Amanda Aldridge was appointed as Independent Non-Executive Director of the Company, a member of the Committee and Chair of the Audit Committee on 17 April 2023.

The Interim Chairman and Chief Executive Officer were both invited to attend all meetings during the year.

Following the year end, the Nominations Committee met and agreed to recommend to the Board to make Tom Spain's position as Chairman, permanent. In making this recommendation the Committee took into account the views of shareholders and feedback from Board members on Tom Spain's performance as Interim Chairman. At it's meeting on 18 March 2024, the Board approved the recommendation of the Nominations Committee, with immediate effect.

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

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. The Committee will keep succession planning under close review in 2024 to implement the actions identified by the evaluation.

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.

Amanda Aldridge
Independent
Non-Executive Director

Non-Executive Director appointment and induction process

In November 2022, Ian Starkey informed the Board of his intention to step down. The Committee undertook a formal and rigorous search and recruitment process to appoint a new Non-Executive Director to the Board. The Committee developed the role profile for this appointment and an executive search partner was appointed to assist with the search and recruitment process.

An external market-scanning exercise for an independent Non-Executive Director and Audit Committee Chair produced a diverse longlist of candidates for consideration against the role profile, following which the Committee produced a shortlist of preferred candidates to proceed to interview.

The Committee agreed an interview approach, whereby each candidate met with all Executive and Non-Executive Directors. Following each interview, feedback was provided by individual Directors and discussed by the Committee. A final meeting was held in March 2023 for the Committee to discuss its views and agree a recommendation to the Board. The Committee duly recommended the appointment of Amanda Aldridge as Non-Executive Director.

Amanda's extensive audit, governance and capital market experience were identified as key strengths and important to the Board's skills base.

Following her appointment, Amanda undertook an in-depth induction process which included reviewing a comprehensive pack of documents setting out key information about the Company and the Board, broker reports on the Company and the recruitment sector, and information on Directors' duties. Previous Board and Committee papers were also provided.

The induction process also included meetings with key internal colleagues, including the Interim Chairman, Executive Directors, Non-Executive Directors, members of the senior management team and the Group Head of Internal Audit. In addition, meetings with the Company's solicitors, brokers, external auditor and advisers were arranged.

Audit Committee Report

The Audit Committee works with management, the external auditor and the Group's internal audit and governance teams to oversee Staffline's financial reporting, internal control and risk management processes.

Amanda Aldridge
Chair of the Audit Committee

Membership and meetings

The Audit Committee comprises two members, Amanda Aldridge (Committee Chair) and Catherine Lynch, both of whom are Independent Non-Executive Directors. Further information about individual Board and Committee members can be found on page 60.

Amanda Aldridge was appointed to the Board on 17 April 2023 in anticipation of Ian Starkey's resignation as Senior Independent Non-Executive Director and Chair of the Audit Committee on 16 May 2023.

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.

Individual Committee members' attendance at Committee meetings during the year was as follows:

Director	Number of meetings attended	Maximum number of meetings possible
Ian Starkey (Chair until 16 May 2023)[1]	2	2
Amanda Aldridge (Chair from 16 May 2023)[2]	5	5
Catherine Lynch	7	7

1 Ian Starkey resigned as a Director and Senior Independent Director and member of the Committee on 16 May 2023.
2 Amanda Aldridge was appointed as Independent Non-Executive Director of the Company, a member of the Committee and Chair of the Audit Committee on 17 April 2023.

The Interim Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit and the Group's external auditor were invited to attend all scheduled meetings of the Committee and other meetings as appropriate to the business to be considered.

Committee agendas are structured around an underlying annual cycle of review and monitoring of financial reporting and internal control matters whilst maintaining ongoing oversight of internal control, risk management and other controls-related matters (e.g. whistle-blowing reports) through quarterly updates from the Group Head of Internal Audit. Key items covered by this annual cycle during the year are summarised below:

Meeting	Financial reporting matters	Internal control matters
March	External audit findings and approval of results announcement. Review of external auditor's performance. Approval of Annual Report and Accounts.	Internal control observations arising from external audit.
June	Approval of agreed upon procedures for the half year.	Internal control presentations by Divisional Finance Directors. Review of key Group compliance-related policies. Mid-year review of progress against the internal audit work programme.
September	–	Internal control presentations by Divisional IT teams. Review of divisional and Group risk registers. Review of other Group internal controls-related policies.
December	Review of external audit planning and approval of fee proposal. Review of external auditor's independence.	Review of Committee effectiveness. Approval of 2024 internal audit work programme. Review of internal audit performance, including private session with Group Head of Internal Audit without management in attendance.

Other meetings during the year were convened to consider the following business:

Meeting	Financial reporting matters	Internal control matters
January	–	Management presentation on internal controls in PeoplePlus' Independent Living Services ("ILS") business and senior management capabilities.
July	Approval of half-year results announcement.	–
October	Consideration of a letter from the Financial Reporting Council ("FRC") relating to a small number of specific items in the Group's 2022 Annual Report and Accounts and approval of the Group's response thereto (see page 76 for further details).	–

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 or proposed 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 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 interactions with Staffline personnel. The Committee would oversee any audit tender process 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 Chair maintains ongoing contact with the external auditor both with and without executive management involvement and receives informal progress reports from the external auditor during the audit. The Committee receives formal reports on completion of the audit work, which are discussed with the auditor and with executive management to ensure that Committee members are fully conversant with the key subject matter and that any internal control issues identified during the audit are addressed.
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 internal control concerns identified during the external audit, control improvement initiatives and resourcing of Finance and Governance teams. IT management provide similar presentations covering the systems environment, IT strategy, IT spend and cyber security arrangements. The Chairman of the Committee also meets with Divisional Finance Directors, as appropriate, to discuss matters relating to financial reporting, internal controls and governance. The Committee has historically commissioned specific internal audit reviews where concerns have arisen or independent insight and assurance is required. The Committee Chair also has periodic one-to-one meetings with the Group Head of Internal Audit.
Oversight of the internal audit function, including its independence and effectiveness	The Committee reviews annually the charter under which the Group Internal Audit function operates. This incorporates safeguards to protect the function's independence, including direct access to the 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.

Responsibility	Approach
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 pages 49 to 56 for more detail), which considers potential threats, existing controls and further mitigating actions. Areas where risk is seen as potentially exceeding the appetite set by the Board are highlighted for more detailed consideration by the Committee. 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 and external audit

Key matters considered by the Committee in relation to the Group's financial reporting for the year ended 31 December 2023 comprised:

Description of matter	Committee actions and conclusions
Accounting treatment of PeoplePlus Skills exit The Committee considered the accounting treatment at the half year and year end of PeoplePlus' exit from provision of face-to-face learning.	The Committee considered a management paper in respect of the proposed treatment at the half year and an updated paper in respect of the year-end treatment. This matter was also discussed with the external auditor at the relevant meetings for the half year and year end and based on this the Committee was satisfied that the treatment of this item was appropriate and compliant with relevant accounting standards.
Going concern Whilst the Group's performance has remained resilient and its financial position and future financing remain strong, economic uncertainties continue to present an ongoing risk to Staffline's performance.	The Committee and Board received regular updates in respect of the Group's actual and forecast performance and its ability to maintain compliance with its obligations under its financing facility. The Board also received detailed presentations from divisional management and Group executives as part of the annual budgeting and planning process, after which it approved the annual budget for the year ending 31 December 2024 and the plan for the following two years. The Committee reviewed a detailed year-end memorandum prepared by the Group Finance team that set out the Group's financing arrangements and covenant obligations, FRC guidance in relation to assessment of going concern matters, both budget/actual and forecast profitability and cash flows and headroom against current funding arrangements. In the opinion of the Committee, use of the going concern basis when preparing the Group's accounts for the year ended 31 December 2023 remains appropriate. The Committee also noted that the auditor had highlighted no concerns in this area when reporting on the findings of the 2023 audit at its meeting in March 2024.
Accounting treatment of interest rate cap The Group entered into an interest rate cap instrument in October 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 in prior years remains appropriate and the arrangement complies with the requirements of IFRS 9.

Audit Committee Report continued

Description of matter	Committee actions and conclusions
PeoplePlus income recognition on significant contracts PeoplePlus has, in previous years, had issues around historical revenue recognition on certain long-term contracts. These led to prior year reserves adjustments in the 2021 and 2022 accounts. In addition, PeoplePlus operates under certain long-term sub-contracts where the recognition of revenue and costs at interim stages during the contract term depends on management estimates.	The Committee reviewed the revenue recognition principles that the division has adopted on a contract-specific basis and is satisfied that they are compliant with the requirements of IFRS 15 and that there is no basis for identifying any of these contracts as either onerous or potentially onerous. The Committee also considered the assumptions underlying the forecasts of revenue and costs for the relevant sub-contracts and was satisfied that these were appropriate.
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 2023. Detailed assumptions used in the review were considered by the Committee and deemed reasonable and appropriate. The review indicated that impairment adjustments were required in relation to the carrying value of the PeoplePlus CGU, as described in Notes 11 and 13 to the Financial Statements. The Committee also noted that the auditor had highlighted no concerns in this area when reporting on the findings of the 2023 audit at its meeting in March 2024.
Valuation of investments Management consider that the valuation of the Company's investment in the PeoplePlus division was likely to require an impairment adjustment to reflect a reduction in its carrying value.	The Committee concurred with management's view that an impairment of £17.0m in the carrying value of the Company's investment of £42.2m in PeoplePlus was required and noted that this had no effect on the Group result.
TCFD/NFSI Statement disclosures Staffline is required to disclose information relating to climate-related financial risks and business sustainability as defined by the Task Force on Climate-related Financial Disclosures ("TCFD") and the Non-Financial and Sustainability Information ("NFSI") Statement required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 within its Annual Report and Accounts.	The Committee reviewed the draft disclosures prepared by management and was satisfied that they properly reflected the relevant requirements and were consistent with the Committee's understanding of the Group's governance, strategy, risk management arrangements and targets in relation to climate-related risks.
Alternative Performance Measures ("APMs") The Committee considered the appropriateness of APMs used in the Annual Report and Accounts, including the reasons for their use, the definitions used and the prominence of their presentation relative to statutory measures.	The Committee noted the APMs used were consistent with previous years and was satisfied that they remain appropriate and are not given undue prominence in their disclosure.
FRC Letter A letter from the FRC was received in September 2023 which raised two substantive questions relating to the Group's 2022 Annual Report and Accounts. One related to recognition of revenue involving variable consideration and the other to the prior period adjustment disclosed in the 2022 accounts. A number of further observations were also made.	The Committee considered the FRC's letter, management's proposed response and the external auditor's comments on both documents and approved the response for submission to the FRC within the required timeframe. The FRC has subsequently confirmed that it considers the matters raised to be closed following Staffline's response.

Description of matter	Committee actions and conclusions
Other Matters Considered Other financial reporting and external audit-related activities undertaken by the Committee during the year included: • review of other key accounting judgements and estimates not itemised above; • approval of annual external audit plans and the 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.	The Committee considered various sources of information including papers prepared by management and discussions with executive management and the external auditor where required to enable it to reach an informed decision on individual matters.

Description of matter	Committee actions and conclusions
External Audit The Committee reviewed the performance of the external auditor during the year and the effectiveness and efficiency of the audit process.	In carrying out its assessment of the external auditor's performance the Committee considered: • feedback from the 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 2023 and the audit of the Group's financial results and reporting for this period.

Audit Committee Report continued

Independence and non-audit services

The Committee monitors the arrangements in place to safeguard the external auditor's independence.

The Company appointed Grant Thornton as auditor after a formal tender for the year ended 31 December 2019. Under current FRC guidance, the next audit tender will be required in respect of the year ending 31 December 2029. Until then, we will continue to monitor the auditor's performance and make any appropriate recommendations.

Marc Summers has been the Senior Statutory Auditor since Grant Thornton's appointment, therefore this is his fifth year in the role. In accordance with current professional standards the Senior Statutory Auditor will change every five years. Since the year end the Committee Chair has met with Chris Smith, who will take over as Senior Statutory Auditor for the 2024 financial year. She is satisfied that he has appropriate experience to take on the role.

The Group 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 and is reviewed annually by the Committee.

Non-audit services provided by the external auditor during the year ended 31 December 2023 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.

The Audit Committee has recommended to the Board that a resolution to reappoint Grant Thornton is proposed to shareholders at the next AGM.

Internal controls, risk management and governance

The Committee took the following actions during 2023 to maintain and support development of the Group's internal control, risk management and governance arrangements:

- review and approval for re-adoption of the Group's Schedule of Matters Reserved to the Board, the Group Delegation of Authority Policy and the Delegation of Authority Matrix, including changes thereto;
- review and approval for re-adoption of 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;
- review and approval for re-adoption of other Group-level policies including the Gifts and Hospitality Policy, Donations and Sponsorships Policy, Drugs and Alcohol Policy, Non-Audit Services Policy and Bid-Related Costs Policy;
- 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 the Group's engagement with HMRC and outputs from their systems and process review covering payroll taxes, VAT and Corporation Tax in Recruitment GB and PeoplePlus;
- oversight of the implementation of TCFD reporting requirements (see pages 42 to 47 for further details); and
- implementation of formal quarterly reporting of the status of management actions in response to internal audit findings.

Areas of focus in 2024

The Committee has identified the following areas of focus during 2024:

- further evolution of the process for Board review of internal controls introduced in 2023;
- oversight of developments in ESG/sustainability-related reporting and their incorporation into the Group's external reporting;
- ongoing review of the Group's cyber security risk and response;
- obtaining appropriate assurance around future-proofing of key IT systems, including enabling internal audit involvement where appropriate; and
- ongoing consideration of regulatory changes and developments in financial reporting and their potential impact on the Group's risk profile.

