21 March 2023

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

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

- **Strong performance across FY 2022 with underlying operating profit ahead of expectations**
- **Strong balance sheet, with net cash of £5.0m**

Staffline Group plc, the recruitment and training group, announces its audited results for the year ended 31 December 2022 ('FY 2022').

Financial Highlights[1]

	FY 2022	FY 2021	Change
Revenue	**£940.5m**	£942.7m	-0.2%
Gross sales value[2]	**£1,031.3m**	£996.5m	+3.5%
Gross profit	**£83.2m**	£82.8m	+0.5%
Gross margin %	***8.8%***	*8.8%*	
Underlying operating profit[3]	**£12.0m**	£10.3m	+16.5%
Gross profit to underlying operating profit conversion %	***14.4%***	*12.4%*	*+2.0%pts*
Profit after tax	**£3.8m**	£1.6m	+£2.2m
Underlying EBITDA	**£17.6m**	£16.9m	+0.7m
Net cash[4]	**£5.0m**	£6.9m	-£1.9m

[1]*Presented on a continuing basis.*

Alternative performance measures
[2]*Gross sales value represents the fair value of the consideration received or receivable for the supply of services, including agency sales, (excluding fees) which are subject to an IFRS 15 agency adjustment, net of value added tax, rebates and discounts*
[3]*Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying charges*
[4]*Presented on a pre-IFRS16 basis which excludes lease liabilities and also excludes refinancing costs*

- Revenue broadly flat - strong permanent recruitment and customer wins in temporary recruitment, offset softer demand from customers previously benefitting from the pandemic as well as a weaker Skills division within PeoplePlus
  - Gross sales value increased by 3.5% generated from organic growth and new business wins predominantly in the Group's managed service provision
- Gross profit from Recruitment up 4.7% offsetting reduction in PeoplePlus, resulting in flat year-on-year gross margin of 8.8%
  - Gross profit from permanent recruitment increased by 64.9% to £6.1m (2021: £3.7m), representing 7.3% of Group gross profit compared to 2.9% in 2020
- Gross profit to underlying operating margin conversion ratio increased strongly to 14.4% (2021: 12.4%) due to efficiencies and tight cost control
- Underlying operating profit[3] marginally ahead of market expectations at £12.0m
- Interest rate cap purchased in October 2021 significantly limited the increase in net finance costs, to £2.7m (2021: £2.4m)
- Net cash[4] of £5.0m (2021: £6.9m) was materially ahead of expectations delivering a strengthened balance sheet with accretive trading cashflow
  - Repayment of c.£12m of Covid-related government support and advance payments
- The Group's strong balance sheet continues to support growth opportunities

Operational Highlights

- Strong financial and operational performance across the Recruitment divisions:
  - Secured new contracts with BMW and Sainsbury's/Argos, confirming Group's market leadership in blue-collar recruitment
  - Contract extensions secured with Causeway Coast and Glens Borough Council in Northern Ireland and VINCI Construction UK supplying labour and managed services to the London to Southampton pipeline project
  - Opened new office in Limerick, Republic of Ireland and launched new executive search service, further highlighting the Group's growth momentum in Ireland
- PeoplePlus
  - Delivered a solid performance from the Restart contracts, underpinned by first profit since inception in July 2021 of £1.2m
  - Strong demand for labour resulted in potential candidates bypassing additional training programmes and moving straight into employment, which held back Skills division

Current Trading and Outlook

- Staffline delivered a strong performance across FY 2022, exceeding original expectations in terms of both profitability and cashflow, despite facing challenging macroeconomic conditions, which management expect to continue across FY 2023
- The Group expects to grow market share across the temporary recruitment market, but anticipates short term market challenges within the retail and consumer sectors subduing growth in permanent recruitment with low unemployment trends expected to further constrain volumes within PeoplePlus' Skills and Restart businesses
- As highlighted in the trading update in January 2023, the Board has adopted a cautious approach to FY 2023, however, the Group's strengthened balance sheet, experienced management team, and healthy pipeline mean the business is well placed to capitalise on the considerable market opportunities that lie ahead

Albert Ellis, Chief Executive Officer, commented:

"I am pleased to report such a strong trading performance across the Group in FY 2022, with Staffline increasing its overall profits and further strengthening its balance sheet.

In addition to these solid results, the Group secured two significant new contracts with BMW and Sainsbury's/ Argos, and extended important existing relationships with VINCI Construction UK and Causeway Coast and Glens Borough Council. Our experienced management and staff continue to ensure Staffline delivers an outstanding service in a tight labour market, further highlighting our credentials as the UK's preferred recruitment and training provider during this time of uncertainty.

"As we move further into 2023, we will focus our efforts on delivering on the Group's organic growth pipeline and leveraging Staffline's leading market position to capitalise on a number of exciting new business opportunities and further expand our market share."

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About Staffline – *Recruitment, Training and Support*

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

Recruitment GB
Staffline is a leading provider of flexible blue-collar workers, supplying c.31,000 staff per day on average from around 400 sites, across a wide range of industries including supermarkets, drinks, driving, food processing, logistics and manufacturing.

Recruitment Ireland
The Recruitment Ireland business is a leading end to end solutions provider operating across twenty industries, ten branch locations and ten onsite customer locations, supplying c.4,500 staff per day on average, and offering RPO, MSP, temporary and permanent solutions across the island of Ireland.

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

Chairman's Statement

Introduction

This is my first statement as Interim Chairman and I would like to take this opportunity to express my passion for ensuring the Staffline Group communicates as effectively as possible regarding our strategy, operational progress, and crucially, the financial health of our business going forward. I believe all shareholders should remain fully informed about the growth plans and ambitions of the Group, so they continue to have confidence in Staffline as an investment.

Year in Review

The Group's performance over the last 12 months has been strong. We delivered on our promise to grow underlying operating profit to £12.0m (2021: £10.3m), which is up 16.5% on the prior year. Equally importantly, we further strengthened the balance sheet with tight management of working capital, control of costs and capital expenditure, and through retaining our trading cash flow to finance future growth.

As of 31 December 2022, the Group is operating with significant financing headroom relative to available committed banking facilities. I have long been a strong advocate of prudent cash management, making sure the business remains self-financing and avoiding an over-reliance on external borrowing.

I firmly believe that Staffline has the means and expertise to both protect, and indeed expand, its enviable market position. Management is highly in tune with the individual workings of each of our divisions and, rest assured, will act decisively to redeploy capital, be this to new activities, or to existing operations with historically higher margins, to ensure continued progress across the Group. Our investors rightly seek value, and we, as a Board and management team, are working hard to deliver enhanced shareholder value.

Dividends & Capital Allocation

Our capital allocation policy will be guided by the macro-environment in which we operate, we will strive first and foremost to maintain the strength of our balance sheet and deliver long-term value for our shareholders, considering share buybacks or dividends as and when appropriate to do so. With regard to any acquisitions or organic investment in the business, the Board will seek to finance these through trading cash flow alone, as opposed to assuming fixed term debt.

Board Changes

In March 2022, Richard Thomson advised the Board that he would not stand for re-election as Senior Independent Director, leaving in May to pursue other opportunities after three years of exceptional service to the Company. May 2022 also saw the departure of our former Chairman Ian Lawson, who resigned after two years spent expertly guiding the business through a period of significant change. In addition, Ian Starkey, Senior Independent Director, informed the Board in November 2022 that he will not stand for re-election at the Group's AGM in 2023. Ian has been a tremendous asset to the business both in his capacity as Chair of the Audit Committee, and more recently as a Senior Independent Director, supporting the Group through its 2021 refinancing, transformation, and return to growth. On behalf of the Board, I extend our sincere thanks to each of them for the truly instrumental roles they have played in transforming Staffline into the strong and resilient business we see today. We wish them every success in the future.

Closing remarks

I would like to thank my extraordinary colleagues at Staffline who continue to deliver excellent results, as well as our Managing and Executive Directors. I believe we are privileged to have such a strong and experienced operational team supported by top-quality talent at the senior leadership level. One of my first priorities when I assumed the role of Interim Chairman was to ensure that our talent was retained and locked in through a variety of incentives both short and long term, aligning the interests of management with the Group's shareholders and ensuring we have the bench strength to execute on our plans.

Ultimately, we are not just a people business, we are a people-focused business; striving to match rewarding work opportunities with those that seek them. Our passion for helping our extraordinary clients achieve their objectives through first-class recruitment is evidenced by both the enduring relationships we have forged with so many of our partners, and our ability to consistently secure top-level client wins.

In the new financial year, it is clear there are a number of external headwinds we will have to navigate. Despite this testing macro environment, I remain hugely encouraged by the nature of our business mix, which I believe leaves Staffline well equipped to face these challenges head-on and take advantage of the opportunities they present.

