23 September 2020

STAFFLINE GROUP PLC

('Staffline', the 'Company' or the 'Group')

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Staffline Group plc, the recruitment and training group, announces its unaudited results for the six months ended 30 June 2020.

	Six months to 30 June 2020 Unaudited	Six months to 30 June 2019 Unaudited Restated	Percentage movement
Revenue	**£434.9m**	£523.3m	(16.9)%
Underlying operating (loss)/profit*	**£(0.8)m**	£4.4m	(118.2)%
Underlying EBITDA (pre-IFRS 16)**	**£1.0m**	£6.5m	(84.6)%
(Loss) before tax	**£(47.7)m**	£(12.3)m	(287.8)%
Net debt (pre-IFRS16)	**£36.2m**	£89.9m	60.0%

Key Highlights

- Revenue of £434.9m (H1 2019 restated: £523.3m)
  - Unprecedented surge in food supply chain sector demand including supermarket customers during lockdown, where volumes were 64% higher than expected between April and May, although this did not offset the impact of COVID-19 in other sectors during H1
  - Despite the shutdown of a number of services due to COVID-19 related social distancing measures, PeoplePlus maintained delivery of a number of core services. 100% of adult education classroom capacity was lost between April and June, which has now recovered to 42% because of social distancing
- Underlying* operating loss of £(0.8)m (H1 2019 restated: £4.4m profit, H2 2019: £(5.2)m loss)
  - The Board is encouraged with the underlying operating loss of £(0.8)m in H1 2020 which, despite the challenges presented by COVID-19, is a £4.4m improvement in performance at the underlying operating profit level compared with H2 2019
- Reported loss before tax of £(47.7)m (H1 2019 restated: £(12.3)m loss)
  - Includes non-underlying items related to non-cash charges for goodwill impairment of £35.3m and amortisation of intangibles of £4.8m
- Pre-IFRS 16 basis net borrowings of £36.2m (H1 2019: £89.9m), benefitting from £45.8m of deferred VAT payments, which are due in March 2021
- Comprehensive credit facilities agreed in June 2020 with the Group's lenders providing restructured financing until July 2022
- Internal actions implemented and ongoing to improve working capital structure
- Albert Ellis, currently Non-executive Director, appointed Group Chief Executive Officer of the Group

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

** Underlying operating profit before depreciation and after operating lease payments.

Current Trading and Outlook

- In the short term, management continues to focus on maximising opportunities in the current environment whilst ensuring that the cost base is prudently managed
- Promising progress on working capital improvements and with mitigating actions to help alleviate the probable liquidity pressures in March 2021
- Current trading environment remains challenging, with the ongoing macroeconomic impact of COVID-19 uncertain, the Board is confident that the actions in the first half of 2020 have increased the resilience of the Group and placed it on a much improved strategic and financial platform to take advantage of opportunities in the future
- Whilst remaining cautious given the market backdrop with respect to the scale, and duration, of the ongoing impact of social distancing restrictions in the UK, the Board anticipates that the Group will perform in line with expectations for the full year
- The Group remains on track to achieve a positive result for 2020 on an underlying operating profit basis across each of the three divisions

Ian Lawson, Executive Chairman of Staffline, commented:

"Staffline continued to successfully service its customer base, and our business proved resilient in the first half of 2020 despite COVID-19 significantly impacting a number of the Group's key sectors. Our teams have worked tirelessly to not only support our customers in what has been a very challenging trading environment, but to ensure all of our workforce remains safe."

"Whilst we anticipate a stronger trading performance in H2 2020, there is a very high level of uncertainty across the market as a result of COVID-19."

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.

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Market Abuse Regulation
This announcement is released by Staffline Group plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Staffline Group plc was Ian Lawson, 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 the UK's leading provider of flexible blue-collar workers, supplying approximately 40,000 staff per day on average to around 450 client 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 20 industries, 10 branch locations, 15 onsite customer locations 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 apprenticeships, adult education, prison education and skills-based employability programmes across the country.

Executive Chairman's Statement

Introduction

Trading in the first half of 2020 was dominated by the impact of the global COVID-19 pandemic, the associated restriction measures, and the trends that emerged. As previously flagged, across the Group's Recruitment divisions, there was an inevitable reduction in volumes in certain sectors including retail, automotive and manufacturing, whilst conversely, the Group experienced an unprecedented increase in food sector demand. In addition, PeoplePlus transitioned to predominantly digital delivery with funding support largely on a cost only basis.

The Group has successfully undergone a restructuring in the year-to-date. This has been focused on reducing the cost base, implementing improved governance, securing a new financing agreement with the Group's lenders as well as strengthening the leadership team, which included refreshing the Board and adding to the executive leadership team, and appointing a Head of Internal Audit.

A number of initiatives were introduced to mitigate the financial impact of the pandemic across the Group. These included a working capital reduction programme, which saw customer debt which was more than 30 days overdue reduce by 78% from the beginning of April to the end of June, and a reduction in the Group's headcount of 13% between December 2019 and August 2020. Staffline also utilised the Government's job retention scheme in furloughing certain of its employees, ceasing to use the scheme significantly beyond July 2020. The Group is also benefitting from the deferral of £45.8m under HMRC's VAT deferral arrangements, which, in addition to the refinancing agreements, improves the Group's liquidity through to March 2021.

As workplace related lockdown restrictions have eased, trading is beginning to normalise at varying degrees across the Group, with the ultimate impact of COVID-19 on the wider economy and Staffline still remaining uncertain. However, management believes that Staffline is now in a much more resilient position following the refinancing of the Group's credit facilities in June 2020, which provided support to Staffline's ongoing business activities. Improvements are ongoing across the Group's corporate governance, financial processes, management information channels, as well as in cross-selling and communications.

A number of Board changes were made in the first half of 2020, which improved the corporate governance of the Group, with an Executive Management Team being established which includes myself, Daniel Quint, Interim Group CFO, and our three highly experienced divisional Managing Directors. In addition, today we have announced the appointment of Albert Ellis, currently a non-executive director of the Group, as Chief Executive Officer.

Operational review

As aforementioned, operations in the first half of 2020 were significantly impacted by COVID-19 with trading overall in the second quarter reduced as a result of lockdown restrictions. Each division has now begun the exercise of reshaping its structure to create a more robust business operation that will be profitable over the long term.

Recruitment GB

The response from our Recruitment GB business in meeting the unprecedented demand arising from the food sector in March and April was very impressive and the Group was proud to support the national 'feed the nation' effort. However, this surge in demand was not sufficient to offset the decline in other sectors during the first half of the year and therefore divisional revenue was down 18.1%.

With demand in food now normalised, the Group is beginning to benefit from the reopening of certain sectors as lockdown measures have eased, with an overall increase in volumes and strong digital job application rates. Volumes are anticipated to increase month-on-month for the remainder of 2020, with our key customers engaged in planning for the traditional Q4 peak trading period.

However, the peak in 2020 is not expected to be as marked as previous years. It also remains too early to quantify steady-state demand levels in the short term.

Recruitment Ireland
The Ireland division experienced similar demand trends as the GB business, with food sector demand now stable and volumes from manufacturing customers increasing, albeit steadily. Overall, volumes are increasing but new normalised levels remain uncertain. The rebrand of the division as Staffline Recruitment Ireland has been well received by customers and demonstrates our ongoing progress in unifying our business divisions. Strategies to share best practice and in particular, new technologies are now underway.

PeoplePlus
The majority of services continued to operate during the pandemic, using digital operating models. However, the loss of classroom delivery impacted certain areas, and whilst this service has now restarted, it is not yet running at normal capacity. There was 100% loss of adult education classroom capacity between April and June, which is now at 42% capacity because of social distancing. Significant disruption was also experienced on apprenticeships with 37% of our learners still not having returned to their programme. On central and devolved government contracts, where delivery has not been possible, funding has largely been on a cost only basis.

In-year new business wins also weakened during the pandemic but with the rising levels of unemployment in the UK, new government funding for training and re-skilling is likely and PeoplePlus is well-placed to benefit from this. Management's response to the reduced volumes in its services generated run rate overhead reduction of c.55% between March and August.

Strategic Priorities
As outlined in the Group's full year 2019 results, the Board's core focus is to create a sustainable business, which in the current uncertain macroeconomic environment is more important than ever. The Board and management want Staffline to truly benefit from both its existing resources and talent, as well as capitalise on the significant opportunity that exists within our target markets. Pleasingly, we have begun to deliver against our strategic objectives, which are to:

1) **Achieve operational excellence**
    - Ongoing progress in streamlining and sharing services across the Group
    - Each division is being re-shaped to maximise profitability and cash generation

2) **Optimise service delivery**
    - Continue to adhere to high standards of compliance
    - High customer engagement crucial in the current environment

3) **Leverage our brand**
    - Rebranded the Ireland division under 'Staffline' with additional divisions to be rebranded in due course
    - Ongoing synergies and opportunities across all our divisions being realised
    - Continue to attract strong levels of candidates

4) **Develop and cultivate our talent**
    - Commercial business model and working capital training to all key management to ensure all leaders fully understand the commercial hurdle framework for new business and what the Group's key opportunities and risks are
    - Management focused on ensuring our leaders and talented people across all divisions are given access to a certain level of development and training

Outlook

In the short-term, Staffline are encouraged by the early actions, and remain focused on implementing mitigating measures, to ease the liquidity risk present when the deferred VAT becomes payable in March 2021. These include a reduction in days sales outstanding within the Recruitment divisions as well as working capital deployment decisions moving away from low profit generating and working capital intensive contracts. Additionally, cost saving and cost sharing initiatives are being expanded across the Group to reduce the overall cost base with a review of working capital also being undertaken. Staffline is a well-established business with market-leading divisions, which the Board believes will prove resilient in the medium to long-term and we will be able to navigate the current volatile market environment.