Internal audit

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

During 2023, the Committee received internal audit reports covering:

- system-related debt issues in Recruitment Ireland;
- temporary worker payrolling processes in Recruitment Ireland;
- temporary worker payrolling processes in Recruitment GB's Datum and Omega businesses;
- payroll tax and VAT accounting processes in Recruitment GB, Recruitment Ireland and PeoplePlus;
- controls within PeoplePlus' Independent Living Services ("ILS") business;
- governance arrangements around the exit from face-to-face learning activity in PeoplePlus' Skills business;
- controls around service delivery and management of exposure to performance-related penalties in PeoplePlus' Prison Education Framework ("PEF") contracts; and
- follow-up of the 2022 internal audit review of cyber security arrangements across the Group.

The Head of Internal Audit works closely with divisional Governance and Compliance teams to ensure that information and examples of good practice are shared and opportunities for alignment of divisional processes are considered where this could improve the efficiency or effectiveness of internal controls.

Internal audit work programmes have historically been compiled on an annual basis and refreshed at the half year. This approach has been modified for 2024 to provide greater agility, resulting in a rolling six-month plan that will be reviewed and approved quarterly with a bank of future activities that will be either planned or carried over depending on their perceived importance relative to other newly identified projects.

Planned and banked items in the 2024 work programme approved by the Committee includes reviews of:

- permanent recruitment revenue processes in the Recruitment businesses;
- talent management across the Group;
- PeoplePlus' Restart contract performance;
- contract approval processes across the Group;
- management of umbrella companies and second-tier suppliers in the Recruitment businesses; and
- ESG/sustainability assurance activities.

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

Membership and meetings

The Remuneration Committee comprises two members, Catherine Lynch, Independent Non-Executive Director and Amanda Aldridge, Independent Non-Executive Director. The Committee is chaired by Catherine Lynch.

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 (or would be after any increase) £125,000 or above.

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 seven meetings held in 2023 is shown below:

Director	Number of meetings attended	Maximum number of meetings possible
Catherine Lynch (Chair)	7	7
Ian Starkey[1]	3	3
Amanda Aldridge[2]	4	4

1 Ian Starkey resigned as a Director and Senior Independent Director and member of the Committee on 16 May 2023.
2 Amanda Aldridge was appointed as Independent Non-Executive Director of the Company, a member of the Committee and Chair of the Audit Committee on 17 April 2023.

The Interim Chairman, Chief Executive Officer and Chief Financial Officer were invited to attend all meetings of the Committee and other meetings as appropriate to the business to be considered.

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. Due to the number of independent Non-Executive Directors on the Committee, the Board as a whole is required to approve any proposed changes to Non-Executive Directors' fees, including additional fees for Committee Chairs.

Executive Directors may accept appointments outside the Group subject to prior Board approval.

Key items considered by the Committee during 2023

- 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.
- Executive remuneration and Non-Executive fees, including additional fees for Committee Chairs.
- Approval to offer remuneration packages to proposed senior appointments.
- Current share option schemes.
- The Long-Term Incentive Plan for Executive Directors and senior management.
- Standardisation of contracts for the Group's senior executive management.

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 Executive Directors of the high calibre needed to help the Group successfully compete in its marketplace. The Group's policies are to pay 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 a 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 2023, 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

Remuneration Committee Report continued

Component	Purpose and link to strategy	Operation	Maximum	Performance
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 and 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 following proportion: 66.67% through payroll and 33.33% in the Company's Ordinary Shares. Details of the 2023 annual bonus payable to Albert Ellis and Daniel Quint on 31 March 2024 are provided below on page 84.	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 2023 are provided on page 84.	100% of salary for 2023, changed to 125% of salary from 1 January 2024	Performance metrics will be linked to financial and/or share price and/ or strategic and/or performance targets

Component	Purpose and link to strategy	Operation	Maximum	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 2023 are provided on page 85.	n/a	n/a
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	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 86.

Basic salary

The Board of the Company comprised two Executive Directors, Albert Ellis and Daniel Quint, during the year. Details of their basic salary are provided on page 86.

Remuneration Committee Report continued

Salary review

The Committee reviewed the salaries of Albert Ellis and Daniel Quint in December 2023. Their salaries received 7.3% and 11.8% increases respectively, with effect from 1 January 2024, following benchmarking with comparable companies.

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 or Daniel Quint by a maximum of 20%, without any corresponding reduction in their normal working hours.

2023 annual bonus

Albert Ellis and Daniel Quint received a bonus equivalent to a maximum of 100% of their base salary in March 2023 relating to the 2022 financial year and they are entitled to receive a 57.5% bonus in March 2024 in relation to the 2023 financial year. The annual bonus, which is subject to the achievement of pre-determined performance conditions, was and is not contractual and all payments are made 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, 2022 and 2023, the Board 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 these Options is subject to the Company achieving certain financial performance criteria for the financial years ending 31 December 2023, 2024 and 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 2023 and 2024 respectively, are above a minimum target. These vesting criteria are subject to the discretion of the Remuneration Committee.

The Options awarded to, and held as at 31 December 2023, by Albert Ellis and Daniel Quint, are set out in the table below:

Director	Date of award	Options granted	Vesting date	Exercise period end date
Albert Ellis	June 2021	573,770	June 2024	June 2031
	May 2022	711,806	May 2025	May 2032
	February 2023	1,043,485	February 2026	February 2033
		2,329,061		
Daniel Quint	June 2021	450,820	June 2024	June 2031
	May 2022	559,276	May 2025	May 2032
	February 2023	819,881	February 2026	February 2033
		1,829,977		

On 29 January 2024, the Company awarded the following nil cost share options to Albert Ellis and Daniel Quint:

Director	Options granted	Vesting date	Exercise period end date
Albert Ellis	2,096,950	January 2027	January 2034
Daniel Quint	1,715,686	January 2027	January 2034

The vesting of these options is subject to the Company achieving certain financial performance criteria for the financial year ending 31 December 2026. The financial performance criteria are based on Group performance, with 50% of the Options awarded subject to achieving underlying 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 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.

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 2023, options over 691,784 Ordinary Shares remain in the SAYE share scheme for 2021 (98 employees), representing 4% of the permanent workforce. Details can be found on page 123.

In 2022, the Company announced the grant of options to employees as part of its SAYE share scheme for 2022. 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.

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 2023, options over 2,195,307 Ordinary Shares remain in the SAYE share scheme for 2022 (125 employees), representing 5% of the permanent workforce. Details can be found on page 123.

Pension arrangements

Albert Ellis and Daniel Quint each received a monthly cash allowance of 15% of basic salary in lieu of contributions to the Company pension scheme.

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; (ii) the Chair of the Remuneration Committee; (iii) the Chair of the Nominations Committee, and (iv) with effect from 26 May 2022 to the Senior Independent Director until his resignation on 16 May 2023; 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 a review in December 2023, it was agreed by the Board that there would be a 14% increase in the fees payable to the Independent Non-Executive Directors for the 2024 financial year.

Tom Spain was re-elected as Interim Chairman at the Annual General Meeting on 12 June 2023. 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. On 18 March 2024, Tom Spain was appointed as Chairman of the board on a permanent basis. Tom Spain has agreed that no fee shall be payable in respect of his appointment as Chairman.

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

Catherine Lynch and Amanda Aldridge 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 and the Board agreed to an extension and renewal of his contract with effect from 26 May 2022, terminable on one months' notice. There is no contractual termination payment.

Ian Starkey resigned as a Director and Senior Independent Director and member of the Committee on 16 May 2023. Amanda Aldridge was appointed as Independent Non-Executive Director of the Company and Chair of the Audit Committee and member of the Remuneration Committee on 17 April 2023.

Remuneration Committee Report continued

Directors' remuneration summary (audited)

The table below sets out the remuneration received by the Directors in respect of the years ended 31 December 2023 and 2022:

Directors	Year	Salary, fees £000	Annual bonus[1] £000	Car allowance £000	Pension[2] £000	Pay in lieu of notice £000	Other[3] £000	Total £000
Executive Directors								
A Ellis	**2023**	**359**	**206**	**18**	**54**	**—**	**2**	**639**
	2022	359	359	18	54	—	2	792
D Quint	**2023**	**282**	**162**	**15**	**42**		**2**	**503**
	2022	282	282	15	42	—	2	623
Chair								
T Spain[4]	**2023** and 2022	—	—	—	—	—	—	—
Non-Executive Directors								
C Lynch	**2023**	**50**	**—**	**—**	**—**	**—**	**—**	**50**
	2022	48	—	—	—	—	—	48
I Starkey[5]	**2023**	**19**	**—**	**—**	**—**	**—**	**—**	**19**
	2022	48	—	—	—	—	—	48
A Aldridge[6]	**2023**	**32**	**—**	**—**	**—**	**—**	**—**	**32**
Total	**2023**	**742**	**368**	**33**	**96**	**—**	**4**	**1,243**
Total	2022	792	641	33	96	20	4	1,586

1. The bonus was settled in the following proportion: 66.67% through payroll and 33.33% in the Company's Ordinary Shares.
2. Pensions include both Company contributions and cash allowances where the Directors have elected not to have contributions paid into a pension fund.
3. Other represents medical insurance benefits.
4. Tom Spain agreed that no fee shall be payable in respect of his (or any replacement representative Director) following his reappointment as Interim Chairman at the Annual General Meeting on 12 June 2023.
5. Ian Starkey resigned as a Director and Senior Independent Director,Chair of the Audit Committee and member of the Remuneration and Nominations Committees on 16 May 2023.
6. Amanda Aldridge was appointed as an Independent Non-Executive Director of the Company, Chair of the Audit Committee and member of the Remuneration and Nominations Committees on 17 April 2023.

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 2023.

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	Pages 1 to 56
Corporate Governance • Corporate Governance Report • Statement of Directors' Responsibilities	 Pages 57 to 104 Page 91
Nominations Committee Report	Page 70 and 71
Audit Committee Report	Pages 72 to 79
Remuneration Committee Report	Pages 80 to 86
Future development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 6 and 7
Stakeholder Engagement and Key Decisions	Details can be found in the Strategic Report on page 4 and in the s172 Statement on page 68
Financial instruments	Details can be found in the Notes to the Financial Statements on page 133
Task Force on Climate-related Financial Disclosures ("TCFD")	Details can be found on page 44
Greenhouse gas emissions – Streamlined Energy and Carbon Reporting	Details can be found on pages 46 and 47

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 2023 (2022: £nil).

Directors

The names and biographies of the Directors who held office at the date of this Annual Report are set out on page 60. Changes to Directors from 1 January 2023 and up to the date of this Report are provided in the table below:

Director	Position	Date of appointment	Date of resignation
Amanda Aldridge	Non-Executive Director	17 April 2023	–
Ian Starkey[1]	Senior Independent Non-Executive Director	1 January 2021	16 May 2023

1 Ian Starkey was appointed as Senior independent Director on 26 May 2022. Ian Starkey resigned from the Board and as a Director on 16 May 2023.

Qualifying third-party indemnity provisions

A qualifying third-party indemnity provision as defined in Section 234 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 and the Republic of Ireland.

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 against these objectives and key developments within the Group by regular briefings by the divisional management teams. Further details can be found in the ESG section of the Strategic Report on pages 36 to 41.

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.

Report of the Directors continued

Charitable donations

The Group made charitable donations of £3,421 in the year (2022: £19,086).

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 2023, the Company's issued share capital consists of 149,190,956 Ordinary Shares with a nominal value of 10 pence each ("Ordinary Shares"), each share having equal voting rights. No Ordinary Shares are held in treasury, therefore, the total voting rights in the Company are 149,190,956.

Shares held in the EBT are intended to be used to satisfy awards made under employee share schemes. During the year, the EBT acquired 1,500,000 shares and issued 198,120 shares to Executive Directors as part settlement of a bonus award. At 31 December 2023, the EBT held 3,316,391 Ordinary Shares.

The Company currently has general authority to allot shares and authority to purchase its own shares. During the year the Company fully utilised its authority to purchase 10% of its own shares by acquiring and cancelling 16,576,772 of its Ordinary 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 2024.

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 2024 is proposed to be held at 09.30am on Wednesday, 22 May 2024, at the offices of DLA Piper LLP, 160 Aldersgate Street, London, EC1A 4HT. A separate notice convening the Annual General Meeting 2024 (including the business to be considered at the meeting) will be made available to shareholders 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 2023, were as follows, representing 86.4% of the total issued Ordinary Share capital:

	Ordinary Shares of 10p each ('000)	Percentage of Ordinary Shares (%)
Henry Spain Investment Services	35,841	24.0%
HRnet Group Limited	25,367	17.0%
Gresham House Asset Management	17,014	11.4%
Schroder Investment Management	14,318	9.6%
Aberdeen Standard Investments	10,647	7.1%
Fidelity International	9,179	6.2%
Hargreaves Lansdown, stockbrokers	6,811	4.6%
Interactive Investor	4,932	3.3%
AJ Bell, stockbrokers	2,870	1.9%
HSDL, stockbrokers	1,892	1.3%
	128,871	**86.4%**

In accordance with AIM Rule 26, insofar 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.

Directors' shareholdings

The beneficial holdings of the Directors in the Company's issued share capital at 31 December 2023 were as follows:

Director	Ordinary Shares of 10p each in issue	% of total
Albert Ellis	645,291	0.43%
Daniel Quint	484,914	0.33%
Catherine Lynch	10,000	0.01%
Tom Spain[1]	1,500,000	1.01%

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 35,841,283 Ordinary Shares at 31 December 2023.

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 the years 2021 to 2023, 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 three financial years 31 December 2023 to 31 December 2025, respectively. For the Executive Directors and relevant central Group senior employees the financial performance criteria are based on the Group as a whole, with 50% of the Options awarded subject to achieving earnings per share hurdles and 50% subject to achieving underlying operating profit hurdles. For senior employees operating within the divisions of the Group, their performance criteria are based 20% on the Group performance criteria, as above, and 80% on underlying operating profit hurdles relating to their own division.

In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2023 to 2025, respectively, are above a minimum target subject to the discretion of the Remuneration Committee.