Tom Spain
Interim Chairman
20 March 2023

Chief Executive Officer's Review

Introduction

The Group traded strongly across 2022, and I am delighted that the increased gross sales and client activity throughout FY 2022 has resulted in a positive flow through to operating profit and trading cash flows. We continue to see the benefits of the restructuring and significant strengthening of the Group's balance sheet achieved in the previous year. As a result, the Group delivered an excellent trading performance with increases in the Group's gross profit, operating profit, conversion ratios and profit before tax.

Following the pandemic-related volatility of the past couple of years, 2022 continued to provide eventful macroeconomic conditions. The global economy was hit hard by geopolitical uncertainty across the world, with sharp rises in interest rates and faster than expected inflation reducing consumers' disposable income all contributing to a slowing macroeconomic environment.

Nevertheless, despite the challenges facing the Group, I am pleased to report our businesses have proven highly resilient. Our commitment to delivering excellent customer service at scale, in a tight labour market, has proven to be a key differentiator and our management have forged even stronger relationships with the Group's customers.

In the year ended 31 December 2022, the Group generated revenues of £940.5m (2021: £942.7m), and a 0.5% increase in gross profit to £83.2m (2021: £82.8m). Underlying[1] operating profit increased 16.5% to £12.0m (2021: £10.3m), with net cash (pre-IFRS 16)[2] as at 31 December of £5.0m (2021: net cash £6.9m).

This success could not have been achieved without the outstanding quality of our people. During 2022 we refreshed and reorganised our management and organisational structure, bringing exceptional talent into the Group whilst promoting high performers from within the business. The rollout of performance related compensation and long-term equity plans has further reduced churn and attracted and retained the best people in preparation for the growth journey over the next 3-5 years.

The business has moved from strength to strength in financial terms too. In particular, our excellent Finance team has worked hard to convert our trading profits into cash through tight control of debtors and implementing significant cost-saving initiatives, resulting in a real term reduction in the Group's cost base. The interest rate cap purchased in October 2021 has delivered significant interest savings and all outstanding historic Covid-related liabilities have been settled over the course of the year.

A year of positive momentum

I am pleased to say that 2022 can be characterised as a year of consistent, positive growth momentum for Staffline.

Group gross profit grew by 0.5%, largely attributable to the onboarding of two significant new recruitment customers, the first profit from our Restart contract, and solid trading across the Christmas peak period. Our strategy of growing higher margin, cash generative permanent recruitment contracts (up 65% compared with 2021), continues to yield positive results; driving further increases in revenue, as well as improvements to our cash position.

Within PeoplePlus, offsetting the weakness in the Skills business, which was due to high employment, robust demand for labour supported a strong performance for our employability programmes, and we were pleased to see the division recognise its first operating profit from its Restart sub-contracts during the second half.

As announced in H1 2022, Recruitment GB successfully secured several substantial new contracts, including a long-term agreement with BMW Group to supply the flexible operational workforces and a number of specialist roles for its manufacturing sites in England.

The division's managed services arm, Datum RPO, has delivered an impressive performance, with record results driven by consistently high levels of demand for its services. New business wins include a five-year contract extension with specialist construction company, VINCI Construction UK, as well as the onboarding of new customer Argos, part of the Sainsbury's Group, which appointed Datum RPO in early 2022 as its temporary labour Managed Service Provider ('MSP') for its sizeable driving estate.

The senior team at Datum RPO has committed significant time and resource to developing the business' technology platform to meet Argos' specific requirements, seamlessly rolling out its MSP solution across 45 locations and Argos' 70-strong supplier network. Following on from this success, Staffline has since become a specialist supplier of driver resource for key locations within Argos' home delivery network.

Recruitment Ireland saw strong traction in its permanent recruitment business, including for the first time in the executive search sector, and expanded its branch network in the Republic of Ireland where it opened a new office in Limerick and extended its Causeway Coast and Glens Borough Council contract for a further 5 years. Tight cost control and an increase in gross margins led to an increase in gross profit to operating profit conversion rate to 24.8%, up from 22.1% in the year prior.

As we move further into 2023, management will focus its efforts on delivering additional organic growth across the Group through both increasing business volumes in existing customers, and by leveraging Staffline's enviable market position to capitalise on new business opportunities and further expand our market share.

Vision and strategy

Staffline's business vision is clear: to be a market leading, world-class recruitment and training group, known for excellent service and integrity, and driven by digital innovation. Our strategic priorities for consistent, sustainable growth are as follows:

- **To further capitalise on the Group's market leadership in recruitment:**
  Staffline's Recruitment divisions have market leading positions in the supply of temporary workers, especially in the blue-collar warehouse and driving sectors. Our focus now is on securing additional organic growth in new and existing clients which are actively growing their own market share, and also introducing permanent recruitment services to support our clients' core headcount requirements. The Group's strong governance and compliance offer will be increasingly important going forward.

- **To broaden the portfolio of services:**
  The Group will continue to introduce Datum RPO's services to customers that will benefit from a fully managed service and we believe the current push for cost savings is a key driver in increasing client demand in this market. The Group will support Omega's ambitions to grow its technical and engineering niche, which will expose the Group to higher margin growth opportunities in the white-collar recruitment sector.

- **To drive ongoing profit growth within PeoplePlus:**
  Our strategy remains focused on further stabilising the annuity revenue and profit streams of the business, winning new contracts and consolidating our market share in prison education and employability.

- **To grow in the Republic of Ireland:**
  The Republic of Ireland continues to be an attractive recruitment market with a positive growth outlook. The Group is growing through investing in additional branches and services, and hiring additional fee-earning headcount including during the current downturn. We believe these initiatives will help facilitate a step change in scale and profitability in the recovery when it comes.

Operational review
Recruitment GB

The Group's Recruitment GB division delivered a strong performance across 2022 having successfully expanded its operational footprint during the period. The implementation of the BMW contract, a major win in 2022, remains ongoing, with the Group seeing further momentum from additional sectors, including manufacturing and travel. Investment in headcount and technology remained a key theme for the business, and despite much reported labour shortages, the division continued to expand its branch network, reinforcing the strong platform which will underpin future growth. The Group's managed services business, Datum RPO, continued to perform well as customers seek to consolidate their recruitment supply chains using an independent expert, as evidenced by the award of a five-year contract extension with VINCI Construction UK. Omega, the Group's technical and engineering recruiter, also posted strong increases in its permanent recruitment fees, which across the wider division were up c.80% over 2021, representing a c.176% increase over the last two years. The division continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 14.0% to 16.0%.

Recruitment Ireland

The Recruitment Ireland business, which is more dependent on the permanent recruitment market and less dependent upon temporary placements than the Recruitment GB business, produced an excellent trading performance across the year. The division delivered a 45% increase in permanent recruitment fees, its strongest results since 2019, which offset marginally weaker blue-collar demand. The increase in permanent recruitment fees, coupled with a record trading performance in the Republic of Ireland, which has been underpinned by ongoing investment in fee-earning headcount, further demonstrates the inherent strength of our Recruitment Ireland platform. A pivot to white-collar recruitment in the Republic of Ireland, the opening of a new office in Limerick, and the retention of key public sector contracts in

Northern Ireland, all contributed to record growth across 2022. The strength of permanent recruitment, and for the first time, executive search, helped increase gross margins. Additionally, our entry into the executive search market alongside tight control of the cost base resulted in the gross profit to underlying operating profit conversion rate improving to 24.8%, up from 22.1% in the prior year.

PeoplePlus

PeoplePlus reported a solid performance in 2022, but as expected was held back by lower revenues in Skills training. Labour shortages, and the resulting demand squeeze, resulted in potential candidates bypassing established training programmes and moving straight into employment. Conversely, these labour market conditions aided our Employability programmes which performed particularly well, and we were pleased to see PeoplePlus successfully deliver profit from the Restart sub-contracts during the year, with the division reporting its first operating profit from those contracts in the second half of 2022. During the year it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations. Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves.

The labour market and recruitment landscape

The labour market experienced severe shortages which were exacerbated by the Covid pandemic. Since then, we have seen a slight easing in supply but also in demand, particularly in HGV driving. The logistics and online sector which reported buoyant results during the Covid related lockdowns has reduced demand for temporary labour as online volumes returned to more normalised levels and consumers reverted to pre-pandemic behaviours. However, the labour shortage continues as vacancies remain above 1 million and combined with the cost-of-living crisis, this has affected the training market as candidates are going straight into paid work without seeking additional training. The Group has responded to these changes by reducing its cost base in Skills to align with the forecasted lower level of demand going forward, and by reorganising its labour delivery to leverage the Group's strengths in regional differences in supply and demand.

