2 August 2022

Staffline
Group PLC

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Solid performance in H1 with trading for the full year in line with market expectations

Staffline Group PLC, the recruitment and training group, announces its unaudited results for the six months ended 30 June 2022.

Financial highlights

Continuing activities	**Six months to 30 June 2022 Unaudited**	Six months to 30 June 2021 Unaudited	Change
Revenue	£438.0m	£450.7m	-2.8%
Gross profit	£39.9m	£39.0m	+2.3%
Gross profit margin	9.1%	8.7%	+0.4ppts
Underlying operating profit*	£4.0m	£4.6m	-13.0%
Finance costs	£1.2m	£1.4m	-14.3%
Underlying profit before taxation and amortisation	£2.8m	£3.2m	-12.5%
(Loss) before tax	£(1.0)m	£(0.8)m	-25.0%
Net (debt)/cash**	£(13.9)m	£16.2m	-£30.1m

* Underlying operating profit before amortisation of intangible assets arising on business combinations

** On a Pre-IFRS16 basis, net debt was £(9.7)m at 30 June 2022 (2021: net cash £20.9m)

- Revenues marginally down due to lower hours worked in the food and online distribution sectors
- Gross profit increased by 2.3% due to increased proportion of permanent fees (up 113%) as well as reopening of higher margin sectors such as automotive and aviation
- Investment in headcount for H2 and beyond (Staffline +8%) holding back underlying operating profit in H1 2022 (-13%)
- Strong jobs market has impacted revenues and underlying operating profit in PeoplePlus' Skills and training division partially offset by increased activity with the Ministry of Justice
- Solid trading cash flows, continued tight working capital management and lower banking margin costs, helping to deliver lower finance costs and sustained balance sheet strength
- Deferred VAT relief of £46.4m now fully repaid, no further outstanding COVID-19 related liabilities
- Significant headroom of £46.7m (2021: £87.8) in banking facilities.

Key operational highlights:

- Record permanent fees of £3.2m up 113% on 2021 (2021: £1.5m)
- Proactive investment in fee-earning headcount across H1 2022 provides an expanded base from which to deliver future growth
- Demand increasing in sectors experiencing delayed recovery from lockdown, such as automotive and aviation
- New contract momentum in the period including:
    - Restart successfully mobilised, recognition of operating profit expected to commence in H2 2022
    - Successfully implemented supply of flexible workers to BMW in May 2022, incremental revenues in H2 2022
    - 5-year extension of RPO contract with VINCI Construction
- Continued strong demand for labour amid reported record vacancies.

Current trading and outlook

- The Group has made a solid start to the year and continues to trade in line with expectations
- Continued strong demand for white collar recruitment across the UK
- A strong pipeline of new business opportunities and a robust balance sheet underpins confidence in the second half of 2022
- The full year outlook is subject to any adverse changes in the current macroeconomic headwinds of inflation, the associated cost of living challenge and global supply chain issues

Albert Ellis, Chief Executive Officer of Staffline, commented:

"I am pleased with the solid start Staffline has made to 2022, providing a strong base from which to deliver across the remainder of the year. This performance, achieved against the backdrop of macro-economic and geopolitical uncertainty, as well as the adverse impact of the Omicron COVID-19 wave in January 2022, further highlights the resilience of our business and the value of our scale and operational expertise.

"Our executive management team has worked hard to deliver on our growth strategies, securing new business in challenging labour markets through contract wins with BMW Group, VINCI Construction and the Ministry of Justice, which will deliver incremental revenues in H2 2022.

"In addition, we have actively invested in headcount in order to capitalise on future growth opportunities and build the capacity required to further increase our fee income organically. I am confident this will yield positive results in the second half of the year, which will also see a boost from the maiden returns from our Restart contracts.

"Management remains conscious of heightened macro and political headwinds going forward, and will seek to offset any associated impacts by protecting the Group's strong balance sheet through tight control of the cost base and continued focus on working capital management. We believe the industry-wide challenges that lie ahead present an unprecedented opportunity for Staffline, as we pursue a number of new business prospects and continue to grow our market share at the expense of sub-scale competitors."

Retail investor webcast

Management will be hosting a presentation for retail investors in relation to the Company's interim results on Tuesday, 2 August 2022 at 2:00 pm BST.

The presentation will be hosted on the Investor Meet Company ("IMC") digital platform and is open to all existing and potential shareholders. Investors can sign up to IMC for free and add themselves to meet Staffline via: https://www.investormeetcompany.com/staffline-group-plc/register-investor

Investors who have already registered and have been added to meet the Company will be automatically invited.

Enquiries:

Staffline Group plc www.stafflinegroupplc.co.uk Albert Ellis, Chief Executive Officer Daniel Quint, Chief Financial Officer	via Vigo Consulting
Liberum (Nominated Adviser and Broker) www.liberum.com Richard Lindley / William Hall	020 3100 2222
Vigo Consulting (Financial PR) www.vigoconsulting.com Jeremy Garcia / Kate Kilgallen	020 7390 0230 staffline@vigoconsulting.com

Market Abuse Regulation

For the purposes of MAR, Article 2 of Commission Implementing Regulation (EU) 2016/1055 and the UK version of such implementing regulation, the person responsible for arranging for the release of this Announcement on behalf of the Company is Daniel Quint, Chief Financial Officer.

About Staffline

Providing workforce solutions

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 to around 400 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 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

PeoplePlus is a leading skills and employability business with a clear purpose to help people transform their lives, get jobs and keep jobs, and develop their careers. The division works with employers to develop workforces of the future, and with central, local and devolved governments to support their economic and social policy agendas.

Chief Executive Officer's review

Introduction

I am pleased with the Group's performance across H1 2022, building on the positive momentum generated across the business in FY 2021. This, alongside the proactive investment in fee-earning headcount, which Staffline has not instigated for a number of years, and ongoing new business momentum, provides an expanded base from which to deliver future growth.

This solid H1 2022 performance was delivered against the background of a weaker than expected UK macro environment over the past six months, further highlighting the quality of both our people and operational expertise.

Revenue of £438.0m (2021: £450.7m), was slightly lower compared to the prior year due to lower hours worked in the food and distribution sectors, headwinds in Skills, and strong comparators in Q1 2021. However, the robust performance in white collar and permanent recruitment lifted gross profit by 2.3% to £39.9m (2021: £39.0m), and gross margin to 9.1% (2021: 8.7%). Underlying operating profit of £4.0m (2021: £4.6m) was held back by the investment in increasing average fee-earning headcount by c.8%, deferred recognition of revenue, and therefore operating profit, in relation to Restart contracts into H2, and one-off costs incurred during the Omicron wave of COVID-19 in January 2022.