Whilst we anticipate a stronger trading performance in H2 2020, there is a very high level of uncertainty across the market as a result of COVID-19. We continue to focus on maximising trading and ensuring that the shape of the business is appropriate in order to drive future profitability. Consequently, the Board remains cautiously optimistic with regard to the outlook for the full year and anticipates that the Group will perform in line with expectations.

Finally, I would like to congratulate Albert on his appointment as Staffline's new Group CEO and also thank all of my colleagues in Staffline for their hard work, dedication and commitment over what has been an extraordinary period.

Ian Lawson
Executive Chairman
22 September 2020

Financial Review

Introduction

Trading in the first half of the 2020 was heavily impacted by the COVID-19 pandemic but is now starting to recover. In June 2020, the Group successfully refinanced its credit facilities, as described below.

Total revenue for H1 decreased by (16.9)% to £434.9m (H1 2019 restated: £523.3m).

The Group is split into three divisions: Recruitment GB, flexible blue-collar recruitment; Recruitment Ireland, generalist recruitment; and PeoplePlus, an adult skills and training provider.

	Recruitment GB 6 months ended 30 June 2020 Unaudited £m	**Recruitment Ireland 6 months ended 30 June 2020 Unaudited £m**	**PeoplePlus 6 months ended 30 June 2020 Unaudited £m**	**Group costs 6 months ended 30 June 2020 Unaudited £m**	**Total Group 6 months ended 30 June 2020 Unaudited £m**	Recruitment GB 6 months ended 2019 Unaudited Restated £m	Recruitment Ireland 6 months ended 2019 Unaudited Restated £m	PeoplePlus 6 months ended 2019 Unaudited Restated £m	Group costs 6 months ended 2019 Unaudited Restated £m	Total Group 6 months ended 2019 Unaudited Restated £m
Revenue	**332.8**	**61.9**	**40.2**	**-**	**434.9**	406.4	75.5	41.4	-	523.3
Gross profit	**21.6**	**5.6**	**6.9**	**-**	**34.1**	28.3	8.1	8.9	-	45.3
Underlying operating profit /(loss)	**1.3**	**1.1**	**(2.0)**	**(1.2)**	**(0.8)**	4.3	2.4	(1.3)	(1.0)	4.4

Revenues in the Recruitment GB division declined by £(73.6)m or (18.1)% to £332.8m. The decrease is as a result of the volume decline in temporary recruitment in sectors such as retail and manufacturing, which more than offset the increase in trading in the food sector.

Revenues in the Recruitment Ireland division decreased by £(13.6)m or (18.0)% to £61.9m, with COVID-19 lockdowns occurring across both Northern Ireland and the Republic of Ireland, significantly impacting volumes.

PeoplePlus revenues decreased by £(1.2)m or (2.9)% to £40.2m. The business was supported by digital operating models which enabled operations to continue throughout the pandemic. However, classroom delivery of skills training along with prison education was negatively impacted by COVID-19 restrictions.

The sales mix between the operating divisions was unchanged compared with H1 2019, with the recruitment businesses accounting for 91% of revenue (2019: 92%).

Overall, gross profit decreased by 24.7% to £34.1m (H1 2019: £45.3m) with gross profit margins reducing to 7.8% (H1 2019: 8.8%). However, this is an increase compared to the H2 2019 gross profit margin of 7.3%.

The gross margin for Recruitment GB decreased year-on-year, from 7.0% in H1 2019 to 6.6% in H1 2020, following the increase in the National Minimum Wage in April 2019, from £7.83 to £8.21 per hour for over 25s. This does not impact absolute gross profit but does negatively impact the gross margin percentage achieved. This dynamic will continue with the increase in April 2020 to £8.72 per hour for over 25s.

The gross margin for Recruitment Ireland decreased from 10.7% in H1 2019 to 9.0% in H1 2020 driven by the reduction of permanent recruitment which delivers higher gross profit margin.

The gross margin for PeoplePlus decreased from 21.5% in H1 2019 to 17.2% in H1 2020 due to the impact of COVID-19 on revenues which were primarily supported by cost only recovery from Government contracts.

Reflecting the impact of the COVID-19 pandemic, underlying operating loss was £(0.8)m (H1 2019 restated: £4.4m profit), with £(4.0)m of the year on year decline being generated in Q2 as lockdown took hold. Total non-underlying charges before tax were £(44.8)m (H1 2019 restated: £(14.5)m) as described below. Finance charges were £(2.1)m (H1 2019 restated: £(2.2)m). These movements generated a reported loss before taxation of £(47.7)m in H1 2020 (H1 2019 restated: £(12.3)m).

The reported loss after tax for H1 2020 was £(46.8)m (H1 2019 restated: £(10.6)m).

Non-underlying administrative charges

Non-underlying charges before tax have increased to £44.8m in H1 2020 (H1 2019 restated: £14.5m), as shown below. They include reorganisation costs of £1.9m incurred in order to downsize and reduce the Group's headcount in line with the declines in revenue and gross profit, transaction costs of £0.6m related to the Group exploring strategic options, £2.1m of refinancing costs that could not be capitalised against the new financial liabilities, a £4.8m charge for the amortisation of intangible assets arising on business combinations, a £35.3m goodwill impairment charge based on forecasts which include the impact of COVID-19, and a share-based payment charge of £0.1m.

Non-underlying charges	**Six-months ended June Unaudited 2020 £m**	Six-months ended June 2019 Unaudited Restated £m
Reorganisation costs	**1.9**	2.2
Legal investigation professional fees	**-**	0.7
Transaction costs – business acquisitions and strategic options	**0.6**	-
Employee dispute settlement	**-**	1.4
Legal claim	**-**	1.0
Refinancing costs	**2.1**	3.2
Amortisation of intangible assets arising on business combinations	**4.8**	6.2
Goodwill impairment	**35.3**	-
Share-based payment charges/(credits) (equity and cash-settled)	**0.1**	(0.2)
Total non-underlying charges before tax	**44.8**	14.5

Taxation

The total tax credit for H1 2020 of £0.9m (H1 2019 restated: £1.7m), which amounts to 1.9% (H1 2019 restated: 13.8%) of the loss for the period, relates principally to the movement of deferred tax balances, together with certain non-underlying items being non-taxable.

Prior year restatements and review of internal controls

Following the extended 2018 audit, the Board continued with detailed reviews to further improve the Group's internal controls. As previously announced, these reviews identified accounting errors relating to the preparation of the 2018 annual results. The 2018 statement of financial position, being the 2019 opening reserves contains prior year adjustments. There are consequential adjustments to the income statement and cash flow statement for the six months ended 30 June 2019 and the statement of financial position at 30 June 2019 (presented as comparatives). See note 1 for further details.

Statement of financial position, cash generation and financing
The Group's total equity decreased by £(47.0)m over the six months from the 31 December 2019 restated position, following the total comprehensive loss for H1 2020 of £(47.0)m.

The movement in net debt is shown in the table below. The movement in working capital includes a decrease in trade and other receivables and accrued income of £9.1m, both due to the decline in trading as a result of COVID-19 as well as a focus on reduction in overdue debt, and an increase in trade and other payables and provisions of £12.1m, primarily due to the deferral of VAT payments between March and June 2020, in line with the provisions set out by HMRC.

Movement in net debt	**H1 2020 Unaudited £m**	H1 2019 Unaudited Restated £m
Opening net debt (pre IFRS16)	**(59.5)**	(63.8)
Underlying EBITDA (pre IFRS16)	**1.0**	6.5
Non-underlying items	**(4.6)**	(7.9)
Movements in working capital	**21.2**	(12.7)
Taxation and interest paid	**(2.8)**	(3.3)
Capital investment (net of disposals)	**(1.1)**	(3.4)
Cash flows relating to acquisitions	**-**	(5.3)
Payments out of restricted funds	**9.2**	-
Impact of foreign exchange loss on operating activities	**0.4**	-
Closing net debt (pre IFRS16)	**(36.2)**	(89.9)
IFRS16 lease liabilities	**(6.9)**	(8.9)
Closing net debt (post IFRS16)	**(43.1)**	(98.8)

The Group ended H1 2020 with pre-IFRS16 net debt of £36.2m compared to £89.9m at H1 2019. Post-IFRS16 net debt was £43.1m at H1 2020 compared to £98.8m at H1 2019.

The table below reconciles underlying EBITDA (earnings before interest, taxation, depreciation and amortisation), used in the net debt analysis above, to operating loss.