Board Changes

In May 2022, Tom Spain was appointed Interim Chairman following the announcement that Ian Lawson would step down from his role as Non-Executive Chairman. Additionally, in April 2022, Richard Thomson stepped down from the Board as the Senior Independent Director, a role assumed by Ian Starkey in May 2022.

In November 2022, we announced that Ian Starkey, Audit Chairman and Senior Independent Director, had informed the Company that he would not be standing for re-election at the 2023 AGM. Accordingly, the Board has begun the process of searching for a replacement. The search is at an advanced stage and the Board expects to make an announcement shortly.

Outlook

As a business, we are pleased with the excellent progress delivered by Staffline across 2022, achieving strong growth in profitability and cash flows, investing in the senior operational leadership, and embedding governance at the core of our company culture to further differentiate our customer offering in a market that is increasingly prioritising compliance.

As referenced in our January 2023 trading update, we anticipate the current uncertainty to persist through 2023, with continuing low unemployment constraining volumes within PeoplePlus's Skills and Restart businesses. Our Recruitment GB and Recruitment Ireland divisions are likely to be affected by the widely reported weakening in demand for permanent hiring.

However, we are confident in our ability to leverage our brand, geographic scale and governance advantage to continue to expand our market share in preparation for the economic recovery when it comes.

Albert Ellis
Chief Executive Officer
20 March 2023

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

Financial Review

Introduction

The Group traded strongly during 2022 and exceeded both net cash and underlying operating profit expectations, despite the continuing economic challenges. Gross sales for 2022 increased by 3.5% to £1,031.3m (2021: £996.5m) driven by new managed service provider customer wins. Total revenue for the year of £940.5m (2021: £942.7m) was lower than the previous year by 0.2%. Gross profit across the recruitment businesses increased by 4.7% to £64.9m (2021: £62.0m), offset by a reduction in PeoplePlus' gross profit to £18.3m (2021: £20.8m). This resulted in Group gross profit increasing to £83.2m (2021: £82.8m), with gross profit margin stable at 8.8%. The Group continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 12.4% to 14.4%, delivering a 16.5% increase in underlying operating profit to £12.0m (2021: £10.3m). The Group's reported profit after tax increased to £3.8m (2021: £1.2m).

The Group has pursued a policy of organic growth with a focus on cost control and working capital, conserving its cash reserves, and further strengthening its balance sheet. The Group ended the year with pre-IFRS16 net cash of £5.0m (2021: £6.9m), notwithstanding the two Covid-19 pandemic-related one-off payments of the final repayment of deferred VAT of £5.8m and £6.2m advance payments from the Ministry of Justice. This means that the Group generated an underlying improvement in net cash of £10.1m.

The Group's purchase of a 3-year interest rate cap in October 2021, in order to manage its debt financing costs, meant that the impact of the increase in the Bank of England base rate from 0.25% to 3.50% during 2022 was largely mitigated.

The Group's strengthened balance sheet and its significant financing headroom leaves it well placed to navigate the ongoing global macroeconomic headwinds as well as capitalise on market opportunities to further grow market share.

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

Underlying[1] divisional performance – continuing operations

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Group Costs 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m
Revenue	**752.0**	**110.6**	**77.9**	**–**	**940.5**	747.9	111.7	83.1	–	942.7
Year-on-year revenue increase/(decline)	***0.5%***	***(1.0)%***	***(6.3)%***	**–**	***(0.2)%***	*2.2%*	*(7.3)%*	*10.8%*	–	*1.6%*
Gross sales value[3]	**842.8**	**110.6**	**77.9**		**1031.3**	801.7	111.7	83.1		996.5
Year-on-year gross sales value increase	***5.1%***	***(1.0)%***	***(6.3)%***	**–**	***3.5%***	*5.6%*	*(7.3)%*	*(10.8)%*	–	*2.7%*
Gross profit	**52.0**	**12.9**	**18.3**	**–**	**83.2**	50.7	11.3	20.8	–	82.8
Year-on-year gross profit increase/(decline)	***2.6%***	***14.2%***	***(12.0)%***	**–**	***0.5%***	*9.7%*	*7.6%*	*16.2%*	–	*11.0%*
Gross profit as a % of revenue	***6.9%***	***11.7%***	***23.5%***	**–**	***8.8%***	*6.8%*	*10.1%*	*25.0%*	–	*8.8%*
Underlying operating profit/(loss) before tax	**8.3**	**3.2**	**3.8**	**(3.3)**	**12.0**	7.1	2.5	4.1	(3.4)	10.3
Underlying operating profit as a % of revenue	***1.1%***	***2.9%***	***4.9%***	**–**	***1.3%***	*0.9%*	*2.2%*	*4.9%*	–	*1.1%*
Underlying operating profit as a % of gross profit	***16.0%***	***24.8%***	***20.8%***	**–**	***14.4%***	*14.0%*	*22.1%*	*19.7%*	–	*12.4%*
Pre-IFRS 16[2] net cash excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**5.0**	–	–	–	–	*6.9*
Post-IFRS 16 net cash excluding unamortised refinancing costs	**–**	**–**	**–**	**–**	**0.1**	–	–	–	–	*2.3*

Key performance indicators – continuing operations

	Recruitment GB 2022	Recruitment Ireland 2022	PeoplePlus 2022	Total Group 2022	Recruitment GB 2021	Recruitment Ireland 2021	PeoplePlus 2021	Total Group 2021
Hours worked by temporary workers	**44.0m**	**6.7m**	**–**	**50.7m**	51.1m	7.1m	–	58.2m
Gross profit per fee earner	**£76.5k**	**£102.2k**	**–**	**£80.6k**	£71.5k	£111.5k	–	£76.5k
Revenue per employee	**–**	**–**	**£55.7k**	**–**	–	–	£62.6k	–

For management reporting purposes the Recruitment GB division presents its 'gross sales value', which includes sales under agency arrangements. The reporting of gross sales gives an indication of the full level of activity undertaken by the division. This value is adjusted for reporting revenue in accordance with IFRS 15. The adjustment relative to reported revenue for the Group is as follows:

	2022 £m	2021 £m
Gross sales value	**1,031.3**	**996.5**
Agency sales excluding fees	**(90.8)**	**(53.8)**
Revenue as reported	**940.5**	**942.7**

Alternative performance measures

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

2 Presented on a pre-IFRS 16 basis, which excludes lease liabilities, and also excludes refinancing costs.

3 Gross sales value represents the fair value of consideration received or receivable for the supply of servicess, including agency sales, (excluding fees) net of VAT.

Recruitment GB

Revenues in the Recruitment GB division increased by £4.1m to £752.0m. The division experienced some reduction of volumes from retail and logistics customers that had benefited from increased workload during the Covid-19 pandemic, which was more than offset by significant new contracts, and increased demand from some existing customers, BMW and Sainsbury's/Argos being prominent examples.

Gross profit of £52.0m (2021: £50.7m) resulted in gross profit margin increasing to 6.9% (2021: 6.8%), reflecting the slight shift from lower margin sectors such as food production, toward marginally higher returns from recovering sectors such as travel and aviation, as well as the increase in permanent recruitment activity commented on below. Increases in general pay rates, in many cases double-digit percentages, combined with the increase in the National Minimum Wage in April 2022, from £8.91 to £9.50 per hour for over 23's, does not impact absolute gross profit but does negatively impact gross margin percentage achieved.

Gross profit generated from temporary recruitment reduced as a proportion of the total to 92.5% (2021: 95.7%), with the remaining 7.5% (2021: 4.3%) of gross profit generated from permanent recruitment. This represented a 77% increase in gross profit generated from permanent recruitment to £3.9m (2021: £2.2m). Hours worked reduced to 44.0m (2021: 51.1m) reflecting reduced year-over-year supermarket and online retail volumes and the strategic exit from a significant high volume, low margin contract during 2021. Revenues were boosted in the second half by the successful implementation of the new contract with BMW Group, whilst also generating strong organic growth with existing customers. The division continued to control overhead costs tightly, increasing its gross profit to underlying operating profit conversion rate from 14.4% to 16.0%, delivering a 16.9% increase in underlying operating profit to £8.3m (2021: £7.1m).

Recruitment Ireland

Revenues in the Recruitment Ireland division reduced by £1.1m to £110.6m, reflecting the reduction in temporary worker hours to 6.7m (2021: 7.1m). A 45% increase in permanent recruitment fees enabled the division to deliver its strongest results since 2019, as well as a record trading performance in the Republic of Ireland.