The Group expects performance to be second half weighted, with an increase in revenues from business wins secured in H1 2022, expected returns from PeoplePlus' Restart contracts, and increased seasonal retail trading volumes in Q4. Accordingly, management remains confident that FY 2022 results will be in line with expectations.

Market

The broader macro-economic environment continues to shape the UK and Ireland labour markets as both Staffline's customers and consumers adjust to the rising cost of living. Lower levels of demand from the food and online distribution sectors have been reflected in a decline of "hours worked" in the blue collar sector. Conversely, the stronger jobs market seen across the UK has impacted the Group's skills and training division as candidates opt to take up employment rather than attend training. These rapidly evolving market dynamics underline the importance of our agile operating model and diverse customer offering.

As predicted, we are beginning to see demand returning in sectors that have experienced a delayed recovery from lockdown, such as automotive and aviation. Businesses operating within these sectors are still in a transition phase, facing both an unprecedented resurgence in demand whilst also grappling with significant supply chain challenges. Staffline continues to take advantage of these and other growing opportunities, along with investing in the Group's Permanent Recruitment and Recruitment Process Outsourcing ('RPO') operations, both of which are experiencing strong demand in the current employment climate.

According to the latest Office for National Statistics Labour Market Data, the unemployment rate dropped to 3.8% in the three months to May 2022, down 1.1 percentage points on the same period last year. The latest available data shows the number of job vacancies at 1.3m, up 50% from the same period last year, and online job sites are reporting record levels of job advertising.

Customers have responded to the labour shortages and challenging resourcing requirements by engaging with the Group's management on a more strategic basis, recognising the benefit of Staffline's scale and geographic reach, as well as the comprehensive training capabilities offered by the Group and the enhanced flexibility of temporary workforce solutions.

Strategy

Capitalising on the Group's position as a market leader lies at the heart of Staffline's business strategy. As we move into H2 2022, we will seek to further grow our market share in the white collar recruitment market, including through the expansion of our permanent recruitment offering, which ultimately generates higher margin returns and stronger cash generation, whilst retaining a core focus on strengthening our existing scale and reach in blue collar sectors.

The recent investment in fee-earning headcount, which saw c.£1m invested across the UK in H1 2022, is now generating financial returns for the Group, and enabled Recruitment GB and Ireland to expand its operational delivery and local branch network capacity. In addition, PeoplePlus has implemented a number of initiatives to unlock the potential of providing additional pools of labour and training to bridge the skills gaps and address the labour shortage.

Staffline continues to make excellent progress in all its target areas, with material new business wins in recruitment, permanent fees up 113% to £3.2m (2021: £1.5m), investment in additional headcount across all divisions, and a new Republic of Ireland office coming on stream in September 2022, to further expand the Group's geographical footprint in an increasingly attractive market.

Operational review

Recruitment

The focus on white collar recruitment across the Group has yielded a doubling of permanent recruitment fees for the period compared to last year. In particular, the Irish business has seen strong growth in permanent fees including its first executive level placements. We also saw a series of improvements in the Group's fulfilment data in the second quarter, which was especially encouraging, given the continued labour shortages. Finally, the Group's RPO business has reported its strongest results since being acquired, with a strong pipeline of new opportunities.

Recruitment GB

	H1 2022	H1 2021	% Var
	£m	£m	
Revenue	345.2	355.0	-2.8%
Gross Profit	24.6	24.0	+2.5%
Underlying operating profit	2.3	3.2	-28.1%

Revenue of £345.2m was 2.8% lower in the first half. This was due in part to lower hours worked on client sites as the macro-economic environment weakened, as well as the inclusion in 2021 of the remaining revenues relating to a since exited low margin contract. Gross profit increased by 2.5% with a 111% increase in permanent fees to £1.9m (2021: £0.9m) on the back of sustained strong demand for white collar workers. Investment in headcount of c.£1m in the first half, targeting an 8% increase to facilitate further growth held back operating profit compared to the previous year. First half operating profit was also materially impacted by the Omicron wave of COVID-19, as absences increased, and the one-off cost of sick pay and absence was £0.3m higher than in the same period in 2021.

Looking forward, Recruitment GB will benefit from a healthy new business pipeline, including its partnership with BMW to supply flexible operational workers and specialists for its manufacturing sites in England, first implemented in May, as well as its RPO contract extension with VINCI Construction UK. These contracts, combined with the investment in headcount to expand the branch network and white collar business, will deliver incremental revenues into the second half.

Recruitment Ireland

	H1 2022 £m	H1 2021 £m	% Var
Revenue	55.8	55.2	+1.1%
Gross Profit	6.3	5.6	+12.5%
Underlying operating profit	1.5	1.2	+25.0%

Recruitment Ireland continued its strong recovery with the momentum in permanent recruitment being brought forward from H2 2021 into H1 2022. This led to an increase in gross profit of 12.5%, and a growth in underlying operating profit of 25.0% compared with the year prior. Blue collar recruitment was similarly impacted by lower hours and a decline in demand, keeping revenue at broadly similar levels to 2021. Nevertheless, the strategic focus on driving higher margin recruitment activities has delivered an excellent result for H1 2022, underpinned by strong permanent recruitment demand reflected in the increase in gross margins to 11.3% (2021: 10.1%). The business is investing in fee-earning headcount (up 19% compared to 2021) particularly in the more attractive market of the Republic of Ireland.

PeoplePlus

	H1 2022 £m	H1 2021 £m	% Var
Revenue	37.0	40.5	-8.6%
Gross Profit	9.0	9.4	-4.3%
Underlying operating profit	1.6	1.9	-15.8%

PeoplePlus' results were set against a particularly strong performance turnaround in H1 2021 following an operating loss in 2020. Since the easing of COVID-19 related restrictions, the job market has bounced back with an unprecedented demand for labour. Whilst this strong employment market is supportive for the employability division, this has adversely affected revenues in the Skills and training division, as candidates are placed in jobs without the requirement for training. We expect to see an incrementally improved performance from Skills in H2 2022. In addition, a probation contract ended in H1 2021 of which £5m of revenue at a margin of 10% was included in the prior period. Excluding this contract, the business has grown revenue and operating profit in the period.