Reconciliation of operating loss to EBITDA	**H1 2020 Unaudited £m**	H1 2019 Unaudited Restated £m
Operating loss	**(43.5)**	(6.9)
Non-underlying costs	**42.7**	11.3
Underlying operating (loss) / profit	**(0.8)**	4.4
Depreciation	**3.5**	3.0
Underlying EBITDA	**2.7**	7.4
Principal repayment of lease liabilities	**(1.7)**	(0.9)
Underlying EBITDA (pre IFRS16)	**1.0**	6.5

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

The Group's headroom relative to available committed banking facilities as at 30 June 2020 was £38.4m (30 June 2019: £28.9m) as set out below:

	H1 2020 Unaudited £m	H1 2019 Unaudited £m
Cash at bank	**32.3**	5.0
Cash at bank held outside of facility*	**-**	(1.2)
Overdraft facility unutilised	**-**	25.0
Committed revolving credit facility unutilised	**-**	0.1
Available receivables finance facility unutilised	**6.1**	-
Banking facility headroom	**38.4**	28.9

** excluded from headroom in H1 2019*

Refinancing: Amendments to Credit Facilities June 2020
Following discussions with the lenders of the revolving credit facility, the Company and the lenders agreed on 26 June 2020 to a revised financing structure. In summary:

	Previous arrangement	New arrangement
Revolving credit facility ("RCF")	£78.2m	£30.0m
Overdraft	£25.0m	-
Receivables Finance Facility ("RFF") (invoice discounting) – maximum	-	£73.2m
Total Facility	**£103.2m**	**£103.2m**
Expiry date	July 2022	July 2022

The key terms of the new facilities are below, with other terms of the RCF remaining in place:

i) Repayment and cancellation of RCF commitments by £10.0m on 31 July 2020;
ii) The RFF can initially be drawn down against the receivables of the Recruitment GB division and the Northern Ireland part of the Recruitment Ireland division;
iii) Interest on the RFF accruing at 3.50% plus Bank of England base rate;
iv) Minimum EBITDA and minimum liquidity covenants until a return to leverage and interest cover covenants in January 2022. The minimum EBITDA covenants have been calculated by reference to the Group's downside case;
v) Restrictions on new material share, business and asset acquisitions until July 2022; and
vi) No dividends to be declared by the Company until July 2022.

In consideration of these amendments, a fee was paid to the lenders of £0.7m.

The Group is also funded through customer financing agreements with some of its key customers. In addition, the Group has an uncommitted separate receivables financing facility with a maximum value of £25m.

Dividend policy
As a condition of refinancing the credit facility, no dividends will be declared by the Company for the 2020 financial year.

Going concern
The unaudited interim results have been prepared on a going concern basis. The Directors have reviewed this basis and made full disclosure in note 1, concluding that there is a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described in note 1, as well as the mitigating actions available to the Group as described in note 1, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

International Financial Reporting Standards
There have been no new accounting standards or interpretations in the first half of 2020 which materially impact the Group's performance or financial position.

Daniel Quint
Interim Chief Financial Officer
22 September 2020

Consolidated statement of comprehensive income
For the six months ended 30 June 2020

	Note	Six-month period ended 30 June 2020 Underlying Unaudited £'m	Six-month period ended 30 June 2020 Non-underlying Unaudited £'m	Six-month period ended 30 June 2020 Total Unaudited £'m	Six-month period ended 30 June 2019 Unaudited Restated £’m	Year ended 31 December 2019 Audited £’m
Continuing operations						
Revenue	2	434.9	-	434.9	523.3	1,076.7
Cost of sales		(400.8)	-	(400.8)	(478.0)	(990.2)
Gross profit		**34.1**	-	**34.1**	**45.3**	**86.5**
Administrative expenses (underlying)		(34.9)	-	(34.9)	(40.9)	(87.3)
Underlying operating (loss)/profit before non-underlying administrative expenses		**(0.8)**	-	**(0.8)**	**4.4**	**(0.8)**
Administrative expenses (non-underlying)*	3	-	(42.7)	(42.7)	(11.3)	(39.1)
Operating loss	2	**(0.8)**	**(42.7)**	**(43.5)**	**(6.9)**	**(39.9)**
Finance costs		(2.1)	(2.1)	(4.2)	(5.4)	(8.2)
Loss for the period before taxation		**(2.9)**	**(44.8)**	**(47.7)**	**(12.3)**	**(48.1)**
Underlying				*(2.9)*	2.2	*(5.8)*
Non-underlying*	3			*(44.8)*	(14.5)	*(42.3)*
Tax credit		0.6	0.3	0.9	1.7	4.1
Underlying				0.6	-	1.7
Non-underlying				0.3	1.7	2.4
Loss from continuing operations		**(2.3)**	**(44.5)**	**(46.8)**	**(10.6)**	**(44.0)**
Underlying				*(2.3)*	2.2	*(4.1)*
Non-underlying*	3			*(44.5)*	(12.8)	*(39.9)*
Items that will not be reclassified to the statement of comprehensive income - actuarial gains and losses, net of deferred tax				(0.6)	(0.3)	(0.7)
Items that may be reclassified to the statement of comprehensive income – cumulative translation adjustment				0.4	-	-
Net loss and total comprehensive income for the period				**(47.0)**	**(10.9)**	**(44.7)**
Earnings per ordinary share	4					
Continuing operations:						
Basic				(69.1p)	(39.6p)	(96.3p)
Diluted				(69.1p)	(39.6p)	(96.3p)

*the non-underlying result includes amortisation of intangible assets arising on business combinations, reorganisation costs, exceptional NMW remediation and financial penalties, enhanced audit scope fees and the non-cash charge/credit for share-based payment costs.

The accompanying notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the six months ended 30 June 2020

Unaudited	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share-based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2020	**6.9**	**(4.8)**	**75.1**	**0.5**	**(1.9)**	**75.8**
Save As you Earn ("SAYE") share scheme – equity settled	-	-	-	0.1	-	0.1
Transactions with owners	-	-	-	0.1	-	0.1
Loss for the period	-	-	-	-	(46.8)	(46.8)
Actuarial losses	-	-	-	-	(0.6)	(0.6)
Cumulative translation adjustments	-	-	-	-	0.4	0.4
Total comprehensive loss for the period, net of tax	-	-	-	-	**(47.0)**	**(47.0)**
At 30 June 2020	**6.9**	**(4.8)**	**75.1**	**0.6**	**(48.9)**	**28.9**

Consolidated statement of changes in equity
For the six months ended 30 June 2019

Unaudited	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share-based payment reserve £'m	Profit and loss account Restated £'m	Total equity Restated £'m
At 31 December 2018 (reported)	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.5**	**91.0**
Prior year adjustments for year ended 31 December 2017 (note 1)	-	-	-	-	(0.9)	(0.9)
Prior year adjustments for year ended 31 December 2018 (note 1)	-	-	-	-	(7.5)	(7.5)
At 31 December 2018 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.1**	**82.6**
Transition to IFRS 16: Leases (note 9) Amended	-	-	-	-	(0.1)	(0.1)
At 1 January 2019 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.0**	**82.5**
Loss for the period (restated)	-	-	-	-	(10.6)	(10.6)
Actuarial losses	-	-	-	-	(0.3)	(0.3)
Total comprehensive loss for the period, net of tax (restated)	**-**	**-**	**-**	**-**	**(10.9)**	**(10.9)**
At 30 June 2019 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**32.1**	**71.6**

The accompanying notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2019

Audited	Share capital £m	Own shares JSOP £m	Share premium £m	Share-based payment reserve £m	Profit and loss account £m	Total equity £m
At 31 December 2018 (reported)	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.5**	**91.0**
Prior year adjustments for year ended 31 December 2017 (note 1)	–	–	–	–	(0.9)	(0.9)
Prior year adjustments for year ended 31 December 2018 (note 1)	–	–	–	–	(7.5)	(7.5)
At 31 December 2018 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.1**	**82.6**
Transition to IFRS16: Leases	–	–	–	–	(0.1)	(0.1)
At 1 January 2019 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**43.0**	**82.5**
Issue of share capital	4.1	–	36.9	–	–	41.0
Costs of issue of share capital	–	–	(3.0)	–	–	(3.0)
Save As You Earn (“SAYE”) share scheme – equity-settled	–	–	–	0.2	(0.2)	–
Transactions with owners	4.1	–	33.9	0.2	(0.2)	38.0
Loss for the year	–	–	–	–	(44.0)	(44.0)
Actuarial loss, net of taxation	–	–	–	–	(0.7)	(0.7)
Total comprehensive loss for the year, net of tax	**–**	**–**	**–**	**–**	**(44.7)**	**(44.7)**
At 31 December 2019	**6.9**	**(4.8)**	**75.1**	**0.5**	**(1.9)**	**75.8**

The accompanying notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated statement of financial position
As at 30 June 2020