Gross profit of £12.9m (2021: £11.3m) resulted in gross profit margin increasing to 11.7% (2021: 10.1%), reflecting the further shift toward permanent recruitment business. Gross profit generated from temporary recruitment accounted for 82.9% (2021: 86.7%) of the total, with the remaining 17.1% (2021: 13.3%) of gross profit generated from permanent recruitment.

Additionally, tight control of the cost base resulted in the gross profit to underlying operating profit conversion rate improving to 24.8%, up from 22.1% in the prior year, generating an underlying operating profit of £3.2m (2021: £2.5m).

PeoplePlus

PeoplePlus revenues reduced by 6.3%, from £83.1m to £77.9m, primarily as a result of reduced revenues from Skills training, which was severely impacted by a significant reduction in the number of candidates available as a result of the tight labour market which enabled workers to enter jobs without workplace skills training. The division successfully delivered its first operating profit of £1.2m from the Restart sub-contracts in the second half of the year and the tight labour market conditions aided other Employability programmes, which performed well.

Following the rebuild of the division's overhead base that commenced in 2021, the division has maintained its revenue to operating profit conversion at 4.9%, resulting in underlying operating profit of £3.8m (2021: £4.1m).

During the year it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations. Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves, (see note 3).

Revenue per employee was £55.7k during 2022 (2021: £62.6k), an 11% decrease, resulting from the reduced revenues from Skills training. PeoplePlus achieved a gross margin of 23.5% in 2022, which compares to 25.0% in 2021, largely due to the reduced contribution from skills training.

Group costs

Group costs, which include Directors' remuneration costs, have decreased to £3.3m (2021: £3.4m) reflecting continued close management of corporate spend.

Group result

Underlying operating profit was £12.0m (2021: £10.3m), an increase of 16.5%, and marginally ahead of market expectations for the year. Total non-underlying charges on continuing activities before tax, which are described below, were £7.4m (2021: £8.0m), which was all non-cash.

The underlying profit before taxation on continuing operations for 2022 was £9.3m (2021: £7.9m). Underlying profit before taxation as a percentage of revenue was 1.0% (2021: 0.8%). The underlying profit after tax on continuing operations for the year was £9.4m (2021: £8.7m).

The Group's reported profit before taxation was £1.9m in the year (2021: loss £(0.1)m).

Net Finance Charges

Net finance charges incurred in the year amounted to £2.7m (2021: £2.4m), reflecting part of the increase in overnight SONIA rates during 2022 from c.0.25% to c.3.40%. However, the Group limited its exposure to these interest rate increases through the use of an interest rate cap, which was purchased in October 2021. This reduces exposure to interest rate increases above 1% of SONIA on an aggregated two-thirds of the Receivables Finance Agreement (£26.0m at 31 December 2022) and the customer finance arrangements (£51.7m at 31 December 2022). The instrument, which has a term of three years from 13 October 2021, is based on quarterly notional amounts varying between £39.5m and £62.5m, with an average of £51.9m.

Taxation

The total tax credit for the year was £1.9m (2021: £1.7m), which included the movement of deferred tax balances. The Group has an estimated current corporation tax liability of £0.1m (2021: £nil) in respect of the year. Remaining tax losses of £17.8m carried forward in all divisions have been recognised as a deferred tax asset.

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

Alternative Performance Measures

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

Non-underlying Items

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

Non-underlying charges on continuing activities before tax amounted solely to £7.4m in the year (2021: £8.0m), relating solely to amortisation of intangible assets arising on business combinations. As stated below the existing intangible assets on business combinations will all be fully amortised by the end of 2023.

The charge in the year for amortisation of intangible assets arising on business combinations relates to the following acquisitions: Vital Recruitment (charge £3.0m: asset will be fully amortised by February 2023), Passionate about People (charge £2.3m: asset will be fully amortised by October 2023), Grafton (£1.3m: asset will be fully amortised by June 2023), Brightwork (charge £0.2m: asset fully amortised during 2022), others (charge £0.6m: asset fully amortised during 2022).

Non-underlying charges – continuing operations	**2022** **£m**	2021 £m
Amortisation of intangible assets arising on business combinations	**7.4**	8.0

Government Support

During the first year of the Covid-19 pandemic in 2020, the Group took advantage of the forbearance scheme for the deferral of VAT due between March and June 2020. The total deferral agreed with HMRC under the UK scheme amounted to £42.4m after offset of a corporation tax refund due in relation to the financial year 2018. Repayment of the balance commenced in June 2021 and the final instalment of £5.8m was paid in January 2022.

Earnings Per Share

Statutory basic and diluted loss per share on continuing activities in 2022 were both 2.3p (2021: both 1.3p).

For the year, the weighted average number of shares (basic) is 163,753,217 (2021: 122,178,126).

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic earnings per share of 5.7p (2021: 7.1p) and diluted earnings per share of 5.7p on continuing activities (2021: 7.1p).

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

Reconciliation of operating loss to EBITDA	2022 £m	**2021** **£m**
Operating profit	**4.6**	**2.3**
Non-underlying costs	**7.4**	**8.0**
Underlying operating profit	**12.0**	**10.3**
Depreciation and loss on disposals	**5.6**	**6.6**
Underlying EBITDA	**17.6**	**16.9**
Lease rental payments	**(1.6)**	**(1.7)**
Underlying EBITDA (pre-IFRS 16)	**16.0**	**15.2**

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

Statement of Financial Position, Cash Generation and Financing

Since 2020 strong trading cash flows, alongside the equity raise in 2021 have increased the Group's equity by £54.1m to £71.7m.

The movement in net debt is shown in the table below. Strong trading cash flows were offset by working capital movements, which included the final repayments of deferred VAT of £5.8m and £6.2m of Covid-19 related advance payments from the Ministry of Justice.

Movement in net debt	2022 £m	**2021** **£m**
Opening net cash/(debt) (pre-IFRS 16)	**6.9**	**(8.8)**
Cash generated before change in working capital and share options	**17.6**	**16.5**
Principal repayment of lease liabilities	**(1.6)**	**(1.7)**
Change in trade and other receivables	**1.5**	**(12.2)**
Repayment of advance receipts from the MoJ	**(6.2)**	**4.2**
Deferred VAT (net of corporation tax offset)	**(5.8)**	**(36.6)**
Change in trade, other payables and provisions	**(0.9)**	**(0.7)**
Taxation and interest received	**(2.3)**	**3.9**
Capital investment (net of disposals)	**(3.6)**	**(4.5)**
Net proceeds from equity issue	**-**	**46.4**
Payments from restricted funds for NMW	**-**	**0.9**
Settlement of NMW liabilities from restricted funds	**-**	**(0.9)**
Other	**(0.6)**	**0.4**
Closing net cash (pre-IFRS 16)	**5.0**	**6.9**
IFRS 16 lease liabilities	**(4.9)**	**(4.6)**
Closing net cash (post-IFRS 16)	**0.1**	**2.3**

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

The Group’s headroom relative to available committed banking facilities as at 31 December 2022 was £75.9m (2021: £78.4m) as set out below:

	2022 £m	**2021** **£m**
Cash at bank	**31.0**	**29.8**
Undrawn receivables finance facility agreement	**44.9**	**48.6**
Banking facility headroom	**75.9**	**78.4**

Working capital financing

The Group manages its working capital requirements using a Receivables Financing Agreement ("RFA"), and a number of separate, non-recourse, customer financing arrangements whereby specific customers' invoices are settled in advance of their normal settlement date via a funding intermediary.

The principal terms of the RFA are described in note 14. The RFA leverages the Group's trade receivables with sufficient headroom and flexibility to manage the variability and size of weekly cash outflows. The balance outstanding at 31 December 2022 was £26.0m (2021: £22.9m).

The balance funded under the customer financing arrangements at 31 December 2022 was £51.7m (2021: £42.3m).

Dividends

The Board is not proposing a final dividend payment for 2022.

Going Concern

For the period to 31 December 2024, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants contained therein. The Group has sufficient day to day liquidity to ensure that short-term liabilities can be satisfied as and when they fall due.