In line with the Group's cautious approach to revenue and profit recognition, nil operating profit, on revenues of £6.1m, has been recognised from the Restart contracts during the period. Although this has diluted operating profit percentage in H1 2022 we expect to recognise our first operating profit from the Restart contracts in H2 2022.

Board changes

On 26 May 2022, Ian Lawson informed the Company of his intention to step down from his position as Non-Executive Chair of the Board and as a director of the Company with immediate effect. Tom Spain was appointed Interim Chair and Ian Starkey, Independent Non-Executive Audit Chair, assumed the role of Senior Independent Non-Executive Director. The Interim Chair is ensuring the Board remains focused on reducing costs, delivering organic growth, and yielding positive returns on shareholder capital over a long-term horizon.

Outlook

The Group has made a solid start to 2022 and continues to trade in line with expectations for the current financial year. Staffline is well placed to capitalise on its strong market position, with market share gains, a continuous strengthening of the balance sheet, and a sizable pipeline of new business opportunities underpinning future organic growth.

Provided macro-environment conditions remain in line with predictions, the Group's traditionally stronger second half is expected to benefit from incremental new business, continued organic growth in rebounding sectors, such as automotive and aviation, initial recognition of operating profit from Restart, productivity improvements owing to new investment in headcount, and a strong market for white collar recruitment.

Accordingly, the Board expects the Group's full year results to be in line with expectations.

Albert Ellis
Chief Executive Officer
1 August 2022

Financial Review

Introduction

The Group's turnaround and successful refinancing during 2021, delivering a strengthened balance sheet and significant reduction in net debt, underpinned the solid trading across H1 2022. Our renewed balance sheet strength has provided an ideal platform to leverage contract wins achieved in H1 2022, as well as new organic opportunities that are starting to present themselves, especially in this challenging labour market.

The Group further protected its financial position by purchasing a three-year interest rate cap product in October 2021 limiting the Group's exposure to increases in interest rates up to SONIA of 1.00% on two-thirds of the aggregate of its bank borrowing and customer financing arrangements. This has been beneficial during the first half of the year and establishes protection in light of the expected base rate increases going into the second half of the year.

Trading performance

Total revenue for H1 2022 decreased by (2.8)% to £438.0m (2021: £450.7m) as a result of a reduction in food and distribution sector volumes. This was caused by both the higher volumes during the COVID-19 lockdown in H1 2021, as well as the exit from a significant low-margin customer in March 2021. Notwithstanding the revenue declines, the margin-related initiatives across the Group, higher margin customers and increased permanent recruitment activity, have led to an increase in gross profit to £39.9m (2021: £39.0m) as well as gross profit margin to 9.1% (2021: 8.7%).

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

Underlying divisional performance

	Six months ended 30 June 2022					Six months ended 30 June 2021				
	Recruitment GB Unaudited	**Recruitment Ireland Unaudited**	**PeoplePlus Unaudited**	**Group costs Unaudited**	**Total Group Unaudited**	Recruitment GB Unaudited	Recruitment Ireland Unaudited	PeoplePlus Unaudited	Group costs Unaudited	Total Group Unaudited
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Revenue	**345.2**	**55.8**	**37.0**	-	**438.0**	355.0	55.2	40.5	-	450.7
Period-on-period % change	***(2.8)%***	***1.1%***	***(8.6)%***	-	***(2.8)%***	*6.7%*	*(10.8)%*	*13.8%*	-	*4.7%*
Gross profit	**24.6**	**6.3**	**9.0**	-	**39.9**	24.0	5.6	9.4	-	39.0
Period-on-period % change	***2.5%***	***12.5%***	***(4.3)%***	**-**	***2.3%***	***11.1%***	**-**	***34.3%***	**-**	***14.0%***
Gross profit %	***7.1%***	***11.3%***	***24.3%***	-	***9.1%***	*6.8%*	*10.1%*	*23.2%*	-	*8.7%*
Underlying operating profit /(loss)	**2.3**	**1.5**	**1.6**	**(1.4)**	**4.0**	3.2	1.2	1.9	(1.7)	4.6
Underlying operating profit as a % of revenue	***0.7%***	***2.7%***	***4.3%***	**-**	***0.9%***	*0.9%*	*2.2%*	*4.7%*	-	*1.0%*
Underlying operating profit as a % of gross profit	***9.3%***	***23.8%***	***17.8%***	**-**	***10.0%***	*13.3%*	*21.4%*	*20.2%*	-	*11.8%*
Post-IFRS16 net (debt)/cash	-	-	-	-	**(13.9)**	-	-	-	-	16.2
Pre-IFRS16 net (debt)/cash	-	-	-	-	**(9.7)**	-	-	-	-	20.9

Key performance indicators

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	Recruitment GB Unaudited	**Recruitment Ireland Unaudited**	**PeoplePlus Unaudited**	**Total Group Unaudited**	Recruitment GB Unaudited	Recruitment Ireland Unaudited	PeoplePlus Unaudited	Total Group Unaudited
Hours worked by temporary workers	**21.4m**	**3.4m**	-	**24.8m**	26.1m	3.6m	-	29.7m
Gross profit per fee earner*	**£36.6k**	**£56.7k**	-	**£39.4k**	£40.0k	£59.9k	-	£41.7k
Revenue per employee	**-**	**-**	**£27.9k**	**-**	-	-	£30.7k	-

**The definition of 'fee-earner' has been refined and therefore the prior year comparative has been adjusted*

Revenues in the Recruitment GB division decreased by £9.8m, (2.8)%, to £345.2m (2021: £355.0m). The decrease is as a result of reducing year-over-year supermarket and online retail volumes. These have been caused by the twin impact of the cost-of-living challenges, combined with the strong prior year COVID-19 lockdown comparative. The strategic exit from a significant high volume, low margin contract during 2021 further reduced revenues.

Revenues in the Recruitment Ireland division were broadly flat at £55.8m (2021: £55.2m), reflecting the more balanced customer portfolio between blue and white collar, as well as permanent recruitment. In Northern Ireland, the exposure to the public sector, more than offset the decline in food supply chain volumes. The strategic initiative to increase activity in the Republic of Ireland has also underpinned revenues in the division.

PeoplePlus revenues decreased by £3.5m (8.6%), to £37.0m (2021: £40.5m), primarily as a result of the decline in revenues from the Skills division, which has been impacted by the high level of job vacancies across the economy, driving people straight into jobs, thereby reducing the demand for skills training. This was partially offset by the commencement of the Restart contracts, which have been implemented successfully.

The sales mix between the operating divisions was broadly unchanged compared with H1 2021, with the recruitment businesses accounting for 92% of revenue (2021: 91%).