	Note	**30 June 2020 Unaudited £'m**	30 June 2019 Unaudited Restated £'m	31 December 2019 Audited £'m
Assets				
Non-current assets				
Goodwill	5	59.6	117.2	94.9
Other intangible assets		28.9	38.3	34.0
Property, plant and equipment		12.6	16.1	14.6
Retirement benefit asset		-	0.5	-
Deferred tax asset		1.9	1.0	1.4
		103.0	**173.1**	**144.9**
Current assets				
Trade and other receivables (due after more than one year £0.6m, 2019: nil)	6	129.3	151.7	137.7
Cash and cash equivalents	7	32.3	5.0	25.0
Restricted cash	7	3.5	-	12.7
		165.1	**156.7**	**175.4**
Total assets		**268.1**	**329.8**	**320.3**
Liabilities				
Current				
Trade and other payables	8	150.7	122.1	126.4
Borrowings	9	38.5	-	6.4
Other liabilities		1.3	2.3	0.7
Provisions		5.1	21.1	16.0
Lease liabilities	9	2.3	2.4	2.6
		197.9	**147.9**	**152.1**
Non-current				
Borrowings	9	30.0	94.9	78.1
Other liabilities		0.4	1.3	1.4
Provisions		2.1	2.0	2.4
Lease liabilities	9	4.6	6.5	5.8
Deferred tax liabilities		4.2	5.6	4.7
		41.3	**110.3**	**92.4**
Total liabilities		**239.2**	**258.2**	**244.5**
Equity				
Share capital	10	6.9	2.8	6.9
Own shares		(4.8)	(4.8)	(4.8)
Share premium		75.1	41.2	75.1
Share-based payment reserve		0.6	0.3	0.5
Profit and loss account		(48.9)	32.1	(1.9)
Total equity		**28.9**	**71.6**	**75.8**
Total equity and liabilities		**268.1**	**329.8**	**320.3**

The accompanying notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated statement of cash flows
For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 Unaudited**	Six months ended 30 June 2019 Unaudited Restated	Year ended 31 December 2019 Audited
		£'m	£'m	£'m
Cash flows from operating activities	11	**19.7**	**(13.9)**	**1.6**
Taxation paid (net)		(0.7)	(1.3)	(1.1)
Net cash inflow/(outflow) from operating activities		**19.0**	**(15.2)**	**0.5**
Cash flows from investing activities - trading				
Purchase of intangible assets – software		(0.5)	(2.1)	(3.2)
Purchases of property, plant and equipment		(0.6)	(1.9)	(2.5)
Proceeds on sale of property, plant and equipment		-	0.6	0.6
		(1.1)	**(3.4)**	**(5.1)**
Free cash generated from/(absorbed by) operations		**17.9**	**(18.6)**	**(4.6)**
Cash flows from investing activities - acquisitions				
Acquisition of businesses – deferred consideration for prior period acquisitions		-	(5.3)	(7.2)
		-	**(5.3)**	**(7.2)**
Total cash flows arising from investing activities		**(1.1)**	**(8.7)**	**(12.3)**
Total cash flows arising from operating and investing activities		**17.9**	**(23.9)**	**(11.8)**
Cash flows from financing activities:				
New loans		38.5	25.6	24.9
Repayments of loans in acquired entities		-	(10.0)	-
Loan repayments		(48.1)	-	(26.8)
Finance lease principal repayments		(1.7)	(0.9)	(3.2)
Interest paid		(2.1)	(2.0)	-
Payment from/(into) restricted fund		9.2	-	(12.7)
Gross proceeds from the issue of share capital		-	-	41.0
Costs relating to the issue of share capital		-	-	(3.0)
Net cash flows (used in)/from financing activities		**(4.2)**	**12.7**	**14.2**
Net change in cash and cash equivalents		13.7	(11.2)	2.4
Cash and cash equivalents at beginning of period		**18.6**	**16.2**	**16.2**
Cash and cash equivalents at end of period	7	**32.3**	**5.0**	**18.6**

The accompanying notes on pages 17 to 35 form an integral part of these financial statements.

Notes to the summary financial statements
For the six months ended 30 June 2020

1 Interim accounts and accounting policies

Staffline Group plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The unaudited condensed interim Group financial statements for the six-month period ended 30 June 2020 (including the comparatives for the six-month period ended 30 June 2019 and the year ended 31 December 2019) were approved and authorised for issue by the Board of Directors on 23 September 2020.

It should be noted that accounting estimates and assumptions are used in the preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events, actual results may ultimately differ from those estimates. The unaudited interim Group financial statements have been prepared using the accounting policies as described in the December 2019 audited year-end Annual Report and have been consistently applied. In addition, IFRS 16 (“Leases”) has been implemented from 1 January 2019.

The interim Group financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006, section 434. The full accounts for the year ended 31 December 2019 received an unqualified report from the auditors and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, but did contain a Material uncertainty related to going concern, which is more fully described on pages 60 to 62 of the 2019 Annual Report. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies.

Basis of preparation

The unaudited interim Group financial statements, which should be read in conjunction with the audited Annual Report for the year ended 31 December 2019, have been prepared in accordance with AIM Rules for Companies – Part One, Section 18 “Half-yearly reports”.

The interim Group financial statements consolidate those of the parent company and all its subsidiaries as at 30 June 2020. Subsidiaries are all entities to which the Group is exposed, or has rights, to variable returns and has the ability to affect those returns through power over the subsidiary.

The unaudited Group financial statements have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised in the December 2019 audited year-end Annual Report, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Companies Act 2006, as applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention except for contingent consideration and cash settled share options which are measured at fair value. The consolidated financial statements are presented in sterling, which is also the functional currency of the parent company.

Notes to the summary financial statements
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Going concern

These financial statements are prepared on a going concern basis notwithstanding that the Group has reported an underlying loss before tax of £2.9m (H1 2019 restated: £2.2m underlying profit before tax) and an unadjusted loss before tax of £47.7m (H1 2019 restated: £12.3m loss before tax). As at 30 June 2020, the Group had net current liabilities (excluding restricted cash) of £36.3m (H1 2019 restated: net assets of £8.8m) and net assets of £28.9m (H1 2019 restated: £71.6m). The Group generated an underlying pre-IFRS 16 EBITDA profit (prior to exceptional and non-recurring items) of £1.0m (H1 2019: restated: £6.5m).

The Group meets its day to day working capital requirements from a £30.0m revolving credit facility, a £73.2m receivables financing facility, an uncommitted (non-recourse) invoice discounting facility with a limit of £25.0m, supply chain financing arrangements with certain customers and the Group's cash balances. The Group's revolving credit facility and receivables financing facility mature on 4 July 2022 and its £25.0m uncommitted (non-recourse) invoice discounting facility is currently on a rolling basis. The revolving credit facility reduced by £10.0m to £20.0m on 31 July 2020. The revolving credit facility and receivables financing facility are subject to covenants summarised below.

On 20 March 2020, the Government announced that no VAT payments due from businesses between 20 March 2020 and the end of June 2020 would be required to be made and that these would become payable on or before 31 March 2021. This payment delay provides the Group with an immediate and significant short-term liquidity improvement of £45.8m.

The net debt position of the Group (excluding unamortised transaction costs) has reduced during the period from £59.5m at December 2019 to £36.2m on a pre-IFRS 16 basis.

As at 30 June 2020, the Group had cash at bank of £32.3m (excluding £3.5m held in an escrow account to fund outstanding liabilities in relation to National Minimum Wage ("NMW")), available facility of £6.1m under its receivables financing facility, resulting in aggregate available liquidity of £38.4m.

Due to the sharp decline in profits in 2019 and the elevated net debt levels, a breach of lending covenants would have occurred in 2019 and 2020 were it not for flexibility shown by the Group's lenders by providing deferrals and amendments in respect of the Group's interest cover and leverage covenants until 30 June 2020. The Directors entered into discussions with the Group's lenders to amend and partially refinance its financing facilities and amend its covenants package through to 4 July 2022, culminating in the refinancing arrangement completed on 26 June 2020.

Notes to the summary financial statements
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Going concern (continued)

In order to commercially assess the Group's request to amend its financing facilities and covenants package, an independent business review was commissioned by the lenders. Following completion of this review and subsequent negotiations with the Group's lenders, the Group and the lenders subsequently agreed and implemented an amendment and partial refinancing of the Group's £103.2m revolving credit financing facilities on 26 June 2020, that resulted in £73.2m of the revolving credit facilities being replaced with a receivables financing facility and a £30.0m revolving credit facility being retained. As noted above, the revolving credit facility reduced by £10.0m to £20.0m on 31 July 2020.

The interest cover and leverage covenants included under the previous revolving credit facility have been replaced in the amended revolving credit facility and receivables financing facility with a minimum EBITDA covenant (tested quarterly from 31 December 2020 to 31 December 2021), reverting back to the original covenant package from 1 January 2022 to the end of the facilities, with the minimum look-forward liquidity covenant (tested weekly) being retained. The minimum EBITDA covenants have been calculated by reference to the Group's downside case.

The amended revolving credit facility and receivables financing facility now include a cross-default clause that is triggered if there is a withdrawal, or reduction in the facility size and/or advance rate, of the £25.0m uncommitted (non-recourse) invoice discounting facility. The Group has a 28-day cure period in relation to the cross-default clause.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Executive Chairman's Statement on pages 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 7 to 11.

