Staffline

Group PLC

Company number: 05268636

Annual Report and Accounts 2020

Providing workforce solutions

Who we are

Staffline is one of the UK and Ireland's leading Recruitment and Training providers.

487

Onsite locations, skills centres and offices across the UK & Ireland

Our purpose

Enabling the future of work by developing and deploying a highly flexible, robust and skilled workforce.

Our vision

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

Financial Highlights

£927.6m

Revenue
(2019 restated: £1,063.0m)

£4.8m

Underlying* operating profit
(2019 restated: £2.9m)

£(51.6)m

Reported (loss) before tax
(2019 restated: £(44.4)m)

£9.3m

Underlying* EBITDA pre-IFRS 16**
(2019 restated: £7.0m)

(71.2)p

Basic and diluted earnings per share (continuing operations)
(2019: (89.6)p)

5.0p

Underlying* diluted earnings per share
(2019 restated: (2.3)p)

£14.3m

Net debt
(2019: £67.9m)

£8.8m

Pre-IFRS 16 net debt
(2019: £59.5m)

Operational Highlights

- Strong response to unprecedented surge in temporary recruitment food sector demand in March 2020
- Conversely, demand from other sectors such as high street retail, automotive and manufacturing was diminished from the end of Q1
- Sustained demand throughout 2020 in the logistics and driving segments as a result of the transition to online retail
- After the easing of lockdown in the Autumn, the Group benefitted from a gradual recovery in demand for labour in non-food sectors
- PeoplePlus was able to operate the majority of its services adhering to isolation measures but most funding support provided has been on a cost only basis
- The Group experienced a strong Christmas peak with high demand from the Group's food retail customers

Current Trading and Outlook

- On 10 June 2021, the Group completed a placing, subscription and open offer, raising gross proceeds of £48.4 million. Additionally, the Group's debt facilities were refinanced. The combined refinancing has transformed Staffline's balance sheet
- As previously announced, Q1 2021 trading was ahead of management expectations providing increased confidence in the full year
- The employment market experienced a structural change in 2020, with increasing levels of unemployment and demand shifting in favour of essential retail, online and e-commerce sectors, presenting a number of growth opportunities for Staffline
- Cautiously optimistic with a growing new business pipeline, heightened by new customer wins such as Hello Fresh, a three-year contract extension agreed with Tesco and additional Government funding for training and retraining schemes, which PeoplePlus is well-positioned to benefit from
- The Group has been right-sized and is now re-focused on its core sectors, which the Board believes Staffline can leverage to continue sustainable growth

What's inside

* Underlying results exclude goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other.
** Earnings Before Interest, Tax, Depreciation and Amortisation.

At a Glance

Promising progress in a difficult year

Recruitment GB

A multi-disciplined recruitment business, market leader in blue collar temporary staffing.

Revenue by sector

	2020	2019
Food and related	**63%**	56%
Manufacturing	**5%**	15%
Retail	**14%**	12%
Driving	**12%**	12%
Other	**6%**	5%
	100%	100%

For more information see Recruitment GB on page 14

- 377 customer onsite locations
- Rejuvenating 16 high street branches throughout England and Wales
- Recruitment process outsourcing ("RPO") and managed service partner ("MSP") expertise
- Leading the way in cutting edge recruitment technology

Live candidates on our database

c.1.2m

Workers deployed every day (average)

c.37,000

Worker satisfaction level

84.3%

(2019:83.1%)

Recruitment Ireland

An award winning agency, providing end to end recruitment solutions. Operating across 20 industry sectors.

For more information see Recruitment Ireland on page 18

- Branch network throughout the island of Ireland
- Expanding permanent business with a focus on Executive Search
- Developing Public Sector contracts in NI and ROI, supported by the creation of a bespoke medical division
- Focus on greater penetration of Republic of Ireland market to increase market share

Workers deployed every day (average)

c.5,000

Market share in Northern Ireland

21%

Over 300,000

Number of people helped into work since 2010

PeoplePlus

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

Revenue by sector

	2020	2019
Skills	**22%**	33%
Justice	**42%**	39%
Employability	**23%**	19%
Social care	**9%**	8%
Other	**4%**	1%
	100%	100%

- Successful #FeedTheNation campaign placing 25,000 people back into work
- Strong market leadership and reputation in its chosen sectors of skills and employability
- Mutual opportunities with Staffline Recruitment to grow and deepen employer links
- Awarded One Star accreditation from Best Companies
- Sold the loss making Apprenticeships business
- Opportunities in Government funded employment schemes set up as a response to the Covid-19 pandemic
- Overhead costs reduced by c.13% year on year

Market share of skills support for the unemployed

47%

Bid win rate (by volume)

58%

Contract pipeline

c.£300m

For more information see PeoplePlus on page 20

Chairman's Statement

Promising progress in a difficult year

> **"We successfully serviced our customer base and our business proved resilient despite the impact of Covid-19. Our teams have worked tirelessly to support our customers and ensure all of our workforce remain safe in a challenging environment."**

Introduction
Our focus for 2020 was to restructure the business and ultimately restore resilience and stability to the Group. The many initiatives implemented during the year included strengthening the balance sheet through a refinancing in June 2020, and a focus on cash, alongside improving the Group's operational, financial and governance processes, in order to create a sustainable business for the future.

In the year ended 31 December 2020, the Group generated revenues of £927.6m and an underlying profit before tax of £0.7m.

Strengthening our balance sheet and improving cash generation were high priorities during the year. At the year-end, the Group had pre-IFRS 16 net debt of £8.8m, with average pre-IFRS 16 net debt throughout the year of £38.1m. The Group's net debt postition benefited by £46.5m as a result of the Government's VAT deferral scheme.

The global Covid-19 pandemic, which dominated much of 2020, impacted our overall performance to various degrees during the year. This resulted in some areas of the business benefitting markedly, such as temporary recruitment for the food sector, which experienced a significant uptick in demand in Q2 2020. I was extremely proud of the reaction and contribution of both our people and the business to the nation wide #FeedTheNation campaign. This initiative allowed the Group to utilise its significant food retail experience ensuring our customers were sufficiently staffed and stocked during the first national lockdown. In addition, our driving business benefitted from the e-commerce surge, as consumers transitioned to online shopping during the closure of non-essential retail.

By contrast, other sectors within the recruitment businesses, such as manufacturing, high street retail and automotive, were adversely affected during the year with the temporary nationwide shutdown of some of these industries. In addition, PeoplePlus experienced a loss of classroom delivery in the year, however, well-developed business continuity and resilience plans, together with digital operating models, meant that the business could continue to operate the majority of its services.

Where appropriate, we successfully transitioned to working remotely in March 2020 and did so whilst achieving minimal business disruption. The Group also utilised the Government's furlough scheme with certain of its permanent and temporary employees, and has benefitted from the deferral of VAT, as noted above.

The employment market underwent some structural changes in 2020 with unemployment rising significantly. This presents potential opportunities for Staffline, both in recruitment, as enterprises look to appoint temporary workers as opposed to permanent staff, and for PeoplePlus, as skills and training becomes higher priority in a bid to get more individuals back into employment.

Staffline entered 2021 with a business that has much stronger foundations from which to deliver a return to growth. This is already evident in our performance in Q1 2021, which was ahead of management expectations as we benefit from the structural changes in our business that were implemented last year.

Board composition

The Group's Board of Directors was transformed during 2020 and our corporate governance processes strengthened significantly. I firmly believe we now have a strong team in place, both at board and senior management level, to lead our business through the next stage of its development.

I was delighted Albert Ellis took up the role of Group Chief Executive in October 2020 having joined Staffline in March 2020 as Non-Executive Director. Albert has considerable experience within the recruitment sector, and we are already benefitting from his leadership. In addition, Daniel Quint, who joined Staffline as interim CFO in December 2019, became permanent from 1 February 2021. Daniel has been involved in a number of important workstreams since joining the Group and I am very pleased he has taken up the role on a permanent basis.