The Options awarded to, and held as at 31 December 2023, 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
	February 2023	1,043,485	February 2026	February 2033
		2,329,061		
Daniel Quint	June 2021	450,820	June 2024	June 2031
	May 2022	559,276	May 2025	May 2032
	February 2023	819,881	February 2026	February 2033
		1,829,977		

On 29 January 2024, 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	January 2024	2,096,950	January 2027	January 2034
Daniel Quint	January 2024	1,715,686	January 2027	January 2034

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 2026. 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 2022, 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 Ordinary Shares were granted to the Executive Directors as follows:

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

No grants were made under the SAYE Share Scheme during 2023.

Report of the Directors continued

Purchase of own shares

During the year the Company purchased and immediately cancelled a total of 16,576,772 of its own Ordinary shares of 10 pence each. The shares, which had an aggregate nominal value of £1.7m, were acquired for an aggregate consideration of £5.0m

Further details are provided in Note 24.

Post balance sheet events

There were no further events in addition to the 2024 grant of the LTIP between the balance sheet date of 31 December 2023 and the approval of these accounts on 18 March 2024 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
18 March 2024

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
18 March 2024

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 2023, which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated and Company statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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 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 parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Overall materiality:
Group: £1.8m, which represents 0.19% of the Group's total revenue.

Parent company: £1.49m, which represents 2% of total assets.

Key audit matters were identified as:

- Recruitment revenue unusual account combinations – occurrence (same as previous year)
- PeoplePlus outcome-based revenue on significant contracts – occurrence (new in the current year)
- Goodwill – valuation of PeoplePlus group of cash generating units (new in the current year)
- Going concern basis of accounting (same as previous year)
- Investments in the Company – valuation of PeoplePlus (new in the current year)

Our auditor's report for the year ended 31 December 2022 included a key audit matter entitled "PeoplePlus revenues with a variable element – occurrence", relating to the occurrence of revenue relating to contracts with a variable element. The key audit matter in the current year has been focused on the occurrence of outcome-based revenue relating to significant contracts within PeoplePlus.

Our auditor's report for the year ended 31 December 2022 included two further key audit matters, entitled "Goodwill and other intangible assets – valuation" and "Investments in the Company – valuation". However, in the current year the key audit matters have been pinpointed more specifically on the valuation of the Group's goodwill relating to the PeoplePlus Group of Cash Generating Units (CGUs), and the Company's valuation of the investment relating to PeoplePlus.

Our auditor's report for the year ended 31 December 2022 also included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to:

- PeoplePlus revenue recorded under the Restart contract – occurrence and accuracy
- PeoplePlus clawback provisions – completeness and accuracy

We do not consider these to be key audit matters this year as the risk surrounding these items has reduced significantly. The Restart contract is now in its third year and has become more profitable in 2023 as a result of cost control and historic forecasting accuracy has been proven. In respect of the completeness and accuracy of the clawback provision, no new claims have been made against PeoplePlus in the period. We therefore consider that these matters are no longer key audit matters.

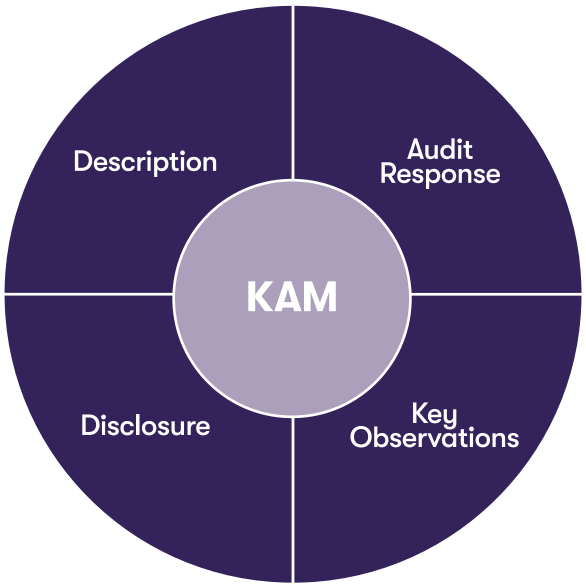
Our audit scope remained consistent with the previous year and our work performed over components covered 97% of the Group's revenue, and 99% of the Group's profit before tax. Our audit approach was consistent with the previous year.

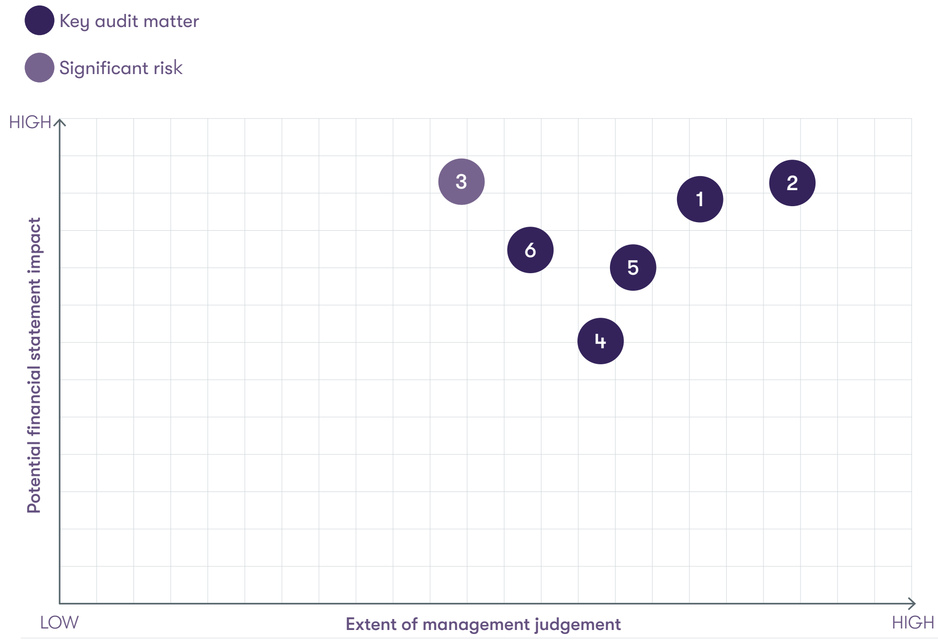
Independent Auditor's Report continued
to the members of Staffline Group plc

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 opposite, we have presented the key audit matters and significant risks relevant to the audit.





1. Recruitment revenue unusual account combinations – occurrence
2. PeoplePlus outcome-based revenue on significant contracts – occurrence
3. Management override of controls
4. Goodwill – valuation of PeoplePlus group of cash generating units
5. Investments in the Company – valuation in PeoplePlus
6. Going concern

Key Audit Matter – Group	How our scope addressed the matter – Group
Recruitment revenue unusual account combinations – occurrence We identified recruitment revenue – unusual account combinations – occurrence 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 segment 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 process for initiating and recording revenue transactions, checking whether they were appropriately designed and implemented to mitigate the risk of fraud in revenue recognition 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 International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers', 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. Transactions that were not in line with our understanding were selected to check whether these entries were appropriate by agreeing it to supporting information; and • Supported the audit data analytic via 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 • Financial statements: Note 3, Accounting Policies • Financial statements: Note 4, Segment Reporting	**Our results** Our audit procedures did not identify any material misstatements 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 outcome-based revenue on significant contracts – occurrence We identified occurrence of outcome-based revenue on significant contracts within PeoplePlus Group as one of the most significant assessed risks of material misstatement due to error. Outcome based revenue is recognised upon a specified "outcome" being achieved. Revenue is recognised both at a point in time and over time depending on the terms of the contract and when the performance obligation has been met. We identified PeoplePlus outcome-based revenue on significant contracts – occurrence as a significant risk as a result of the following: • Revenue recognition requires certain outcomes to be achieved, and there can be complexity involved in determining the volume that will achieve that outcome; and • Given the complexity and judgement involved, this revenue is more open to management manipulation.	In responding to the key audit matter, we performed the following audit procedures: • Performed a walkthrough of revenue on each significant outcome-based contract to assess the processes and controls around the initiation and recording of revenue, and whether they were designed and implemented effectively to mitigate the risk of fraud in revenue recognition; • 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; • Obtained the underlying signed contract for all significant contracts, and checked the key terms to identify the performance obligations within each contract; and • Tested a sample of outcome-based revenue earned in the period across significant contracts back to supporting documentation in order to assess whether the outcome has been achieved and therefore the performance obligation as per each contract has been met and the revenue can be substantiated.
Relevant disclosures in the Annual Report and Accounts • Corporate Governance: Audit Committee Report – key audit matters considered by the Audit Committee • Financial statements: Note 3, Accounting Policies • Financial statements: Note 4, Segment Reporting	**Our results** Our audit procedures did not identify any material misstatements in relation to the occurrence of income earned on outcome-based revenue on significant contracts within PeoplePlus Group.

Key Audit Matter – Group	How our scope addressed the matter – Group
Goodwill – Valuation of the PeoplePlus Group of cash generating units (‘CGUs’) We identified valuation of goodwill in PeoplePlus group of CGUs 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 group of cash generating units (‘CGU’) are impaired. We identified the carrying value of the goodwill intangible asset associated with the PeoplePlus CGU as a significant risk. This was based on multiple risk factors, namely: • rising inflation and interest rates have resulted in an increased weighted average cost of capital (‘WACC’); • the level of management judgement included in the inputs and assumptions into the impairment calculation, such as the rate used to discount future cash flows, the cash flow forecasts and the growth rates; • the sensitivity of the carrying value to key assumptions; and • the negative headroom and resulting £8.9m impairment of this CGU;	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 group of CGUs, being the relevant CGU group used in their impairment calculations and challenged this against our understanding of the business units and operating structure of the Group; • Checked the arithmetical accuracy of management’s value in use calculation for PeoplePlus group of CGUs, and management’s associated sensitivity analysis; • Tested the accuracy of the underlying data within the Group forecast model by comparison to the board approved forecast and assessed whether these forecasts are consistent to those used for going concern; • Assessed whether trading, working capital and cash flow assumptions are reasonable based on the historical performance of the PeoplePlus group of CGUs and that the assumptions are consistent with our knowledge of the business; • Performed sensitivity analysis on the value-in-use calculation prepared by management, including calculating an auditor’s reasonable estimate for the impairment charge recognised in the period; • Considered and evaluated the competence, capability and objectivity of management’s expert; • Used our internal valuation specialists to inform our challenge of management and their valuation expert, to assess whether the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market; • 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; and • Assessed the adequacy and completeness of related disclosures within the annual report, including the sensitivity of this impairment to key variables.
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 11, Goodwill	**Our results** • Our audit procedures did not identify any material misstatements relating to the impairment charge to Goodwill held in the PeoplePlus group of cash generating units.

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 We identified the going concern basis of accounting as one of the most significant assessed risks of material misstatement due to error. The group's performance in the year was below the prior year and budget, and the group has incurred a £11m loss in the year. There is increased risk around going concern basis of accounting due to the current economic environment, with the ongoing cost of living crisis, inflationary pressures, and increased interest rates. There is significant judgement involved in forecasts the prepared and the extent that these factors may impact the Group's performance over the going concern period.	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 2025; • Evaluated the accuracy of management's historical forecasting with reference to actual results, and the impact of this on the reliability of management's assessment; • Performed arithmetical and consistency checks on management's model with support from our internal financial modelling specialists; • Evaluated the key inputs and assumptions underpinning the model, including key trading assumptions and future borrowing requirements, and corroborated these assumptions to supporting documentation; • Assessed the accuracy of the loan covenants calculations within the forecasts and agreed these to the revised finance facilities agreement; • Considered the severity and plausibility of management's downside scenarios and reverse stress testing, evaluating the assumptions regarding revenue reductions and increased costs under each of these scenarios; • Evaluated the availability and impact of mitigating actions available to management if downside scenarios were to realise; • Inspected unaudited post year end performance and minutes of meetings of the board of directors and all of its committees, to check if any post year end events have been factored into management's forecasts; and • Assessed the adequacy and completeness of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts • Strategic Report: Principal risks and uncertainties, Risk one – economic conditions • Corporate Governance: Audit Committee Report, 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 – Valuation in PeoplePlus We identified Investments – valuation in PeoplePlus as one of the most significant assessed risks of material misstatement due to error. We have identified that the carrying value of the investment value associated with the PeoplePlus division is a significant risk. This is consistent with the Goodwill risk. This was based on multiple risk factors, namely: • rising inflation and interest rates have resulted in an increased WACC; • the level of management judgement included in the inputs and assumptions to the impairment calculation, such as the rate used to discount future cash flows, the cash flow forecasts and the growth rates; • the sensitivity of the carrying value to key assumptions; and • the negative headroom and resultant £17m impairment of this investment balance;	In responding to the key audit matter, we performed the following audit procedures: • Checked the arithmetical accuracy of management's value in use calculation for the PeoplePlus division, and management's associated sensitivity analysis; • Performed sensitivity analysis on the value-in-use calculation prepared by management, including calculating an auditor's reasonable estimate for the impairment charge recognised in the period; • Considered and evaluated the competence, capability and objectivity of management's expert; • Used our internal valuation specialists to inform our challenge of management and their valuation expert, to assess whether 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 investment 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: Audit Committee Report, 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 procedures did not identify any material misstatements relating to the impairment charge to the Company's investment balance relating to the PeoplePlus division.