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

Daniel Quint
Chief Financial Officer
20 March 2023

Alternative performance measures

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	**2022 £m**	2021 £m
Continuing operations			
Revenue	4	**940.5**	942.7
Cost of sales	5	**(857.3)**	(859.9)
Gross profit		**83.2**	82.8
Administrative expenses	5	**(78.6)**	(80.5)
Operating profit		**4.6**	2.3
Underlying operating profit before non-underlying administrative expenses		**12.0**	10.3
Administrative expenses (non-underlying)	5	**(7.4)**	(8.0)
Operating profit		**4.6**	2.3
Finance income	6	**0.7**	–
Finance charges	6	**(3.4)**	(2.4)
Net finance charges		**(2.7)**	(2.4)
Profit/(loss) for the year before taxation		**1.9**	(0.1)
Tax credit	7	**1.9**	1.7
Profit from continuing activities		**3.8**	1.6
Loss from discontinued operations		–	(0.4)
Profit for the year		**3.8**	1.2
Items that will not be reclassified to profit and loss – actuarial gains, net of tax		**0.4**	0.7
Items that will be reclassified to profit and loss:			
– effective portion of gain on hedging instrument measured at fair value		**1.5**	0.2
– cumulative translation loss		**0.1**	(0.3)
Total comprehensive income		**5.8**	1.8

Earnings per ordinary share	8		
Continuing operations: Basic and diluted		**2.3p**	1.3p
Discontinued operations: Basic and diluted		–	(0.3)p
Total earnings per share: Basic and diluted		**2.3p**	1.0p

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

Consolidated statement of changes in equity

For the year ended 31 December 2022

	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 31 December 2020 (reported)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(57.9)**	**19.9**
Prior year adjustment (note 3)	–	–	–	–	–	(2.3)	(2.3)
At 31 December 2020 (restated)	**6.9**	**(4.8)**	**75.1**	**0.6**	**–**	**(60.2)**	**17.6**
Cancellation of JSOP shares	–	–	–	(0.4)	–	0.4	–
Save As You Earn (“SAYE”) share scheme – equity-settled	–	–	–	0.1	–	–	0.1
Proceeds from share issue	9.7	–	36.7	–	–	–	46.4
Transactions with owners	**9.7**	**–**	**36.7**	**(0.3)**	**–**	**0.4**	**46.5**
Profit for the year	–	–	–	–	–	1.2	1.2
Cash flow hedge reserve	–	–	–	–	0.2	–	0.2
Actuarial gain on pension scheme, net of taxation	–	–	–	–	–	0.7	0.7
Cumulative translation adjustments	–	–	–	–	–	(0.3)	(0.3)
Total comprehensive 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**	**(58.2)**	**65.9**
Save As You Earn (“SAYE”) share scheme – equity-settled	–	–	–	0.3	–	–	0.3
Issue of shares to management	–	0.7	–	–	–	(0.6)	0.1
Own shares purchased	–	(0.4)	–	–	–	–	(0.4)
Transactions with owners	**–**	**0.3**	**–**	**0.3**	**–**	**(0.6)**	**–**
Profit for the year	–	–	–	–	–	3.8	3.8
Cash flow hedge reserve	–	–	–	–	1.5	–	1.5
Actuarial gain on pension scheme, net of taxation	–	–	–	–	–	0.4	0.4
Cumulative translation adjustments	–	–	–	–	–	0.1	0.1
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**1.5**	**4.3**	**5.8**
At 31 December 2022	**16.6**	**(4.5)**	**111.8**	**0.6**	**1.7**	**(54.5)**	**71.7**

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

Consolidated and Company statements of financial position

As at 31 December 2022

		Consolidated			Company	
	Note	**2022 £m**	2021 Restated £m	1 January 2021 Restated £m	**2022 £m**	2021 £m
Assets						
Non-current						
Goodwill	9	**59.6**	59.6	59.6	**–**	–
Other intangible assets		**9.4**	16.5	24.3	**–**	–
Investments		–	–	–	**59.6**	67.8
Property, plant and equipment	10	**7.6**	8.0	9.6	**–**	–
Deferred tax asset		**5.0**	4.9	4.7	**0.4**	0.8
Retirement benefit net asset		**0.2**	–	–	–	–
		81.8	89.0	98.2	**60.0**	68.6
Current						
Trade and other receivables		**119.8**	113.6	102.2	**3.2**	3.0
Current tax asset		**0.3**	0.6	1.7	**–**	–
Derivative financial instruments	12	**3.0**	0.5	–	**3.0**	0.5
Cash and cash equivalents	13	**31.0**	29.8	24.5	**0.1**	–
Restricted cash		**–**	–	0.9	**–**	–
		154.1	144.5	129.3	**6.3**	3.5
Debtors: amounts falling due after more than one year		**–**	–	–	**32.2**	30.8
Total assets		**235.9**	233.5	227.5	**98.5**	102.9
Liabilities						
Current						
Trade and other payables		**130.3**	134.3	155.6	**1.0**	3.4
Borrowings	14	**26.0**	22.9	13.0	**–**	–
Provisions		**0.9**	1.4	3.8	**–**	–
Lease liabilities	11	**1.5**	1.3	1.6	**–**	–
		158.7	159.9	174.0	**1.0**	3.4
Non-current						
Borrowings	14	**–**	–	20.0	**–**	–
Other liabilities		**–**	0.3	7.3	**–**	–
Provisions		**0.6**	1.4	1.2	**–**	–
Lease liabilities	11	**3.4**	3.3	3.9	**–**	–
Deferred tax liabilities		**1.5**	2.7	3.5	**0.6**	–
		5.5	7.7	35.9	**0.6**	–
Total liabilities		**164.2**	167.6	209.9	**1.6**	3.4
Equity						
Share capital	15	**16.6**	16.6	6.9	**16.6**	16.6
Own shares		**(4.5)**	(4.8)	(4.8)	**(4.5)**	(4.8)
Share premium		**111.8**	111.8	75.1	**111.8**	111.8
Share-based payment reserve		**0.6**	0.3	0.6	**–**	–
Cash flow hedge reserve		**1.7**	0.2	–	**–**	0.2
Profit and loss account		**(54.5)**	(58.2)	(60.2)	**(27.0)**	(24.3)
Total equity		**71.7**	65.9	17.6	**96.9**	99.5
Total equity and liabilities		**235.9**	233.5	227.5	**98.5**	102.9

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

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	**2022 £m**	2021 £m
Cash flows from operating activities	16	**5.5**	(28.7)
Taxation received		**0.4**	5.8
Net cash inflow/(outflow) from operating activities		**5.9**	(22.9)
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	10	**(1.0)**	(2.4)
Sale of property, plant and equipment		**–**	–
Purchase of intangible assets – software		**(2.3)**	(2.1)
Total cash flows arising from investing activities		**(3.3)**	(4.5)
Total cash flows arising from operating and investing activities		**2.6**	(27.4)
Cash flows from financing activities			
Net movements on Receivables Finance Agreement	14	**3.1**	9.9
Loan repayments	14	**–**	(20.0)
Principal repayment of lease liabilities	11	**(1.6)**	(1.7)
Net interest paid		**(2.5)**	(1.9)
Payment from restricted fund		**–**	0.9
Settlement of NMW liabilities from restricted fund		**–**	(0.9)
Own shares purchased		**(0.4)**	–
Gross proceeds from the issue of share capital	15	**–**	48.4
Costs relating to the issue of share capital	15	**–**	(2.0)
Net cash flows from financing activities		**(1.4)**	32.7
Net change in cash and cash equivalents		**1.2**	5.3
Cash and cash equivalents at beginning of year		**29.8**	24.5
Cash and cash equivalents at end of year	14	**31.0**	29.8

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

Notes to the financial information

For the year ended 31 December 2022

1 Nature of operations

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

2 General information and statement of compliance

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

The financial information set out in this document does not constitute the Group's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for 2022 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial statements for the year ended 31 December 2022 (including the comparatives for the year ended 31 December 2021) were approved and authorised for issue by the Board of Directors on 20 March 2023. This results announcement for the year ended 31 December 2022 was also approved by the Board on 20 March 2023.

3 Accounting policies

Basis of preparation

The Consolidated financial statements are prepared for the year ended 31 December 2022. The Consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance UK adopted International Accounting Standards. The financial statements are prepared under the historical cost convention except for equity-settled share options, derivative financial instruments and the retirement benefit net asset, which are measured at fair value.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

As described in the Chief Executive Officer's Review, despite the challenging trading conditions experienced across all divisions in the Group during 2022, the Group reported an underlying operating profit for the year on continuing activities. In the recruitment divisions, the recovery from Covid-19 pandemic in early 2022 was mixed following the gradual return to work for most sectors, which was accompanied by unexpected high levels of labour shortages, especially in logistics-based sectors. The Group's PeoplePlus division continued to be impacted by the disruption to its skills training as a result of the tight labour market with workers being able to go straight into jobs without pre-job training.

The Directors maintained tight cost control throughout with overheads at reduced levels, additionally benefiting from previous restructuring programmes. These initiatives resulted in improved performance in the second half of the year generating increased underlying profit and positive cash generation.

The Directors have prepared updated forecasts and cash flow projections to 31 December 2024, which is considered to be a reasonable period over which a reasonable view can be formed. These forecasts have been used to assess going concern and have been stress-tested by applying basic sensitivity analysis, involving a reduction to revenues across all three divisions, over the forecast period.

