22 March 2022

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

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Strong performance across FY 2021, exceeding market guidance

Staffline Group plc, the recruitment and training group, announces its audited results for the year ended 31 December 2021.

Financial Highlights[1]

	FY 2021	FY 2020	Change
Revenue	**£942.7m**	£927.6m	+1.6%
Gross profit	**£82.8m**	£74.6m	+11.0%
Gross margin %	***8.8%***	*8.0%*	*+0.8%pts*
Underlying operating profit[2]	**£10.3m**	£4.8m	+114.6%
Gross profit to underlying operating profit conversion %	***12.4%***	*6.4%*	*+6.0%pts*
Profit/(loss) after tax	**£1.6m**	£(48.5)m	+£50.1m
Underlying EBITDA	**£16.9m**	£12.2m	+38.5%
Net cash/(debt) [3]	**£6.9m**	£(8.8)m	+£15.7m

- Revenue increased to £942.7m (2020: £927.6m) notwithstanding the exit of certain lower-margin contracts
    - Strong organic growth in like for like revenue and gross profit has more than doubled year-on-year underlying operating profits[2], significantly contributing to the increase of £15.7m of cash
- Strategic actions, and the quality of the organic growth has driven up margins with gross profit increasing by 11% to £82.8m (2020: £74.6m), and gross margin by 0.8%pts to 8.8% (2020: 8.0%)
- Underlying operating profit[2] is ahead of market expectations for 2021 increasing 114.6% to £10.3m (2020: £4.8m) with underlying EBITDA surpassing £16m
- Stronger than expected trading cash flow has reduced ongoing finance costs materially to £2.4m (2020: £4.1m)
- Profit after tax of £1.6m (2020: loss £(48.5)m), the first profit after tax since 2017
- The Group's balance sheet continues to strengthen following the equity raise of £46.4m (net) in June 2021 and refinancing of the Group's working capital facilities.
- Net cash (Pre-IFRS 16)[3] as at 31 December 2021 of £6.9m (2020: net debt of £(8.8)m)
    - Repayment of deferred VAT relief of £40.7m during 2021 with final instalment of £5.8m paid on 31 January 2022. No pandemic related relief or loans now outstanding.

Operational Highlights

- All three divisions have delivered strong growth in gross profit and underlying operating profit[2] with conversion ratios improving across the Group
    - The successful drive to expand the portfolio of services in permanent recruitment has exceeded expectations with gross profit up 68% compared to 2020
    - The turnaround of PeoplePlus continues with a 156% increase in underlying[2] operating profit
- Significant productivity gains have been achieved as a result of a new focus on incentivisation
    - Recruitment GB: gross profit per fee earner up 14.6% to £71.5k (2020: £62.4k)
    - Recruitment Ireland: gross profit per fee earner up 2.2% to £111.5k (2020: £109.1k)
    - PeoplePlus: revenue per employee up 18.3% to £62.6k (2020: £52.9k)

- PeoplePlus's Restart sub-contracts awarded in June 2021 have been successfully mobilised
- The ongoing implementation of the Group's digital transformation project continues to underpin operating efficiencies and positions Staffline as a leading innovator in the sector
- PeoplePlus launched #GetBritainWorking, a potential solution to tackle structural elements of the labour shortage

Current Trading and Outlook

- The Group has an encouraging pipeline of opportunities emerging across traditionally strong sectors such as automotive and travel as the UK economy continues its recovery from the Covid-19 pandemic
- The Group has today announced a major contract win with BMW and a material extension with Vinci an existing customer, demonstrating Staffline's scale, reach and its capacity for increasing market share
- Whilst macroeconomic uncertainty has increased, the Group's strong market share in resilient sectors such as food distribution, logistics and on-line sectors provides good visibility of revenues
- Overall, the Board of Directors is confident that Staffline has the operational and financial foundations in place to deliver sustainable growth
- We have made a strong start to 2022 and are confident in meeting our expectations for the full year

Albert Ellis, Chief Executive Officer, commented:

"I am extremely proud of the commitment of the Group's leadership and workforce who delivered throughout the ongoing Covid-19 restrictions, facing labour shortages and global supply chain issues. I wish to acknowledge their hard work and my confidence in their ability to continue to deliver, including generating new areas of growth in the future."