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:

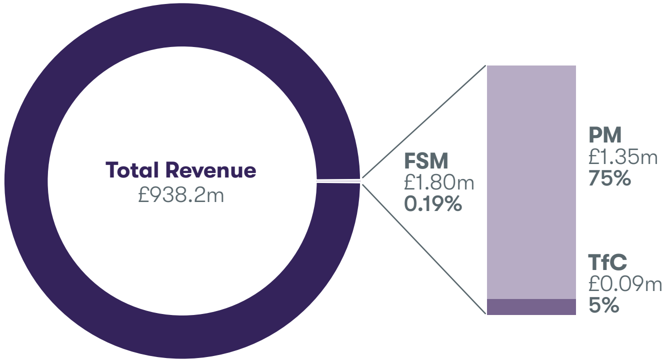
Materiality measure	Group	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1.8m, which is 0.19% of revenue.	£1.49m, which is 2% of total assets.
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 2022 to reflect the increased stability of the group.	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 Total assets is considered to be the most appropriate benchmark as the company's purpose is that of holding of investments in subsidiary entities. The company does not undertake any trading activities. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect the increase in total assets, which reflects the improved performance and stability of the Group and company.

Materiality measure	Group	Company
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	£1.35m, which is 75% of financial statement materiality.	£1.11m, 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; and • 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.
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: • Directors' remuneration; and • Non-routine related party transactions	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£90,000 (2022: £85,500) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£74,000 (2022: £69,000) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

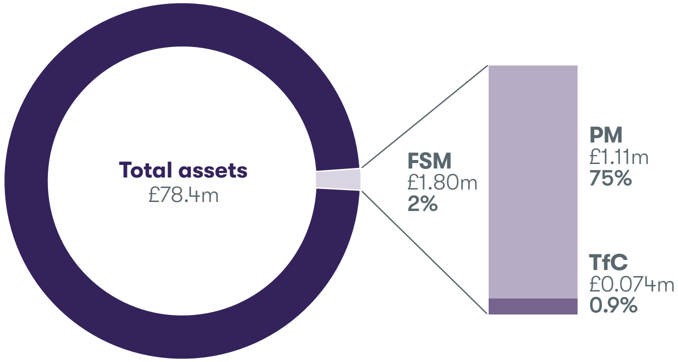
Independent Auditor's Report continued
to the members of Staffline Group plc

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

Overall materiality – Group



Overall materiality – Parent



FSM: Financial statements materiality **PM:** Performance materiality **TfC:** Threshold for communication to the Audit Committee

An overview of the scope of our audit

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

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

- The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;
- Management 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; and
- The engagement team obtained an understanding of the effect of the Group organisational structure on the scope of the audit, identifying that the Group financial reporting team and systems are centralised in the UK.

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 parent and other components (including how it addressed the key audit matters)

- For the parent company Staffline Group plc and other financially significant components being Staffline Recruitment Limited, PeoplePlus Group Limited, Staffline Recruitment (NI) Limited and Datum RPO Limited, we performed full-scope audits using component materiality.
- These full scoped audits included the procedures described earlier for the key audit matters of:
  - Recruitment revenue unusual account combinations – occurrence
  - PeoplePlus outcome-based revenue on significant contracts – occurrence
  - Management override of controls
  - Goodwill – valuations of PeoplePlus group of cash generating units
  - Investments – valuation in PeoplePlus
  - Going concern
- For components subject to specified audit procedures, being only Brightwork Limited, audit procedures were performed on key balances including revenue, to provide us with assurance for the related key audit matter of recruitment revenue unusual account combinations.
- Analytical procedures were performed on the financial information of all other components using Group materiality.

Performance of our audit

- The audit of Staffline Group plc, Recruitment GB (Staffline Recruitment Limited, Brightwork Limited and Datum RPO Limited) and PeoplePlus (PeoplePlus Group Limited) were carried out by different Grant Thornton UK teams. The Group engagement team performed reviews of the component auditors' work on PeoplePlus.
- We engaged Grant Thornton Ireland to audit the key component in Recruitment Ireland (Staffline Recruitment (NI) Limited). The Group engagement 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.

Audit approach	No. of components	% coverage Revenue	% coverage PBT
Full-scope audit	5	97%	99%
Specified audit procedures	1	3%	1%
Analytical procedures	13	0%	0%

Communications with component auditors

- 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

- In the current period, Brightwork Limited was subject to specified audit procedures, whereas this entity was subject to a full scope audit in the previous period.
- Our approach to in scope components remains otherwise unchanged from the previous period.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 91, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

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 in:
  - Revenue journal entries to unexpected accounts within the recruitment segment, including post year end consolidation journals; and
  - Determining revenue recognition on certain significant contracts (being those with a variable element) within PeoplePlus Group.
- Our audit procedures involved:
  - evaluating 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 outcome-based revenue;
  - 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's assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations included consideration of the engagement team's:
  - 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.
- Team communications 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
18 March 2024

Financial Statements

Inside this section

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	**2023 £m**	2022 Restated £m
Continuing operations			
Revenue	4	**938.2**	928.1
Cost of sales	5	**(857.4)**	(846.1)
Gross profit		**80.8**	82.0
Administrative expenses	5	**(84.5)**	(77.4)
Operating (loss)/profit		**(3.7)**	4.6
Underlying operating profit before non-underlying administrative expenses		**10.3**	12.0
Administrative expenses – non-underlying	5	**(14.0)**	(7.4)
Operating (loss)/profit		**(3.7)**	4.6
Finance income	6	**1.9**	0.7
Finance charges – underlying	6	**(5.6)**	(3.4)
Finance charges – non-underlying	6	**(0.5)**	—
Net finance charges		**(4.2)**	(2.7)
(Loss)/profit for the year before taxation		**(7.9)**	1.9
Tax (expense)/credit	8	**(0.5)**	1.9
(Loss)/profit from continuing activities		**(8.4)**	3.8
Loss from discontinued operations	10	**(2.6)**	—
(Loss)/profit for the year		**(11.0)**	3.8
Items that will not be reclassified to profit and loss – actuarial gains net of deferred tax	16	**0.2**	0.4
Items that will be reclassified to profit and loss:			
– effective portion of (loss)/gain on hedging instrument measured at fair value net of deferred tax	18	**(0.8)**	1.5
– Foreign exchange translation (loss)/gain		**(0.4)**	0.1
Other comprehensive income for the year net of deferred tax		**(1.0)**	2.0
Total comprehensive income		**(12.0)**	5.8
Earnings per Ordinary Share	9		
Continuing operations: Basic and diluted		**(5.3)p**	2.3p
Discontinued operations: Basic and diluted		**(1.7)p**	—
Total earnings per share: Basic		**(7.0)p**	2.3p
Total earnings per share: Diluted		**(7.0)p**	2.3p

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £m	Own shares £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2022	**16.6**	**(4.8)**	**111.8**	**—**	**0.3**	**0.2**	**(0.3)**	**(57.9)**	**65.9**
Share based payments – 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
Foreign exchange translation adjustments	—	—	—	—	—	—	0.1	—	0.1
Total comprehensive income for the year, net of tax	**—**	**—**	**—**	**—**	**—**	**1.5**	**0.1**	**4.2**	**5.8**
At 31 December 2022	**16.6**	**(4.5)**	**111.8**	**—**	**0.6**	**1.7**	**(0.2)**	**(54.3)**	**71.7**
Share based payments – equity-settled	—	—	—	—	0.6	—	—	—	0.6
Transfer of share premium	—	—	(111.8)	—	—	—	—	111.8	—
Issue of shares to management	—	0.3	—	—	—	—	—	(0.2)	0.1
Shares purchased and cancelled	(1.7)	—	—	1.7	—	—	—	(5.0)	(5.0)
Own shares purchased	—	(0.5)	—	—	—	—	—	—	(0.5)
Transactions with owners	**(1.7)**	**(0.2)**	**(111.8)**	**1.7**	**0.6**	**—**	**—**	**106.6**	**(4.8)**
Loss for the year	—	—	—	—	—	—	—	(11.0)	(11.0)
Cash flow hedge reserve	—	—	—	—	—	(0.8)	—	—	(0.8)
Actuarial gain on pension scheme, net of taxation	—	—	—	—	—	—	—	0.2	0.2
Foreign exchange translation adjustments	—	—	—	—	—	—	(0.4)	—	(0.4)
Total comprehensive income for the year, net of tax	**—**	**—**	**—**	**—**	**—**	**(0.8)**	**(0.4)**	**(10.8)**	**(12.0)**
At 31 December 2023	**14.9**	**(4.7)**	**—**	**1.7**	**1.2**	**0.9**	**(0.6)**	**41.5**	**54.9**

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

Company Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £m	Own shares £m	Share premium £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2022	**16.6**	**(4.8)**	**111.8**	**—**	**0.2**	**(24.3)**	**99.5**
Loss for the year	—	—	—	—	—	(2.9)	(2.9)
Issue of shares to management	—	0.3	—	—	—	—	0.3
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**
Transfer of share premium	—	—	(111.8)	—	—	111.8	—
Issue of shares to management	—	0.3	—	—	—	—	0.3
Shares purchased and cancelled	(1.7)	—	—	1.7	—	(5.0)	(5.0)
Own shares purchased	—	(0.5)	—	—	—	—	(0.5)
Transactions with owners	**(1.7)**	**(0.2)**	**(111.8)**	**1.7**	**—**	**106.8**	**(5.2)**
Loss for the year	—	—	—	—	—	(13.7)	(13.7)
Total comprehensive income for the year, net of tax	**—**	**—**	**—**	**—**	**—**	**(13.7)**	**(13.7)**
At 31 December 2023	**1.7**	**(4.7)**	**—**	**1.7**	**—**	**66.1**	**78.0**

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

Consolidated and Company Statements of Financial Position

As at 31 December 2023

	Note	Consolidated 2023 £m	Consolidated 2022 £m	Company 2023 £m	Company 2022 Restated* £m
Assets					
Non-current					
Goodwill	11	**50.7**	59.6	—	—
Other intangible assets	12	**6.7**	9.4	—	—
Investments	13	—	—	**51.4**	59.6
Property, plant and equipment	14	**5.5**	7.6	—	—
Deferred tax asset	23	**4.4**	5.0	—	0.4
Retirement benefit net asset	16	**0.5**	0.2	—	—
Amount due from subsidiary undertaking	17	—	—	21.7	32.2
		67.8	81.8	**73.1**	92.2
Current					
Trade and other receivables	17	**129.4**	119.8	**3.6**	3.2
Current tax asset	8	—	0.3	—	—
Derivative financial instruments	18	**1.7**	3.0	**1.7**	3.0
Cash and cash equivalents	19	**13.3**	31.0	—	0.1
		144.4	154.1	**5.3**	6.3
Total assets		**212.2**	235.9	**78.4**	98.5
Liabilities					
Current					
Trade and other payables	20	**140.8**	130.3	—	1.0
Borrowings	21	**9.5**	26.0	—	—
Current tax liability	8	**0.2**	—	—	—
Provisions	22	**1.8**	0.9	—	—
Lease liabilities	15	**1.4**	1.5	—	—
		153.7	158.7	—	1.0
Non-current					
Provisions	22	**0.5**	0.6	—	—
Lease liabilities	15	**2.6**	3.4	—	—
Deferred tax liabilities	23	**0.5**	1.5	**0.4**	0.6
		3.6	5.5	**0.4**	0.6
Total liabilities		**157.3**	164.2	**0.4**	1.6
Equity					
Share capital	24	**14.9**	16.6	**14.9**	16.6
Own shares		**(4.7)**	(4.5)	**(4.7)**	(4.5)
Share premium	24	—	111.8	—	111.8
Capital redemption reserve		**1.7**	—	**1.7**	
Share-based payment reserve		**1.2**	0.6	—	—
Cash flow hedge reserve		**0.9**	1.7	—	—
Foreign exchange translation reserve		**(0.6)**	(0.2)	—	—
Profit and loss account		**41.5**	(54.3)	**66.1**	(27.0)
Total equity		**54.9**	71.7	**78.0**	96.9
Total equity and liabilities		**212.2**	235.9	**78.4**	98.5

* See Note 17 for details.

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 £(13.7)m (2022: loss of £(2.9)m). The accompanying Notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 March 2024 and signed on their behalf by:

Albert Ellis
Director
18 March 2024

Daniel Quint
Director
18 March 2024

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities	29	**12.4**	5.5
Taxation received	8	**0.1**	0.4
Net cash inflow from operating activities		**12.5**	5.9
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	14	**(0.4)**	(1.0)
Purchase of intangible assets – software	12	**(2.3)**	(2.3)
Total cash flows arising from investing activities		**(2.7)**	(3.3)
Total cash flows arising from operating and investing activities		**9.8**	2.6
Cash flows from financing activities			
Net movements on Receivables Finance Agreement	21	**(16.5)**	3.1
Principal repayment of lease liabilities	15	**(1.8)**	(1.6)
Net interest paid		**(3.7)**	(2.5)
Own shares purchased		**(5.5)**	(0.4)
Net cash flows from financing activities		**(27.5)**	(1.4)
Net change in cash and cash equivalents		**(17.7)**	1.2
Cash and cash equivalents at beginning of year		**31.0**	29.8
Cash and cash equivalents at end of year	19	**13.3**	31.0

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

Notes to the Financial Statements

The year ended 31 December 2023

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-based employability 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 144 and within Note 13. The Company's registration number is 05268636.

The financial statements for the year ended 31 December 2023 (including the comparatives for the year ended 31 December 2022) were approved and authorised for issue by the Board of Directors on 18 March 2024.

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 88, the largest shareholder held 24.0% of the Company's issued share capital as at 31 December 2023.

3 Accounting policies

Basis of preparation

The Consolidated financial statements are prepared for the year ended 31 December 2023. 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).
- The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2023 that have a material impact on the group financial statements. Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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.

Notes to the Financial Statements continued

The year ended 31 December 2023

3 Accounting policies continued

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 6 and 7. 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 49 to 56.

As described in the Chief Executive Officer's Review, despite the challenging trading conditions experienced across all divisions in the Group during the year, the Group reported an underlying operating profit for the year on continuing activities. The recruitment divisions reported resilient results and are expecting further growth following significant contract extensions with existing customers and new contract wins. The Group's PeoplePlus division continued to be significantly impacted by the disruption to its Skills training programmes, which resulted in the closure of in-person training during the year. Volume reduction in the sector is expected to continue in the short term.