Furthermore, we appointed two additional non-executive directors who joined the Board on 1 January 2021. Ian Starkey, who has significant audit and financial management experience is now Chair of our Audit Committee, and Catherine Lynch, who is a highly experienced HR director, is now Chair of our Remuneration Committee.

Annual General Meeting

Notice of the 2021 Annual General Meeting of Staffline Group PLC ("AGM") will be published at the same time as the 2020 Annual report. The AGM will be held at the offices of Liberum Capital Limited at Ropemaker Place, Level 12, 25 Ropemaker Street, London, EC2Y 9LY on 28 July 2021 at 9:00 a.m. However, in light of the Covid-19 pandemic and HM Government's measures to restrict travel and public gatherings in force, shareholders (other than the two necessary or to be present in person or by proxy to form a quorum) are not allowed to attend the meeting in person. The Q&A that would have taken place at the AGM will instead be made available on the investors page of the Staffline Group PLC's website.

Summary and Outlook

The health, safety and wellbeing of all of our employees, suppliers and customers remained our top priority throughout 2020 and into 2021. Our people are central to our success, and on behalf of the Board I would like to thank every one of our employees for their exceptional dedication and contribution, during what has been a particularly challenging time for every individual.

Despite the operational and broader macroeconomic challenges across 2020, Staffline delivered a robust performance in the year. Trading across the first three months of 2021 was strong and underpins our confidence in meeting expectations for the full year. Having now strengthened our financial position through the recent fundraising and debt refinancing, we truly believe we have a platform from which to deliver meaningful growth as we are already seeing a stronger pipeline developing across all of our divisions.

The passion and commitment throughout Staffline is very evident. We have a collective understanding of the significant opportunity that exists for our business, and myself and the Board believe we can capitalise on these strengths to deliver value for our stakeholders.

Ian Lawson
Chairman

Key events in the year

Covid response - #FeedTheNation
March – June 2020
Created a nationwide "transition service" for displaced workers to enable as many of them as possible to transition into new jobs

Board changes
January – April 2020
Reshaped the composition of the Board to lead the business through the next stage of its development

Interim CFO appointment
May 2020
Daniel Quint appointed to the Board

Refinancing
June 2020
Agreed a revised financing structure with the Group's lenders

Rebranding Recruitment Ireland
July 2020
Formerly trading under the Grafton name, the Ireland business was formally re-branded to Staffline Recruitment Ireland

New CEO appointment
October 2020
Albert Ellis appointed CEO

Capital markets presentation
November 2020
A virtual presentation highlighting Staffline's strategic intent and the opportunities that exist for the Group

New Non-Execs announced
December 2020
Appointments of Ian Starkey and Catherine Lynch as Non-Executive Directors with effect from 1 January 2021

Sale of Apprenticeships business
December 2020
Completed the sale of the Apprenticeships business for a nominal sum

Responding to Covid-19

Our priorities and key mitigating actions

Maintaining critical services for our customers

Ensuring the continuation of our critical services was of utmost importance. Every action taken made it possible to continue to provide effective workforce solutions to our customers.

Keeping our people and customers safe

Staffline quickly implemented effective Work From Home and Health and Safety protocols to ensure our people and customers were protected from Covid-19 infection.

Protecting value for our shareholders

In our response to Covid-19, Staffline acted in every instance in the best interest of our stakeholders, in recognition of our responsibilities and in respect of our strong customer relationships.

Our Covid-19 Response
Responding to Covid-19 and the subsequent workplace challenges it brought has been and continues to be a major focus for Staffline. The priorities outlined above demonstrate how our response was guided and demonstrates our people-centred response.

We implemented Covid-19 Response Protocols for each section of the business which outlined steps to ensure our people and customers remained safe. These included:
- Work From Home made accessible and available for our office staff;
- Stringent application of social distancing and hygiene practices for on-site staff;
- Appropriate PPE provided to necessary staff and customers;
- Investment in plastic screens and desk shields in appropriate locations; and
- Protocols for self-isolation and contact tracing; among many others.

Every action taken to ensure the health and wellbeing of our people and customers also enabled us to continue to provide critical services for customers. While Covid-19 represented a hit to the employment market, Staffline maintained its reputation as the UK and Ireland's leading Recruitment Agency by continuing to provide effective workforce solutions.

Staffline Ireland's Country Managing Director was appointed by Economy Minister as a Member of the Northern Ireland Executive's Economic Advisory Group to aid economic recovery post Covid-19. Tina McKenzie chaired the Government appointed stakeholder group (encompassing government representatives, businesses and trade unions in Northern Ireland) tasked with writing a Health and Safety manual for employers and businesses dealing with Covid-19, the document was created by the Staffline team and published in April 2020.

In addition to maintaining our critical services Staffline was proud to run the #FeedTheNation campaign, supporting our UK supermarkets and essential services, demand for which increased dramatically at the beginning of the pandemic. Within two months of the beginning of the campaign 25,000 people had started in new "essential" roles with Staffline. Of this number, an incredible 7,600 were completely new workers to Staffline who have moved from industries and roles badly affected by Covid-19.

Our PeoplePlus training programmes were severely disrupted, with face-to-face and classroom training delivery impossible at the height of the pandemic. Where practical we transferred some of our courses onto our existing digital delivery platform.

Additional Branch and Office Support
- Video audits carried out in May and June of 2020
- Each location audited against Covid-19 Office Checklist and results shared with location managers and the Senior Management Team
- Further random spot check audits carried out at 10 locations in December 2020 to ensure measures are still in place and effective
- Further spot checks carried out in 1st quarter of 2021 (March)

Additional Client Support
- For existing Clients, Onsite Teams asked to complete the Covid-19 Client checklist
- Submitted checklists audited by compliance teams with results logged on a Master Tracker
- Results and Outstanding checklists were communicated to senior management
- For new clients, onsite teams are required to complete a Covid-19 Client Checklist before workers attend client workplaces
- New checklists are approved by the compliance team as part of the standard procedure of authorising client work programmes

Covid-19 has re-shaped the dimensions of supply and demand in the UK labour market.

Labour demand in travel, hospitality and much of the retail market has collapsed. Labour demand in food production, food supply, supermarket retail, transport and delivery services is massively outstripping current supply.

We need, more than ever, to come together as a country to keep these essential services running and provide support for hard working employees who are doing everything they can to support customers during these challenging times.

Business Model

The UK's dominant provider of flexible blue-collar workers and a recognised national training provider

Inputs

Candidate network

Nationwide candidate networks for matching suitably skilled candidates with employers and wide-ranging skills and employability training programmes.

Customer relationships/ strategic partnerships

Well established and long-standing relationships with several blue-chip customers, medium-sized businesses, and over ten year relationships with local and national government agencies.

Technology

Our investment in technology and digital strategy outlines how we intend to make our clients more productive by harnessing the power of innovation. By exploiting emerging technologies, we will maximise our competitive advantage by driving efficiencies and implementing new recruitment models in order to deliver placement certainty.

Dedicated people

Our team brings a wealth of knowledge and years of experience to drive the continued success of Staffline. Through a positive culture and ethos our staff are dedicated to providing excellent service to candidates and customers alike.

What we do

Recruitment

Products and services
Resource, recruit and mobilise large-scale workforces to meet the ever changing needs of clients: matching peaks and troughs on a continual basis. Recruitment process outsourcing and recruitment solutions.

PeoplePlus

Products and services
Frontline public services including employment support, skills training, independent living, and prison education, as well as recruitment, training and development solutions to employers.