"I am delighted with Staffline's performance across 2021, both in the significant operational progress we have delivered across the Group but also in more than doubling our underlying[2] operating profit in the year. I am satisfied that we now have the operating platform, balance sheet strength and governance in place to fully capitalise on our market leading position and drive sustainable growth."

[1]*Presented on a continuing basis.*

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

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Forward looking statements
Certain statements in this announcement are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward looking statements contained in this announcement regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Readers should not place undue reliance on forward looking statements, which apply only as of the date of this announcement.

Important notice
This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares in the Company, nor shall it, or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company. Past performance cannot be relied upon as a guide to future performance.

Market Abuse Regulation
The person who arranged for the release of this announcement on behalf of Staffline Group plc was Ian Lawson, Non-Executive Chairman.

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.33,000 staff per day on average from around 420 sites, across a wide range of industries including agriculture, 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.4,500 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
2021 was a year in which the Group returned to growth. Staffline delivered a robust performance across both revenue and underlying operating profit whilst continuing to build on the significant strategic progress achieved in the prior year, restoring stability and resilience.

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

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

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

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

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

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

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

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

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

Summary and Outlook

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

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

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

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

Ian Lawson
Chairman
21 March 2022

Alternative performance measures

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

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

Chief Executive Officer's Review

Introduction

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

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

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

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

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

Group restructuring

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

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

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

Vision and strategy

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

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

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

- **To capitalise on the Group's market leadership:**
  Staffline's Recruitment divisions have market leading positions in the supply of temporary workers. Their scale and geographic coverage provide a competitive advantage and we expect to leverage this to win more customers and organically grow revenue.

- **To broaden the portfolio of services:**
  The Group now has broad capabilities and will leverage these to drive more permanent hiring and white-collar recruitment to increase the Group's proportion of higher margin, cash generative recruitment.

- **To unlock the potential in training:**
  We continue to transition PeoplePlus into a profitable employability and skills training provider and are beginning to use its unique database of labour to support Staffline's Recruitment divisions in a market experiencing acute labour shortages.

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

Operational review

Recruitment GB

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

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

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

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

Recruitment Ireland

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

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

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

PeoplePlus

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

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

Finally, we were delighted with the response to PeoplePlus' newly launched #GetBritainWorking initiative, delivered as part of our social recruitment framework. This programme works with a consortium of large national employers to provide prospective candidates with guaranteed interviews for 1000's of vacancies each month. The programme is central to our core business values – providing those distant from the employment market with the right tools and training to successfully re-enter the workforce.

The labour market and recruitment landscape

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

Employees, customers and stakeholders

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

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

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

Summary

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

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

Albert Ellis
Chief Executive Officer
21 March 2022

Alternative performance measures

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

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

Financial Review

Introduction

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

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

Underlying[1] divisional performance – continuing operations

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

Key performance indicators – continuing operations

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

<u>Alternative performance measures</u>

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

[2]*Presented on a pre-IFRS16 basis excluding lease liabilities and also excludes refinancing costs*

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

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

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

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

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

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

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

Group result
Underlying[1] operating profit was £10.3m (2020: £4.8m), a significant increase of 114.6%, and ahead of market expectations for the year. Total non-underlying charges on continuing activities before tax, which are described below, were £8.0m (2020: £52.3m), which was all non-cash. Finance charges before refinancing costs were £2.4m (2020: £4.1m). Costs of £1.5m in respect of the debt refinancing in June 2021 are included within other receivables on the balance sheet and are being amortised over the term of the facility.

The underlying[1] profit before taxation on continuing operations for 2021 was £7.9m (2020: £0.7m). Underlying profit before taxation as a percentage of revenue was 0.8% (2020: 0.1%). The reported underlying profit after tax on continuing operations for 2021 was £8.7m (2020: £3.4m).

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

Alternative performance measures
In the reporting of its financial performance, the Group uses a limited number of alternative performance measures that are not defined under IFRS, the Generally Accepted Accounting Principles ("GAAP") under which the Group reports. The Directors believe that these non-GAAP measures, which have been consistently applied over time, assist with the understanding of the performance of the business and are not given undue prominence in these financial statements. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as an additional means of comparing performance year-on-year.

