19 March 2024

STAFFLINE GROUP PLC
("Staffline", the "Company" or the "Group")

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

- ***Robust performance delivered full year underlying operating profit slightly ahead of market expectations[1]***
- ***Net cash (pre-IFRS 16) significantly ahead of original market expectations[1] maintaining ongoing balance sheet strength that underpinned £5 million share buyback programme in 2023***

Staffline Group plc, the recruitment and training group, announces its audited results for the year ended 31 December 2023 ('FY 2023').

Financial Highlights[2]

	FY 2023	FY 2022	Change
Continuing activities			
Revenue	**£938.2m**	£928.1m	+1.1%
Gross sales value[3]	**£1,055.7m**	£1,018.9m	+3.6%
Gross profit	**£80.8m**	£82.0m	-1.5%
Gross margin %	***8.6%***	*8.8%*	*-0.2%pts*
Underlying operating profit[4]	**£10.3m**	£12.0m	-14.2%
Gross profit to underlying operating profit conversion %	***12.7%***	*14.6%*	*-1.9%pts*
(Loss)/profit after tax (total activities)	**£(11.0)m**	£3.8m	-£14.8m
Underlying EBITDA	**£15.2m**	£17.6m	-£2.4m
Net cash[5]	**£3.8m**	£5.0m	-£1.2m

[1]Company-compiled original consensus for FY 2023 (pre the trading update on 23 January 2024) underlying operating profit and net debt (pre-IFRS 16), based on the mean average of two analyst estimates, stands at £10.15m and £3.0m, respectively
[2]Presented on a continuing basis

Alternative performance measures
[3]Gross sales value represents the 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
[4]Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges
[5]Presented on a pre-IFRS16 basis which excludes lease liabilities and also excludes refinancing costs

- Delivered Underlying operating profit slightly ahead of market expectations[1] against challenging trading conditions in FY 2023
- Net cash (pre-IFRS 16) of £3.8m (2022: £5.0m), ahead of original market expectations by £6.8m; strong trading cashflow supported £5m share buyback programme during FY 2023
- Revenue up 1.1% highlighting market share gains predominately in Recruitment GB, with H2 2023 revenues up by 3.7% for the Group
- Gross profit 0.8% lower in the Recruitment divisions as a result of reduced demand for permanent hires
- Refinanced banking facilities with improved terms in Q4 2023, reflecting progress in the business and ongoing balance sheet strength

Operational Highlights

- Strong financial and operational performance across the Recruitment divisions:
  - Recruitment GB: Expanded market share with several existing major customers, such as Tesco, GXO Logistics and Morrisons
  - Strong performance from Omega, the Group's engineering technology recruitment business and solid results from Datum, the Group's Managed Services provider
  - Further reduction in the cost base and ongoing efficiencies drove increased profit conversion. Restructuring programme incurred a non-underlying charge of £1.8m, which is expected to deliver annual savings of c.£3.5m
  - Ireland: Substantial new opportunities secured in the Republic of Ireland with the ESB (Electricity Supply Board) and the An Garda Síochána (the national police and security service) commencing in 2024
- PeoplePlus:
  - Delivered a solid performance from ongoing operations, underpinned by Prison Education and Employability
  - Challenging market with continued low unemployment generating lower volumes. Exit of loss-making (in-person) skills business generated a charge of £3.1m, contributing to a non-cash goodwill impairment of £8.9m.
  - Significant pipeline of bids outstanding for multi-year contracts (c.£310m) that would mainly benefit 2025 and future years

Board changes

- Tom Spain was appointed as permanent Chair of the Board on 18 March 2024, having been Interim Chairman since May 2022
- Amanda Aldridge joined the board as a Non-Executive Director on 17 April 2023

Current Trading and Outlook

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

Management are encouraged by the uplift in temp working hours which are c.5% higher for the first 10 weeks of 2024 compared to prior year, 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' 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, commented:

"I am pleased to report that Staffline has delivered a robust trading performance across 2023, demonstrating the resilience of the Group's operating model against a challenging macro-economic backdrop and also the success of our strategy. We continued to grow our recruitment market share, driven by a healthy pipeline of contract renewals and awards, alongside further strengthening our cash position which enabled us to carry out a £5m share buyback programme, an important part of our capital allocation policy.

Our results for 2023 are a testament to not only the resilience of our business, but also the hard work of our team who have worked tirelessly to deliver these results. I would personally like to thank all our talented leadership and dedicated staff for their unwavering commitment to Staffline's success."

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About Staffline – Recruitment, Training and Support

Enabling the Future of Work™
Staffline is the UK's market leading Recruitment and Training group. It has three divisions:

Recruitment GB
Staffline is a leading provider of flexible blue-collar workers, supplying c.28,000 staff per day on average from around 400 sites, across a wide range of industries including supermarkets, drinks, driving, food processing, logistics and manufacturing.