As described in the Executive Chairman's Statement above, the Group experienced challenging trading conditions across all divisions in the period, dominated by the impact of the global COVID-19 pandemic, and reported an operating loss for the period. The Directors consider that the outlook presents significant challenges in terms of sales volumes over the coming months. The unprecedented and ever-changing impact of COVID-19, uncertainties specifically related to post-Brexit transition arrangements, well documented issues within the non-food sectors (including retail, manufacturing and automotive) and a slowdown in new contracts and apprenticeship starts are all impacting on sales volumes. Whilst the Directors have instigated measures to manage liquidity (described below), these circumstances create material uncertainties over future trading results and cash flows.

Notes to the summary financial statements
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Going concern (continued)

The Directors have prepared base and sensitised cash flow information for the period ending 31 December 2021, which incorporates the Directors current view of the impact of the trading and economic risks and uncertainties noted above. Based upon a review of the Group's forecasts and associated cash flows for the period ending 31 December 2021, the Group's liquidity forecast (considering its available financing facilities) for this period is sufficient to cover the Group's and the Company's commitments during that period with the exception of a portion of the deferred VAT falling due on or before 31 March 2021, which represents a material uncertainty in relation to the Group's liquidity, although the Directors are working on options to mitigate this liquidity risk.

This potential liquidity issue may also result in a potential breach of the Group's minimum look-forward liquidity covenant under the recently amended revolving credit facility and receivables financing facility. In addition, it should be noted that there is a risk of a potential breach of the Group's new minimum EBITDA covenant if trading performance is sufficiently below forecast, although the minimum EBITDA covenants are set based on the Group's downside case. If required, the Directors will enter into discussions with its financing providers in respect of any potential covenant breaches. As noted above, the Group has been in active discussions with its financing providers and achieved covenant deferrals and amendments during 2019 and 2020.

It should also be noted that the uncommitted nature of the Group's £25.0m (non-recourse) invoice discounting facility, accompanied by the cross-default clause included in its amended revolving credit facility and receivables financing facility, represents a material uncertainty in respect of the Group's financing and liquidity during the period to 31 December 2021. If this cross-default clause were to be triggered, the Directors have a 28 day cure period to enter into discussions with its financing providers to commence actions to resolve this matter, which could include the reinstatement of the facility, replacement of the facility with new third party financing and/or an equity capital injection. Based on recent discussions with the provider of the Group's £25.0m (non-recourse) invoice discounting facility, the Directors understanding is that the provider presently remains supportive of the Group absent any unforeseen circumstances.

Notes to the summary financial statements
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Going concern (continued)

The Directors believe they can continue to operate within existing lending levels for the foreseeable future based on the following mitigating actions:

- The Group has changed the composition of the board of Directors and implemented improvements in corporate governance which will support more robust control, decision making and accountability within the Group leading to a considerably enhanced ability to drive, measure and deliver change.
- The Directors, with support from the senior leadership team, have commenced the implementation of a turnaround plan. The turnaround plan focuses on profit improvement and yield management measures (including contract renegotiations and exit from marginal or unprofitable contracts), cost reduction initiatives (including a reduction in non-critical business spend) and working capital improvement initiatives (including tight control over the timing of payments and a continued drive to further improve cash collections including a renegotiation of payment terms on certain contracts and the possible implementation of additional supply chain financing arrangements with certain customers) to ensure that lending limits and covenants are not breached.
- If required, the Directors will enter into discussions with HMRC to further defer some (or all) of the deferred VAT falling due on or before 31 March 2021.
- The Directors will explore other options to replace the Group's existing financing facilities and/or recapitalise the Group (including the possibility of a future equity capital raise, replacement third party financing and/or disposals).

Without successful implementation of the mitigating actions noted above, and the ongoing support from the Group's financing providers (including the uncommitted (non-recourse) invoice discounting facility), the Group would likely be unable to operate within its banking facilities.

The Directors have concluded that the combination of the circumstances mentioned above represents a material uncertainty which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after engaging in dialogue with key stakeholders and considering the uncertainties described above as well as the mitigating actions available to the Group (including the turnaround plan), the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Prior period restatements

Following the extended 2018 audit, the Board continued with detailed reviews to further improve the Group's internal controls. These reviews identified accounting errors relating to the preparation of the 2018 annual results. The 2017 statement of financial position, being the 2018 opening reserves, and the 2018 income statement, 2018 statement of financial position and 2018 cash flow statement (presented as comparatives in the 2019 Annual Financial Statements) contained prior year adjustments. Overall, the 2018 opening reserves position was decreased by £0.9m and the total 2018 income statement impact was a £7.5m reduction in profit after tax. Certain of these adjustments have affected the statement of financial position at 30 June 2019 and the result for the six-month period then ended and, accordingly, the comparative results have been restated.

During the preparation of the Group's Annual Financial Statements for the year ended 31 December 2019, additional adjustments were made, which have been assessed as relating directly to the period ended 30 June 2019.

These adjustments are set out in the tables below.

Restatement of Consolidated statement of comprehensive income
For the six months ended 30 June 2019

Unaudited	**2019 Total As reported £m**	Partner agency & expenses accruals £m	Trading adjust-ments £m	Revenue adjustments £m	Contract exit costs £m	Employee settlement £m	Refinan-cing costs £m	Legal claim £m	Holiday pay accrual £m	**2019 Total Restated £m**
		1	*1*	*2*	*3*	*4*	*5*	*6*	*7*	
Continuing operations										
Revenue	**534.6**	–	(2.8)	(8.5)	–	–	–	–	–	**523.3**
Cost of sales	**(489.6)**	1.7	2.6	8.5	(0.4)	–	–	–	(0.8)	**(478.0)**
Gross profit	**45.0**	1.7	(0.2)	–	(0.4)	–	–	–	(0.8)	**45.3**
Administrative expenses	**(50.5)**	0.7	–	–	–	(1.4)	–	(1.0)	–	**(52.2)**
Operating loss	**(5.5)**	2.4	(0.2)	–	(0.4)	(1.4)	–	(1.0)	(0.8)	**(6.9)**
Finance costs	**(2.2)**	–	–	–	–	–	(3.2)	–	–	**(5.4)**
Loss for the period before taxation	**(7.7)**	2.4	(0.2)	–	(0.4)	(1.4)	(3.2)	(1.0)	(0.8)	**(12.3)**
Tax credit	**1.7**	–	–	–	–	–	–	–	–	**1.7**
Loss for the period	**(6.0)**	2.4	(0.2)	–	(0.4)	(1.4)	(3.2)	(1.0)	(0.8)	**(10.6)**
Items that will not be reclassified to profit and loss – actuarial losses, net of tax	**(0.3)**	–	–	–	–	–	–	–	–	**(0.3)**
Total comprehensive loss for the period	**(6.3)**	2.4	(0.2)	–	(0.4)	(1.4)	(3.2)	(1.0)	(0.8)	**(10.9)**
Loss per ordinary share										
Continuing operations:										
Basic	**(22.4)p**									**(39.6)p**
Diluted	**(22.4)p**									**(39.6)p**

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Prior period restatements (continued)

Restatement of Consolidated statement of financial position
As at 30 June 2019

Unaudited	**2019 As reported £m**	Adjust-ments from prior years £m	Contract exit costs £m	Employee settlement £m	Refinan-cing costs £m	Legal claim £m	Holiday pay accrual £m	Reclass-ification adjustments £m	**2019 Restated £m**
		1	*3*	*4*	*5*	*6*	*7*	*8*	
Assets									
Non-current									
Goodwill	**116.3**	0.9	–	–	–	–	–	–	**117.2**
Other intangible assets	**38.3**	–	–	–	–	–	–	–	**38.3**
Property, plant and equipment	**17.1**	(1.0)	–	–	–	–	–	–	**16.1**
Retirement benefit net asset	**0.5**	–	–	–	–	–	–	–	**0.5**
Deferred tax asset	**1.0**	–	–	–	–	–	–	–	**1.0**
	173.2	(0.1)	–	–	–	–	–	–	**173.1**
Current									
Trade and other receivables	**148.8**	(1.2)	–	–	–	–	–	–	**147.6**
Corporation tax recoverable	**3.2**	0.9	–	–	–	–	–	–	**4.1**
Cash and cash equivalents	**5.0**	–	–	–	–	–	–	–	**5.0**
	157.0	(0.3)	–	–	–	–	–	–	**156.7**
Total assets	**330.2**	(0.4)	–	–	–	–	–	–	**329.8**
Liabilities									
Current									
Trade and other payables	**114.4**	3.0	0.3	1.4	1.2	1.0	0.8	21.1	**143.2**
Other liabilities	**2.3**	–	–	–	–	–	–	–	**2.3**
Lease liabilities	**2.4**	–	–	–	–	–	–	–	**2.4**
	119.1	3.0	0.3	1.4	1.2	1.0	0.8	21.1	**147.9**
Non-current									
Borrowings	**94.2**	–	–	–	0.7	–	–	–	**94.9**
Other liabilities	–	–	–	–	1.3	–	–	–	**1.3**
Provisions*	**20.2**	2.8	0.1	–	–	–	–	(21.1)	**2.0**
Lease liabilities	**6.8**	(0.3)	–	–	–	–	–	–	**6.5**
Deferred tax liabilities	**5.6**	–	–	–	–	–	–	–	**5.6**
	126.8	2.5	0.1	–	2.0	–	–	(21.1)	**110.3**
Total liabilities	**245.9**	5.5	0.4	1.4	3.2	1.0	0.8	–	**258.2**
Equity									
Share capital	**2.8**	–	–	–	–	–	–	–	**2.8**
Own shares	**(4.8)**	–	–	–	–	–	–	–	**(4.8)**
Share premium	**41.2**	–	–	–	–	–	–	–	**41.2**
Share-based payment reserve	**0.3**	–	–	–	–	–	–	–	**0.3**
Profit and loss account	**44.8**	(5.9)	(0.4)	(1.4)	(3.2)	(1.0)	(0.8)	–	**32.1**
Total equity	**84.3**	(5.9)	(0.4)	(1.4)	(3.2)	(1.0)	(0.8)	–	**71.6**
Total equity and liabilities	**330.2**	(0.4)	–	–	–	–	–	–	**329.8**