Despite reduced revenues, total gross profit increased by 2.3% to £39.9m (2021: £39.0m) with Group gross profit margin increasing to 9.1% (2021: 8.7%).

The gross profit for Recruitment GB increased year-on-year, from £24.0m to £24.6m, with the gross profit margin increasing from 6.8% in H1 2021 to 7.1% in H1 2022, despite the average increase in pay rates of c.10%. This was partially driven by the increase in the National Living Wage in April 2021, from £8.72 per hour to £8.91 and in April 2022 to £9.50 per hour for over 23 year olds. This does not impact absolute gross profit but does negatively impact the gross profit margin achieved. Permanent recruitment generated £1.9m of gross profit, up from £0.9m in H1 2021, generating a healthy incremental 0.2ppts of gross profit increase. The gross profit margin was further strengthened by the exit from a significant low margin contract. Additionally, the sales mix change from supermarket and food supply chain sectors to the re-opening sectors of automotive and aviation, further supported the gross profit margin increase.

The gross profit for Recruitment Ireland increased from £5.6m (10.1%) in H1 2021 to £6.3m in H1 2022 (11.3%). Permanent recruitment generated £1.3m of gross profit compared to £0.6m in H1 2021, making a significant contribution to the increase in gross profit margin. Temporary recruitment activity in the branch network across Northern Ireland and the Republic of Ireland has increased the contribution to gross profit from £1.7m to £2.0m in H1 2022.

The gross profit for PeoplePlus decreased from £9.4m in H1 2021 to £9.0m in H1 2022, whereas gross profit margin increased from 23.2% in H1 2021 to 24.3% in H1 2022. The decline in gross profit in Skills has been partially offset by the strong performances in the Justice division, especially in Way Out TV services, as well as the continued strong performance in Employability Services.

Underlying operating profit was £4.0m (2021: £4.6m), with gross profit to underlying operating profit conversion at 10.0% compared to 11.8% in H1 2021. The reduction in conversion is largely driven by investment in headcount to enable future growth, for example the mobilisation of the BMW contract, Recruitment GB branch expansion and the implementation of the Restart contracts in PeoplePlus.

Non-underlying charges

Total non-underlying charges before tax were £3.8m (2021: £4.0m), which relates to amortisation of the intangible assets arising on business combinations.

Finance costs and interest rate hedge

Finance costs were £1.2m (2021: £1.4m), which includes £0.2m of non-cash charges for amortisation of debt re-financing costs and hedging instrument. The underlying £0.4m improvement in cash finance cost was generated by tight management of working capital and the benefit of the lower interest costs of the new banking agreement.

The decision to purchase an interest rate cap product in October 2021 means that the Group's exposure to an increase in interest rates is limited to SONIA up to 1.00% on two thirds of the aggregate of its bank borrowings and customer finance arrangements.

These movements generated a reported loss before taxation of £(1.0)m in H1 2022 (2021: £(0.8)m).

Taxation

There is a £0.3m tax credit (2021: £0.2m) for the period due to the movement on deferred tax balances.

The reported loss after tax on continuing activities for H1 2022 was £(0.7)m (2021: £(0.6)m).

Statement of financial position, cash generation and financing

The movement in net debt is shown in the table below. The movement in working capital includes a decrease in other taxation and social security of £10.0m of which £5.8m relates to the final repayment of the deferred COVID-19 related VAT. In addition, deferred income balances have decreased by £6.1m for the repayment of advance receipts in relation to Government contracts. The net debt position has also benefitted from c.£5m of timing differences.

Movement in net debt	**H1 2022 Unaudited £m**	H1 2021 Unaudited £m
Opening net cash/(debt)	**2.3**	(14.3)
Cash generated before change in working capital (note 12)	**7.1**	7.2
Movements in working capital	**(20.9)**	(24.6)
Net taxation and interest received/(paid)	**(0.4)**	4.5
Capital investment (net of disposals)	**(1.8)**	(1.9)
Net proceeds from the issue of share capital (note 10)	**-**	46.4
Payments from restricted funds for NMW	**-**	0.9
Settlement of NMW liabilities from restricted funds	**-**	(0.5)
Lease payments, additions, disposals & interest	**(0.4)**	0.4
Debt transaction costs	**-**	(1.9)
Employee equity and cash settled share options	**0.2**	-
Closing net (debt)/cash	**(13.9)**	16.2

The Group ended H1 2022 with net debt of £(13.9)m, compared to net cash of £16.2m at H1 2021. Pre-IFRS16 net debt was £(9.7)m at H1 2022 compared to net cash of £20.9m at H1 2021. This change is principally due to the repayment of VAT that was deferred under the UK Government scheme to defer VAT payments due between March and June 2020. The total repaid in the period 1 July 2021 to 30 June 2020 was £40.6m. After adjusting for this repayment of deferred VAT, the underlying increase in net cash is £10.5m.

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

Reconciliation of operating loss to EBITDA	**H1 2022 Unaudited £m**	H1 2021 Unaudited £m
Operating profit	**0.2**	0.6
Non-underlying charges	**3.8**	4.0
Underlying operating profit	**4.0**	4.6
Depreciation	**3.1**	2.6
Underlying EBITDA	**7.1**	7.2
Lease rental payments	**(0.8)**	(0.9)
Underlying EBITDA (pre-IFRS16)	**6.3**	6.3

Note: Underlying operating profit is stated before amortisation of intangible assets arising on business combinations.

The Group's headroom relative to available committed banking facilities as at 30 June 2022 was £46.7m (30 June 2021: £87.8m) as set out below:

	H1 2022 Unaudited £m	H1 2021 Unaudited £m
Cash at bank	**12.6**	29.2
Available receivables finance agreement unutilised	**34.1**	58.6
Banking facility headroom	**46.7**	87.8

Refinancing: New Credit Facilities June 2021

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 facilities, which are provided jointly by RBS Invoice Finance Limited, ABN AMRO Asset Based Finance N.V., UK Branch and Leumi UK Group 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 2.00%, dependent upon the Group's leverage multiple reducing to 3.00x;
V. A non-utilisation fee of 0.35% 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 twelve months EBITDA to finance charges.

The new facility enabled the cancellation of the previous facilities, comprising a Revolving Credit Facility ("RCF") of £20.0m and a Receivables Financing Facility ("RFF") of £68.2m, and also the non-recourse Receivables Purchase Facility of £25.0m.