Underpinned by

Our culture and values

See more on **page 30**

Sustainability focus

See more on **page 32**

Robust risk management

See more on **page 33**

High standards of corporate governance

See more on **page 37**

Strategy

Our strategic priorities

Strategic priority	Actions	2020 progress
Operational excellence	• Focus & simplicity • Clear leadership • Organisational design • Fulfilment • KPI reporting	Well positioned for growth following early delivery of the turnaround plan and new focus on core capabilities.
Governance	• Main Board • Group policies • Strengthen finance • Internal audit & compliance • Robust framework	Board composition transformed and corporate governance processes strengthened. Head of Internal Audit appointed.
Cost base	• Headcount • Group overhead synergies • Integration & balance sheet efficiencies • Profit & cash focus • Competitive positioning	Restructuring programme yielded significant reduction in administrative headcount and associated overhead. Surplus leasehold properties exited.
Digital and technology	• IT estate shared services • Tech supply chain • Cyber security & data • Automation & AI • Digital transformation	Continued investment in embedded digital technology including "chatbot" development, facial recognition capability and predictive analytics for clients.
Clients and branding	• Brand alignment • Leveraging existing clients • Focus on growth sectors • Growing sales pipeline • Cross-selling	Irish businesses adopted the Staffline branding across the island. Building upon long established relationships with strong contract base and future opportunities.
Talent	• Succession & leadership • Talent attraction & retention • Productivity • Incentives & compensation	Prompt and imaginative solutions provided to clients in response to the Covid-19 pandemic. Strengthened online, in-house training and development programmes.

Chief Executive Officer's Review

Right-sized business focused on core capabilities

"There is no question that 2020 was impacted by the global Covid-19 pandemic, driven by the associated government restrictions, and the social and business trends that subsequently emerged."

Introduction

I joined the Board in March 2020 as a Non-Executive Director, at a time when the Group was facing significant internal and external challenges. Having seen Staffline Group's strengths and potential opportunities, I was pleased to accept the position of Chief Executive Officer in October 2020.

Clearly, Staffline's 2020 performance was impacted by the global Covid-19 pandemic, driven by the associated government restrictions, and the social and business trends that subsequently emerged. Our first priority throughout, has been the safety and wellbeing of our workforce. Those able to, were seamlessly transitioned to a home working environment, and those who remained active across our customers' premises were provided with support, as Covid-secure procedures were implemented. Staffline's response to the pandemic across the Group has been outstanding and this has only been made possible by the tremendous collective effort of all our people, for which I am extremely grateful. My thoughts also go out to those who have suffered through Covid-19, either directly or by the loss of friends or family.

In terms of trading, H1 2020 was significantly impacted by the pandemic with a sharp decline in demand across our three divisions – Recruitment GB, Recruitment Ireland and PeoplePlus. However, certain initiatives implemented in the first half to improve the Group's operational, financial, governance and board profile, resulted in an improvement in revenues, underlying operating profit, working capital and net debt in the second half of 2020.

Overall, the Group delivered a creditable performance in 2020, generating revenues of £927.6m and underlying operating profit[1] of £4.8m, which, as announced in January 2021, was ahead of management's expectations. In addition, as at 31 December 2020, the Group had pre-IFRS 16 net debt[2] of £8.8m (2019: £59.5m), with average pre-IFRS 16 net debt throughout the year of c.£38.1m (2019: c.£85.2m), which was a significant improvement against expectations. This was driven by the £46.5m benefit from the Government's VAT deferral scheme and management actions to reduce outstanding debtor days, generating c.£10.0m of cash.

In temporary recruitment, as previously highlighted, the Group experienced an increase in levels of demand in March 2020 during the first national lockdown across the food, driving, logistics and e-commerce sectors, with this surge in demand normalising later in the year. Certain other sectors such as manufacturing, high street retail and the automotive industries were more challenging with demand across the travel, leisure and aerospace industries continuing to be suppressed. Retail and hospitality were volatile throughout the year, with easing of restrictions in the summer benefitting these industries, followed by regional lockdowns in the second half of the year causing further disruption. In addition, the Group's permanent recruitment business declined sharply in H1 2020 but saw some recovery in the latter part of the year.

Despite the national lockdown in November and restrictions in December, the Group still experienced a strong Christmas trading peak, with significant demand from the Group's food retail customers. Furthermore, e-commerce and logistics experienced a very strong trading period as a result of the accelerated nationwide behavioural shift to online retail.

The PeoplePlus division was also adversely impacted by the pandemic, with training programmes disrupted or delayed and the majority of services transitioned to predominantly digital delivery with funding support largely on a cost only basis. As part of a broader restructuring of the Group, PeoplePlus successfully completed the disposal of its Apprenticeships business in December 2020, enabling the division to re-focus on its core employability and adult skills capabilities. I am pleased to report that PeoplePlus continued to recover during the year and reported an underlying operating profit in H2 2020 compared to a loss in the first half.

As the pandemic spread, we took decisions to implement new and safer ways of working. This ensured that we were able to continue to deliver our services, navigating the new macroeconomic landscape whilst adjusting the working environment – in many cases in consultation with our customers – to ensure our employees both permanent and temporary remained safe at work.

We have entered 2021 in a much stronger position than a year earlier as a result of the significant changes we have implemented across our business. Despite the ongoing Covid-19 pandemic, and as announced in our trading update in April 2021, trading in the first quarter of 2021 was relatively strong, and coupled with our recent refinancing, we enter the second half of 2021 with a sense of cautious optimism.

Restructuring

As highlighted in the Chairman's statement, the Group implemented a comprehensive restructuring programme during 2020. A key priority of this was to improve the quality of our reporting and governance across the Group. This, alongside a strengthening of our Board, is coming to fruition, as we seek to futureproof Staffline for sustainable long-term growth. Alongside these changes, the Group refinanced its bank facilities in June 2020, ensuring the business had sufficient working capital to support our day-to-day activities. The combined debt and equity refinancing in June 2021 completed the exercise to strengthen the balance sheet.

Elsewhere, we have changed our organisational structure, streamlining divisional reporting and ensuring that we are focused on our core activities. In addition, we have sought to right-size our business, which has included rationalising both our people costs and property estate, the disposal of a non-core business, alongside seeking supply chain synergies by aligning our new group structure with our market leading IT capabilities and solutions. These changes delivered c.£15.0m of annualised cost savings.

One of the most exciting strategic transformations has been our shift in focus to core complementary services packaged together in a portfolio, with professional recruitment and permanent placements a key driver of margin improvement and cash generation.

As a management team, we believe that Staffline is now in a much more resilient position and our renewed focus on our core capabilities will, in time, improve customer retention and ultimately lead to greater levels of cross-selling opportunities across the Group.

Responsible business

Staffline is a purpose-led organisation with a long successful track record across both recruitment and training activities. With sustainable employment one of the most desired objectives across society, Staffline provides the solutions to not only connect skilled people to companies, but also to help individuals develop their skills and careers. Our purpose is to bring together skilled people to build better organisations for the future.

We impact individuals' lives in a number of ways, including providing temporary employment to c.40,000 blue collar workers a day, enabling them to work flexibly, and easily change their career focus. We had particular success through our #FeedTheNation campaign in March 2020, providing employment in the food production and logistics sectors for over 25,000 displaced workers. We work to help people transform their lives, get jobs and keep jobs, and develop their careers.

A number of the services that Staffline provides are specifically to assist those in society's most difficult situations. We provide c.20,000 prisoner learners with not only the skills to find work, but also life skills such as parenting advice. In addition, our WayOutTV solution is watched by a further 50,000 prisoner learners across the UK. We are also one of the largest providers of independent living in the UK, helping vulnerable individuals' stay in their homes for longer.

1 Underlying operating profit before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs.
2 Net debt is stated before unamortised debt issue costs.

Chief Executive Officer's Review continued

We have also created a social recruitment model which connects employers with individuals who might otherwise struggle to find work, with corporates such as Amazon and Tesco utilising this model. In addition, we work closely with individuals who want to exit long-term employment and set up their own business giving them the advice and skills necessary to do so.

Our goal is to truly embed Environmental, Social and Governance ("ESG") targets across our business and we have been building out our strategy in this regard. By focusing on these three key areas we believe we can have the most impact across our key stakeholders and are currently introducing new targets to increase accountability across the business. We are committed to helping to build a sustainable future for society, and the unprecedented events of this year have strengthened our resolve. With the anticipated rise in unemployment anticipated in the coming months as a result of the pandemic, we believe Staffline's purpose will become more important than ever before.