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

1 Interim accounts and accounting policies (continued)

Prior period restatements (continued)

1) ***Adjustments from prior years***
As shown above, the statement of financial position at 30 June 2019 has been adjusted for the aggregate effect of the prior year adjustments relating the years ended 31 December 2017 and 2018. Certain of these adjustments also have an effect on the result reported for the six months ended 30 June 2019 in the statement of comprehensive income. Full detail of all the adjustments was provided in the Group's Annual Report for the year ended 31 December 2019.

Partner Agency and overhead costs under-accrued – Accruals understated by £2.4m; Cost of sales understated by £1.7m and administrative expenses understated by £0.7m
Weaknesses in accounting processes and review procedures during the latter part of 2018 and early 2019 meant that a significant number of weekly charges from partner agencies were not fully accrued at 31 December 2018. A detailed review, undertaken in late 2019, highlighted the error, which amounted to an understatement of cost of sales of £1.7m in that year. For similar reasons, a large number of relatively small value supplier invoices for overhead costs were also not accrued resulting in an understatement of administrative expenses of £0.7m (of which £0.3m is non-underlying). The adjustment reverses in the six months ended 30 June 2020.

Trade receivables and revenues understated by £2.8m and trade payables and cost of sales understated by £2.6m
The Recruitment GB division reported its results to 30 December 2018, which was inconsistent with the rest of the Group, which reported to 31 December 2018. An adjustment is required to recognise an additional day's trading to align the results of the division with the rest of the Group.

2) ***Revenue adjustments – Revenue and cost of sales understated by £8.5m***
In prior periods, revenues arising from 'agency style' contracts in the Datum business (part of the Recruitment GB division), which was acquired during 2018, have been incorrectly reported on a gross rather than on a net basis as required IFRS 15: Revenue from Contracts with Customers. Revenues and cost of sales have been reduced by £20.2m for this item.

For management reporting purposes the Recruitment GB division reports periodic revenues after deduction of certain employment related direct costs. For statutory reporting purposes an adjustment should have been made in order to correctly report revenues as amounts invoiced to third party customers and to include the costs within cost of sales. A restatement adjustment of £11.7m is required to increase revenues and cost of sales for this item.

3) ***Contract exit costs understated – Trade payables understated by £0.3m, provisions understated by £0.1m and cost of sales understated by £0.4m***
As described in the Group's Annual Report for the year ended 31 December 2019, the Group's contract with the Ministry of Justice ("MOJ"), via The Warwickshire and West Mercia Community Rehabilitation company ("CRC"), was terminated early by the MOJ. This resulted in an impairment adjustment to the CRC assets of £0.8m. The reassessment of contract at December 2019 revealed that additional exit costs of £0.3m would be incurred for which the liability crystallised in the first half of 2019.

4) ***Employee settlement –Trade and other payables overstated, and non-underlying administrative expenses understated by £1.4m***
During the year ended 31 December 2019, the Group settled a legal claim involving share incentives payable to an ex-employee, amounting to £1.4m. The outcome of the case was known at 30 June 2019 and the cost should have been recognised in that period.

5) ***Refinancing costs – Non-underlying finance costs understated by £3.2m, trade and other payables understated by £1.2m, borrowings understated by £0.7m and non-current other liabilities understated by £1.3m***
Refinancing costs associated with the refinancing on 26 June 2019 were previously carried forward and amortised over the period of the related finance. Subsequently, the Group was advised that the costs should have been charged to the income statement as modification costs in accordance with the requirements of IFRS9 Financial Instruments.

6) ***Legal claim – Accruals and non-underlying administration costs understated by £1.0m***
The Group has received a formal legal claim in respect of the sale of A4e's Indian business to the management team in 2014. The substance of the claim was known before 30 June 2019 and should have been recognised at that time.

7) ***Holiday pay accrual –Trade and other payables and cost of sales understated by £0.8m***
The Group makes provision for the future cost of holiday pay earned by workers up to the reporting date. During the 2019 audit of the Recruitment GB division it was discovered that no provision had been made for holiday pay accrued by workers in the 'drivers' category. The omission occurred because prior to 2019 their pay was processed on a separate payroll system and the accrual was overlooked.

8) ***Reclassification adjustments –Provisions overstated, and trade and other payables understated by £21.1m***
Provision items that are likely to be payable in less than one year were incorrectly classified as due after more than one year.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

2 Segmental reporting

Management 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 training and probationary services. These operating segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions are made on the basis of segment operating results.

Segment information for the reporting half-year is as follows:

	Recruitment GB Six months ended 30 June 2020 Unaudited £'m	Recruitment Ireland Six months ended 30 June 2020 Unaudited £'m	PeoplePlus Six months ended 30 June 2020 Unaudited £'m	Group costs Six months ended 30 June 2020 Unaudited £'m	Total Group ended 30 June 2020 Unaudited £'m
Segment continuing operations: Revenue from external customers	332.8	61.9	40.2	-	434.9
Cost of sales	(311.2)	(56.3)	(33.3)	-	(400.8)
Segment gross profit	**21.6**	**5.6**	**6.9**	**-**	**34.1**
Administrative expenses (underlying)	(18.7)	(4.1)	(7.4)	(1.2)	(31.4)
Depreciation and software amortisation (underlying)	(1.6)	(0.4)	(1.5)	-	(3.5)
Segment underlying operating profit/(loss)*	**1.3**	**1.1**	**(2.0)**	**(1.2)**	**(0.8)**
Share-based payment (charge)/credit	-	-	(0.1)	-	(0.1)
Amortisation of intangible assets arising on business combinations	(4.7)	-	(0.1)	-	(4.8)
Reorganisation costs	(0.3)	(0.1)	(1.2)	(0.3)	(1.9)
Employee settlement	-	-	-	-	-
Legal claim	-	-	-	-	-
Strategic options	-	-	-	(0.6)	(0.6)
Goodwill impairment	(18.8)	-	(16.5)	-	(35.3)
Segment operating (loss)/profit	**(22.5)**	**1.0**	**(19.9)**	**(2.1)**	**(43.5)**
Refinancing costs – non-underlying	-	-	-	(2.1)	(2.1)
Finance costs	(0.6)	-	-	(1.5)	(2.1)
(Loss)/profit for the period before taxation	**(23.1)**	**1.0**	**(19.9)**	**(5.7)**	**(47.7)**
Tax credit/(expense)	0.7	-	0.2	-	0.9
Net (loss)/profit for the period	**(22.4)**	**1.0**	**(19.7)**	**(5.7)**	**(46.8)**
Total non-current assets	47.2	15.8	40.0	-	103.0
Total current assets	122.4	21.3	20.2	-	163.9
Total assets	169.6	37.1	60.2	-	266.9
Total liabilities	160.2	23.0	24.2	30.6	238.0
Capital expenditure inc software	0.6	-	0.5	-	1.1

	Recruitment GB Six months ended 30 June 2019 Unaudited Restated £'m	Recruitment Ireland Six months ended 30 June 2019 Unaudited Restated £'m	PeoplePlus Six months ended 30 June 2019 Unaudited Restated £'m	Group costs Six months ended 30 June 2019 Unaudited Restated £'m	Total Group Six months ended 30 June 2019 Unaudited Restated £'m
Segment continuing operations: Revenue from external customers	406.4	75.5	41.4	-	523.3
Cost of sales	(378.1)	(67.4)	(32.5)	-	(478.0)
Segment gross profit	**28.3**	**8.1**	**8.9**	**-**	**45.3**
Administrative expenses (underlying)	(22.7)	(5.6)	(8.6)	(1.0)	(37.9)
Depreciation and software amortisation (underlying)	(1.3)	(0.1)	(1.6)	-	(3.0)
Segment underlying operating profit/(loss)*	**4.3**	**2.4**	**(1.3)**	**(1.0)**	**4.4**
Share-based payment (charge)/credit	0.3	-	(0.1)	-	0.2
Amortisation of intangible assets arising on business combinations	(6.2)	-	-	-	(6.2)
Reorganisation costs	(2.9)	-	-	-	(2.9)
Employee settlement	-	-	-	(1.4)	(1.4)
Legal claim	-	-	(1.0)	-	(1.0)
Strategic options	-	-	-	-	-
Goodwill impairment	-	-	-	-	-
Segment operating (loss)/profit	**(4.5)**	**2.4**	**(2.4)**	**(2.4)**	**(6.9)**
Refinancing costs – non-underlying	-	-	-	(3.2)	(3.2)
Finance costs	(0.8)	-	-	(1.4)	(2.2)
(Loss)/profit for the period before taxation	**(5.3)**	**2.4**	**(2.4)**	**(7.0)**	**(12.3)**
Tax credit/(expense)	1.3	(0.3)	0.4	0.3	1.7
Net (loss)/profit for the period	**(4.0)**	**2.1**	**(2.0)**	**(6.7)**	**(10.6)**
Total non-current assets	92.0	11.7	69.4	-	173.1
Total current assets	112.0	28.8	15.9	-	156.7
Total assets	204.0	40.5	85.3	-	329.8
Total liabilities	119.9	22.0	22.1	94.2	258.2
Capital expenditure inc software	3.7	-	0.3	-	4.0