The Group also has available a number of separate, non-recourse, Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. At 30 June 2022, the value of invoices funded under these arrangements was £39.1m (2021: £39.1m).

Dividend policy

No dividends will be declared by the Company for the 2022 financial year.

Going concern

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.

International Financial Reporting Standards

There have been no new accounting standards or interpretations in the first half of 2022 which materially impact the Group's reported performance or financial position.

Daniel Quint
Chief Financial Officer
1 August 2022

Consolidated statement of comprehensive income
For the six months ended 30 June 2022

	Note	Six-month period ended 30 June 2022 Unaudited £'m	Six-month period ended 30 June 2021 Unaudited £'m	Year ended 31 December 2021 Audited £'m
Continuing operations				
Revenue	2	438.0	450.7	942.7
Cost of sales		(398.1)	(411.7)	(859.9)
Gross profit		**39.9**	**39.0**	**82.8**
Administrative expenses		(39.7)	(38.4)	(80.5)
Operating profit		**0.2**	**0.6**	**2.3**
Underlying operating profit before non-underlying administrative expenses		4.0	4.6	10.3
Administrative expenses (non-underlying)	3	(3.8)	(4.0)	(8.0)
Operating profit	2	0.2	0.6	2.3
Finance costs		(1.2)	(1.4)	(2.4)
Loss for the period before taxation		**(1.0)**	**(0.8)**	**(0.1)**
Tax credit		0.3	0.2	1.7
(Loss)/profit from continuing operations		**(0.7)**	**(0.6)**	**1.6**
Loss from discontinued operations		-	-	(0.4)
(Loss)/profit for the period		**(0.7)**	**(0.6)**	**1.2**
Items that will not be reclassified to the statement of comprehensive income - actuarial gains and losses, net of deferred tax		1.3	0.7	0.7
Items that may be reclassified to the statement of comprehensive income:				
- cumulative translation adjustment		-	-	(0.3)
- movement on cash flow hedge, net of deferred tax		1.0	-	0.2
Total comprehensive income for the period		**1.6**	**0.1**	**1.8**
Earnings per ordinary share	4			
Continuing operations: Basic and diluted		(0.4)p	(0.8)p	1.3p
Discontinued operations: Basic and diluted		-	-	(0.3)p
Total earnings per share: Basic and diluted		(0.4)p	(0.8)p	1.0p

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

Consolidated statement of changes in equity
For the six months ended 30 June 2022

Unaudited	Share capital £'m	Own shares £'m	Share premium £'m	Share-based payment reserve £'m	Cash flow hedge reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2022	**16.6**	**(4.8)**	**111.8**	**0.3**	**0.2**	**(55.9)**	**68.2**
Share award from own shares	-	0.7	-	-	-	(0.6)	0.1
Long term incentive scheme	-	-	-	0.1	-	-	0.1
Save As You Earn (SAYE) share scheme	-	-	-	0.1	-	-	0.1
Transactions with owners	**-**	**0.7**	**-**	**0.2**	**-**	**(0.6)**	**0.3**
Loss for the period	-	-	-	-	-	(0.7)	(0.7)
Cash flow hedge reserve, net of taxation	-	-	-	-	1.0	-	1.0
Actuarial gain, net of taxation	-	-	-	-	-	1.3	1.3
Total comprehensive income for the period, net of tax	-	-	-	-	**1.0**	**0.6**	**1.6**
At 30 June 2022	**16.6**	**(4.1)**	**111.8**	**0.5**	**1.2**	**(55.9)**	**70.1**

Consolidated statement of changes in equity
For the six months ended 30 June 2021

Unaudited	Share capital £'m	Own shares £'m	Share premium £'m	Share-based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 31 December 2020 (reported)	**6.9**	**(4.8)**	**75.1**	**0.6**	**(55.6)**	**22.2**
Prior year adjustment	-	-	-	-	(2.3)	(2.3)
At 1 January 2021 (restated)	**6.9**	**(4.8)**	**75.1**	**0.6**	**(57.9)**	**19.9**
Issue of share capital	9.7	-	38.7	-	-	48.4
Costs of issue of share capital	-	-	(2.0)	-	-	(2.0)
Transactions with owners	**9.7**	**-**	**36.7**	**-**	**-**	**46.4**
Loss for the period	-	-	-	-	(0.6)	(0.6)
Actuarial gain, net of taxation	-	-	-	-	0.7	0.7
Total comprehensive income for the period, net of tax	-	-	-	-	**0.1**	**0.1**
At 30 June 2021	**16.6**	**(4.8)**	**111.8**	**0.6**	**(57.8)**	**66.4**

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

Consolidated statement of changes in equity
For the year ended 31 December 2021

Audited	Share capital £'m	Own shares £'m	Share premium £'m	Share-based payment reserve £'m	Cash flow hedge reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2021	**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 – cash-settled	-	-	-	0.1	-	-	0.1
Proceeds from share issue	9.7	-	36.7	-	-	-	46.4
Transactions with owners	**9.7**	**-**	**36.7**	**(0.3)**	**-**	**0.4**	**46.5**
Profit for the year	-	-	-	-	-	1.2	1.2
Cash flow hedge reserve	-	-	-	-	0.2	-	0.2
Actuarial gain on pension scheme, net of taxation	-	-	-	-	-	0.7	0.7
Cumulative translation adjustments	-	-	-	-	-	(0.3)	(0.3)
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**0.2**	**1.6**	**1.8**
At 31 December 2021	**16.6**	**(4.8)**	**111.8**	**0.3**	**0.2**	**(55.9)**	**68.2**

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

Consolidated statement of financial position
As at 30 June 2022

	Note	**30 June 2022 Unaudited £'m**	30 June 2021 Unaudited Restated £'m	31 December 2021 Audited £'m
Assets				
Non-current assets				
Goodwill	5	59.6	59.6	59.6
Other intangible assets		12.3	20.4	16.5
Property, plant and equipment		7.8	8.6	8.0
Retirement benefit net asset		1.4	-	-
Deferred tax asset		3.6	3.7	4.6
		84.7	92.3	88.7
Current assets				
Trade and other receivables	6	116.8	117.7	116.2
Current tax asset		-	0.4	0.6
Derivative financial instruments	7	1.8	-	0.5
Cash and cash equivalents	8	12.6	29.2	29.8
		131.2	147.3	147.1
Total assets		**215.9**	239.6	235.8
Liabilities				
Current				
Trade and other payables	9	114.7	153.6	134.3
Borrowings	10	22.3	8.3	22.9
Provisions		1.0	1.5	1.4
Lease liabilities	10	1.3	1.6	1.3
		139.3	165.0	159.9
Non-current				
Other liabilities		-	0.3	0.3
Provisions		1.6	2.0	1.4
Lease liabilities	10	2.9	3.1	3.3
Deferred tax liabilities		2.0	2.8	2.7
		6.5	8.2	7.7
Total liabilities		**145.8**	173.2	167.6
Equity				
Share capital	11	16.6	16.6	16.6
Own shares		(4.1)	(4.8)	(4.8)
Share premium		111.8	111.8	111.8
Share-based payment reserve		0.5	0.6	0.3
Cash flow hedge reserve		1.2	-	0.2
Profit and loss account		(55.9)	(57.8)	(55.9)
Total equity		**70.1**	66.4	68.2
Total equity and liabilities		**215.9**	239.6	235.8