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

At 31 December 2022, the Group had net cash of £5.0m (2021: net cash of £6.9m), on a pre-IFRS 16 basis, and has committed debt facilities until 1 December 2025. For the period to 31 December 2024, the Group's cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants contained therein. The Group has sufficient day to day liquidity to ensure that short-term liabilities can be satisfied as and when they fall due. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

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

Prior year restatement

Prior year restatements

During the year it was determined that PeoplePlus had overstated revenues totalling £2.6m in relation to the period prior to 31 December 2021, as PeoplePlus had not met some of its revenue related performance obligations.

As with any prior year adjustment, management have applied their judgement based on relevant information now available which management should have had access to at the time. The £2.6m error is based on management's best estimate of the amount of the revenue reversal but this remains subject to final agreement between the respective parties.

Due to the legacy nature of these revenues, management have accounted for the adjustment of these errors through reserves.
The required adjustment is set out in the table below; trade receivables, as included in current assets, is overstated by £2.6m and deferred tax assets, as included in non-current assets, is understated by £0.3m.

Restatement of Consolidated statement of financial position
As at 1 January 2021 and at 31 December 2021

	2020 Reported £m	Revenue overstated £m	2020 Restated £m	2021 Reported £m	Revenue overstated £m	2021 Restated £m
Assets						
Non-current	97.9	0.3	98.2	88.7	0.3	89.0
Current	131.9	(2.6)	129.3	147.1	(2.6)	144.5
Total assets	229.8	(2.3)	227.5	235.8	(2.3)	233.5
Liabilities						
Current	174.0	–	174.0	159.9	–	159.9
Non-current	35.9	–	35.9	7.7	–	7.7
Total liabilities	209.9	–	209.9	167.6	–	167.6
Equity						
Total equity	19.9	(2.3)	17.6	68.2	(2.3)	65.9
Total equity and liabilities	229.8	(2.3)	227.5	235.8	(2.3)	233.5

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 December 2022 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed to or has rights to variable returns and the ability to affect those returns through control over the subsidiary. The results of subsidiaries whose accounts are prepared in a currency other than sterling; are translated at the average rates of exchange during the period and their year-end balances at the year-end rate of exchange. Translation adjustments are taken to the profit and loss reserves.

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

Underlying profit – non-GAAP measures of performance

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

Gross sales value

Gross sales value represents the fair value of the consideration received or receivable for the supply of services, including agency sales, (excluding fees), which are subject to an IFRS 15 agency adjustment, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Non-underlying items of income and expenditure

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

Underlying EBITDA

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

Net debt

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

The Directors acknowledge that the adjustments made to arrive at underlying profit may not be comparable to those made by other companies and it should be noted that whilst the amortisation of acquisition-related intangible assets has been added back, the revenue from those acquisitions has not been eliminated.

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

Business combinations

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

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

Segment reporting

The Group has three material operating segments: the provision of recruitment and outsourced human resource services to industry, in Great Britain (Recruitment GB) an also in Ireland (Recruitment Ireland), plus the provision of skills training and probationary services, together "PeoplePlus". Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

4 Segment reporting

Management currently identifies three operating segments: Recruitment GB, the provision of workforce recruitment and management to industry, Recruitment Ireland, the provision of generalist recruitment services and PeoplePlus, the provision of skills and employment training and support. The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board.

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

Segment information for the reporting year is as follows:

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Group Costs 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Group Costs 2021 £m	Total Group 2021 £m
Sales revenue from external customers	**752.0**	**110.6**	**77.9**	**–**	**940.5**	747.9	111.7	83.1	–	942.7
Cost of sales	**(700.0)**	**(97.7)**	**(59.6)**	**–**	**(857.3)**	(697.2)	(100.4)	(62.3)	–	(859.9)
Segment gross profit	**52.0**	**12.9**	**18.3**	**–**	**83.2**	50.7	11.3	20.8	–	82.8
Administrative expenses	**(40.5)**	**(9.3)**	**(12.5)**	**(3.3)**	**(65.6)**	(40.4)	(8.4)	(14.0)	(3.4)	(66.2)
Depreciation, software & lease amortisation	**(3.2)**	**(0.4)**	**(2.0)**	**–**	**(5.6)**	(3.2)	(0.4)	(2.7)	–	(6.3)
Segment underlying operating profit*	**8.3**	**3.2**	**3.8**	**(3.3)**	**12.0**	7.1	2.5	4.1	(3.4)	10.3
Amortisation of intangibles arising on business combinations	**(5.9)**	**(1.3)**	**(0.2)**	**–**	**(7.4)**	(6.4)	(1.4)	(0.2)	–	(8.0)
Segment profit from operations	**2.4**	**1.9**	**3.6**	**(3.3)**	**4.6**	0.7	1.1	3.9	(3.4)	2.3
Finance (costs)/income	**(3.1)**	**(0.1)**	**–**	0.5	**(2.7)**	(2.0)	(0.3)	–	(0.1)	(2.4)
Segment profit/(loss) before taxation	**(0.7)**	**1.8**	**3.6**	**(2.8)**	**1.9**	(1.3)	0.8	3.9	(3.5)	(0.1)
Tax credit	**1.8**	**–**	**(0.2)**	**0.3**	**1.9**	0.3	(0.1)	–	1.5	1.7
Segment profit/(loss) from continuing operations	**1.1**	**1.8**	**3.4**	**(2.5)**	**3.8**	(1.0)	0.7	3.9	(2.0)	1.6

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

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Staffline Group 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 Restated £m	Staffline Group 2021 £m	Total Group Restated 2021 £m
Total non-current assets	**28.4**	**12.2**	**36.2**	**–**	**76.8**	36.0	11.6	36.5	–	84.1
Total current assets	**117.6**	**19.9**	**13.3**	**3.3**	**154.1**	106.6	20.1	17.3	0.5	144.5
Total assets (consolidated)	**146.0**	**32.1**	**49.5**	**3.3**	**230.9**	142.6	31.7	53.8	0.5	228.6
Total liabilities (consolidated)	**135.1**	**11.0**	**17.5**	**0.6**	**164.2**	128.0	13.2	26.3	0.1	167.6
Cash capital expenditure inc software	**2.0**	**0.5**	**0.8**	**–**	**3.3**	2.8	–	1.7	–	4.5

The analysis above excludes deferred tax assets as required by IFRS 8 Operating segments.

Revenues can be analysed by country as follows (96.7% of revenues arising within the UK in 2022, 97.0% in 2021):

	Recruitment GB 2022 £m	**Recruitment Ireland 2022 £m**	**PeoplePlus 2022 £m**	**Total Group 2022 £m**	Recruitment GB 2021 £m	Recruitment Ireland 2021 £m	PeoplePlus 2021 £m	Total Group 2021 £m
UK	**751.8**	**80.0**	**77.9**	**909.7**	747.8	83.9	83.1	914.8
Republic of Ireland	**–**	**30.6**	**–**	**30.6**	–	27.8	–	27.8
Portugal	**0.2**	**–**	**–**	**0.2**	0.1	–	–	0.1
	752.0	**110.6**	**77.9**	**940.5**	747.9	111.7	83.1	942.7

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

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2022 £m	2021 £m
Employee benefits expenses – cost of sales	**836.2**	834.1
Other cost of sales	**21.1**	25.7
Employee benefits expenses – administrative expenses	**47.3**	46.1
Depreciation and software amortisation	**5.6**	6.3
Operating lease expenses	**1.2**	1.5
Other administrative expenses	**17.1**	18.7
	928.5	932.4
Disclosed as:		
Cost of sales	**857.3**	859.9
Administrative expenses – excluding non-underlying expenses	**71.2**	72.5
	928.5	932.4

Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**17**	15
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of subsidiaries	**682**	620
– Audit of the pension scheme	**18**	16
– Audit-related assurance services	**15**	15
– Audit fee expenses	**13**	20
Total	**745**	686

Non-underlying expenses – continuing operations

	2022 £m	2021 £m
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	**7.4**	8.0
Tax credit on above non-underlying expenses	**(1.8)**	(0.9)
Post taxation effect on above non-underlying expenses	**5.6**	7.1

The charge for amortisation of intangible assets arising on business combinations relates principally to the acquisitions of the Endeavour Group, Passionate About People, Grafton Recruitment, Milestone and Brightwork.