Recruitment Ireland
The Recruitment Ireland business is a leading end to end solutions provider operating across twenty industries, ten branch locations and ten onsite customer locations, supplying c.4,000 staff per day on average, and offering RPO, MSP, temporary and permanent solutions across the island of Ireland.

PeoplePlus Division
Staffline is the leading adult skills and training provider in the UK, delivering adult education, prison education and skills-based employability programmes across the country.

Chairman's Statement

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

Chief Executive Officer's Review

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 macro-economic 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, 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 macro-economic 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 'Mid-Life 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 for the first 10 weeks of 2024 compared to prior year, 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' 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

Financial Review

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. This discontinued activity 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.

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

Underlying[1] divisional performance – continuing operations

	Recruitment GB 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
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**		**1055.7**	842.6	110.6	65.7		1018.9
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 cash excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**(0.2)**	–	–	–	–	0.1

Comparatives for 2022 have been restated to exclude discontinued activities.

Key performance indicators – continuing operations

	Recruitment GB 2023	**Recruitment Ireland 2023**	**PeoplePlus 2023**	**Total Group 2023**	Recruitment GB 2022	Recruitment Ireland 2022	PeoplePlus 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.

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 reporting revenue in accordance with IFRS 15. The adjustment relative to reported revenue for the Group is as follows:

	2023 £m	**2022 Restated £m**
Gross sales value	**1,055.7**	1,018.9
Agency sales excluding fees	**(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-on-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 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, generating trading losses and exit costs of £3.1m before taxation.

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 2025/6, will reduce short term profitability by around two thirds, in 2024, as announced in the January trading update. 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 profit.

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 10.

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.

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).

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 profit	**(3.7)**	4.6
Non-underlying costs	**14.0**	7.4
Underlying operating profit	**10.3**	12.0
Depreciation and loss on disposals	**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 original 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	**(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.

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 agreement	**49.1**	49.1
Banking facility headroom	**62.4**	75.9

Working capital financing

The Group manages its working capital requirements using a receivables finance facility ("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

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	7	**(0.5)**	1.9
(Loss)/profit from continuing activities		**(8.4)**	3.8
Loss from discontinued operations		**(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 tax		**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		**(0.8)**	1.5
– Foreign exchange translation (loss)/gain		**(0.4)**	0.1
Total comprehensive income		**(12.0)**	5.8

Earnings per ordinary share	8		
Continuing operations: Basic and diluted		**(5.3)p**	2.3p
Discontinued operations: Basic and diluted		**(1.7)p**	–
Total earnings per share: Basic and 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.

Consolidated statement of financial position

As at 31 December 2023

		Consolidated	
	Note	**2023 £m**	2022 £m
Assets			
Non-current			
Goodwill	10	**50.7**	59.6
Other intangible assets		**6.7**	9.4
Investments		–	–
Property, plant and equipment	11	**5.5**	7.6
Deferred tax asset		**4.4**	5.0
Retirement benefit net asset		**0.5**	0.2
Amount due from subsidiary undertaking		**–**	–
		67.8	81.8
Current			
Trade and other receivables		**129.4**	119.8
Current tax asset		**–**	0.3
Derivative financial instruments	13	**1.7**	3.0
Cash and cash equivalents	14	**13.3**	31.0
		144.4	154.1
Total assets		**212.2**	235.9
Liabilities			
Current			
Trade and other payables		**140.8**	130.3
Borrowings	15	**9.5**	26.0
Current tax liability		**0.2**	–
Provisions		**1.8**	0.9
Lease liabilities	12	**1.4**	1.5
		153.7	158.7
Non-current			
Provisions		**0.5**	0.6
Lease liabilities	12	**2.6**	3.4
Deferred tax liabilities		**0.5**	1.5
		3.6	5.5
Total liabilities		**157.3**	164.2
Equity			
Share capital	16	**14.9**	16.6
Own shares		**(4.7)**	(4.5)
Share premium		**–**	111.8
Capital redemption reserve		**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)
Total equity		**54.9**	71.7
Total equity and liabilities		**212.2**	235.9

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

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities	17	**12.4**	5.5
Taxation received		**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	11	**(0.4)**	(1.0)
Purchase of intangible assets – software		**(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	15	**(16.5)**	3.1
Principal repayment of lease liabilities	12	**(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	14	**13.3**	31.0

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

Notes to the financial information

For 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 and employment training and support.

2 General information and statement of compliance

Staffline Group plc, a Public Limited Company limited by shares listed on AIM ("the Company"), is incorporated and domiciled in England, United Kingdom. The Company acts as the holding company of the Group. The Company's registration number is 05268636.

The financial information set out in this document does not constitute the Group's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the registrar of companies. The auditors have reported on those accounts; their reports were (a) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for 2023 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 2023. This results announcement for the year ended 31 December 2023 was also approved by the Board on 18 March 2024.