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

Non-underlying charges on continuing activities before tax amounted to £8.0m in 2021 (2020: £52.3m), relating solely to amortisation of intangible assets arising on business combinations. For 2020, the costs included exceptional reorganisation, rationalisation and restructuring costs of £4.0m relating principally to a rationalisation programme across all the divisions in order to reduce the number of properties occupied and reducing administration headcount, transaction costs of £0.5m related to the Group exploring strategic options, refinancing costs totalling £3.2m, a £9.2m charge for the amortisation of intangible assets arising on business combinations, a £35.3m goodwill impairment charge, and a share-based payment charge of £0.1m.

The charge in the year for amortisation of intangible assets arising on business combinations relates to the following acquisitions: Vital Recruitment (charge £3.2m: asset will be fully amortised by February 2023), Passionate about People (charge £2.3m: asset will be fully amortised by October 2023), Grafton (£1.3m: asset will be fully amortised by June 2023), Brightwork (charge £0.7m: asset will be fully amortised by April 2022), others (charge £0.5m: asset will be fully amortised during 2022).

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

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

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

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

Government support
In 2020, the Group took advantage of the forbearance scheme for the deferral of VAT due between March and June 2020. The total deferral agreed with HMRC under the UK scheme amounted to £42.4m after offset of a Corporation Tax refund due in relation to the financial year 2018. Repayment of the balance commenced in June 2021 and the final instalment of £5.8m was paid in January 2022.

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

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

Taxation
The total tax credit for the year was £1.7m (2020: £3.1m), which comprises a Corporation Tax credit relating to prior years and the movement of deferred tax balances. The Group has no current Corporation Tax liability in respect of either 2021 or prior years and is anticipating a refund of £0.4m relating to tax losses carried back to a prior period. Remaining tax losses of £16.7m carried forward in all divisions have been recognised as a deferred tax asset.

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

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

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

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

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

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

Movement in net debt (excluding unamortised refinancing costs)

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

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

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

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

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

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

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

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

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

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

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

I. Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
II. An Accordion option of up to an additional £15.0m, subject to lender approval;
III. Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
IV. Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00x;
V. A non-utilisation fee of 35% of the margin;
VI. Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023; and
VII. Minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges.

An arrangement fee of £0.9m was paid to the lenders in respect of the RFA.
The new facility enabled the cancellation of the Group's existing facilities, which comprised: a Revolving Credit Facility of £20.0m, a Receivables Finance Facility of £68.2m and a non-recourse Receivables Purchase Facility of £25.0m.

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

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

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

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

Dividends

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

Going concern

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

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

Daniel Quint
Chief Financial Officer
21 March 2022

Alternative performance measures
[1]*Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges*
[2]*Presented on a pre-IFRS16, which excludes lease liabilities, and also excludes refinancing costs*

Consolidated statement of comprehensive income

For the year ended 31 December 2021

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

	Note	2021	2020
Profit/(loss) per ordinary share	7		
Continuing operations: Basic and diluted		**1.3p**	**(71.5)p**
Discontinued operations: Basic and diluted		**(0.3)p**	**(6.2)p**
Total loss per share: Basic and diluted		**1.0p**	**(77.7)p**