6 Finance income and charges

Finance income

	2022 £m	2021 £m
Receipts from derivative	**0.3**	–
Derivative ineffectiveness	**0.4**	–
Total	**0.7**	–

Finance charges

	2022 £m	2021 £m
Interest payable on bank and other funding	**2.9**	1.8
Interest on lease liabilities	**0.1**	0.1
Amortisation of refinancing costs	**0.3**	0.5
Amortisation of derivative cost	**0.1**	–
Total	**3.4**	2.4

Net finance charges	**2.7**	2.4

7 Tax expense

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

Continuing activities	**2022 £m**	2021 £m
Corporation tax		
UK corporation tax at 19.00% (2021: 19.00%)	**0.1**	–
Adjustments in respect of prior years	**–**	(0.5)
UK current tax charge/(credit)	**0.1**	(0.5)
Deferred tax		
Timing differences arising in the year	**(0.6)**	(0.6)
Adjustments in respect of prior years	**(1.4)**	(0.6)
UK deferred tax credit	**(2.0)**	(1.2)
Total UK tax credit for the year	**(1.9)**	(1.7)

The tax credit for the year, as recognised in the statement of comprehensive income, is lower than the standard rate of corporation tax in the UK of 19.00% (2021: lower than the 19.00% standard rate). The differences are explained below:

	2022 £m Total	2021 £m Total
Profit/(loss) for the year before taxation	**1.9**	(0.1)
Tax rate	**19%**	19%
Tax on profit/(loss) for the year at the standard rate	**0.4**	–
Effect of:		
Remeasurement of deferred tax for changes in tax rates	**(0.4)**	(0.7)
Expenses not allowable	**–**	–
Income not taxable	**–**	(0.1)
Adjustments in respect of prior years	**(1.0)**	(1.1)
Tax losses available	**(0.7)**	(0.8)
Deferred tax not recognised	**0.2**	1.0
Actual tax credit	**(1.9)**	(1.7)
On underlying profit	**(0.1)**	(0.8)
On non-underlying loss	**(1.8)**	(0.9)
Actual tax credit	**(1.9)**	(1.7)

The total tax credit for the year of £1.9m (2021: £1.7m) arises principally from the movement of deferred tax balances. The Group has an estimated current corporation tax liability of £0.1m (2021: £nil) for the current year and is anticipating a refund relating to Research & Development tax relief claims. Corporation tax losses of £17.8m carried forward in all divisions and the Company have been recognised as a deferred tax asset. This includes tax losses, amounting to £4.3m (2021: £6.6m) whose short-term recoverability was previously less certain, which have now been recognised as a deferred tax asset.

A deferred tax liability is recognised in respect of intangible assets arising on acquired businesses. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year.

The deferred tax assets and liabilities at 31 December 2022 and at 31 December 2021 have been calculated based on 25%, reflecting the expected timing of reversal of the related timing differences.

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

8 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting the "own shares" held in the Group's Employee Benefit Trust of 2,014,511 shares (2021: 1,140,400 shares). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the potential issue of Ordinary Shares resulting from share options granted to certain Directors and senior staff under long-term incentive schemes and share options granted to employees under the SAYE scheme.

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

	Basic 2022	Basic 2021	**Diluted 2022**	Diluted 2021
Profit from continuing operations (£m)	**3.8**	1.6	**3.8**	**1.6**
Weighted average number of shares	**163,753,217**	122,178,126	**165,163,334**	**122,682,511**
Earnings per share from continuing operations (p)	**2.3p**	1.3p	**2.3p**	**1.3p**
Underlying earnings (post tax) from continuing operations (£m)	**9.4**	8.7	**9.4**	**8.7**
Underlying earnings per share (p)*	**5.7p**	7.1p	**5.7p**	**7.1p**
Loss from discontinued operations (£m)	**–**	(0.4)	**–**	**(0.4)**
Weighted average number of shares	**–**	122,178,126	**–**	**122,682,511**
Loss per share from discontinued operations (p)	**–**	(0.3)p	**–**	**(0.3)p**
Underlying loss from discontinued operations (£m)	**–**	–	**–**	–
Underlying loss per share from discontinued operations (p)*	**–**	–	**–**	–
Profit/(loss) for the year (£m)	**3.8**	1.2	**3.8**	**1.2**
Weighted average number of shares	**163,753,217**	122,178,126	**165,163,334**	122,682,511
Total earnings/(loss)per share (p)	**2.3p**	1.0p	**2.3p**	1.0p

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

For the year ended 31 December 2021, the weighted average number of shares was increased by 54,388,040 shares to take account of the effect of the Placing, Subscription and Open Offer in June 2021 whereby 96,837,242 new Ordinary Shares were issued.

The total number of dilutive share options held in LTIP and SAYE schemes is 1,410,117 (2021: 504,384).

Dividends

The Board is not proposing a final dividend payment for 2022 (2021: £nil).

9 Goodwill

Gross carrying amount by operating segment

Gross carrying amount	Recruitment GB £m	Recruitment Ireland £m	PeoplePlus £m	Total £m
At 1 January 2022 and 31 December 2022	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2022 and 31 December 2022	33.1	–	24.5	57.6
Net book amount at 31 December 2022	**21.4**	**5.7**	**32.5**	**59.6**
Net book amount at 31 December 2021	21.4	5.7	32.5	59.6

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

An impairment review was conducted as at 31 December 2022. The recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2023-25, followed by an extrapolation of expected cash flows over the next two years with a long-term growth rate of 2% for each cash-generating unit. The forecasts are prepared by the individual operating segments of the Group, which are considered to be the same as the determined CGU's. The cash flow forecasts are based on current levels of trading for each CGU, with income and cost increases generally in line with inflation at 2% and no significant contract wins or losses.

Pre-tax discount rates of **17.3**% for Recruitment GB, 16.5% for Recruitment Ireland and 14.2% for PeoplePlus (2021: 14.4% for Recruitment GB, 12.0% for Recruitment Ireland and 11.7% for PeoplePlus) were used based on the weighted average costs of capital for each operating segment. The recoverable amounts of the CGUs, having considered the higher of value-in-use and fair value less costs to sell, were £58.8m for Recruitment GB, £24.1m for Recruitment Ireland and £42.2m for PeoplePlus, all being value-in-use. The discount rates used are based on appropriate, current long-term market rate indicators to give a long-term forward view, whilst also acknowledging historical information.

The results of the impairment review showed headroom in all cash-generating units and accordingly no impairment was noted. The same calculations indicated that an impairment adjustment of £8.2m is required to the Company's carrying value of its investment in PeoplePlus, but that no other impairment adjustments were indicated.

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

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

The key estimates in determining the value of each CGU are:

1. *The discount rate*. In the calculations we have utilised a pre-tax discount rate of 17.3% for Recruitment GB, 16.5% for Recruitment Ireland and 14.2% for PeoplePlus and a terminal growth value of 2%. These rates are based on the latest weighted average costs of capital for each operating segment. These rates have increased this year primarily due to a movement in the risk-free rate. The calculations highlighted headroom of £29.5m for Recruitment GB, headroom of £13.0m for Recruitment Ireland and headroom of £6.3m for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £25.8m for Recruitment GB, reduces headroom to £11.3m for Recruitment Ireland and reduces headroom to £3.0m for PeoplePlus.

2. *The achievability of the forecasted future cash flows.* There is an inherent uncertainty regarding the achievability of forecasts, as there are macro-economic factors outside of the Group's control. A sustained underperformance of 10% reduces the headroom to £23.7m for Recruitment GB, reduces headroom to £10.6m for Recruitment Ireland and reduces headroom to £2.1m for PeoplePlus. A sustained underperformance of 17% would be required before any impairment was necessary to the goodwill.

As at 31 December 2022, the Company had no goodwill (2021: £nil).

10 Property, plant and equipment

Gross carrying amount	Land and buildings £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
At 1 January 2021	14.7	11.3	1.3	0.2	27.5
Additions	1.4	1.8	0.3	0.3	3.8
Disposals	(1.4)	(0.8)	(0.4)	–	(2.6)
At 31 December 2021	14.7	12.3	1.2	0.5	28.7
Additions	2.3	0.6	0.3	–	3.2
Disposals	(1.7)	(1.5)	(0.1)	(0.1)	(3.4)
Transfer	0.4	(0.4)	–	–	–
At 31 December 2022	**15.7**	**11.0**	**1.4**	**0.4**	**28.5**
Depreciation					
At 1 January 2021	**7.9**	**8.6**	**1.2**	**0.2**	**17.9**
Charged in the year – operating	1.7	1.8	0.2	0.1	3.8
Charged in the year – impairment	0.7	–	–	–	0.7
Disposals	(0.7)	(0.7)	(0.3)	–	(1.7)
At 31 December 2021	**9.6**	**9.7**	**1.1**	**0.3**	**20.7**
Charged in the year – operating	1.7	1.5	0.2	0.2	3.6
Charged in the year – impairment	(0.6)	–	–	–	(0.6)
Disposals	(1.3)	(1.4)	–	(0.1)	(2.8)
Transfer	0.2	(0.2)	–	–	–
At 31 December 2022	**9.6**	**9.6**	**1.3**	**0.4**	**20.9**
Net book value					
At 31 December 2022	**6.1**	**1.4**	**0.1**	**–**	**7.6**
At 31 December 2021	5.1	2.6	0.1	0.2	8.0

Land and buildings and computer equipment includes the following right-of-use assets:

At 31 December 2022

	Carrying amount	**Depreciation expense**	**Impairment**
Office buildings	**4.7**	**(1.5)**	**0.6**
Computer equipment	–	–	–
	4.7	**(1.5)**	**0.6**

At 31 December 2021

	Carrying amount	Depreciation expense	Impairment
Office buildings	3.6	(1.6)	(0.7)
Computer equipment	0.2	–	–
	3.8	(1.6)	(0.7)

As at 31 December 2022, the Company had no property, plant and equipment assets (2021: £nil).