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 2025, 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 49 to 56. 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 2023, the Group had net cash of £3.8m (2022: net cash of £5.0m), on a pre-IFRS 16 basis, and has committed debt facilities until 1 December 2027. For the period to 31 December 2025, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement ("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. 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.

Consolidation of subsidiaries

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 December 2023 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 for, 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.

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 each case, revenue is only recognised when the labour or service has been provided and the Group is contractually entitled to the revenue.

Revenue from temporary recruitment services is measured at the 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. In each case, the estimated value of the rebate, which is based on forecast volumes at the applicable rebate rate, is deducted from revenue and recorded as a liability within accruals. 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 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 once the performance obligation has been satisfied.

Notes to the Financial Statements continued
The year ended 31 December 2023

3 Accounting policies continued

PeoplePlus division
Income is generated from Employability, Adult Education and Community support services as well as Commercial Services sold to employers and partners engaged with the employment of customers. 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 and 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. For most contracts, the contract mechanism is based on a transaction price which is derived from the input method aligned to costs incurred over the life of the contract. The transaction price can adjust over the life of the contract within a given reporting period that is realigned to the cost within the lifetime of the contract. Given the complex nature of the majority of the contract obligations and the methods by which they can be fulfilled, the measure of progress that best depicts the transfer of control of the services to the customer is a contract expenditure basis. This best reflects the fulfilment obligation under the contracts.

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.

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

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

Intangible assets

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

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

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

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

The useful lives of computer software are three to five years and are amortised on a straight-line basis.

Property, plant and equipment

Freehold 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:

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 accumulated impairment losses.

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.

Notes to the Financial Statements continued
The year ended 31 December 2023

3 Accounting policies continued
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. 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 the 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.

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 28 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 assessing the likelihood that the Company will 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 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.

Under the RFA 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.

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.

Notes to the Financial Statements continued

The year ended 31 December 2023

3 Accounting policies continued

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 liabilities are recognised in the consolidated statement of financial position; instead, they are disclosed in Note 26.

Equity

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

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

Own shares 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.

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 are 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.

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 23.

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 cash flows, and the determination of a suitable discount rate.

The revenue, profitability and cash flow forecasts are based on current levels of trading for each reporting department within the CGU's, with income and cost increases generally in line with inflation at 2% (2022: 2%) or at contracted rates. The forecasts incorporate management's key assumptions including stable profit margins, based on past experience, take account of action plans, and assume a reasonable level of new contract wins, which are inherently uncertain. The Directors have considered the forecasts in detail, and their associated sensitivities, and have concluded that they are suitable fur use in the impairment review.

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 Group has recognised an impairment of goodwill relating to the PeoplePlus operating segment of £8.9m in the year. The carrying value of goodwill at 31 December 2023 is £50.7m (2022: £59.6m), see Note 11.

The Company has previously recognised impairment losses on its investments in certain subsidiary undertakings and has recognised a further impairment of £17.0m to its investment in PeoplePlus during the year. The carrying value of investments at 31 December 2023 is £51.4m (2022: £59.6m), 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.

Given the complex nature of some of the contract obligations and the methods by which they can be fulfilled, the measure of progress that best depicts the transfer of control of the services to the customer is a contract expenditure basis. These costs are determined based on regularly updated forecasts, particularly relating to partner costs and direct salaries, including on-costs, for individuals involved in service delivery. The contracts normally contain annual indexation allowances applicable to revenues, which generally cover cost inflation experience. Contract assets of £3.2m (Note 17) and Contract liabilities of £6.2m (Note 20) are impacted by the estimates made. The Group has considered the nature of the estimates involved in deriving these balances and concluded it is possible on the basis of existing knowledge that the outcomes within the next financial year might be different from the assumptions applied as at 31 December 2023. Due to the level of uncertainty in the variables across the portfolio of contracts at different stages of their contract life, it is impracticable to provide quantification of this. Ongoing contract profitability is monitored monthly.

4 Segment reporting – continuing operations

Management currently identifies three operating segments: Recruitment GB, Recruitment Ireland and PeoplePlus. 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 Chief Executive Officer, 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 2023

4 Segment reporting – continuing operations continued

Segment information for the reporting year is as follows:

	Recruitment GB 2023 £m	Recruitment Ireland 2023 £m	PeoplePlus 2023 £m	Group costs 2023 £m	Total Group 2023 £m	Recruitment GB 2022 Restated £m	Recruitment Ireland 2022 £m	PeoplePlus 2022 Restated £m	Group costs 2022 £m	Total Group 2022 Restated £m
Sales revenue from external customers	763.0	108.3	66.9	—	938.2	751.8	110.6	65.7	—	928.1
Cost of sales	(711.1)	(96.0)	(50.3)	—	(857.4)	(700.0)	(97.7)	(48.4)	—	(846.1)
Segment gross profit	51.9	12.3	16.6	—	80.8	51.8	12.9	17.3	—	82.0
Administrative expenses	(40.8)	(9.9)	(11.7)	(3.2)	(65.6)	(40.3)	(9.3)	(11.5)	(3.3)	(64.4)
Depreciation, software & lease amortisation	(2.5)	(0.6)	(1.8)	—	(4.9)	(3.2)	(0.4)	(2.0)	—	(5.6)
Segment underlying operating profit*	8.6	1.8	3.1	(3.2)	10.3	8.3	3.2	3.8	(3.3)	12.0
Reorganisation, rationalisation and restructuring costs	(1.8)	—	—	—	(1.8)	—	—	—	—	—
Goodwill impairment	—	—	(8.9)	—	(8.9)	—	—	—	—	—
Amortisation of intangibles arising on business combinations	(3.2)	(0.1)	—	—	(3.3)	(5.9)	(1.3)	(0.2)	—	(7.4)
Segment (loss)/profit from operations	3.6	1.7	(5.8)	(3.2)	(3.7)	2.4	1.9	3.6	(3.3)	4.6
Finance (costs)/income	(5.5)	(0.1)	—	1.9	(3.7)	(3.1)	(0.1)	—	0.5	(2.7)
Refinancing costs	—	—	—	(0.5)	(0.5)	—	—	—	—	—
Segment (loss)/profit before taxation	(1.9)	1.6	(5.8)	(1.8)	(7.9)	(0.7)	1.8	3.6	(2.8)	1.9
Tax (expense)/credit	0.9	(0.2)	(1.4)	0.2	(0.5)	1.8	—	(0.2)	0.3	1.9
Segment (loss)/profit from continuing operations	(1.0)	1.4	(7.2)	(1.6)	(8.4)	1.1	1.8	3.4	(2.5)	3.8

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

	Recruitment GB 2023 £m	Recruitment Ireland 2023 £m	PeoplePlus 2023 £m	Staffline Group 2023 £m	Total Group 2023 £m	Recruitment GB 2022 £m	Recruitment Ireland 2022 £m	PeoplePlus 2022 £m	Staffline Group 2022 £m	Total Group 2022 £m
Total non-current assets	24.7	12.3	26.4	—	63.4	28.4	12.2	36.2	—	76.8
Total current assets	112.6	15.7	13.8	2.3	144.4	117.6	19.9	13.3	3.3	154.1
Total assets (consolidated)	137.3	28.0	40.2	2.3	207.8	146.0	32.1	49.5	3.3	230.9
Total liabilities (consolidated)	131.8	9.6	15.3	0.1	156.8	135.1	11.0	17.5	0.6	164.2
Cash capital expenditure inc. software	1.9	0.6	1.1	—	3.6	2.0	0.5	0.8	—	3.3

The analysis above excludes deferred tax assets and liabilities, as required by IFRS 8, Operating Segments.

Revenues can be analysed by country as follows (97.0% of revenues arising within the UK in 2023, 96.7% in 2022):

	Recruitment GB 2023 £m	**Recruitment Ireland 2023 £m**	**PeoplePlus 2023 £m**	**Total Group 2023 £m**	Recruitment GB 2022 Restated £m	Recruitment Ireland 2022 £m	PeoplePlus 2022 Restated £m	Total Group 2022 Restated £m
UK	**763.0**	**79.7**	**66.9**	**909.6**	751.8	80.0	65.7	897.5
Republic of Ireland	**—**	**28.6**	**—**	**28.6**	—	30.6	—	30.6
	763.0	**108.3**	**66.9**	**938.2**	751.8	110.6	65.7	928.1

No customer contributed more than 10% of the Group's revenue during either 2023 or 2022.

Non-current assets can be analysed by country as follows:

	United Kingdom 2023 £m	**Republic of Ireland 2023 £m**	**Total Group 2023 £m**	United Kingdom 2022 £m	Republic of Ireland 2022 £m	Total Group 2022 £m
	62.7	**1.2**	**63.9**	75.6	1.2	76.8

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2023 £m	2022 Restated £m
Employee benefits expenses – cost of sales	**845.4**	834.3
Other cost of sales	**12.0**	11.8
Employee benefits expenses – administrative expenses	**46.4**	46.3
Depreciation and software amortisation	**4.9**	5.6
Operating lease expenses	**0.7**	1.2
Other administrative expenses	**18.5**	16.9
	927.9	916.1
Disclosed as:		
Cost of sales	**857.4**	846.1
Administrative expenses – excluding non-underlying expenses	**70.5**	70.0
	927.9	916.1

Notes to the Financial Statements continued

The year ended 31 December 2023

5 Expenses by nature continued

Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	17
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of subsidiaries	748	682
– Audit of the pension scheme	17	18
– Audit-related assurance services	18	15
– Audit fee expenses	13	13
Total	**813**	745

Non-underlying expenses – continuing operations

	2023 £m	2022 £m
Reorganisation, rationalisation and restructuring costs	1.8	–
Goodwill impairment	8.9	–
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	3.3	7.4
Tax credit on above non-underlying expenses	(1.2)	(1.8)
Post taxation effect on above non-underlying expenses	**12.8**	5.6

During the year the Recruitment GB division undertook a reorganisation, rationalisation and restructuring programme in response to the impact of economic and inflationary cost pressures on customer permanent and temporary worker requirements. The scope of the activities included a reduction in administration headcount, a streamlining of the property portfolio and the consolidation of selected third-party spends.

The results of an impairment review indicated that an impairment charge of £8.9m was required against the goodwill held in respect of the PeoplePlus cash generating unit. Further details are given in Note 11.

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.

6 Finance income and charges

Finance income

	2022 £m	2022 £m
Receipts from derivative	1.9	0.3
Derivative ineffectiveness	–	0.4
	1.9	0.7

Finance charges

Underlying finance charges	2023 £m	2022 £m
Interest payable on bank and other funding	5.0	2.9
Interest on lease liabilities	0.1	0.1
Derivative ineffectiveness	0.1	–
Amortisation of refinancing costs	0.3	0.3
Amortisation of derivative cost	0.1	0.1
	5.6	3.4

Non-Underlying finance charges	2023 £m	2022 £m
Arrangement fees and refinancing costs	0.5	–
Net finance charges	**4.2**	2.7

7 Directors' and employees' remuneration

Employee benefits expense – consolidated

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

	2023 £m	2022 Restated £m
Wages and salaries	79.0	76.6
Social security costs	7.5	7.5
Other pension costs – defined contribution plans	2.4	2.3
Other pension costs – defined benefit plan service cost	0.1	0.1
	89.0	86.5
Share-based payment expense	0.6	0.3
	89.6	86.8
Included in administrative expenses (Note 5)	46.4	44.2
Included in cost of sales	42.6	42.3
Share based payment expense	0.6	0.3
	89.6	86.8

	2023 Number	2022 Number
The average monthly number of persons (including Directors) employed by the Group during the year was: – Sales and administrative	**2,315**	2,318

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

	2023 £m	2022 Restated £m
Wages and salaries payable to employees	**747.1**	729.8
Social security costs	**56.4**	55.2
Other pension costs – defined contribution plans	**8.6**	8.9
Gross cost	**812.1**	793.9

	2023 Number	2022 Number
The average monthly number of temporary workers contracted by the Group during the year was:	**31,973**	34,989

The average number of persons (including Directors) employed by the Company during the year was six (2022: 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 (2022: £nil).

Directors' remuneration is detailed in the Remuneration Committee Report on pages 80 to 86 and disclosed further in Note 25.

Share-based employee remuneration

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 then current issued share capital of 165,767,728 shares. The number of options outstanding and the number that lapsed during the year is shown in the table below.

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 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, equating to 1.977% of the then current issued share capital of 165,767,728 shares. The number of options outstanding and the number that lapsed during the year is shown in the table below.

Options over Ordinary Shares	2022 Plan	2021 Plan	Total
Options outstanding at 1 January 2023	**3,230,472**	925,392	4,155,864
Lapsed in the year	**1,035,165**	233,608	1,268,773
Options outstanding at 31 December 2023	**2,195,307**	691,784	2,887,091
Fair value of each option	**14p**	25p	

The fair values of Options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The weighted exercise price of the Options is 35p.

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

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"), as set out below.

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

Notes to the Financial Statements continued

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7 Directors' and employees' remuneration continued

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 10 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.

2023 Award

On 17 February 2023, the Board approved the award of and granted nil cost options (the "Options") over 4,709,040 Ordinary Shares of 10 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 2025. For the Executive Directors and relevant central Group senior employees the financial performance criteria are based on the Group as a whole, with 50% of the Options awarded subject to achieving earnings per share hurdles and 50% subject to achieving underlying operating profit hurdles. For senior employees operating within the divisions of the Group, their performance criteria are based 20% on the Group performance criteria, as above, and 80% on underlying operating profit hurdles relating to their own division. The Options will vest from 14 February 2025 (the "Vesting Period") and will be exercisable until 14 February 2033.