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

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

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

Consolidated statement of financial position

As at 31 December 2021

		Consolidated			Company	
	Note	**2021 £m**	2020 Restated £m	2019 Restated £m	**2021 £m**	2020 £m
Assets						
Non-current						
Goodwill	8	**59.6**	59.6	94.9	**–**	–
Other intangible assets		**16.5**	24.3	34.0	**–**	–
Investments		**–**	–	–	**67.8**	67.8
Property, plant and equipment	9	**8.0**	9.6	14.6	**–**	–
Deferred tax asset		**4.6**	4.4	1.4	**0.8**	–
		88.7	97.9	144.9	**68.6**	67.8
Current						
Trade and other receivables		**116.2**	104.8	132.4	**3.0**	7.7
Current tax asset		**0.6**	1.7	5.3	**–**	0.2
Derivative financial instruments	11	**0.5**	–	–	**0.5**	–
Cash and cash equivalents	12	**29.8**	24.5	25.0	**–**	–
Restricted cash	12	**–**	0.9	12.7	**–**	–
		147.1	131.9	175.4	**3.5**	7.9
Debtors: amounts falling due after more than one year		**–**	–	–	**30.8**	–
Total assets		**235.8**	229.8	320.3	**102.9**	75.7
Liabilities						
Current						
Trade and other payables		**134.3**	155.6	128.7	**3.4**	3.8
Borrowings	13	**22.9**	13.0	6.4	**–**	–
Other liabilities		**–**	–	0.7	–	–
Provisions		**1.4**	3.8	16.0	**–**	–
Lease liabilities	10	**1.3**	1.6	2.6	**–**	–
		159.9	174.0	154.4	**3.4**	3.8
Non-current						
Borrowings	13	**–**	20.0	78.1	**–**	20.0
Other liabilities		**0.3**	7.3	1.4	**–**	0.4
Provisions		**1.4**	1.2	2.4	**–**	–
Lease liabilities	10	**3.3**	3.9	5.8	**–**	–
Deferred tax liabilities		**2.7**	3.5	4.7	**–**	–
		7.7	35.9	92.4	**–**	20.4
Total liabilities		**167.6**	209.9	246.8	**3.4**	24.2
Equity						
Share capital	14	**16.6**	6.9	6.9	**16.6**	6.9
Own shares		**(4.8)**	(4.8)	(4.8)	**(4.8)**	(4.8)
Share premium		**111.8**	75.1	75.1	**111.8**	75.1
Share-based payment reserve		**0.3**	0.6	0.5	**–**	–
Cash flow hedge reserve		**0.2**	–	–	**0.2**	–
Profit and loss account		**(55.9)**	(57.9)	(4.2)	**(24.3)**	(25.7)
Total equity		**68.2**	19.9	73.5	**99.5**	51.5
Total equity and liabilities		**235.8**	229.8	320.3	**102.9**	75.7

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

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities	15	**(28.7)**	65.8
Taxation received/(paid)	6	**5.8**	(0.5)
Net cash inflow from operating activities		**(22.9)**	65.3
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	9	**(2.4)**	(1.3)
Sale of property, plant and equipment		**–**	0.2
Purchase of intangible assets – software		**(2.1)**	(1.3)
Cash flows from investing activities – acquisitions			
Acquisition of businesses – deferred consideration for prior year acquisitions		**–**	(0.3)
Total cash flows arising from investing activities		**(4.5)**	(2.7)
Total cash flows arising from operating and investing activities		**(27.4)**	62.6
Cash flows from financing activities			
New loans (net of refinancing fees)		**–**	43.0
Net movement in Receivables Finance Agreement		**9.9**	(29.7)
Loan repayments		**(20.0)**	(58.1)
Principal repayment of lease liabilities		**(1.7)**	(3.4)
Interest paid		**(1.9)**	(8.5)
Payment from restricted fund		**0.9**	11.8
Settlement of NMW liabilities from restricted fund		**(0.9)**	(11.8)
Gross proceeds from the issue of share capital		**48.4**	–
Costs relating to the issue of share capital		**(2.0)**	–
Net cash flows from financing activities		**32.7**	(56.7)
Net change in cash and cash equivalents		**5.3**	5.9
Cash and cash equivalents at beginning of year		**24.5**	18.6
Cash and cash equivalents at end of year	12	**29.8**	24.5

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

Notes to the financial information

For the year ended 31 December 2021

1 Nature of operations

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

2 General information and statement of compliance

Staffline Group plc, a Public Limited Company limited by shares listed on AIM ("the Company"), is incorporated and domiciled in England, United Kingdom. The Company acts as the holding company of the Group. The 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 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) contained an Emphasis of Matter highlighting a materiality uncertainly related to going concern and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for 2020 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 2021 (including the comparatives for the year ended 31 December 2020) were approved and authorised for issue by the Board of Directors on 21 March 2022. This results announcement for the year ended 31 December 2021 was also approved by the Board on 21 March 2022.

3 Accounting policies

Basis of preparation

The Consolidated financial statements are prepared for the year ended 31 December 2021. The Consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are prepared under the historical cost convention except for equity-settled share options and derivative financial instruments which are measured at fair value.

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

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

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

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

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

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

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

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

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

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully.

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

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 eighteen 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.

Prior year restatement

Prior year restatements

Revenue overclaimed

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

Restatement of Consolidated statement of financial position
As at 31 December 2019 and at 31 December 2020

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

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 December 2021 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed to or has rights to variable returns and the ability to affect those returns through control over the subsidiary. The results of subsidiaries whose accounts are prepared in a currency other than sterling; are translated at the average rates of exchange during the period and their year-end balances at the year-end rate of exchange. Translation adjustments are taken to the profit and loss reserves.