* Segment underlying operating profit before amortisation of intangible assets arising on business combinations, reorganisation costs, other non-underlying costs and the non-cash charge/credit for share-based payment costs.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

2 Segmental reporting (continued)

Segment information for the year ended 31 December 2019 is as follows:

	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Group Costs 2019 £m	Total Group 2019 £m
Segment continuing operations:					
Sales revenue from external customers	841.1	147.7	87.9	–	**1,076.7**
Cost of sales	(784.5)	(132.1)	(73.6)	–	**(990.2)**
Segment gross profit	**56.6**	**15.6**	**14.3**	**–**	**86.5**
Administrative expenses	(49.2)	(10.7)	(17.9)	(2.5)	**(80.3)**
Depreciation, software & lease amortisation	(2.9)	(0.6)	(3.5)	–	**(7.0)**
Segment underlying operating profit/(loss)*	**4.5**	**4.3**	**(7.1)**	**(2.5)**	**(0.8)**
Reorganisation costs including asset impairment	(1.3)	–	–		**(1.3)**
Legal investigation professional fees	(1.0)	–	–	–	**(1.0)**
NMW remediation costs and financial penalties	0.7	–	–	–	**0.7**
Audit scope extension	(0.6)	–	(0.2)	–	**(0.8)**
Administrative expenses – transaction costs	–	–	–	(0.9)	**(0.9)**
Employee dispute settlement	–	–	–	(1.4)	**(1.4)**
Legal claim		–	(1.0)	–	**(1.0)**
Amortisation of intangibles arising on business combinations	(8.0)	(1.3)	(1.6)	–	**(10.9)**
Goodwill impairment	(14.3)	–	(8.0)	–	**(22.3)**
Administrative expenses – share-based payment charge	(0.1)	–	(0.1)	–	**(0.2)**
Segment (loss)/profit from operations	**(20.1)**	**3.0**	**(18.0)**	**(4.8)**	**(39.9)**
Finance costs	(1.7)	–	(0.1)	(6.4)	**(8.2)**
Segment (loss)/profit before taxation	**(21.8)**	**3.0**	**(18.1)**	**(11.2)**	**(48.1)**
Tax credit	2.6	0.5	0.8	0.2	**4.1**
Segment (loss)/profit from continuing operations	**(19.2)**	**3.5**	**(17.3)**	**(11.0)**	**(44.0)**
Total non-current assets	71.3	16.1	57.5	–	**144.9**
Total current assets	134.1	21.4	19.9	–	**175.4**
Total assets (consolidated)	**205.4**	**37.5**	**77.4**	**–**	**320.3**
Total liabilities (consolidated)	**119.4**	**28.3**	**16.4**	**80.4**	**244.5**
Capital expenditure inc software	3.7	0.1	1.9	–	**5.7**

No customer contributed more than 10% of the Group's revenue in either of the six months ended 2019 or 2020.

3 Administrative expenses (non-underlying)

	Six months ended 30 June 2020 Unaudited £'m	Six months ended 30 June 2019 Unaudited Restated £'m	Year ended 31 December 2019 Audited £'m
Included within administrative expenses are the following non-underlying costs:			
Reorganisation costs	1.9	2.2	1.3
NMW remediation and financial penalties	-	-	(0.7)
Legal investigation professional fees	-	0.7	1.0
Transaction costs - business acquisitions and strategic options	0.6	-	0.9
Revised audit scope and increased audit fees	-	-	0.8
Employee dispute settlement	-	1.4	1.4
Legal claim	-	1.0	1.0
Refinancing costs	2.1	3.2	3.2
Goodwill impairment (see note 5)	35.3	-	22.3
Amortisation of intangible assets arising on business combinations (licences and customer contracts)	4.8	6.2	10.9
Share-based payment charges/(credits)	0.1	(0.2)	0.2
	44.8	**14.5**	**42.3**
Tax credit on above non-underlying costs	(0.3)	(1.7)	(2.4)
Post taxation effect on above non-underlying costs	**44.5**	**12.8**	**39.9**

Reorganisation costs of £1.9m during the period relate to further restructuring of the Recruitment GB division and represents staff redundancy and property closure costs.

Transaction costs relate to advice in connection with the Group's strategic options.

Costs incurred for refinancing the Group's bank credit facilities, as described in note 9, comprise legal and advisory fees.

Goodwill impairment arises from the revision of the carrying values of the Recruitment GB and PeoplePlus divisions using forecasts updated for the effect of the COVID-19 pandemic. Further details are provided in note 5.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

4 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 period, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (1,140,000 shares at 30 June 2020, at 30 June 2019 and at 31 December 2019). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the expected issue of ordinary shares resulting from any share options granted to certain Directors and share options granted to employees in 2017, 2018 and 2019 under the SAYE scheme.

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

	Basic six-month period ended 30 June 2020 Unaudited	Basic six-month period ended 30 June 2019 Unaudited Restated	Basic Year ended 31 December 2019 Audited	**Diluted six-month period ended 30 June 2020 Unaudited**	Diluted six-month period ended 30 June 2019 Unaudited Restated	Diluted Year ended 31 December 2019 Audited
Loss from continuing operations (£m)	**(46.8)**	(10.6)	(44.0)	**(46.8)**	(10.6)	(44.0)
Weighted daily average number of shares (000)	**67,790**	26,804	45,669	**67,790**	26,804	45,669
Loss per share from continuing operations (p)	**(69.1)p**	(39.6)p	(96.3)p	**(69.1)p**	(39.6)p	(96.3)p
Underlying (Loss)/earnings from continuing operations (£m)*	**(2.3)**	2.1	(4.1)	**(2.3)**	2.1	(4.1)
Underlying earnings per share (p)*	**(3.4)p**	7.8p	(9.0)p	**(3.4)p**	7.8p	(9.0)p

*Underlying earnings after adjusting for amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, the non-cash charge/credit for share-based payment costs.

Dividends

During the six-month period to 30 June 2020, Staffline Group plc paid no dividends to its equity shareholders (H1 2019: £nil).

No interim dividend for 2020 is proposed (2019: £nil).

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

5 Goodwill

Gross carrying amount	Division	Total Unaudited £'m
At 1 July 2019 as reported		**116.3**
Prior year adjustment	Recruitment GB & Ireland	0.9
At 1 July 2019 as restated		**117.2**
Impairment	Recruitment GB	(14.3)
Impairment	PeoplePlus	(8.0)
At 31 December 2019		**94.9**
Impairment	Recruitment GB	(18.8)
Impairment	PeoplePlus	(16.5)
At 30 June 2020		**59.6**

The breakdown of Goodwill carrying value by division is listed below:

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited £'m	31 December 2019 Audited £'m
Recruitment GB	21.4	54.3	40.2
Recruitment Ireland	5.7	5.9	5.7
PeoplePlus	32.5	57.0	49.0
Total	**59.6**	**117.2**	**94.9**

The goodwill attributable to the Group's operations in Ireland, which was previously included within the Recruitment division, is now shown separately.

Impairment – Goodwill
Management consider there to be three cash-generating units ("CGU"), being Recruitment GB, Recruitment Ireland and PeoplePlus, in line with the operating segments defined in note 2. These three cash-generating units have been tested for impairment.

In the prior year, only two CGU's were identified, with Recruitment GB and Recruitment Ireland being taken together. Whilst the cash flows generated from acquisitions cannot be separately identified, they are all allocated to the three cash-generating units and the goodwill relating to each acquisition is similarly allocated.

The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2020-22, adjusted for the impact of the COVID-19 pandemic, followed by an extrapolation of expected cash flows over the next two years with a 0% growth rate for each cash-generating unit. Pre-tax discount rates of 11.7% for Recruitment GB, 10.9% for Recruitment Ireland and 11.7% for PeoplePlus (2018: 11.0% for all CGU's) were used based on the weighted average costs of capital for each operating segment.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

5 Goodwill (continued)

The recoverable amounts of the CGU's, having considered the higher of value-in-use and fair value less costs to sell, were £49.8m for Recruitment GB, £19.8m for Recruitment Ireland and £39.0m for PeoplePlus, all being value-in-use.