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

	2023	2022	2021	Total
Albert Ellis – Chief Executive Officer	**1,043,485**	711,806	573,770	2,329,061
Daniel Quint – Chief Financial Officer	**819,881**	559,276	450,820	1,829,977
Other senior executives – PDMRs	**924,956**	630,952	473,361	2,029,269
Other senior staff	**1,920,718**	997,691	–	2,918,409
	4,709,040	2,899,725	1,497,951	9,106,716
Fair value of each option	**34p**	29p	29p	

The fair values of Options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period and achievability of performance criteria.

Share-based employee remuneration

A charge of £0.6m of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2023 (2022: £0.3m) which increased the share-based payment reserve by £0.6m (2022: £0.3m) in respect of equity-settled schemes.

	2023 £m	2022 £m
Save As You Earn Scheme	**0.2**	0.2
Long-term incentive plan	**0.4**	0.1
Total	**0.6**	0.3

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 Remuneration Committee Report on page 86, and the divisional Directors. The aggregate remuneration, excluding share-based payment charges, for the divisional Directors for the year is £1.7m (2022: £1.9m). Further detail is provided in Note 25.

8 Tax expense

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

Continuing activities	**2023 £m**	2022 £m
Corporation tax		
UK corporation tax at 23.5% (2022: 19.0%)	**–**	0.1
Adjustments in respect of prior years	**–**	–
UK current tax expense/(credit)	**–**	0.1
Deferred tax		
Timing differences arising in the year	**0.9**	(0.6)
Adjustments in respect of prior years	**(0.4)**	(1.4)
UK deferred tax expense/(credit)	**0.5**	(2.0)
Total UK tax expense/(credit) for the year	**0.5**	(1.9)

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

	2023 £m	2022 £m
Recruitment GB	**(0.9)**	(1.8)
Recruitment Ireland	**0.2**	—
PeoplePlus	**1.4**	0.2
Staffline Group	**(0.2)**	(0.3)
Total UK tax expense/(credit) for the year	**0.5**	(1.9)
Underlying trading	**1.7**	(0.1)
Non-underlying trading	**(1.2)**	(1.8)
Total UK tax expense/(credit) for the year	**0.5**	(1.9)

The tax expense/(credit) for the year, as recognised in the statement of comprehensive income, is higher than the standard rate of corporation tax in the UK of 23.5% (2022: lower than the 19.00% standard rate). The differences are explained below:

	2023 £m Total	2022 £m Total
(Loss)/profit for the year before taxation	**(7.9)**	1.9
Tax rate	**23.5%**	19%
Tax on (loss)/profit for the year at the standard rate	**(1.9)**	0.4
Effect of:		
Remeasurement of deferred tax for changes in tax rates	**—**	(0.4)
Expenses not allowable	**2.3**	—
Income not taxable	**(0.3)**	—
Adjustments in respect of prior years	**0.4**	(1.0)
Tax losses available	**—**	(0.7)
Deferred tax not recognised	**—**	(0.2)
Actual tax expense/(credit)	**0.5**	(1.9)
On underlying profit	**1.7**	(0.1)
On non-underlying loss	**(1.2)**	(1.8)
Actual tax expense/(credit)	**0.5**	(1.9)

The total tax expense for the year of £0.5m (2022: credit £1.9m) arises principally from the movement of deferred tax balances. The Group does not have an estimated current corporation tax liability for the current year (2022: £0.1m). Corporation tax losses of £14.4m carried forward in all divisions and the Company have been recognised as a deferred tax asset. Previously, a deferred tax liability was recognised in respect of intangible assets arising on acquired businesses. This asset has been fully amortised in 2023 and the associated deferred tax liability has been extinguished.

The deferred tax assets and liabilities at 31 December 2023 and at 31 December 2022 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 corporation tax liability at the end of 2023 of £0.2m (2022: asset of £(0.3)m) can be analysed as follows:

	2023 £m	2022 £m
Asset at the beginning of the year	**(0.3)**	(0.6)
Charge for the current year	**—**	0.1
Adjustment in respect of prior years	**0.2**	—
R&D tax credit	**0.2**	(0.2)
Received in the year	**0.1**	0.4
Liability/(asset) at the end of the year	**0.2**	(0.3)
Balance for 2023 tax year (liability)	**—**	—
Balance of 2022 tax year (liability)	**0.2**	0.1
Balance of 2021 tax year (assets)	**—**	(0.2)
Balance of 2020 tax year (assets)	**—**	(0.2)
Liability/(asset) at the end of the year	**0.2**	(0.3)

The Group may be impacted in the future by BEPS Pillar 2, the OECD initiative for a global minimum 15% rate, as a result of the trading operations in the Republic of Ireland where the statutory rate of corporation tax is 12.5%. The legislation is effective from 1 January 2024 and consequently there is no current tax impact for the year ended 31 December 2023, and any future effect is expected to be immaterial to the Group tax charge.

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 3,316,391 shares (2022: 2,014,511 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.

Notes to the Financial Statements continued
The year ended 31 December 2023

9 Earnings per share and dividends continued

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

	Basic 2023	Basic 2022	Diluted 2023	Diluted 2022
(Loss)/profit from continuing operations (£m)	**(8.4)**	3.8	**(8.4)**	3.8
Weighted average number of shares	**157,247,639**	163,753,217	**157,788,528**	165,163,334
(Loss)/earnings per share from continuing operations (p)	**(5.3)**	2.3	**(5.3)**	2.3
Underlying earnings (post tax) from continuing operations (£m)	**4.9**	9.4	**4.9**	9.4
Underlying earnings per share (p)*	**3.1**	5.7	**3.1**	5.7
Loss from discontinued operations (£m)	**(2.6)**	–	**(2.6)**	–
Weighted average number of shares	**157,247,639**	–	**157,788,528**	–
Loss per share from discontinued operations (p)	**(1.7)**	–	**(1.7)**	–
(Loss)/profit for the year (£m)	**(11.0)**	3.8	**(11.0)**	3.8
Weighted average number of shares	**157,247,639**	163,753,217	**157,788,528**	165,163,334
Total (loss)/earnings per share (p)	**(7.0)**	2.3	**(7.0)**	2.3

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

During the year the Company purchased and immediately cancelled 16,576,772 shares under its share buyback programme.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2023	2022
Weighted average number of shares used in basic earnings per share	**157,247,639**	**163,753,217**
Dilutive shares held in LTIP and SAYE schemes	**540,889**	**1,410,117**
	157,788,528	**165,163,334**

Dividends

The Board is not proposing a dividend payment for 2023 (2022: £nil).

10 Discontinued activities

On 1 August 2023, the Group announced the restructuring of the PeoplePlus division's Skills training activities with the closure of in-person training to focus on digital delivery in other parts of the division. The Skills training business has subsequently been wound down with the exit from leased teaching space and redundancy of affected staff. The results of the Skills business, which is treated as discontinued in the year, in accordance with IFRS 5, were as follows:

	2023 £m	2022 £m
Revenue	**4.5**	12.2
Cost of sales	**(5.3)**	(11.2)
Gross (loss)/profit	**(0.8)**	1.0
Administrative expenses	**(0.7)**	(1.0)
Underlying operating loss	**(1.5)**	–
Non-underlying costs – redundancies and property exit	**(1.6)**	–
Operating loss	**(3.1)**	–
Tax credit	**0.7**	–
Loss for the period	**(2.4)**	–

The cashflows of the business were as follows:

	2023 £m	2022 £m
Net cash outflow from operating activities	**(3.1)**	–

During December 2023, the Group's closed its operations in Portugal, the results of which have been treated as discontinued, in accordance with IFRS 5, were as follows:

	2023 £m	2022 £m
Revenue	**0.1**	0.2
Cost of sales	**–**	–
Gross profit	**0.1**	0.2
Administrative expenses	**(0.2)**	(0.2)
Underlying operating loss	**(0.1)**	–
Non-underlying costs – redundancies and property exit	**(0.2)**	–
Operating loss	**(0.3)**	–
Tax credit	**0.1**	–
Loss for the period	**(0.2)**	–

The cashflows of the business were as follows:

	2023 £m	2022 £m
Net cash outflow from operating activities	**(0.3)**	–

11 Goodwill

Gross carrying amount by operating segment:

Gross carrying amount	Recruitment GB £m	Recruitment Ireland £m	PeoplePlus £m	Total £m
At 1 January 2023 and 31 December 2023	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2023	33.1	—	24.5	57.6
Charged in the year	—	—	8.9	8.9
At 31 December 2023	**33.1**	**—**	**33.4**	**66.5**
Net book amount at 31 December 2023	**21.4**	**5.7**	**23.6**	**50.7**
Net book amount at 31 December 2022	21.4	5.7	32.5	59.6

Impairment – Goodwill

Management considers there to be three groups of 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 2023. The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2024–26, followed by an extrapolation of expected cash flows over the next two years with a long-term growth rate of 2% (2022: 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.

Pre-tax discount rates of 17.0% for Recruitment GB, 13.8% for Recruitment Ireland and 14.1% for PeoplePlus (2022: 17.3% for Recruitment GB, 16.5% for Recruitment Ireland and 14.2% 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 £67.3m for Recruitment GB, £33.9m for Recruitment Ireland and £25.2m for PeoplePlus, (2022: £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 the Recruitment GB and Recruitment Ireland cash-generating units but that an impairment adjustment of £8.9m is required for the PeoplePlus CGU, which is monitored for impairment at the same level as investment. The same calculations indicated that an impairment adjustment of £17.0m (2022: £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 principal 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.

The key estimates in determining the value of each CGU are:

1. **The discount rate.** The impairment calculations use a pre-tax discount rate of 17.0% for Recruitment GB, 13.8% for Recruitment Ireland and 14.1% 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 decreased this year primarily due to a movement in the risk-free rate. The calculations highlighted headroom of £42.7m (2022: £29.5m) for Recruitment GB, headroom of £22.8m (2022: £13.0m) for Recruitment Ireland and an impairment of £8.9m (2022: headroom of £6.3m) for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £38.4m (2022: £25.8m) for Recruitment GB, reduces headroom to £20.0m (2022: £11.3m) for Recruitment Ireland and increases the impairment to £10.9m (2022: 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 £37.0m (2022: £23.7m) for Recruitment GB, reduces headroom to £18.5m (2022: £10.6m) for Recruitment Ireland and increases the impairment to £11.5m (2022: reduces headroom to £2.1m) for PeoplePlus.

As at 31 December 2023, the Company had no goodwill (2022: £nil).

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The year ended 31 December 2023

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 2022	**13.5**	**2.0**	**85.1**	**5.5**	**106.1**
Additions	2.3	–	–	–	2.3
At 31 December 2022	**15.8**	**2.0**	**85.1**	**5.5**	**108.4**
Additions	2.3	–	–	–	2.3
At 31 December 2023	**18.1**	**2.0**	**85.1**	**5.5**	**110.7**
Amortisation					
At 1 January 2022	**7.6**	**2.0**	**74.5**	**5.5**	**89.6**
Charged in the year	2.0	–	7.4	–	9.4
At 31 December 2022	**9.6**	**2.0**	**81.9**	**5.5**	**99.0**
Charged in the year	1.8	–	3.2	–	5.0
At 31 December 2023	**11.4**	**2.0**	**85.1**	**5.5**	**104.0**
Net book amount at 31 December 2023	**6.7**	**–**	**–**	**–**	**6.7**
Net book amount at 31 December 2022	6.2	–	3.2	–	9.4

The Company has no other intangible assets (2022: £nil).

As at 31 December 2023, other intangible assets comprises:

	2023 £m			2022 £m		
	Software	**Customer contracts and brands**	**Total**	Software	Customer contracts and brands	Total
Customer contracts in Endeavour Group	–	–	–	–	0.4	0.4
Customer contracts/ brands in Passionate About People Group	–	–	–	–	1.7	1.7
Customer contracts in Grafton Recruitment	–	–	–	–	0.8	0.8
Payroll and Credit Control software developed for Recruitment division	4.8	–	4.8	4.8	–	4.8
Customer contracts in One Call Recruitment	–	–	–	–	0.3	0.3
Others	1.9	–	1.9	1.4	–	1.4
Net book amount at 31 December 2023	**6.7**	**–**	**6.7**	6.2	3.2	9.4

Software, customer contracts and brands each have a useful economic life ("UEL") of 5.0 years. At 31 December 2023, the remaining UELs of the principal customer contracts have been fully amortised.

13 Fixed asset investments – Company

	Investment in Group undertakings £m
Cost at 1 January 2022	**125.2**
Cumulative impairment adjustments	(65.6)
Net book amount at 31 December 2022	**59.6**
Addition	8.8
Impairment adjustment – PeoplePlus	(17.0)
Net book amount at 31 December 2023	**51.4**

During the year the ownership of Datum RPO Limited, a subsidiary company of Staffline Recruitment Limited, was transferred at book value to the Company.

An impairment review was carried out with respect to the Company's carrying value of its investments in subsidiaries. The recoverable amount represented by the value-in-use is considered to be equal to the 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 a reduction of forecast earnings by the division. The recoverable amount of the investment at 31 December 2023 is £25.2m. 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 £18.4m. A sustained underperformance in the achievement of forecast profitability of 10% would have resulted in an impairment of £19.5m.

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.

As at 31 December 2023, 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	Employment support and training
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
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.

Notes to the Financial Statements continued

The year ended 31 December 2023

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 2022	**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**
Additions	0.9	0.2	0.1	0.1	1.3
Disposals	(0.2)	(1.1)	—	(0.1)	(1.4)
At 31 December 2023	**16.4**	**10.1**	**1.5**	**0.4**	**28.4**
Depreciation					
At 1 January 2022	**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**
Charged in the year – operating	1.9	1.1	0.2	—	3.2
Disposals	(0.2)	(0.9)	—	(0.1)	(1.2)
At 31 December 2023	**11.3**	**9.8**	**1.5**	**0.3**	**22.9**
Net book value					
At 31 December 2023	**5.1**	**0.3**	**—**	**0.1**	**5.5**
At 31 December 2022	6.1	1.4	0.1	—	7.6

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

At 31 December 2023

	Carrying amount	**Depreciation expense**	**Impairment**
Office buildings	**3.9**	**(1.7)**	**—**

At 31 December 2022

	Carrying amount	Depreciation expense	Impairment
Office buildings	4.7	(1.5)	0.6

As at 31 December 2023, the Company had no property, plant and equipment assets (2022: £nil).