3 Accounting policies

Basis of preparation

The Consolidated financial statements are prepared for the year ended 31 December 2022. The Consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance 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.

There are no new accounting pronouncements which have become effective in the year.

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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

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. 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 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.

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 2022 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed to or has rights to variable returns and the ability to affect those returns through control over the subsidiary. The results of subsidiaries whose accounts are prepared in a currency other than sterling; are translated at the average rates of exchange during the period and their year-end balances at the year-end rate of exchange. Translation adjustments are taken to the profit and loss reserves.

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

Underlying profit – non-GAAP measures of performance

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

Gross sales value

Gross sales value represents the 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

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

Underlying EBITDA

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

Net debt

Net debt is the amount of bank debt less available cash balances excluding escrow funds. This is a key measure as it is one on which the terms of the banking facilities are based and shows the level of external debt utilised by the Group to fund operations. Net debt is also presented on a pre-IFRS 16 basis which excludes lease liabilities.

The Directors acknowledge that the adjustments made to arrive at underlying profit may not be comparable to those made by other companies and 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.

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

Business combinations

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

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

Segment reporting

The Group has three material operating segments: the provision of recruitment and outsourced human resource services to industry, in Great Britain (Recruitment GB) an also in Ireland (Recruitment Ireland), plus the provision of skills 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.

4 Segment reporting

Management currently identifies three operating segments: Recruitment GB, Recruitment Ireland and PeoplePlus. The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board.

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

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 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 profit/(loss) 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 operating 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 Restated 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 in 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 £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	**110.6**	**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.

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

Auditors' 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 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.

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

	2023 **£m**	2022 £m
Receipts from derivative	**1.9**	0.3
Derivative ineffectiveness	**–**	0.4
Total	**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
Total	**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 Tax expense

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

Continuing activities	**2023 £m**	2022 £m
Corporation tax		
UK corporation tax at 23.5% (2022: 19.00%)	**–**	0.1
Adjustments in respect of prior years	**–**	–
UK current tax charge/(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) 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.

8 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 3,3163,391 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.

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
Earnings per share from continuing operations (p)	**(5.3)p**	2.3p	**(5.3)p**	2.3p
Underlying earnings (post tax) from continuing operations (£m)	**4.9**	9.4	**4.9**	9.4
Underlying earnings per share (p)*	**3.1p**	5.7p	**3.1p**	5.7p
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)p**	–	**(1.7)p**	–
(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)p**	2.3p	**(7.0)p**	2.3p

* 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 total number of dilutive share options held in LTIP and SAYE schemes is 540,889 (2022: 1,410,117).).

Dividends

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

9 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, 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 and are set out below.

	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)**	–

10 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 cash-generating units ("CGUs"), being Recruitment GB, Recruitment Ireland and PeoplePlus, in line with the operating segments defined in note 4. These three cash-generating units have been tested for impairment.

An impairment review was conducted as at 31 December 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. The cash flow forecasts are based on current levels of trading for each CGU, with income and cost increases generally in line with inflation at 2% (2022: 2%) and no significant contract wins or losses.

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

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 £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 £18.5 (2022: £10.6m) for Recruitment Ireland and increases the impairment to £11.5m (2022: reduces headroom to £2.1m) for PeoplePlus.

11 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)	(3.4)
Transfer	0.4	(0.4)	–	–	–
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 includes 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)

12 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 11).

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

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

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension options
Office building	**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 one 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 had not committed to any leases that had not yet commenced.

Total cash outflow for leases for the year ended 31 December 2023 was £1.8m (2022: £2.8m).

13 Derivative financial instruments

	2023 **£m**	2022 £m
Cash flow hedge – interest rate cap	**1.7**	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 Receivables Finance Agreement and the customer finance arrangements. The instrument, which has a term of three years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

The 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**

14 Cash

	2023 **£m**	2022 £m
Cash and cash equivalents	**13.3**	31.0

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 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

15 Borrowings

Borrowings are repayable as follows:

	2023 £m	2022 £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

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

	2023 £m	2022 £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 14)	**(13.3)**	(31.0)
Net cash	**(0.2)**	(0.1)

On 14 December 2023, the Group and its lenders agreed to a modification of the existing Receivables Finance Agreement ("RFA").

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

a) Maximum receivables financing facility of £60.0m (previously £90m) over a four-year term, with a one-year extension option;
ii) An Accordion option of up to an additional £20m (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.

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.

16 Share capital

	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.

17 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash inflow/(outflow) 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 cash and cash equivalents	**(17.7)**	1.2
Net (debt)/cash at 31 December	**(0.2)**	0.1
Represented by:		
Cash and cash equivalents (note 14)	**13.3**	31.0
Current borrowings (note 15)	**(9.5)**	(26.0)
Lease liabilities (note 12)	**(4.0)**	(4.9)
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)**

18 Changes in accounting policies

There were no new accounting pronouncements requiring adoption in the year.

19 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.