The results of the impairment review performed showed headroom in the Recruitment Ireland cash-generating unit and accordingly no impairment noted, but that impairments to goodwill were required in the Recruitment GB and PeoplePlus CGU's of £18.8m and £16.5m respectively (year ended 31 December 2019: £14.3m and £8.0m, respectively). The review also indicated that no provision is required to write down the carrying value of other intangible assets and tangible fixed assets (year ended 31 December 2019: £nil).

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 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 11.7% for Recruitment GB, 10.9% for Recruitment Ireland and 11.7% for PeoplePlus and a terminal growth value of 0%. The calculations highlighted an impairment of £18.8m for Recruitment GB, headroom of £7.6m for Recruitment Ireland and an impairment of £16.5m for PeoplePlus. A 1% increase in the discount rates increases the impairment to £22.9m for Recruitment GB, reduces headroom to £5.8m for Recruitment Ireland and increases the impairment to £19.7m 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% increases the impairment to £23.7m for Recruitment GB, reduces headroom to £5.6m for Recruitment Ireland and increases the impairment to £20.4m for PeoplePlus. A sustained underperformance of 40% would be required before any impairment was necessary to the goodwill allocated to Recruitment Ireland.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

6 Trade and other receivables

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited Restated £'m	31 December 2019 Audited £'m
Trade and other receivables	113.2	136.2	118.1
Accrued income	9.5	11.4	14.3
Corporation tax recoverable	6.0	4.1	5.3
	128.7	**151.7**	**137.7**
Amounts falling due after more than one year			
Other receivable	0.6	-	-
	129.3	**151.7**	**137.7**

7 Cash and cash equivalents

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited £'m	31 December 2019 Audited £'m
Cash and cash equivalents	32.3	5.0	25.0
Bank overdraft	-	-	(6.4)
Cash and cash equivalents per cash flow statement	**32.3**	**5.0**	**18.6**

Cash and cash equivalents consist of cash on hand and balances with banks only. At 30 June 2020, £32.3m (30 June 2019: £5.0m, 31 December 2019: £18.6m) of cash on hand and balances with banks were held by subsidiary undertakings but these balances are available for use by the Group.

Restricted cash relates to amounts held in escrow to satisfy the NMW remediation and financial penalties relating to historic HMRC National Minimum Wage breaches.

Long term credit ratings for the four banks used by the Group are currently as follows:

	Fitch	Standard & Poors	Moody's
Lloyds Banking Group plc	A+	BBB+	A3
Bank of Ireland Group plc	BBB	BBB-	Baa2
HSBC Holdings plc	A+	A-	A2

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

7 Cash and cash equivalents (continued)

The group's banking facility headroom versus available bank facilities is as follows:

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited £'m	31 December 2019 Audited £'m
Cash and cash equivalents	32.3	5.0	25.0
Less: held outside of Group overdraft facility	-	(1.2)	(0.6)
Overdraft facility	-	25.0	18.6
Committed revolving credit facility unutilised	-	0.1	0.1
Available receivables finance facility balance	6.1	-	-
Banking Facility Headroom	**38.4**	**28.9**	**43.1**

8 Trade and other payables

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited Restated £'m	31 December 2019 Audited £'m
Trade and other payables	8.6	15.8	18.2
Accruals and deferred income	64.4	63.3	60.7
Other taxation and social security	77.7	43.0	47.5
	150.7	**122.1**	**126.4**

9 Borrowings

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited Restated £'m	31 December 2019 Audited £'m
Current liabilities:			
Overdraft	-	-	6.4
Receivables finance facility	38.5	-	-
Lease liabilities	2.3	2.4	2.6
	40.8	**2.4**	**9.0**
Non-current liabilities:			
Revolving credit facility	30.0	94.9	78.1
Lease liabilities	4.6	6.5	5.8
	34.6	**101.4**	**83.9**
Total borrowings	**75.4**	**103.8**	**92.9**
Less: Cash and cash equivalents (note 7)	(32.3)	(5.0)	(25.0)
Net debt as disclosed in consolidated statement of cash flows (note 11)	**43.1**	**98.8**	**67.9**

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

9 Borrowings (continued)

During the period, the Company agreed amendments to its existing Credit Facilities which included deferrals of covenant testing and the reporting of such testing.

Following discussions with the lenders of the RCF, the Company and the lenders agreed on 26 June 2020 to a revised financing structure. The key elements of the new facilities are, a reduced RCF of £30.0m (previously £78.2m) and a Receivables Finance Facility ("RFF") (invoice discounting) of a maximum of £73.2m, and the removal of the overdraft facility of £25.0m.

The key terms of the new facilities are below, with other terms of the RCF remaining in place:

i) Expiry date July 2022;
ii) Repayment and cancellation of RCF commitments by £10.0m on 31 July 2020;
iii) The RFF can initially be draw down against the receivables of the Recruitment GB division and Northern Ireland part of the Recruitment Ireland division;
iv) Interest on the RFF accruing at 3.50% plus Bank of England base rate; and
v) Minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

The Group also has available a separate £25.0m uncommitted, non-recourse, Receivables Financing Facility against certain customer receivables, and a number of separate Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The balance funded under this Receivables Financing Facility at 30 June 2020 was £11.3m (2019: £20.6m) and the value of invoices funded under the Customer Financing arrangements was £13.9m (2019: £22.5m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

10 Share capital

	30 June 2020 Unaudited £'m	30 June 2019 Unaudited £'m	31 December 2019 Audited £'m
Allotted and issued			
68,930,486 (June 2019: 27,944,389 and December 2019: 68,930,486) ordinary 10p shares	**6.9**	**2.8**	**6.9**

	Six months ended 30 June 2020 '000	Six months ended 30 June 2019 '000	Year ended 31 December 2019 '000
Shares issued and fully paid at the beginning of the period	**68,930**	**27,944**	**27,944**
Shares issued during the period	-	-	40,986
Shares issued and fully paid at end of period	**68,930**	**27,944**	**68,930**

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

10 Share capital (continued)

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 (30 June 2019: 1,140,400 shares, 31 December 2019: 1,140,400 shares) held by the Employee Benefit Trust where the right to dividends has been waived.

On 15 July 2019, a further 40,986,097 ordinary 10p shares were issued by the Company at a price of 100p per share, resulting in the issued share capital increasing to 68,930,486 ordinary shares of 10p each.

On the adoption of new Articles of Association in May 2014, the Company removed the limit on authorised share capital.

11 Cash flows from operating activities

	Six-month period ended 30 June 2020 Unaudited £'m	**Six-month period ended 30 June 2019 Unaudited Restated £'m**	Year ended 31 December 2019 Audited £'m
Loss before taxation	(47.7)	(12.3)	(48.1)
Adjustments for:			
Finance costs	2.1	2.2	8.2
Depreciation and amortisation - underlying	3.5	3.0	7.3
Depreciation and amortisation - non-underlying	4.8	6.1	10.9
Impairment of goodwill	35.3	-	22.3
Operating (loss)/profit before changes in working capital and share options	**(2.0)**	**(1.0)**	**0.6**
Change in trade and other receivables	9.1	10.4	24.6
Change in trade, other payables and provisions	12.1	(23.1)	(23.8)
Impact of foreign exchange loss on operating activities	0.4	-	-
Cash generated from/(utilised by) operations	**19.6**	**(13.7)**	**1.4**
Employee cash settled share options (non-cash charge/(credit))	0.1	(0.2)	-
Employee equity settled share options	-	-	0.2
Net cash inflow/(outflow) from operating activities	**19.7**	**(13.9)**	**1.6**

Notes to the summary financial statements (continued)
For the six months ended 30 June 2020

11 Cash flows from operating activities (continued)

	Six-month period ended 30 June 2020 Unaudited £'m	**Six-month period ended 30 June 2019 Unaudited Restated £'m**	Year ended 31 December 2019 Audited £'m
Net debt at beginning of the period	(67.9)	(63.8)	(63.8)
Transition to IFRS 16 Leases	-	(10.1)	(10.4)
Lease payments, additions, disposals and interest	1.5	1.9	2.0
Loan repayments	48.1	10.0	1.9
New loans, including RFF/RCF drawdowns	(38.5)	(25.6)	-
Change in cash and cash equivalents	13.7	(11.2)	2.4
Net debt at end of period	**(43.1)**	**(98.8)**	**(67.9)**
Represented by:			
Cash and cash equivalents (note 7)	32.3	5.0	25.0
Current borrowings (note 9)	(38.5)	-	(6.4)
Lease liabilities (note 9)	(6.9)	(8.9)	(8.4)
Non-current borrowings (note 9)	(30.0)	(94.9)	(78.1)
Net debt at end of period	**(43.1)**	**(98.8)**	**(67.9)**

12 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no material transactions with Directors of the Company during the period, except for those relating to remuneration. There were no share transactions with any Director during the period.

The directors holding office at 30 June 2020 have the following beneficial interests in the Company's share capital:

	Number
Ian Lawson	131,577
Daniel Quint	25,857
Richard Thomson	25,320
	182,754

The directors have no current interests in share options or Joint Share Ownership Plans.