11 Leases

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

	2022 **£m**	2021 £m
Current	**1.5**	1.3
Non-current	**3.4**	3.3
	4.9	**4.6**

The Group has leases for its operational and administrative offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 10).

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

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

Right-of-use asset	No of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension options
Office building	**51**	**0.1-12.2**	**2.8**	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments due					
	Within one year	1-2 years	2-3 years	3-4 years	After 5 years	Total
31 December 2022						
Lease payments	**1.6**	**1.2**	**0.8**	**0.6**	**1.0**	**5.2**
Finance charges	**(0.1)**	**(0.1)**	**(0.1)**	**–**	**–**	**(0.3)**
Net present value	**1.5**	**1.1**	**0.7**	**0.6**	**1.0**	**4.9**
31 December 2021						
Lease payments	1.4	1.2	0.8	0.5	0.9	4.8
Finance charges	(0.1)	(0.1)	–	–	–	(0.2)
Net present value	1.3	1.1	0.8	0.5	0.9	4.6

Lease payments not recognised as a liability

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

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

	2022 **£m**	2021 £m
Short-term leases	**0.5**	0.8
Leases of low-value assets	**0.6**	0.7
	1.1	1.5

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

Total cash outflow for leases for the year ended 31 December 2022 was £2.8m (2021: £3.2m).

12 Derivative financial instruments

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Cash flow hedge – interest rate cap	**3.0**	**3.0**	**0.5**	**0.5**

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

The Group has designated the interest rate cap contract as a hedged instrument in a cash flow hedge relationship. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

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

The movements on the fair value of the derivative financial asset and on the cash flow hedge reserve are as follows:

	Cash flow hedge reserve £m	**Derivative financial asset £m**
Initial cost	**-**	**0.4**
Movement through comprehensive income	**-**	**(0.1)**
Movement through cash flow hedge reserve	**0.2**	**0.2**
At 31 December 2021	**0.2**	**0.5**
Movement through comprehensive income – hedge ineffectiveness	**-**	**0.4**
Movement through cash flow hedge reserve	**2.1**	**2.1**
Deferred taxation	**(0.6)**	**-**
At 31 December 2022	**1.7**	**3.0**

13 Cash

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Cash and cash equivalents	**31.0**	**0.1**	29.8	–

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

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

	Fitch	Standard & Poor's	Moody's
Royal Bank of Scotland plc	A+	A	A1*/A1
National Westminster Bank plc	A+	A	A1*/A1

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

	2022 £m	2021 £m
Cash at bank (as above)	**31.0**	29.8
Undrawn receivable finance facility agreement	**44.9**	48.6
Banking facility headroom	**75.9**	78.4

14 Borrowings

Borrowings are repayable as follows:

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
In one year or less or on demand*	**27.5**	**–**	24.2	–
In more than one year but not more than two years*	**1.1**	**–**	1.1	–
In more than two years but not more than five years*	**1.3**	**–**	1.3	–
In more than five years	**1.0**	**–**	0.9	–
Total borrowings	**30.9**	**–**	27.5	–

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

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Split:				
Current liabilities:				
Receivables finance agreement	**26.0**	**–**	22.9	–
Lease liabilities	**1.5**	**–**	1.3	–
	27.5	**–**	24.2	–
Non-current liabilities:				
Lease liabilities	**3.4**	**–**	3.3	–
Total borrowings	**30.9**	**–**	27.5	–
Less: Cash (note 13)	**(31.0)**	**(0.1)**	(29.8)	–
Net cash	**(0.1)**	**(0.1)**	(2.3)	–

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

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

i) Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
ii) An Accordion option of up to an additional £15.0m, subject to lender approval;
iii) Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
iv) Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group’s leverage reducing to 3.00x;
v) A non-utilisation fee of 35% of the margin;
vi) Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023;
vii) Minimum interest cover covenant of 2.25x the last 12 months EBITDA to finance charges; and
EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.

On entering into the RFA, the Group’s existing facilities, which comprised a Revolving Credit Facility of £20.0m, a Receivables Finance Facility of £68.2m and a non-recourse Receivables Purchase Facility of £25.0m, were cancelled. The Group retained its Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The value of invoices funded under the Customer Financing arrangements was £51.7m at 31 December 2022 (2021: £42.3m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

For the period to 31 December 2024, the Group’s cash flow forecasts indicate ongoing headroom in the Receivables Finance Agreement and also full compliance with the financial covenants described above.

15 Share capital

	2022 £m	2021 £m
Allotted and issued		
165,767,728 ordinary 10p shares	**16.6**	**16.6**

	2022 Number	2021 Number
Shares issued and fully paid at the beginning of the year	**165,767,728**	68,930,486
Shares issued during the year	–	96,837,242
Shares issued and fully paid at the end of the year	**165,767,728**	165,767,728

All Ordinary Shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 2,014,511 shares held at 31 December 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 debt refinancing the previous day. The Fundraise comprised the following elements:

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

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

16 Cash flows from operating activities – consolidated

Reconciliation of loss before taxation to net cash inflow/(outflow) from operating activities

	2022 £m	2021 £m
Profit/(loss) before taxation from:		
Continuing operations	**1.9**	(0.1)
Discontinued operations	-	(0.4)
	1.9	(0.5)
Adjustments for:		
Finance income	**(0.7)**	-
Finance charges	**3.4**	2.4
Depreciation and amortisation – underlying	**5.6**	6.3
Amortisation – non-underlying	**7.4**	8.0
Loss on disposal of property, plant and equipment	**0.1**	0.3
Cash generated before changes in working capital and share options	**17.7**	16.5
Change in trade and other receivables	**(3.8)**	(12.2)
Change in trade, other payables and provisions	**(8.7)**	(33.1)
Cash generated from/(used by) operations	**5.2**	(28.8)
Employee cash-settled share options	**0.3**	0.1
Net cash inflow/(outflow) from operating activities	**5.5**	(28.7)

Movement in net debt

	2022 £m	2021 £m
Net cash/(debt) at 1 January	**2.3**	(14.3)
Loan repayments	**–**	20.0
Net drawdowns from Receivables Finance Agreement	**(3.1)**	(9.6)
Lease payments, additions, disposals and interest	**(0.3)**	0.9
Change in cash and cash equivalents	**1.2**	5.3
Net cash at 31 December	**0.1**	2.3
Represented by:		
Cash and cash equivalents (note 13)	**31.0**	29.8
Current borrowings (note 14)	**(26.0)**	(22.9)
Lease liabilities (note 11)	**(4.9)**	(4.6)
Net cash at 31 December	**0.1**	2.3

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

	Lease Liabilities £m	Revolving credit facility £m	Receivables Finance Agreement £m	Movements from financing activities £m	Cash £m	Total £m
Net debt as at 1 January 2021	(5.5)	(20.0)	(13.3)	**(38.8)**	24.5	**(14.3)**
Cash flows during the year	1.7	20.0	(9.6)	**12.2**	5.3	**17.5**
Non-cash movements in leases	(0.8)	–	–	**(0.9)**	–	**(0.9)**
Net cash/(debt) at 31 December 2021	(4.6)	–	(22.9)	**(27.5)**	29.8	**2.3**
Cash flows during the year	1.6	–	(3.1)	**(1.5)**	1.2	**(0.3)**
Non-cash movements in leases	(1.9)	–	–	**(1.9)**	–	**(1.9)**
Net cash/(debt) at 31 December 2022	**(4.9)**	–	**(26.0)**	**(30.9)**	**31.0**	**0.1**

17 Changes in accounting policies

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

18 Post balance sheet events

There were no events between the balance sheet date of 31 December 2022 and the approval of these accounts on 20 March 2023, that are required to be brought to the attention of shareholders.