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

Underlying profit – non-GAAP measures of performance

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

Non-underlying items of income and expenditure

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

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 training and probationary services, together "PeoplePlus". Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

4 Segment reporting

Management currently identifies three operating segments: Recruitment GB, the provision of workforce recruitment and management to industry, Recruitment Ireland, the provision of generalist recruitment services and PeoplePlus, the provision of skills and employment training and support. 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 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Group Costs 2020 £m	Total Group 2020 £m
Segment continuing operations:										
Sales revenue from external customers	**747.9**	**111.7**	**83.1**	**–**	**942.7**	732.1	120.5	75.0	–	927.6
Cost of sales	**(697.2)**	**(100.4)**	**(62.3)**	**–**	**(859.9)**	(685.9)	(110.0)	(57.1)	–	(853.0)
Segment gross profit	**50.7**	**11.3**	**20.8**	**–**	**82.8**	46.2	10.5	17.9	–	74.6
Administrative expenses	**(40.4)**	**(8.4)**	**(14.0)**	**(3.4)**	**(66.2)**	(38.2)	(8.2)	(13.4)	(2.6)	(62.4)
Depreciation, software & lease amortisation	**(3.2)**	**(0.4)**	**(2.7)**	**–**	**(6.3)**	(3.8)	(0.7)	(2.9)	–	(7.4)
Segment underlying operating profit/(loss)*	**7.1**	**2.5**	**4.1**	**(3.4)**	**10.3**	4.2	1.6	1.6	(2.6)	4.8
Reorganisation costs	**–**	**–**	**–**	**–**	**–**	(2.0)	(0.7)	–	(1.3)	(4.0)
Transaction costs	**–**	**–**	**–**	**–**	**–**	–	–	–	(0.5)	(0.5)
Amortisation of intangibles arising on business combinations	**(6.4)**	**(1.4)**	**(0.2)**	**–**	**(8.0)**	(7.6)	(1.4)	(0.2)	–	(9.2)
Goodwill impairment	**–**	**–**	**–**	**–**	**–**	(18.8)	–	(16.5)	–	(35.3)
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	–	–	(0.1)	–	(0.1)
Segment profit/(loss) from operations	**0.7**	**1.1**	**3.9**	**(3.4)**	**2.3**	(24.2)	(0.5)	(15.2)	(4.4)	(44.3)
Finance costs	**(2.0)**	**(0.3)**	**–**	**(0.1)**	**(2.4)**	(2.5)	(0.2)	(0.1)	(4.5)	(7.3)
Segment loss before taxation	**(1.3)**	**0.8**	**3.9**	**(3.5)**	**(0.1)**	(26.7)	(0.7)	(15.3)	(8.9)	(51.6)
Tax credit	**0.1**	**0.1**	**–**	**1.5**	**1.7**	0.6	0.2	0.7	1.6	3.1
Segment (loss)/profit from continuing operations	**(1.2)**	**0.9**	**3.9**	**(2.0)**	**1.6**	(26.1)	(0.5)	(14.6)	(7.3)	(48.5)

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

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

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

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

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

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

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

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

Auditors' remuneration

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

Non-underlying expenses – continuing operations

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

Notes:

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

6 Tax expense

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

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

The tax credit for the year, as recognised in the statement of comprehensive income, is lower than the standard rate of corporation tax in the UK of 19.00% (2020: lower than the 19.00% standard rate). The differences are explained below:

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

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

The impairment of goodwill is not deductible under UK corporation tax and is therefore added back to taxable profits. A deferred tax liability is recognised in respect of intangible assets arising on acquired businesses. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year. No deferred tax is recognised on JSOP charges.

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

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

7 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any shares held in the Group's Employee Benefit Trust – "own shares" (2020: 1,140,400 shares). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the potential issue of Ordinary Shares resulting from share options granted to certain Directors and share options granted to employees under the SAYE and long-term incentive schemes.