Operational review

Recruitment GB

The Recruitment GB division was set up well to handle the challenges presented by the Covid-19 pandemic. Over 60% of the division supports the food and food logistics sector, and growth in demand in this sector increased by 10% versus 2019. As a result of the accelerated investment in the division's digital technology and intelligent automation, such as the Recruiter Chatbot, "Flin", integrated with the Group's candidate database management system, Staffline was well-placed to ensure that it could deliver fulfilment levels against challenging timescales. We were also able to leverage the benefits of the wider Staffline Group as we jointly developed the #FeedTheNation programme.

As lockdowns eased during the year, Recruitment GB's Recruitment Procurement Outsourcing ("RPO") division, Datum, supported house builders and construction clients. Additionally, Recruitment GB's professional permanent recruitment businesses, Omega, in England and Wales and Brightwork, in Scotland, helped to source engineering and technical specialists. The business successfully supported its essential food, retail and logistics customers as the country shifted ever more to online delivery models.

Following a strategic review, the business gave notice to exit low margin contracts, the most significant of which was 2 Sisters Food Group. New business and organic growth was secured in exciting sectors such as digital and online food delivery businesses, with Ocado and Hello Fresh being just two examples. A number of Recruitment GB's core customers also agreed extended contract terms in 2021 as a result of the successful support during a very challenging 2020.

Recruitment Ireland

After a positive Q1 2020, during which Recruitment Ireland delivered underlying operating profit of £0.7m on revenue of £33m, management acted quickly to counteract the effects of the Covid-19 outbreak on its core markets. Decisive action was taken in respect of overheads, enabling this division to remain profitable for the remaining nine months of the year, despite a fall in demand and the severe and extended lockdown implemented in the Republic of Ireland. Pleasingly, Recruitment Ireland maintained margins of 8.7% for the year, despite significant industry-wide challenges in certain sectors such as non-food manufacturing and a fall in permanent recruitment throughout the summer.

The division maintained its position as market leader in Northern Ireland, with over 21% market share, and is now the second largest recruitment agency on the island of Ireland. Recruitment Ireland had new business success during 2020, including adding customers Finnebrogue, the artisan food producer, and Liberty IT, the technology business. In addition, the business supplied Tesco with contingent retail staff, secured additional business with the Northern Ireland Civil Service and was awarded a place on the Nightingale Framework to support the Covid-19 response.

PeoplePlus

PeoplePlus adapted quickly to the impact of the Covid-19 pandemic, deploying its business continuity plans successfully with all services maintained. Customers and learners were supported by market leading digital services that had been developed prior to the pandemic and were further enhanced during this period. In a monitoring visit of PeoplePlus' educational services in England in late 2020, Ofsted noted the support this approach had provided to learners. The impact of lost classroom capacity in both adult education and prison services was, however, significant, partly recovering in the summer of 2020, before reducing again as further local and national lockdowns occurred.

The fixed cost nature of the business model resulted in a loss in the first half of the year. With much reduced capacity and declining revenues, the leadership team implemented a transformation of the business which included focusing on core services and reducing the overhead base significantly, whilst changing the delivery model to a mix of online digital as well as traditional in-person learning.

This transformation coincided with the emergence of rising unemployment as a defining factor in the economy and led to a strategic refocus of the PeoplePlus division. PeoplePlus disposed of the majority of its Apprenticeship business in December 2020 to support this strategic pivot. The Chancellor's "Plan for Jobs" created a significant pipeline of new public sector funding in these core markets, including investments in traineeships, a long-term unemployed programme, "Restart", and further adult education budget.

The Group announced on 2 June 2021 that PeoplePlus has secured three significant contracts with two of the UK's leading outsourcing providers within the Restart programme.

Looking ahead, PeoplePlus, with its leading market positions and reputation for high performance, is well positioned across a number of opportunities. Therefore, bid disciplines will remain an important part of PeoplePlus' sustainable growth strategy.

The recruitment landscape and our offering

Given Staffline's significant market position in blue collar recruitment and the strong reputation we have with our blue-chip client base for delivery and fulfilment, I firmly believe we are ideally placed to benefit from the full recovery of the UK and Ireland economies.

The UK is still considered to be the world's third largest recruitment market, accounting c.10% of the global $498 billion in global staffing revenues, with the UK contributing c.$51.9 billion and the Republic of Ireland, $2.5 billion[3] pre-pandemic. Despite the ongoing uncertainty and economic impact of Covid-19, the UK recruitment market has proven overall to be highly resilient in the last twelve months. The recruitment market has also historically proven to return to early growth quite rapidly post a crisis or recession versus other sectors, and our focus has been to ensure that we are optimally placed to capitalise on this potential increase in the second half of 2021 following the vaccine rollout in the UK.

Prior to the pandemic, we operated within a tight labour market across wide and diverse sectors. These historic dynamics have now shifted into essential sectors, such as food and distribution, online retail and e-commerce. As a result, we have seen a significant increase in online activity and accelerated demand for logistics, warehouse and driving. This shift in demand, ultimately driven by the pandemic, appears to have permanently changed consumer behaviour, illustrated by the expansion of the networks and footprints of Hello Fresh and Ocado, which are just two of the Group's customers. The pandemic has also negatively impacted travel, aerospace, hospitality (particularly in city centres and "on-the-go food"), high street retail and automotive and manufacturing.

Whilst the global uncertainty relating to the pandemic continues, we are pleased to see the global roll-out of vaccination programmes worldwide. However, whilst we have adapted at pace to new levels of demand, so long as the impacts on the macroeconomic environment persist, we expect to see some continued volatility in our markets. There has also been a seismic shift in working practices as a result of Covid-19 and we believe many businesses will be adopting these for the long term.

Given our market position, we are confident that we are well-placed to capitalise on the new world of work, and so are investing in key areas that we believe will drive future growth. We remain committed to investing in digital technology to improve our customer and candidate experience, providing assurance and transparency, and with the use of our market leading data, also providing insights and identifying labour trends, which will further embed our valued customer relationships.

Strategy
As already noted, I took up the role of CEO in October 2020, and alongside the executive management team, we have focused on creating a sustainable business, with our strategy underpinned by the following key priorities, as outlined in our capital markets presentation in November 2020, which are:

1. **Operational excellence** – focusing on simplicity, leadership, strong processes, organisational design and implementing performance measurement through KPIs.
2. **Governance** – developing a dynamic and skilled Board, aligning Group polices, strengthening the finance and internal audit function and ensuring a robust governance framework.
3. **Cost base** – right-sizing the business, including identifying synergies in shared services, property utilisation and supply chain and scale economies, to underpin our competitive position in the market.
4. **Digital and technology** – bringing together the IT estate under one leadership team, the appointment of a Group CIO and driving forward intelligent automation and a strong digital platform, whilst strengthening the Group's business continuity infrastructure.
5. **Clients and branding** – aligning the Group's brands and brand values and upgrading existing client relationships by investing in relationships and building key strategic partnerships. Driving organic sales as a key priority, whilst leveraging the significant opportunities to increase cross-selling across the Group.
6. **Talent** – ensuring market leading attraction, retention and compensation policies are in place, introducing performance and productivity measurements combined with competitive incentive and reward schemes both short and long term.

Stakeholders
Due to our position and the breadth of our business coverage in terms of sectors, we have a wide range of stakeholders from governments, consumers, through to our employees, business partners, shareholders, the community and environment. These relationships are all critical to us as we deliver against our Purpose, Vision and Values – to build and develop the most reliable integrated workforce in the country and be the leading creator of opportunities, jobs and new ideas in the employability, skills and justice sectors. We work hard to engage with all our stakeholders and to create a balance of long-term value for each through our strategy. An overview of how the Board has fulfilled its duty, as set out in Section 172 of the Companies Act 2006, to promote our long-term success, while considering the interests of our stakeholders and our impact on the community and environment, is explained on pages 28 to 29.