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

Consolidated statement of cash flows
For the six months ended 30 June 2022

	Note	**Six months ended 30 June 2022 Unaudited**	Six months ended 30 June 2021 Unaudited	Year ended 31 December 2021 Audited
		£'m	£'m	£'m
Cash flows from operating activities	12	**(13.6)**	(17.4)	(28.7)
Taxation received		0.6	5.9	5.8
Net cash outflow from operating activities		**(13.0)**	(11.5)	(22.9)
Cash flows from investing activities - trading				
Purchase of intangible assets – software		(1.2)	(0.8)	(2.1)
Purchases of property, plant and equipment		(0.6)	(1.1)	(2.4)
Total cash flows arising from investing activities		**(1.8)**	(1.9)	(4.5)
Total cash flows arising from operating and investing activities		**(14.8)**	(13.4)	(27.4)
Cash flows from financing activities				
Net movements on Receivables Finance Agreement		(0.6)	(4.6)	9.9
Debt transaction costs		-	(1.9)	-
Loan repayments		-	(20.0)	(20.0)
Finance lease principal repayments		(0.8)	(0.8)	(1.7)
Interest paid		(1.0)	(1.4)	(1.9)
Payment from restricted fund		-	0.9	0.9
Settlement of NMW liabilities from restricted funds		-	(0.5)	(0.9)
Net proceeds from the issue of share capital	11	-	48.4	48.4
Costs relating to the issue of share capital	11	-	(2.0)	(2.0)
Net cash flows from financing activities		**(2.4)**	18.1	32.7
Net change in cash and cash equivalents		**(17.2)**	4.7	5.3
Cash and cash equivalents at beginning of period		**29.8**	24.5	24.5
Cash and cash equivalents at end of period	8	**12.6**	29.2	29.8

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

Notes to the summary financial statements
For the six months ended 30 June 2022

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 2022 (including the comparatives for the six-month period ended 30 June 2021 and the year ended 31 December 2021) were approved and authorised for issue by the Board of Directors on 1 August 2022.

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 2021 audited year-end Annual Report and have been consistently applied.

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 2021 received an unqualified report from the auditors and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. 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 2021, 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 2022. 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 2021 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.

Going concern

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the assessment period. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern for a period of at least 18 months from when the financial statements are authorised for issue. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

2 Segmental reporting

Management currently identifies three reportable 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. The Group's reportable 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 reportable segments, they are operated and reviewed as single units by the Board of Directors. Each legal entity within a reportable segment has the same management team, head office and have similar economic characteristics. Historically and going forward, practice has been to integrate new acquisitions into the main trading entities within each reportable segment.

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

	Six months ended 30 June 2022					Six months ended 30 June 2021				
Segment continuing operations	**Recruitment GB Unaudited £'m**	**Recruitment Ireland Unaudited £'m**	**PeoplePlus Unaudited £'m**	**Group costs Unaudited £'m**	**Total Group Unaudited £'m**	**Recruitment GB Unaudited £'m**	**Recruitment Ireland Unaudited £'m**	**PeoplePlus Unaudited £'m**	**Group costs Unaudited £'m**	**Total Group Unaudited £'m**
Revenue from external customers	345.2	55.8	37.0	-	**438.0**	355.0	55.2	40.5	-	450.7
Cost of sales	(320.6)	(49.5)	(28.0)	-	**(398.1)**	(331.0)	(49.6)	(31.1)	-	(411.7)
Segment gross profit	**24.6**	**6.3**	**9.0**	-	**39.9**	24.0	5.6	9.4	-	39.0
Administrative expenses (underlying)	(20.4)	(4.6)	(6.4)	(1.4)	**(32.8)**	(19.5)	(4.2)	(6.4)	(1.7)	(31.8)
Depreciation and software amortisation (underlying)	(1.9)	(0.2)	(1.0)	-	**(3.1)**	(1.3)	(0.2)	(1.1)	-	(2.6)
Segment underlying operating profit/(loss)*	**2.3**	**1.5**	**1.6**	**(1.4)**	**4.0**	3.2	1.2	1.9	(1.7)	4.6
Amortisation of intangible assets arising on business combinations	(3.7)	-	(0.1)	-	(3.8)	(3.9)	-	(0.1)	-	(4.0)
Segment operating profit/(loss)	**(1.4)**	1.5	1.5	(1.4)	0.2	(0.7)	1.2	1.8	(1.7)	0.6
Finance costs	(1.1)	(0.1)	-	-	(1.2)	(0.8)	(0.2)	-	(0.4)	(1.4)
(Loss)/profit for the period before taxation	(2.5)	1.4	1.5	(1.4)	(1.0)	(1.5)	1.0	1.8	(2.1)	(0.8)
Tax credit/(charge)	0.7	(0.3)	(0.4)	0.3	**0.3**	0.4	(0.2)	-	-	0.2
Net (loss)/profit for the period	**(1.8)**	**1.1**	**1.1)**	**(1.1)**	**(0.7)**	(1.1)	0.8	1.8	(2.1)	(0.6)

* Segment underlying operating profit before amortisation of intangible assets arising on business combinations