15 Leases

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

	2023 £m	2022 £m
Current	**1.4**	1.5
Non-current	**2.6**	3.4
	4.0	4.9

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 (years)	No. of leases with extension options
Office building	55	0.1 – 11.2	2.3	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2023 were as follows:

	Minimum lease payments due					
	Within 1 year	1–2 years	2–3 years	3–4 years	After 5 years	Total
31 December 2023						
Lease payments	**1.5**	**0.9**	**0.6**	**0.5**	**0.7**	**4.2**
Finance charges	**(0.1)**	**(0.1)**	**–**	**–**	**–**	**(0.2)**
Net present value	**1.4**	**0.8**	**0.6**	**0.5**	**0.7**	**4.0**
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

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:

	2023 £m	2022 £m
Short-term leases	**0.3**	0.5
Leases of low-value assets	**0.4**	0.6
	0.7	1.1

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

Total cash outflow for leases for the year ended 31 December 2023 was £1.8m (2022: £2.8m).

16 Retirement benefit net asset

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 31 July 2022. Given that the fair value of plan assets is only £7.5m (2022: £7.1m), only significant disclosures are reported below.

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

	2023 £m	2022 £m
Fair value of plan assets	**7.5**	7.1
Present value of funded obligations	**(7.0)**	(6.9)
Net asset in the balance sheet at 31 December	**0.5**	0.2
Actuarial gain during the year, before tax	**0.3**	0.5
Deferred tax on gain	**(0.1)**	(0.1)
Actuarial gain during the year, post deferred tax impact	**0.2**	0.4

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:

	2023 £m	2022 £m
Balance at 1 January	**7.1**	10.1
Interest on assets	**0.4**	0.2
Expenses	**(0.2)**	(0.1)
Contributions – employer and member	**0.2**	0.2
Benefits paid	**(0.2)**	(0.2)
Actuarial gain/(loss) on asset return	**0.2**	(3.1)
Fair value of plan assets in the balance sheet at 31 December	**7.5**	7.1

At 31 December 2023, the scheme's assets, valued at market value, were distributed as follows:

	2023 £m	2022 £m
Bonds (40% of assets as at 31 December 2023)	**3.0**	3.1
Equities (35% of assets as at 31 December 2023)	**2.6**	0.8
Specialist (12% of assets as at 31 December 2023)	**0.9**	2.4
LDI (10% of assets as at 31 December 2023)	**0.8**	1.0
Cash (3% of assets as at 31 December 2023)	**0.2**	(0.2)
Fair value of plan assets in the balance sheet at 31 December	**7.5**	7.1

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The year ended 31 December 2023

16 Retirement benefit net asset 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:

	2023 £m	2022 £m
Balance at 1 January 2022	6.9	10.4
Interest cost on liabilities	0.4	0.2
Service cost – current accrual cost	—	0.1
Benefits paid – net of member contributions	(0.2)	(0.2)
Actuarial gain on change in assumptions	(0.1)	(3.6)
Present value of funded obligations in the balance sheet at 31 December	7.0	6.9
Membership numbers (active 2023: 6, 2022: 12)	257	263

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

	2023	2022
Future increase in inflation rate (RPI)	3.15%	3.15%
Future increase in inflation rate (CPI)	2.65%	2.55%
Salary increase	3.15%	3.15%
Discount rate	4.6%	4.9%
Future pension increases for leavers (RPI)	2.6%	3.15%

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

- Pre-retirement mortality: 100% of SAPS "S3" Normal tables.
- Post-retirement mortality: 100% of SAPS "S3" Normal tables.

Future improvements in longevity are based on the following:

- Pre-retirement mortality: CMI 2022 projections with a long-term trend of 0.0% per annum.
- Post-retirement mortality: CMI 2022 projections with a long-term trend of 1.25% per annum.

The mortality assumptions used were as follows:

	31 Dec 2023 Years	31 Dec 2022 Years
Average expected future life at age 65 for a:		
– male currently aged 65	21.7	22.5
– female currently aged 65	24.2	24.6
– male currently aged 45	22.9	23.1
– female currently aged 45	25.6	25.5

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 (2022: £nil) contributions unpaid at the year end.

A charge of £0.1m (2022: £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 £0.2m (2022: gain of £0.4m) is included within the consolidated statement of changes in equity.

The Trustees of the pension scheme are aware of the court case involving Virgin Media and the resulting judgement, however have not, as yet, considered whether the ruling wlll have any effect on the PeoplePlus Group Ltd Retirement Benefit Scheme.

At 31 December 2023, the Company had no pension balances (2022: £nil).

17 Trade and other receivables

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company Restated £m
Non-current				
Amount due from Group undertaking	—	21.7	—	32.2
Current				
Trade receivables	121.2	—	103.6	—
Prepayments and other receivables	5.0	0.8	5.6	0.5
Contract assets – accrued income	3.2	—	10.6	—
Amounts due from Group undertakings	—	2.8	—	2.7
	129.4	3.6	119.8	3.2

The Company 2022 comparative has been restated to classify the amount due from subsidiary undertaking of £32.2m from debtors due after more than one year to non-current assets, as the Company has adopted the adapted format under SI 2008/410 applicable to FRS 101 accounts.

Movement on contract assets	2023 £m	2022 £m
Balance at 1 January	**10.6**	12.7
Settled in cash during the year	**(10.6)**	(12.7)
Services provided in the year	**3.2**	10.6
Balance at 31 December	**3.2**	10.6

Trade and other receivables are usually due within 30 days, do not bear any effective interest rate and the carrying amounts are at amortised cost. 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 £21.7m as at 31 December 2023 (2022: £32.2m). The loan is unsecured, is repayable after four years from 30 December 2021 and bears interest at a rate of 6.70% per annum. All other amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

The amounts held at 31 December 2023 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 provision for expected credit losses of £0.1m (2022: £0.3m). The provision is split as follows:

	2023 £m	2022 £m
Expected credit loss	**0.1**	0.1
Specific bad debt provision	**—**	0.2
Provision for expected credit losses	**0.1**	0.3

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 28 for details.

18 Derivative financial instruments

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
Cash flow hedge – interest rate cap	**1.7**	**1.7**	3.0	3.0

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 28 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.

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
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
Movement through comprehensive income – hedge ineffectiveness	**—**	**(0.1)**
Movement through cash flow hedge reserve	**(1.2)**	**(1.2)**
Deferred taxation	**0.4**	**—**
At 31 December 2023	**0.9**	**1.7**

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19 Cash

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
Cash and cash equivalents	**13.3**	**—**	31.0	0.1

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	BBB+	A3
National Westminster Bank plc	A	BBB+	A3

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

	2023 £m	2022 £m
Cash at bank (as above)	**13.3**	31.0
Undrawn Receivables Finance Agreement	**49.1**	44.9
Banking facility headroom	**62.4**	75.9

20 Trade and other payables

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
Trade payables	**27.4**	**—**	30.5	—
Accruals	**50.2**	**—**	44.1	—
Contract liabilities – deferred income	**6.2**	**—**	8.5	—
Amounts due to Group undertakings	**—**	**—**	—	1.0
Other taxation and social security	**57.0**	**—**	47.2	—
	140.8	**—**	130.3	1.0

Movement on contract liabilities – deferred income	2023 £m	2022 £m
Balance at 1 January	**8.5**	14.3
Services provided in the year	**(8.5)**	(14.3)
Amounts received in advance	**6.2**	8.5
Balance at 31 December	**6.2**	8.5

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.

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. Included within accruals are allowances for rebates to customers amounting to £1.7m (2022: £0.5m).

For 2023, revenue includes £0.5m (2022: £2.7m) 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:

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
In one year or less or on demand*	**10.9**	**—**	27.5	—
In more than one year but not more than two years*	**0.9**	**—**	1.1	—
In more than two years but not more than five years*	**1.4**	**—**	1.3	—
In more than five years	**0.3**	**—**	1.0	—
Total borrowings	**13.5**	**—**	30.9	—

* Unamortised arrangement fees are included in prepayments and therefore excluded from the above analysis.

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
Split:				
Current liabilities:				
Receivables Finance Agreement	**9.5**	**—**	26.0	—
Lease liabilities	**1.4**	**—**	1.5	—
	10.9	**—**	27.5	—
Non-current liabilities:				
Lease liabilities	**2.6**	**—**	3.4	—
Total borrowings	**13.5**	**—**	30.9	—
Less: Cash (Note 19)	**(13.3)**	**—**	(31.0)	(0.1)
Net debt/(cash)	**0.2**	**—**	(0.1)	(0.1)

On 14 December 2023, the Group and its lenders agreed to a modification of the existing Receivables Finance Agreement.

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

i) maximum receivables financing facility of £60.0m (previously £90.0m) over a four-year term, with a one-year extension option;
ii) an Accordion option of up to an additional £20.0m (previously £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 a maximum of 2.25% (previously 2.75%) over SONIA, with a margin ratchet downward to 1.5% (previously 2.0%), dependent upon the Group's leverage reducing to less than 1.00x;
v) a non-utilisation fee of 0.35% (previously 0.7% during 2023 and earlier);
vi) maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant of 4.0x; and
vii) minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.

The Group uses Customer Financing arrangements whereby specific customer invoices are settled on a weekly basis, in advance of their normal settlement date. The value of invoices funded under the Customer Financing arrangements was £46.8m at 31 December 2023 (2022: £51.7m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred. The amounts settled under each customer's agreement are limited to the amounts invoiced to that customer each week. The total finance charges incurred during the year amounted to £3.0m (2022: £1.5m).

For the period to 31 December 2025, the Group's cash flow forecasts indicate ongoing headroom in the RFA and full compliance with the financial covenants described above. The likelihood of a breach of the financial covenants is considered to be remote.

22 Provisions

	Staff costs £m	Property costs £m	Employee claim £m	Discontin-ued activity £m	2023 Group Total £m	2022 Group Total £m
At 1 January 2023	**0.3**	**1.0**	**0.2**	**—**	**1.5**	2.8
Amounts charged to the income statement	**0.5**	**1.1**	**—**	**2.3**	**3.9**	1.0
Amounts utilised	**(0.2)**	**(0.1)**	**(0.2)**	**(1.9)**	**(2.4)**	(0.6)
Unused amounts reversed to the income statement	**—**	**(0.7)**	**—**	**—**	**(0.7)**	(1.7)
At 31 December 2023	**0.6**	**1.3**	**—**	**0.4**	**2.3**	1.5
Due within one year (current)	**0.3**	**1.1**	**—**	**0.4**	**1.8**	0.9
Due after more than one year (non-current)	**0.3**	**0.2**	**—**	**—**	**0.5**	0.6
At 31 December 2023	**0.6**	**1.3**	**—**	**0.4**	**2.3**	1.5

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.

Provision has been made for property exit costs and other closure costs following the discontinuance of PeoplePlus' Skills training activity.

The Company has no provisions (2022: £nil).

Notes to the Financial Statements continued

The year ended 31 December 2023

23 Deferred taxation

	2023 Group £m	2023 Company £m	2022 Group £m	2022 Company £m
Deferred taxation assets	4.4	—	5.0	0.4
Deferred taxation liabilities	(0.5)	(0.4)	(1.5)	(0.6)
Net asset/(liability)	**3.9**	**(0.4)**	3.5	(0.2)

The table below shows the Group movement in net deferred taxation during the year:

2023 Deferred tax assets/(liabilities)	1 January 2023 £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	31 December 2023 £m
Property, plant, equipment and software temporary timing differences	(0.1)	0.2	0.2	0.3
Acquired intangible assets	(0.9)	0.9	—	—
Provisions	1.1	0.2	(0.3)	1.0
Recoverable tax losses	2.9	(0.8)	(0.2)	1.9
Corporate interest restriction	1.1	0.7	(0.6)	1.2
Retirement benefit asset	—	(0.1)	—	(0.1)
Hedge instrument	(0.6)	0.2	—	(0.4)
Net asset	**3.5**	**1.3**	**(0.9)**	**3.9**
Recognised as:				
Deferred tax asset	5.0	0.3	(0.9)	4.4
Deferred tax liability	(1.5)	1.0	—	(0.5)
Net asset	**3.5**	**1.3**	**(0.9)**	**3.9**

The table below shows the Group movement in net deferred taxation during the prior 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**

The Group has utilised taxable losses against current year taxable profits amounting in aggregate to £0.1m (2022: £7.0m) during the year and has gross carried forward tax losses of £14.5m (2022: £17.8m). These losses are available for relief against future tax liabilities. The likelihood of recovery of these losses against forecast future taxable profits in the foreseeable future is considered to be probable and consequently a deferred tax asset has been recognised. In the year ended 31 December 2022, tax losses of £4.3m, whose short-term recoverability was previously considered to be less certain, and therefore not recognised as a deferred tax asset, were recognised in that year.

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.

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.

24 Share capital and share premium account

	2023 £m	2022 £m
Allotted and issued 149,190,956 (2022: 165,767,728) Ordinary 10p Shares	**14.9**	16.6

	2023 Number	2022 Number
Shares issued and fully paid at the beginning of the year	**165,767,728**	165,767,728
Shares cancelled during the year	**(16,576,772)**	—
Shares issued and fully paid at the end of the year	**149,190,956**	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 3,316,391 shares held at 31 December 2023 (2022: 2,014,511 shares) by the Employee Benefit Trust where the right to dividends has been waived.

On 1 August 2023, the Group announced the launch of a Share Buyback programme to repurchase Ordinary Shares in the capital of the Company up to an aggregate value of £4.0m. The 12,672,174 Ordinary Shares purchased pursuant to the Share Buyback were immediately cancelled.