Outlook
Our initial view, which was taken in spring 2020, was that the pandemic would create sustained and significant volatility in staffing demand, creating new growth sectors whilst impacting others. This has proven to be correct, and we anticipate some uncertainty ahead in several of our markets. Despite this, the Group delivered a robust performance in 2020 and has undergone some fundamental changes which have positioned it for future growth as we benefit from the resurgence in our core markets. Our new strategy so far has proven successful, and we will continue to drive the Group forward in the coming period towards our long-term ambitions.

Results for the year so far have been strong and all three divisions are expected to achieve market expectations for the full year, with a key assumption being that economic growth returns in the second half of the year following the easing of lockdown, and the successful rollout of the vaccination programme. In addition, our recent equity fundraise of £48.4 million of gross proceeds, and debt refinancing, provides us with a renewed platform to capitalise on the opportunities that exist for our businesses.

Over the coming year, we will continue to invest in our people, data, technology, and our go-to market strategy, leveraging the power of our platform to reduce the cost of customer and candidate acquisition. Our current objective remains to continue winning market share, working towards our ultimate goal of becoming the number one talent provider across our chosen markets.

Once again, I would like to thank both our temporary and permanent employees for their significant contribution, in what was a challenging year for the Group.

Albert Ellis
Chief Executive Officer
21 June 2021

1 Underlying operating profit before goodwill impairment, amortisation of intangible assets arising on business combinations, reorganisation costs and other non-underlying costs.
2 Net debt excludes transaction costs of £0.3m (2019: nil).
3 Staffing Industry Analysts 2019 report.

Case Studies

Recruitment GB

Perfectly placed

Frank Atkinson
Managing Director,
Recruitment GB

We remain amongst the largest players, and on a pure blue collar basis remain the biggest by some margin.

Using our size, scale and innovation to meet huge demands

Background
MM Flowers provide flowers to Tesco, Co-Op and M&S as well as M&S Online and other dot.com flower businesses. We also partner with MM's sister companies AM Fresh and AMK Fresh. Together this group of companies have multiple modern facilities in the East, including a purpose-built factory in Peterborough which opened in May 2020.

We have been providing services to them for ten years, supporting their unprecedented year on year growth.

Challenge
One of the most challenging tasks we have is to supply their needs at MM Flowers due to the nature of their demand. MM Flowers use our services to ensure that they have the workers when they need them.

Under normal circumstances the MM Flowers facility will pick and pack in the region of 150,000 cases of flowers per week. For Valentine's Day and Mother's Day, this increases to 400,000 cases per week, that's an uplift of 266% over a very short time.

To put this into perspective, for the Christmas flower peak they will need 650 workers a day. This will reduce to 250 during January and then increase to 900 for Valentine's Day. Again, a reduction follows to normal levels for a few weeks and then the site will build up, over a three-week period, to 1,100 workers for the Mother's Day peak.

All the workers require basic skills; however, we need to support similar uplifts with workers with specialist skills such as Pallet Truck Operators and Reach Truck Drivers.

Solution
To fulfil their requirements, we use our size and scale to find workers both locally and further afield. During the Mother's Day peak, we will have workers from Leicester, Huntingdon, Lincoln, Boston, King's Lynn, Thetford, Newmarket, Cambridge, Kettering and Bedford. This is supported in the East from our own transport solution. We have our own fleet of vehicles which includes 16-seater minibuses through to 70 seat coaches, this ensures the right vehicle is used for transportation.

“

Thank you for ensuring the execution of a successful Valentine's Day peak, the biggest peak that MM Flowers has delivered in its history. We look forwards to your continued support in delivering Mother's Day 2021.

Please pass our thanks on to the rest of the Staffline team”

Richard Brannam
Operations Director

We're able to use this to react quickly and transport workers to site if required or help us stagger worker return journeys if shifts finish at different times. In addition to this we have strong relationships with several transport providers throughout Northamptonshire, Bedfordshire and Cambridgeshire to ensure we're able to quickly increase the fleet size for planned / unplanned peaks in volumes. With multiple pick-up points, our transport solution is a convenient way to travel to and from work for our workers.

We use multiple methods of attraction. Our first point of contact is with workers who have worked there before. Returning workers already know the layout of the facility and are more productive from day one.

Our next course of action is to mine our other locations in the region. Usually the increase at the site is matched with a downturn in work at several other local sites allowing us to smoothly transition workers across the sites. For example, we use experienced workers from a major supermarket distribution centre in Bedford as their peaks are decreasing when the flowers peaks increase.

New candidates are the next strand in our recruitment. We have successfully managed joint branded Facebook campaigns for MM. For example, one of our adverts was seen 345,933 times in people's feeds. The reach means it showed in people's timelines 118,464 times. This resulted in 2,670 clicks of the advertisement. The click is the first stage of our online application process.

From this point Flin, our always on, always working chatbot took them through some pre-screening questions. The questions allow for further selection or de-selection. It's better to have candidate say "no" now rather than halfway through their first shift.

Candidates create a secure profile on Staffline Universe, this profile remains with them through their working journey with Staffline. This means that candidates and workers can access their profile using a smartphone, tablet or computer to apply for work, arrange interviews and when working, access rotas and pay slips. When assigned and in work, our workers use our industry leading employee engagement tool "Have Your Say". Have Your Say ensures worker satisfaction is measured "in the moment" allowing us to act on issues immediately resulting in industry leading levels of staff satisfaction and retention.

All the candidates that succeed through pre-screen stage with Flin are then contacted by our Central Resourcing team, where they are booked into a face-to-face interview and site tour with our Onsite teams. At the interview we use our unique Scan, Check, Start smartphone app to instantly verify a worker's right to work via their biometric passport or ID against the very latest Home Office rules. This provides our clients with an exceptional level of comfort in the fact that all our workers have the right to work in the UK and are fully compliant.

Results

These methods have ensured that we have continually matched the client's requirements. Valentine's Day 2020 was a great success, 4,598 shifts required over seven days, delivering 99% fulfilment across this peak period.

How the Staffline Group works together in partnership to provide complementary services for Hermes.

Hermes is a global service provider for trade and logistics services. The company is a leading specialist for trade related services and the partner of a constantly growing number of internationally operating companies, multi-channel retailers and ecommerce businesses.

Our relationship with Hermes commenced in 2018, when the company won, through a highly competitive tender, the master vendor position to supply all indirect (temporary) labour across 35 national locations. Hermes use more than 3.65 million hours of indirect labour each year, with a 30% annual growth potential.

The aim of the tender process was to reduce the number of suppliers from 109, which in turn will reduce the number of commercial agreements providing substantial indirect savings through reduced administration and management.

Staffline was chosen because of our existing national footprint of more than 400 locations, the ability to provide both onsite and off-site account management, a technology solution for ordering, payroll, and recruitment of all white collar and permanent recruitment including uplifts in contact centres through our brand Omega as well as technical, engineering and executive search through Omega and Techsearch. Hermes have accessed added value initiatives in training, apprenticeships and recruitment process outsourcing models through PeoplePlus and DatumRPO as well as the right commercial solution.

The Staffline master vendor model provides Hermes with all their hourly requirements and full management of the second-tier providers through one partner, one price, one invoice, one report and an improved way of working.

In 2019, it was well recognised that the UK labour market was tightening, Brexit was imminent, and the UK unemployment rate was at its lowest since the 1970s. Tried and tested recruitment techniques used by the industry were not having the desired impact with a new evolution of candidates leading the market.

PeoplePlus decided it needed to innovate, to think differently, and use its scale for good, by focusing on how it could support employers and a wider network of training providers to connect candidates to funded training and therefore vacancies in a more innovative and coordinated way. Having a long track record in successful master vendor delivery through Work Programme, PeoplePlus identified a need to address this challenge differently. PeoplePlus designed the Intelligent Routeway Framework (IRF) Master Vendor Model ("MVM").