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

2 Segmental reporting (continued)

Segment continuing operations	Six months ended 30 June 2022					Six months ended 30 June 2021				
	Recruitment GB Unaudited £'m	Recruitment Ireland Unaudited £'m	PeoplePlus Unaudited £'m	Group costs Unaudited £'m	Total Group Unaudited £'m	Recruitment GB Unaudited £'m	Recruitment Ireland Unaudited £'m	PeoplePlus Unaudited £'m	Group costs Unaudited £'m	Total Group Unaudited £'m
Total non-current assets	32.2	12.0	39.7	0.8	**84.7**	42.4	11.3	38.6	-	**92.3**
Total current assets	96.1	21.8	11.5	1.8	**131.2**	104.6	22.4	20.3	-	**147.3**
Total assets	**128.3**	**33.8**	**51.2**	**2.6**	**215.9**	**147.0**	**33.7**	**58.9**	**-**	**239.6**
Total liabilities	**114.4**	**12.5**	**18.6**	**0.3**	**145.8**	**132.1**	**16.7**	**24.4**	**-**	**173.2**
Capital expenditure inc software	1.0	0.2	0.6	-	**1.8**	1.3	-	0.6	-	**1.9**

Segment information for the year ended 31 December 2021 is as follows:

Segment continuing operations	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m
Sales revenue from external customers	747.9	111.7	83.1	-	**942.7**
Cost of sales	(697.2)	(100.4)	(62.3)	-	**(859.9)**
Segment gross profit	**50.7**	**11.3**	**20.8**	**-**	**82.8**
Administrative expenses	(40.4)	(8.4)	(14.0)	(3.4)	**(66.2)**
Depreciation, software & lease amortisation	(3.2)	(0.4)	(2.7)	-	**(6.3)**
Segment underlying operating profit/(loss)*	**7.1**	**2.5**	**4.1**	**(3.4)**	**10.3**
Amortisation of intangibles arising on business combinations	(6.4)	(1.4)	(0.2)	-	**(8.0)**
Segment loss from operations	**0.7**	**1.1**	**3.9**	**(3.4)**	**2.3**
Finance costs	(2.0)	(0.3)	-	(0.1)	**(2.4)**
Segment loss before taxation	**(1.3)**	**0.8**	**3.9**	**(3.5)**	**(0.1)**
Tax credit	0.3	(0.1)	-	1.5	**1.7**
Segment loss from continuing operations	**(1.0)**	**0.7**	**3.9**	**(2.0)**	**1.6**
Total non-current assets	36.0	11.6	36.5	-	**84.1**
Total current assets	106.6	20.1	19.9	0.5	**147.7**
Total assets (consolidated)	**142.6**	**31.7**	**56.4**	**0.5**	**231.2**
Total liabilities (consolidated)	**128.0**	**13.2**	**26.3**	**0.1**	**167.6**
Capital expenditure inc software	2.8	-	1.7	-	**4.5**

* Segment underlying operating profit before amortisation of intangible assets arising on business combinations

No customer contributed more than 10% of the Group's revenue in either of the six months ended 2022 or 2021.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

3 Non-underlying expenses

Administrative expenses	**Six months ended 30 June 2022 Unaudited £'m**	Six months ended 30 June 2021 Unaudited £'m	Year ended 31 December 2021 Audited £'m
Amortisation of intangible assets arising on business combinations (licences and customer contracts)	3.8	4.0	8.0
Tax credit on non-underlying costs	(1.0)	(0.8)	(0.9)
Post taxation effect on non-underlying costs	**2.8**	**3.2**	**7.1**

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 by the Employee Benefit Trust ("EBT") – "own shares" (964,511 shares at 30 June 2022, 1,140,000 shares at 30 June 2021 and at 31 December 2021). 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 Executive Directors and certain senior employees, and share options granted to employees in 2021 under the SAYE scheme.

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

	Basic six months ended 30 June 2022 Unaudited	Basic six months ended 30 June 2021 Unaudited	Basic Year ended 31 December 2021 Audited	**Diluted six months ended 30 June 2022 Unaudited**	Diluted six months ended 30 June 2021 Unaudited	Diluted Year ended 31 December 2021 Audited
(Loss)/profit from continuing operations (£m)	**(0.7)**	(0.6)	1.6	**(0.7)**	(0.6)	1.6
Weighted daily average number of shares	**164,716,595**	78,926,391	122,178,126	**168,682,279**	78,926,391	122,682,511
(Loss)/profit per share from continuing operations (p)	**(0.4)p**	(0.8)p	1.3p	**(0.4)p**	(0.8)p	1.3p
Underlying earnings from continuing operations (£m)*	**2.1**	2.6	8.7	**2.1**	2.6	8.7
Underlying earnings per share (p)*	**1.3p**	3.3p	7.1p	**1.2p**	3.3p	7.1p

*Underlying earnings after adjusting for amortisation of intangible assets arising on business combinations.

Dividends
No interim dividend for 2022 is proposed (2021: £nil).

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

5 Goodwill

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

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Recruitment GB	21.4	21.4	21.4
Recruitment Ireland	5.7	5.7	5.7
PeoplePlus	32.5	32.5	32.5
Total	**59.6**	**59.6**	**59.6**

6 Trade and other receivables

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Trade and other receivables	102.7	105.3	103.5
Accrued income	14.1	12.4	12.7
	116.8	**117.7**	**116.2**

7 Derivative financial instruments

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Fair value hedge – interest rate cap	**1.8**	**-**	**0.5**

In October 2021 the Group entered into an amortising interest rate cap instrument, which reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement and the customer finance arrangements. The instrument, which has a term of three years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

The 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 marked, but the fair value is based on quoted market prices, broker/dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

8 Cash and cash equivalents

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Cash and cash equivalents	**12.6**	**29.2**	**29.8**

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 but these balances are available for use by the Group.

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

	Fitch	Standard & Poors	Moody's
National Westminster Bank plc	A+	A	A1*/A2
Bank of Ireland Group plc	BBB	BBB-	A3
Royal Bank of Scotland plc	A+	A	A1*/A2

The Group's banking facility headroom is as follows:

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Cash and cash equivalents	12.6	29.2	29.8
Available receivables finance agreement balance	34.1	58.6	48.6
Banking facility headroom	**46.7**	**87.8**	**78.4**

9 Trade and other payables

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited Restated £'m	31 December 2021 Audited £'m
Trade and other payables	30.0	8.8	20.4
Accruals and deferred income	40.9	62.4	60.1
Other taxation and social security	43.8	82.4	53.8
	114.7	**153.6**	**134.3**

The Group took advantage of the UK Government scheme for the deferral of VAT payments between March and June 2020. The total deferral under the scheme amounted to £42.4m after offset of a Corporation Tax refund due from 2018. Repayment of the balance was paid in instalments commencing from June 2021 and the final instalment of £5.8m was paid in January 2022.