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

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

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

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

Dividends

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

8 Goodwill

Gross carrying amount by operating segment

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

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

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

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

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

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

The critical judgement relates to the determination of the CGU's. 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.* In the calculations we have utilised a pre-tax discount rate of 14.4% for Recruitment GB, 12.0% for Recruitment Ireland and 11.7% for PeoplePlus and a terminal growth value of 0%. These rates are based on the latest weighted average costs of capital for each operating segment. These rates have increased this year primarily due to a movement in the risk-free rate. The calculations highlighted headroom of £21.3m for Recruitment GB, headroom of £11.2m for Recruitment Ireland and headroom of £36.2m for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £17.3m for Recruitment GB, reduces headroom to £9.4m for Recruitment Ireland and reduces headroom to £29.6m for PeoplePlus.

2. *The achievability of the forecasted future cash flows.* There is an inherent uncertainty regarding the achievability of forecasts, as there are macro-economic factors outside of the Group's control. A sustained underperformance of 10% reduces the headroom to £15.4m for Recruitment GB, reduces headroom to £8.9m for Recruitment Ireland and reduces headroom to £28.3m for PeoplePlus. A sustained underperformance of 37% would be required before any impairment was necessary to the goodwill.

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

9 Property, plant and equipment

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

Additional information on the right-of-use assets by class of assets at 31 December 2021 is as follows:

At 31 December 2021

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

At 31 December 2020

	Carrying amount £m	Depreciation expense £m	Impairment £m
Office buildings	5.0	(2.6)	–
IT equipment	0.2	(0.1)	–
	5.2	**(2.7)**	–

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

10 Leases

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

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

The Group has leases for its operational and administrative offices, and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9).

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

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

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension options
Office building	**53**	**0.2 – 13.2**	**3.2**	–
IT equipment	–	–	–	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

	Minimum lease payments due					
	Within one year	1-2 years	2-3 years	3-4 years	After 5 years	Total
31 December 2021						
Lease payments	1.4	1.2	0.8	0.5	0.9	4.8
Finance charges	(0.1)	(0.1)	–	–	–	(0.2)
Net present value	**1.3**	**1.1**	**0.8**	**0.5**	**0.9**	**4.6**
31 December 2020						
Lease payments	1.7	1.1	0.8	0.6	1.7	5.9
Finance charges	(0.1)	(0.1)	(0.1)	–	(0.1)	(0.4)
Net present value	**1.6**	**1.0**	**0.7**	**0.6**	**1.6**	**5.5**

Lease payments not recognised as a liability

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

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

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

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

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

11 Derivative financial instruments

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

During the year, the Group has adopted a policy of ensuring that up to two thirds of its interest rate exposure is at a fixed rate. In seeking to apply this policy the Group has entered into an amortising interest rate cap instrument, which reduces the 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 3 years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

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

12 Cash

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

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

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

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

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

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

	2021 £m	2020 £m
Cash at bank (as above)	**29.8**	24.5
Receivables Finance Agreement	**48.6**	54.9
Banking facility headroom	**78.4**	79.4

13 Borrowings

Borrowings are repayable as follows:

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

* Ageing of balances above is shown excluding unamortised refinancing fees

	2021 Group £m	2020 Group £m
Split:		
Current liabilities:		
Receivables Finance Agreement	**22.9**	13.3
Unamortised refinancing costs	**–**	(0.3)
Lease liabilities	**1.3**	1.6
	24.2	14.6
Non-current liabilities:		
Revolving credit facility	**–**	20.0
Lease liabilities	**3.3**	3.9
	3.3	23.9
Total borrowings	**27.5**	38.5
Total borrowings excluding unamortised refinancing costs	**27.5**	38.8
Less: Cash (note 12)	**(29.8)**	(24.5)
Net (cash)/debt	**(2.3)**	14.3

On 10 June 2021, the Group entered into a new Receivables Financing Agreement ("RFA") to replace the existing Group funding arrangements. The RFA contained certain requirements to be met before completion, the most significant of which was that the Company raise new equity capital of at least £40.0m. This condition was satisfied and the RFA became effective on 10 June 2021.

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

I. Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
II. An Accordion option of up to an additional £15.0m, subject to lender approval;
III. Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
IV. Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00x;
V. A non-utilisation fee of 35% of the margin
VI. Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023
VIII. Minimum interest cover covenant of 2.25x the last twelve months EBITDA to finance charges

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.