On 4 October 2023, the Group announced the launch of a further Share Buyback programme to repurchase up to 3,904,598 Ordinary Shares in the capital of the Company. The 3,904,598 Ordinary Shares purchased pursuant to the Share Buyback, at a cost of £1.0m, were immediately cancelled.

The Share Buybacks were operated in accordance with the terms of the Company's general authority to repurchase Ordinary Shares granted by shareholders at its Annual General Meeting, held on 12 June 2023.

At the Company's Annual General Meeting held on 12 June 2023, the shareholders approved a special resolution to cancel the entire amount standing to the credit of the Company's share premium account, subject to the approval of the High Court of England and Wales. Approval was granted by the Court on 18 July 2023 and as a result the Company had distributable reserves of £85.8m with effect from 20 July 2023, being the date that the Court's decision was registered at Companies House.

25 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:

	2023 £000	2022 £000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**1,966**	1,996
Bonus	**786**	1,275
Pension contributions	**201**	193
Benefits in kind	**12**	12
Pay in lieu of notice	**—**	20
Share-based employee remuneration charge	**189**	106
	3,154	3,602

The emoluments of the highest paid Director were £638,000 (2022: £791,000).

Details of Directors' shareholdings and shares awarded under the Group's LTIP and SAYE share option schemes are provided in the Report of the Directors on pages 88 and 89. During the year Henry Spain Investment Services Limited, a person closely associated with Thomas Spain, Non-Executive Director and Chairman of the Company, bought and sold Ordinary Shares of the Company on behalf of its private client portfolios. The net total Ordinary Shares acquired in the year was 7,029,805.

26 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 £9.5m (2021: £26.0m).

27 Capital commitments

The Group is committed to acquiring access to the software code for one of its critical systems at a cost of £0.35m per year for seven years with an optional £0.5m payment at the end of the term for a perpetual licence. The Company had no material capital commitments at either 31 December 2023 or 31 December 2022.

Notes to the Financial Statements continued

The year ended 31 December 2023

28 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:

	2023 Loans and receivables and balance sheet totals £m	2022 Loans and receivables and balance sheet totals £m
Trade and other receivables (Note 17):		
• held to collect	**121.2**	103.6
Cash and cash equivalents (Note 19)	**13.3**	31.0
Contract assets – accrued income (Note 17)	**3.2**	10.6
	137.7	145.2

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.

Prepayments and other receivables of £5.0m (2022: £5.6m) relate principally to payments made in advance of receipt of the related service. Prepayments are non-financial assets, therefore there is no credit risk associated with this balance.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022, 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 2023	**Not more than 30 days past due £000**	**>31 days past due £000**	**>61 days past due £000**	**>91 days past due £000**	**Total £000**
Expected loss rate	**0.02%**	**0.25%**	**0.80%**	**1.24%**	
Gross carrying amount – trade receivables	**115,571**	**3,344**	**906**	**1,522**	**121,343**
Loss allowance	**23**	**8**	**7**	**19**	**57**

31 December 2022	Not more than 30 days past due £000	>31 days past due £000	>61 days past due £000	>91 days past due £000	Total £000
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 (including specific provisions)	19	16	9	21	65

The closing loss allowance for trade receivables as at 31 December 2023 reconciles to the opening loss allowances as follows:

	2023 £m	2022 £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 2023 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 its receivables facility of up to £60.0m (31 December 2022: £90.0m). As at 31 December 2023, £9.5m (2022: £26.0m) of the receivables facility was utilised.

The Group has covenants attached to its banking facilities as described in Note 21. For the period to 31 December 2025, the Group's cash flow forecasts indicate ongoing headroom in the receivables facility 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:

	2023 Less than 1 month £m	**2023 Between 1 and 3 months £m**	**2023 Between 3 and 12 months £m**	**2023 Total £m**	2022 Less than 1 month £m	2022 Between 1 and 3 months £m	2022 Between 3 and 12 months £m	2022 Total £m
Receivables Finance Agreement	**9.5**	**—**	**—**	**9.5**	0.4	25.6	—	26.0
Lease liabilities	**0.1**	**0.2**	**1.1**	**1.4**	0.1	0.3	1.1	1.5
Trade payables	**19.7**	**7.3**	**0.4**	**27.4**	24.9	5.5	0.1	30.5
Accruals	**23.1**	**9.0**	**18.1**	**50.2**	20.8	10.9	12.4	44.1
Total	**52.4**	**16.5**	**19.6**	**88.5**	46.2	42.3	13.6	102.1

The analysis of the maturity of financial liabilities at 31 December 2023 is as follows:

	2023 Less than one year £m	**2023 One to five years £m**	**2023 More than five years £m**	**2023 Total £m**	2022 Less than one year £m	2022 One to five years £m	2022 More than five years £m	2022 Total £m
Receivables Finance Agreement	**9.5**	**—**	**—**	**9.5**	26.0	—	—	26.0
Lease liabilities	**1.4**	**2.3**	**0.3**	**4.0**	1.5	2.4	1.0	4.9
Trade payables	**27.4**	**—**	**—**	**27.4**	30.5	—	—	30.5
Accruals	**50.2**	**—**	**—**	**50.2**	44.1	—	—	44.1
Total	**88.5**	**2.3**	**0.3**	**91.1**	102.1	2.4	1.0	105.5

The accruals figure includes £12.9m (2022: £10.6m) of employee obligations, which are not within the scope of IFRS 7, but have been included for completeness.

The analysis of the maturity of contractual undiscounted financial liabilities (including estimated future interest) at 31 December 2023 is as follows:

	2023 Less than one year £m	**2023 One to five years £m**	**2023 More than five years £m**	**2023 Total £m**	2022 Less than one year £m	2022 One to five years £m	2022 More than five years £m	2022 Total £m
Receivables Finance Agreement	**9.5**	**—**	**—**	**9.5**	26.0	—	—	26.0
Lease liabilities	**1.5**	**2.4**	**0.4**	**4.3**	1.6	2.6	1.0	5.2
Trade payables	**27.4**	**—**	**—**	**27.4**	30.5	—	—	30.5
Accruals	**50.2**	**—**	**—**	**50.2**	44.1	—	—	44.1
Total	**88.6**	**2.4**	**0.4**	**91.4**	102.2	2.6	1.0	105.8

Notes to the Financial Statements continued

The year ended 31 December 2023

28 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 over the term. 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.

	2023	2022
	+1%	+1%
Decrease in net result and equity (£m)	**(0.1)**	(0.2)

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 2023, some of the quarterly nominal amounts specified in the instrument exceeded the Group's updated borrowings forecasts, resulting in an ineffectiveness charge of £0.1m (2022: credit £0.4m). 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:

	2023 Financial liabilities at fair value through profit or loss £m	**2023 Other financial liabilities at amortised cost £m**	**2023 Liabilities not within the scope of IFRS 9 £m**	**2023 Balance sheet total £m**
Receivables Finance Agreement	**–**	**9.5**	**–**	**9.5**
Lease liabilities	**–**	**4.0**	**–**	**4.0**
Trade payables	**–**	**27.4**	**–**	**27.4**
Accruals	**–**	**50.2**	**–**	**50.2**
Contract liabilities – deferred income	**–**	**–**	**6.2**	**6.2**
Taxation and social security	**–**	**–**	**57.0**	**57.0**
Provisions	**–**	**–**	**2.5**	**2.5**
Total	**–**	**91.1**	**65.7**	**156.8**

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

	2022 Financial liabilities at fair value through profit or loss £m	2022 Other financial liabilities at amortised cost Restated £m	2022 Liabilities not within the scope of IFRS 9 £m	2022 Balance sheet total Restated £m
Receivables Finance Agreement	–	26.0	–	26.0
Lease liabilities	–	4.9	–	4.9
Trade payables	–	30.5	–	30.5
Accruals	–	44.1	–	44.1
Contract liabilities – 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

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.

29 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash inflow from operating activities

	2023 £m	2022 £m
(Loss)/profit before taxation from:		
Continuing operations	**(7.9)**	1.9
Discontinued operations	**(3.1)**	–
	(11.0)	1.9
Adjustments for:		
Finance income	**(1.9)**	(0.7)
Finance charges	**6.1**	3.4
Depreciation and amortisation – underlying	**5.0**	5.5
Amortisation – non-underlying	**3.2**	7.4
Goodwill impairment	**8.9**	–
Loss on disposal of property, plant and equipment	**0.2**	0.1
Cash generated before changes in working capital and share options	**10.5**	17.6
Change in trade and other receivables	**(9.5)**	(3.8)
Change in trade, other payables and provisions	**10.8**	(8.6)
Cash generated from operations	**11.8**	5.2
Share based payments expense	**0.6**	0.3
Net cash inflow from operating activities	**12.4**	5.5

Movement in net debt

	2023 £m	2022 £m
Net cash at 1 January	**0.1**	2.3
Net drawdowns from Receivables Finance Agreement	**16.5**	(3.1)
Lease payments, additions, disposals and interest	**0.9**	(0.3)
Change in liabilities arising from financing activities	**17.5**	(1.1)
Change in cash and cash equivalents	**(17.7)**	1.2
Net (debt)/cash at 31 December	**(0.2)**	0.1
Represented by:		
Current borrowings (Note 21)	**(9.5)**	(26.0)
Lease liabilities (Note 15)	**(4.0)**	(4.9)
	(13.5)	(30.9)
Cash and cash equivalents (Note 19)	**13.3**	31.0
Net (debt)/cash at 31 December	**(0.2)**	0.1

The movements in net debt, excluding refinancing costs, can be further summarised as follows:

	Lease liabilities £m	Receivables Finance Agreement £m	Movements from financing activities £m	Cash £m	Total £m
Net debt as at 1 January 2022	(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**
Cash flows during the year	1.8	16.5	**18.3**	(17.7)	**0.6**
Non-cash movements in leases	(0.9)	–	**(0.9)**	–	**(0.9)**
Net (debt)/cash at 31 December 2023	**(4.0)**	**(9.5)**	**(13.5)**	**13.3**	**(0.2)**

Notes to the Financial Statements continued

The year ended 31 December 2023

30 Capital management policies and procedures

The Board's current priorities for the Group's free cash flow are to fund Group development and maintain the strength of the statement of financial position. The Group's overall strategy remains unchanged from last year in that it manages its capital to ensure that the Group will be able to continue as a going concern through the economic cycle.

The capital structure of the Group consists of net debt, which is represented by cash and cash equivalents (Note 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, of which the main financial covenants are minimum net debt to EBITDA leverage and interest cover as described in Note 21.

31 Post balance sheet events

There were no events between the balance sheet date of 31 December 2023 and the approval of these accounts on 18 March 2024 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				
	2023	2022 Restated	2021	2020	2019
Comprehensive income					
Revenue	**938.2**	928.1	942.7	927.6	1,063.0
Underlying operating profit	**10.3**	12.0	10.3	4.8	2.9
% margin	**1.1%**	1.3%	1.1%	0.5%	0.3%
Operating (loss)/profit	**(3.7)**	4.6	2.3	(44.3)	(36.2)
Net (loss)/profit after taxation	**(8.4)**	3.8	1.2	(52.7)	(41.0)
Underlying earnings/(loss) per share (diluted)	**3.1p**	5.7p	7.1p	5.0p	(2.4)p
Financial position					
Goodwill	**50.7**	59.6	59.6	59.6	94.9
Intangible assets	**6.7**	9.4	16.5	24.3	34.0
Property, plant and equipment	**5.5**	7.6	8.0	9.6	14.6
Trade and other receivables	**129.4**	119.8	114.7	103.9	137.7
Cash and cash equivalents	**13.3**	31.0	29.8	24.5	25.0
Restricted cash	**—**	—	—	0.9	12.7
Trade and other payables	**(140.8)**	(130.3)	(134.3)	(155.6)	(126.4)
Borrowings (excluding deal fees)	**(9.5)**	(26.0)	(22.9)	(33.0)	(84.5)
Lease liabilities	**(4.0)**	(4.9)	(4.6)	(5.5)	(8.4)
Deferred tax net asset/(liability)	**3.9**	3.5	2.2	1.2	(3.3)
Other net assets/(liabilities)	**(0.3)**	2.0	(3.1)	(12.3)	(22.8)
Net assets	**54.9**	71.7	65.9	17.6	73.5
Net cash/(debt), pre-IFRS 16, excluding deal fees	**3.8**	5.0	6.9	(8.8)	(59.5)
Goodwill, intangibles	**57.4**	69.0	76.1	83.9	128.9
Other net assets/(liabilities)	**(6.3)**	(2.3)	(14.8)	(55.2)	4.1
Cash flows					
Underlying operating profit	**10.3**	12.0	10.3	4.8	0.6
Loss on discontinued activities	**(3.4)**	—	(0.4)	(5.0)	(3.7)
Non-underlying cash costs	**(1.8)**	—	—	(4.5)	(5.7)
Depreciation, amortisation, loss on disposal	**5.2**	5.7	6.6	8.2	7.3
Working capital movements	**1.3**	(12.7)	(45.1)	62.2	3.1
Capital expenditure, including software	**(2.7)**	(3.1)	(4.4)	(2.4)	(5.1)
Taxation received/(paid) (net)	**(0.4)**	0.4	5.8	(0.5)	(1.1)
Adjusted free cash from operations	**8.5**	2.3	(27.2)	62.8	(4.6)
Interest paid	**(3.7)**	(2.5)	(1.9)	(8.5)	(6.0)
Business acquisitions including debt acquired	**—**	—	—	(0.3)	(7.2)
Payment into restricted fund	**—**	—	—	—	(12.7)
Issue of share capital (net)	**—**	—	46.4	—	38.0
Own shares purchased	**(5.5)**	(0.4)	—	—	—
Others	**(0.5)**	(1.3)	(11.8)	0.1	—
Reduction/(increase) in net debt, pre-IFRS 16	**(1.2)**	(1.9)	5.5	54.1	7.5

Company Details

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