The MVM has the ability to remove barriers to recruitment usually found by training providers by providing a way to access employer vacancies and forecasting information, whilst also providing a totally unique and national service to support employers to access funded training to support their recruitment requirements. For Hermes, this meant collaboratively working with Staffline who can provide the necessary forecasting information and interview schedules. The MVM enables training providers to run courses with greater intelligence and job focus and to equip candidates with the skills required to meet employer requirements supporting them into employment and for employers to have a one point of contact approach to benefitting from pre-employment service.

In addition to the IRF, PeoplePlus is also delivering a Hermes specific apprenticeship programme designed to take learners from a car licence (category B) to an LGV licence (category C) and can be accessed by new starters or existing employees. The 12-month programme includes four CPC modules, supervised driving and final qualification.

DatumRPO specialise in recruitment process outsourcing. The Datum models harness the capabilities of multiple temporary labour suppliers under a single platform. This is ideal for Hermes who have complex recruitment needs across multiple locations. The solution allows the client to retain the important supplier relationships that have been built up over time, which in turn protects SME suppliers, allowing them to retain Hermes as a client. Datum manage the temporary requirements through a single point of contact.

Compliance is assured through a robust process of scheduled physical and online supplier audits ensuring suppliers comply with all legislative and contractual obligations.

Through Staffline Group collaboration, despite requirements increasing by 30%, we have reduced the number of suppliers from 109 to just nine. We have completed apprenticeship training for 80 workers, including 30 drivers, increasing skills and career opportunities. This has all been completed whilst providing full compliance and visibility which protect the client brand.

Case Studies

Recruitment Ireland

Increasing market presence

Tina McKenzie
Group Managing Director, Ireland

Staffline Ireland's portfolio of clients extends across all sectors, from public to private and SMEs to large multinationals.

Linden foods are a market leader within the Northern Ireland Fresh meat processing industry, sourcing and processing top quality Beef and Lamb.

As part of the Linden Food group they currently serve a wide range of retail multiples, their dedicated convenience food manufacturers, and the wider meat packing industry in the UK and Europe.

Staffline has been proud to support Linden Foods for the past five years with the provision of quality temporary staff to both their Retail and Primal sites in Dungannon.

The lead up to Brexit presented us with a number of challenges in sourcing staff for the site as we were faced with a tightening local labour market fuelled by reduced availability of migrant workers, fierce competition from other food manufacturers in the immediate area offering permanent opportunities and employment at record levels in Northern Ireland with unemployment levels sitting at 3.2 percent to include the economically inactive (Source NISRA labour force Survey).

Linden were focused on growing their business and key to this strategy was guaranteed availability of quality temporary labour to help them flex up and down through peaks and troughs of demand.

Our account team worked closely with the team at Linden to develop our candidate attraction strategies and ensure we had a constant pipeline of suitably experienced candidates available for work. We worked hard through the pandemic to develop an online registration and interview process.

Our Account team worked in the office throughout lockdown as key workers supporting the food Industry to better facilitate the resourcing activities we were *undertaking*.

In recognition of the hard work of the team we were thrilled to receive the following endorsement from our client.

“

Thank you for all your resourcing this year. Staffline has done exceptionally well in what was a difficult market out there. We have managed to grow our business on both sites and keep production filled with labour so a massive thanks on your focus in keeping Linden staffed and enabling us to drive forward with our plans.”

Nicola Purvis
Head of HR

"

Staffline Recruitment is a great company to work for. I've been there nearly two years and always got lots of work. The Consultants are great at what they do! The team are fantastic. I'm looking forward to the future working for them."

Wendy Brown
Band 2 Administrator
Northern Health Trust

Supporting our NHS

Staffline Ireland is a key supplier of temporary staff to the NHS in Northern Ireland and has enjoyed many years working in partnership with them across the province, but the provision of this service reached a pinnacle during the global pandemic in 2020.

Covid-19 presented significant staffing challenges to the health service here in Northern Ireland on a number of fronts – Sickness within own core teams, huge surge in number of hospital admissions, increased hygiene procedures, and large numbers of core staff having to isolate or shield thus rendering them out of action.

Staffline stepped up to the challenge and provided almost 2000 additional staff in the year to the NHS. These spanned across the fields of administration, including track and trace administrators, front line healthcare professionals, catering and domestic staff, ambulance staff and warehouse and logistics teams. Our public sector teams worked tirelessly throughout the year to ensure that the NHS requirements were met. Many of our staff from other divisions were redeployed to the public sector team to help with the huge increase in demand.

We harnessed the power of social media to ensure that we were able to reach a wide and varied audience with details of the roles and facilitated online information sessions to supply candidates with additional information and deal with any questions or concerns they may have had.

Our resourcing teams undertook all pre-employment checking and vetting, often working evenings and weekends to ensure a strong pipeline of suitably cleared and vetted candidates were available to support the Health Trusts as and when needed.

As the pandemic continued, we began to see an increase in candidates working in this extremely pressurised and ever changing environment presenting with mental health issues, so we produced a number of resources including fact sheets and leaflets for our workers to ensure they had access to help when and where they needed it and implemented welfare calls on a regular basis to our NHS workers to ensure they were supported.

In 2021 we continue to support the NHS here in Northern Ireland and are proud to have been able to play a part in providing this service in these unprecedented times.

Case Studies

PeoplePlus

Focused on skills and employability

Simon Rouse
Group Managing Director,
PeoplePlus

“

This has been a success and I have employed quality people in all areas to complement our growing team. It has been a big support for myself and we have a great working relationship with PeoplePlus.”

Alex Lacey
Manager, Bella Italia

PeoplePlus offers support and training to those who need it most

PeoplePlus aims to make a direct difference to the lives of one million people by 2022; they are already halfway to achieving this ambition, having supported over 500,000 people since 2018.

PeoplePlus is the UK's leading outsourced provider of Employability and Adult Education, with 47% of the Skills Support market in the UK. PeoplePlus is well-positioned, from its experiences with the Work Programme, the government's largest employability policy initiative to date, to benefit from the post-Covid employability landscape.

Last year saw over 19,000 people receive training and education from PeoplePlus. So far, we've supported over 500,000 people since 2018 with the challenges they've faced in finding work and have found employment for nearly 200,000 people across the UK. We already work with a number of national and regional employers, as well as partnering with many *Local Authorities and Local Enterprise* Partnerships to ensure that our training meets the needs of the jobs market and regional demands.

A significant proportion of people needing PeoplePlus' help have been long-term unemployed, or who have learning or social difficulties. Here's a spotlight on just one of the people we've supported this year.

Luwam came to the UK with her husband and two children five years ago as refugees from Eritrea in Eastern Africa. As her children had now started in school, Luwam's Jobcentre Plus work coach thought doing a course with PeoplePlus would help her to develop personally and within the community.

PeoplePlus Dynamic Purchasing System courses not only concentrate on language barriers but look holistically at the needs of all the attendees; how they interact with the community, any facilities or services that may benefit them and making them feel more aware of possibilities and pathways moving forward.

Luwam enjoyed the course and was an active member, she was very keen to receive the support as she felt it was integral to her own and her family's place in the community.

PeoplePlus worked with Luwam to develop her confidence and interview skills in order to apply for a warehouse position at JD Sports that would fit around her childcare responsibilities. Luwam was successful in the interview and secured the position. She said she loved her time on the course, and her confidence had grown immensely thanks to her tutor, Mo. Her husband even rang PeoplePlus, expressing his thanks, saying not only had the course had such a positive impact on Luwam, but it had helped him and their children, giving them the boost they needed to feel part of the community and at home in UK.

"Being able to move people into what, for some, is a totally new industry, and provide employment opportunities not only when Covid-19 was at a peak in the Spring, but as the months have gone on has been a huge boost to the North East area. I am confident that our relationship with PeoplePlus and the work we are doing together to support that national recovery will have an impact not just to an individual's life but to the economy for years to come."

Alex Perkins
Workforce Engagement Programme Manager at Amazon

PeoplePlus supports Amazon with recruitment for their new sites

PeoplePlus has worked with Amazon since 2016; originally providing them with apprenticeship delivery, but since 2019 they have become an employer on our Social Recruitment Framework (SRF).