10 Borrowings

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Current liabilities:			
Receivables finance agreement	(22.3)	(8.3)	(22.9)
Lease liabilities	(1.3)	(1.6)	(1.3)
	(23.6)	**(9.9)**	**(24.2)**
Non-current liabilities:			
Lease liabilities	(2.9)	(3.1)	(3.3)
	(2.9)	**(3.1)**	**(3.3)**
Total borrowings	**(26.5)**	**(13.0)**	**(27.5)**
Less: Cash and cash equivalents (note 8)	12.6	29.2	29.8
Net cash/(debt) as disclosed in consolidated statement of cash flows (note 12)	**(13.9)**	**16.2**	**2.3**

Refinancing on 10 June 2021

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 facility, which is provided jointly by RBS Invoice Finance Limited, ABN AMRO Asset Based Finance N.V., UK Branch and Leumi UK Group 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 0.35% 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 twelve months EBITDA to finance charges.

The 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 is also funded through customer financing agreements with some of its key customers.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

11 Share capital

	30 June 2022 Unaudited £'m	30 June 2021 Unaudited £'m	31 December 2021 Audited £'m
Allotted and issued			
165,767,728 ordinary 10p shares	**16.6**	16.6	16.6

	Six months ended 30 June 2022 '000	Six months ended 30 June 2021 '000	Year ended 31 December 2021 '000
Shares issued and fully paid at the beginning of the period	165,768	68,930	68,930
Shares issued during the period	-	96,838	96,838
Shares issued and fully paid at end of period	**165,768**	**165,768**	**165,768**

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 964,511 shares held at 30 June 2022 (2021: 1,140,400 shares) by the Employee Benefit Trust where the right to dividends has been waived.

On 21 May 2021 the Group announced a proposed Placing, Subscription and Open Offer (the "Fundraise"), following conditional agreement of a new 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 funds raised amounted to £48,418,621, from which issue costs of £1,998,950 were paid.

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

12 Cash flows from operating activities

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

	Six-month period ended 30 June 2022 Unaudited £'m	**Six-month period ended 30 June 2021 Unaudited £'m**	Year ended 31 December 2021 Audited £'m
Loss before taxation			
- Continuing operations	(1.0)	(0.8)	(0.1)
- Discontinued operations	-	-	(0.4)
	(1.0)	(0.8)	(0.5)
Adjustments for:			
Finance costs	1.2	1.4	2.4
Depreciation and amortisation - underlying	3.1	2.6	6.3
Depreciation and amortisation - non-underlying	3.8	4.0	8.0
Loss on disposal of property, plant and equipment	-	-	0.3
Cash generated before changes in working capital and share options	**7.1**	**7.2**	**16.5**
Change in trade and other receivables	(0.8)	(15.5)	(12.2)
Change in trade, other payables and provisions	(20.1)	(9.1)	(33.1)
Impact of foreign exchange loss on operating activities	-	-	-
Cash utilised in operations	**(13.8)**	**(17.4)**	**(28.8)**
Employee equity and cash settled share options	0.2	-	0.1
Net cash outflow from operating activities	**(13.6)**	**(17.4)**	**(28.7)**

Movement in net debt

	Six months ended 30 June 2022 Unaudited £'m	**Six months ended 30 June 2021 Unaudited £'m**	Year ended 31 December 2021 Audited £'m
Net debt at beginning of the period	2.3	(14.3)	(14.3)
Lease payments, additions, disposals and interest	0.4	0.8	0.9
Loan repayments	-	20.0	20.0
Net repayments to/(drawn from) Receivables Finance Agreement	0.6	5.0	(9.6)
Change in cash and cash equivalents	(17.2)	4.7	5.3
Net (debt)/cash at end of period	**(13.9)**	**16.2**	**2.3**
Represented by:			
Cash and cash equivalents (note 8)	12.6	29.2	29.8
Current borrowings (note 10)	(22.3)	(8.3)	(22.9)
Lease liabilities (note 10)	(4.2)	(4.7)	(4.6)
Net (debt)/cash at end of period	**(13.9)**	**16.2**	**2.3**

13 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.

On 31 March 2022, Albert Ellis, Chief Executive Officer, and Daniel Quint, Chief Financial Officer, were awarded ordinary shares of 10p each in the Company ("Ordinary Shares") in relation to the proportion of their respective annual bonuses for the financial year ended 31 December 2021 payable in Ordinary Shares. Accordingly, the Employee Benefit Trust ("EBT") transferred to Albert Ellis and Daniel Quint 102,407 and 73,757 Ordinary Shares respectively.

The directors holding office at 30 June 2022 have the following beneficial interests in the Company's share capital:

	Number
Albert Ellis	422,407
Daniel Quint	299,077
Tom Spain	1,300,000
Catherine Lynch	10,000
Ian Starkey	50,000
	2,081,484

On 5 July 2021 the Board, Under the terms of the Company's 2021 long term incentive plan, approved and granted nil cost options (the "Options") over 1,678,279 ordinary shares of ten pence each in the Company ("Ordinary Shares") to certain employees, including persons discharging managerial responsibilities ("PDMRs"). The Options will vest from 30 June 2024 (the "Vesting Period") and will be exercisable until 30 June 2031. Options over 180,328 have subsequently lapsed.

On 13 May 2022 the Board, Under the terms of the Company's 2022 long term incentive plan, approved and granted nil cost options (the "Options") over 2,899,725 ordinary shares of ten pence each in the Company ("Ordinary Shares") to certain employees, including persons discharging managerial responsibilities ("PDMRs"). The Options will vest from 13 May 2025 (the "Vesting Period") and will be exercisable until 13 May 2032.

The total Options awarded to PDMR's are set out in the table below:

Director / PDMR	**Position**	**Options granted**
Albert Ellis	Chief Executive Officer	1,285,576
Daniel Quint	Chief Financial Officer	1,010,096
Martina McKenzie	MD Recruitment Ireland	404,038
Frank Atkinson	MD Recruitment GB	404,038
Kenny Boyle	MD PeoplePlus	183,532

Notes to the summary financial statements (continued)
For the six months ended 30 June 2022

13 Related party transactions (continued)

The vesting of the Options is subject to the satisfaction of the Company achieving certain financial performance criteria for the financial years ending 31 December 2023 and 2024 respectively. 50% of the Options awarded are subject to achieving earnings per share hurdles and 50% are subject to achieving EBITDA hurdles. In addition, no Options will vest unless the average closing price of the Ordinary Shares for the last 30 business days of 2023 and 2024 respectively, is above a minimum target.

Following the grant of the awards described above, the total number of Options outstanding is 4,397,676, representing 2.65% of the Company's issued share capital.