The new facility enabled the cancellation of the existing facilities, comprising a Revolving Credit Facility of £20.0m, a Receivables Finance Facility of £68.2m and also the non-recourse Receivables Purchase Facility of £25.0m. The Group retained its, non-recourse, Customer Financing arrangements whereby specific customers' invoices are settled in advance of their normal settlement date. The value of invoices funded under these arrangements as at 31 December 2021 was £42.3m (2020: £43.0m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

For the period to 31 December 2023, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants described above.

14 Share capital

	2021 £m	2020 £m
Allotted and issued		
165,767,728 (2020: 68,930,486) ordinary 10p shares	**16.6**	6.9

	2021 Number	2020 Number
Shares issued and fully paid at the beginning of the year	**68,930,486**	68,930,486
Shares issued during the year	**96,837,242**	–
Shares issued and fully paid at the end of the year	**165,767,728**	68,930,486

All ordinary shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 1,140,400 shares held at 31 December 2021 (2020: 1,140,400) by the Employee Benefit Trust where the right to dividends has been waived.

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

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

The total proceeds of the Fundraise, which was approved by the shareholders in a General Meeting on 9 June 2021, was £48.4m and the new ordinary shares were admitted by the London Stock Exchange for trading on AIM on the following day.

15 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash inflow from operating activities

	2021 £m	2020 £m
Loss before taxation from:		
Continuing operations	**(0.1)**	(51.6)
Discontinued operations	**(0.4)**	(5.0)
	(0.5)	(56.6)
Adjustments for:		
Finance costs	**2.4**	7.3
Depreciation and amortisation – underlying	**6.3**	7.4
Amortisation – non-underlying	**8.0**	9.2
Loss on disposal of property, plant and equipment	**0.3**	0.8
Impairment of goodwill	**–**	35.3
Cash generated before changes in working capital and share options	**16.5**	3.4
Change in trade and other receivables	**(12.2)**	27.6
Change in trade, other payables and provisions	**(33.1)**	34.6
Impact of foreign exchange loss on operating activities	**–**	0.1
Cash generated from operations	**(28.8)**	65.7
Employee equity-settled share options	**0.1**	0.1
Net cash inflow from operating activities	**(28.7)**	65.8

Movement in net debt

	2021 **£m**	2020 £m
Net debt at 1 January 2020 (excluding refinancing fees)	**(14.3)**	(67.9)
Loan repayments	**20.0**	58.1
Net drawdowns from Receivables Finance Agreement	**(9.6)**	(13.3)
Lease payments, additions, disposals and interest	**0.9**	2.9
Change in cash and cash equivalents	**5.3**	5.9
Net cash/(debt) at 31 December 2020 (excluding refinancing fees)	**2.3**	(14.3)
Represented by:		
Cash and cash equivalents (note 12)	**29.8**	24.5
Current borrowings (note 13)	**(22.9)**	(13.0)
Lease liabilities (note 10)	**(4.6)**	(5.5)
Non-current borrowings (note 13)	**–**	(20.0)
Net cash/(debt) including refinancing fees	**2.3**	(14.0)
Refinancing fees (unamortised balance)	**–**	(0.3)
Net cash/(debt) at 31 December 2021 (excluding refinancing fees)	**2.3**	(14.3)

The movements in net debt, excluding refinancing fees, can be further summarised as follows:

	Overdrafts £m	Lease liabilities £m	Revolving credit facility £m	Receivables Finance Agreement £m	Movements from financing activities £m	Cash £m	Total £m
Net debt as at 1 January 2020	**(6.4)**	**(8.4)**	**(78.1)**	**–**	**(92.9)**	**25.0**	**(67.9)**
Cash flows during the year	6.4	3.1	58.1	(13.3)	54.3	(0.5)	53.8
Non-cash movements in leases	–	(0.2)	–	–	(0.2)	–	(0.2)
Net debt at 31 December 2020	**–**	**(5.5)**	**(20.0)**	**(13.3)**	**(38.8)**	**24.5**	**(14.3)**
Cash flows during the year	–	1.8	20.0	(9.6)	12.2	5.3	17.5
Non-cash movements in leases	–	(0.9)	–	–	(0.9)	–	(0.9)
Net debt at 31 December 2021	–	**(4.6)**	–	**(22.9)**	**(27.5)**	**29.8**	**2.3**

16 Changes in accounting policies

There were no new accounting pronouncements requiring adoption in the year. During the year the Group adopted a new accounting policy relating to the treatment of hedged financial instruments.

17 Post balance sheet events

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