The synergy between PeoplePlus and Amazon was apparent with their desire to support local communities through employment of candidates from vulnerable backgrounds and the unemployed population, alongside wanting to educate and empower employees.

The SRF worked alongside Amazon to design and contextualise an employability programme to support candidates on their journey from unemployment to a guaranteed interview and into a job. The courses focused on specific skills required to fulfil the role alongside supporting with soft skills.

The SRF's network of 37 Training Provider Partners provided a nationwide solution for Amazon who had previously worked with multiple training providers across 23 of its sites. The SRF provided Amazon with one point of contact for all the employability led programmes initially starting with eight sites, and the relationship soon grew, with Amazon choosing the SRF and PeoplePlus as their preferred employability solution.

During 2020 Amazon announced it was opening four new sites in the North East and East Midlands. PeoplePlus was chosen as the supplier outside of their direct hire recruitment and the SRF collaborated with its partner providers, Job Centre Plus and combined authority in the region to support with the training of 1000 candidates and the recruitment of 500 candidates for the new sites.

Across all of the Amazon sites for 2020 the SRF and its partner network has delivered an Employability and Principles of Warehousing training qualification to over 1,700 people, preparing them for their new opportunities with Amazon and further supporting them to enhance their chances of employment. 66% of candidates interviewed were offered a job with 85% of those offered a role starting work with Amazon, which has seen over 500 people move into new employment.

PeoplePlus and Amazon are planning on working together on the training and recruitment for the new sites that Amazon will be opening in 2021.

Financial Review

Strengthened balance sheet and improved control environment

"

A successful debt refinancing and a well supported equity raise leaves Staffline well positioned for future growth."

Introduction
During what was an extremely challenging year nationwide, the Group encountered mixed market demands across its divisions. Overall, total revenue for the year of £927.6m (2019: restated £1,063.0m) was lower than the previous year by 12.7%.

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

Revenues in our Recruitment GB division declined by £(107.9)m or (12.8)%. Demand from customers varied significantly by sector depending on the effect of the Covid-19 pandemic on their businesses. In particular, demand from supermarket, logistics and on-line retail customers remained strong. The initial lockdown in the spring caused severe disruption to manufacturing and non-essential retail businesses from which they have not yet fully recovered. The division typically experiences a pre-Christmas peak in demand during Q4 and did so in 2020, particularly from the e-commerce and logistics sectors. Despite the effect of the various forms of lockdown across the country, Q4 2020 hours worked were 16.0 million compared to 17.4 million in 2019, only an (8.0)% reduction. Revenue generated from temporary recruitment accounted for over 99% of total revenue.

Underlying divisional performance and key performance indicators – continuing operations

	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Group Costs 2020 £m	Total Group 2020 £m	Recruitment GB Restated 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus Restated 2019 £m	Group Costs 2019 £m	Total Group Restated 2019 £m
Revenue	**732.1**	**120.5**	**75.0**		**927.6**	840.0	147.7	75.3		1,063.0
Year-on-year revenue (decline)/ increase	***(12.8)%***	***(18.4)%***	***(0.4)%***	–	***(12.7)%***	*(7.5)%*	*40.3%*	*(30.0)%*	–	*(5.2)%*
Gross profit	**46.2**	**10.5**	**17.9**	–	**74.6**	56.6	15.6	15.3	–	87.5
Gross profit as a % of revenue	***6.3%***	***8.7%***	***23.9%***	–	***8.0%***	*6.7%*	*10.6%*	*20.3%*	–	*8.2%*
Underlying operating profit/(loss)	**4.2**	**1.6**	**1.6**	**(2.6)**	**4.8**	4.6	4.3	(3.5)	(2.5)	2.9
Underlying operating profit as a % of revenue	***0.6%***	***1.3%***	***2.1%***	–	***0.5%***	*0.5%*	*2.9%*	*(4.6)%*	–	*0.3%*
Underlying operating profit as a % of gross profit	***9.1%***	***15.2%***	***8.9%***	–	***6.4%***	*8.1%*	*27.6%*	*(22.9)%*	–	*3.3%*
Pre-IFRS16 net debt excluding unamortised transaction costs	–	–	–	–	**8.8**	–	–	–	–	59.5
Post-IFRS16 net debt excluding unamortised transaction costs	–	–	–	–	**14.3**	–	–	–	–	67.9
Hours worked by temporary workers	**58.4m**	**6.7m**	–	–	**65.1m**	68.6m	9.4m	–	–	78.0m

Comparative results have been restated to exclude the activities that were discontinued in 2020.

Gross profit generated from temporary recruitment accounted for 97% of the total, with the remaining 3% of gross profit generated from permanent recruitment.

Revenues in our Recruitment Ireland division reduced by £(27.2)m or (18.4)% mainly due to the effects of the pandemic and the uncertainty related to Brexit. Revenue generated from temporary recruitment accounted for 99% of total revenue compared to 1% from permanent recruitment. Gross profit generated from temporary recruitment accounted for 91% of the total, with the remaining 9% of gross profit generated from permanent recruitment.

PeoplePlus revenues, excluding the Apprenticeships business sold during 2020, decreased by £(0.3)m. Whilst classroom training was severely curtailed, the division was quick to transition to online solutions, largely maintaining overall revenues compared to 2019.

The sales mix between the operating divisions was broadly unchanged over the year, with the recruitment businesses accounting for 92% of 2020 revenue (2019: restated 93%). The recruitment businesses contributed 76% of the Group's gross profit (2019: 83%).

Overall gross profit decreased by (14.7)% to £74.6m (2019: restated £87.5m) with overall gross profit margin slightly lower at 8.0% (2019: 8.2%), which has been influenced by the sales mix, particularly in Recruitment GB. PeoplePlus achieved a gross margin of 23.9% in 2020, which compares to 20.3% in 2019 (restated for the disposal of the Apprenticeships business), largely due to improved productivity following the restructuring programme during the year. The gross profit margin for Recruitment GB decreased to 6.3% (2019: 6.7%). This was principally due to the shift towards lower margin sectors such as food production, due to the pandemic, and also some increased costs for social distancing in the workplace.

The increase in the National Minimum Wage in April 2020, from £8.21 to £8.72 per hour for over 25s, does not impact absolute gross profit but does negatively impact the gross margin percentage achieved and this dynamic will continue with increases in April each year. The gross profit margin for Recruitment Ireland reduced to 8.7% (2019: 10.6%) driven by the reduction in permanent recruitment business, which consistently achieves a gross margin of 100%.

For continuing operations (excluding the exited Apprenticeships business), reported loss before taxation was £(51.6)m in 2020 (2019: restated £(44.4)m). Notwithstanding the significant challenges faced in the year, underlying operating profit was £4.8m (2019: restated £2.9m). Total non-underlying charges on continuing activities before tax were £52.3m (2019: £42.3m), of which £45.3m were non-cash, and are described below. Finance charges were £7.3m (2019: £8.2m). This included £3.2m (2019: £3.2m) of non-underlying finance charges relating to the June 2020 refinancing of the debt facilities, also described below.

The underlying profit before tax on continuing operations for 2020 was £0.7m (2019: restated £(2.1)m). Underlying profit before taxation as a percentage of revenue was 0.1% (2019: restated (0.2)%). The reported underlying profit after tax on continuing operations for 2020 was £3.4m (2019 restated: £(1.1)m loss).

Financial Review continued

Non-underlying administrative charges

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 for, or superior to, any IFRS measures of performance but they have been included as a means of comparing performance year-on-year.

Non-underlying items of income or expenditure are items that are 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. 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. It should be noted that whilst the amortisation of intangible assets arising on business combinations has been added back, the revenue from those acquisitions has not been eliminated.

Non-underlying charges on continuing activities before tax amounted to £52.3m in 2020 (2019: £42.3m) as shown below. They include exceptional reorganisation, rationalisation and restructuring costs in 2020 of £4.0m relating principally to a rationalisation programme across all the divisions in order to reduce the number of properties occupied and reducing administration headcount, transaction costs of £0.5m related to the Group exploring strategic options, refinancing costs totalling £3.2m, a £9.2m charge for the amortisation of intangible assets arising on business combinations, a £35.3m goodwill impairment charge, and a share-based payment charge of £0.1m.

The charge in the year for amortisation of intangible assets arising on business combinations relates principally to the following acquisitions: Vital Recruitment (charge £3.2m: asset will be fully amortised by February 2023), Milestone (£1.0m charge: asset will be fully amortised by September 2020), Passionate about People (charge £2.3m: asset will be fully amortised by October 2023), Grafton (£1.3m: asset will be fully amortised by June 2023), Brightwork (charge £0.7m: asset will be fully amortised by April 2022).

Non-underlying charges – Continuing operations	**2020 £m**	2019 £m
Reorganisation, rationalisation and restructuring costs	**4.0**	3.7
Legal investigation professional fees	–	1.0
NMW remediation and financial penalties	–	(0.7)
Revised audit scope and increased audit fees	–	0.8
Transaction costs – business acquisitions and strategic options	**0.5**	0.9
Finance costs – refinancing arrangement fees and exit fees	**3.2**	3.2
Amortisation of intangible assets arising on business combinations	**9.2**	10.9
Goodwill impairment	**35.3**	22.3
Share-based payment charges (equity and cash-settled)	**0.1**	0.2
Total non-underlying charges before tax for continuing operations	**52.3**	42.3

The Company has recognised a £7.2m impairment charge against its investments in People Plus £(6.9)m and £(0.3)m in the Employee Benefit Trust.

Discontinued activities

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

The Apprenticeships business recorded an underlying operating loss of £(2.2)m for the year (2019: £(3.6)m), before reorganisation and exit costs of £(2.5)m (2019: £nil).

In addition, the Group is in active discussions to sell its subsidiaries in Poland to the incumbent management team. Consequently, *the results of the Polish activities are deemed to be discontinued and the business is held for sale. The loss for 2020 was* £(0.1)m before non-underlying costs of £(0.2)m.

The results of these businesses are as follows:

	2020 Apprenticeships £m	2020 Poland £m	2020 Total £m	2019 Apprenticeships £m	2019 Poland £m	2019 Total £m
Revenue	**7.2**	**1.0**	**8.2**	12.6	1.1	13.7
Cost of sales	**(8.3)**	**(1.0)**	**(9.3)**	(13.6)	(1.1)	(14.7)
Gross profit	**(1.1)**	**–**	**(1.1)**	(1.0)	–	(1.0)
Administrative expenses	**(1.1)**	**(0.1)**	**(1.2)**	(2.6)	(0.1)	(2.7)
Underlying operating loss	**(2.2)**	**(0.1)**	**(2.3)**	(3.6)	(0.1)	(3.7)
Non-underlying costs	**(2.5)**	**(0.2)**	**(2.7)**	–	–	–
Operating loss	**(4.7)**	**(0.3)**	**(5.0)**	(3.6)	(0.1)	(3.7)
Tax credit	**0.8**	**–**	**0.8**	0.7	–	0.7
Loss for the period	**(3.9)**	**(0.3)**	**(4.2)**	(2.9)	(0.1)	(3.0)

Government support

The global Covid-19 pandemic created unprecedented disruption to the business. Consequently, a large number of our temporary workers and a much smaller number of administrative staff were placed on furlough at times throughout the year. The total support received in the year amounted to £31.4m.

In addition, 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 is due to be paid in instalments, which commenced in June 2021.

Taxation

The total tax credit for the year of £3.1m (2019: restated £3.4m), which amounts to 6.0% (2019: restated 7.7%) of the loss for the year, relates to the movement of deferred tax balances. The Group has no current Corporation Tax liability in respect of either the current or prior years and as a result is anticipating a refund of amounts that were paid on account. An element of losses incurred during 2018 will be set against taxed profits in previous years, which will also result in a refund. Remaining tax losses of £15.4m carried forward in all divisions have been recognised as a deferred tax asset.

The amortisation charge relating to intangible assets arising on business combinations 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. No deferred tax is recognised on JSOP charges.

Earnings per share

Statutory basic and diluted loss per share on continuing activities were both (71.5)p (2019: both (89.6)p).

For the year the weighted average number of shares (basic) is 67,790,086 (2019: increased by 22,121,263).

Removing the non-underlying charges, and their respective taxation impacts, results in underlying basic and diluted earnings per share on continuing activities both being 5.0p (2019: restated, both (2.4)p loss).

Improving internal controls

The Board has continued with the implementation of enhanced control procedures and oversight and has appointed a Head of Internal Audit during the year. In addition, the Board has been further strengthened by the appointment of two Non-Executive Directors after the year-end.

Financial Review continued

Statement of financial position, cash generation and financing
The Group's total equity decreased by £(53.6)m (2019: £(6.7)m) over the year. This is as a result of the total comprehensive loss for the year of £(53.6)m, which included the goodwill impairment of £(35.3)m that was recognised in H1 2020 and amortisation of intangibles arising from business combinations of £(9.2)m.

The movement in net debt is shown in the table below. Movements in working capital include a decrease in trade and other receivables of £27.6m (comprising c.£17.6m due to the decline in trading volumes and c.£10.0m due to improved collection rates), and a decrease in trade and other payables and provisions of £22.8m, primarily due to a reduction in VAT liabilities due to lower trading volumes and payment timing.

Movement in net debt (excluding unamortised transaction costs)	2020 £m	2019 Restated £m
Opening net debt (pre IFRS16)	**(59.5)**	(63.0)
Cash generated before change in working capital and share options	**3.4**	0.6
Principal repayment of lease liabilities	**(3.4)**	(3.2)
Change in trade and other receivables	**27.6**	24.6
Deferred VAT (net of corporation tax offset)	**42.4**	–
Change in trade, other payables and provisions	**(7.8)**	(23.8)
Taxation and interest paid, and movement in unamortised borrowing costs	**(9.0)**	(7.1)
Capital investment (net of disposals)	**(2.4)**	(5.1)
Cash flows relating to acquisitions	**(0.3)**	(7.2)
Net proceeds from equity issue	–	38.0
Payments from/(into) restricted funds for NMW	**11.8**	(12.7)
Settlement of NMW liabilities from restricted funds	**(11.8)**	–
Other	**0.2**	(0.6)
Closing net debt (pre IFRS16)	**(8.8)**	(59.5)
IFRS16 lease liabilities	**(5.5)**	(8.4)
Closing net debt (post IFRS16)	**(14.3)**	(67.9)

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

Reconciliation of operating loss to EBITDA	2020 £m	2019 Restated £m
Operating loss	**(44.3)**	(36.2)
Non-underlying costs	**49.1**	39.1
Underlying operating profit	**4.8**	2.9
Depreciation	**7.4**	7.3
Underlying EBITDA	**12.2**	10.2
Lease rental payments	**(2.9)**	(3.2)
Underlying EBITDA (pre IFRS16)	**9.3**	7.0

Note: Underlying operating profit 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 2020 was £79.4m (2019: £43.7m) as set out below:

	2020 £m	2019 £m
Cash at bank	**24.5**	25.0
Receivables Financing Facility ("RFF") unutilised	**54.9**	–
Overdraft facility unutilised	–	18.6
Committed revolving credit facility unutilised	–	0.1
Banking facility headroom	**79.4**	43.7

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

	Previous arrangement	New arrangement	At 31 December 2020
Revolving credit facility ("RCF")	£78.2m	£30.0m	£20.0m
Overdraft	£25.0m	–	–
Receivables Finance Facility ("RFF") (invoice discounting) – maximum	–	£73.2m	£68.2m
Total Facility	**£103.2m**	**£103.2m**	**£88.2m**
Expiry date	July 2022	July 2022	July 2022

The previous RCF was reduced from £95.0m to £78.2m with cancellations in July 2019 and November 2019.

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

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

An arrangement fee was paid to the lenders of £0.7m in relation to the Receivables Finance Facility.

On 8 October 2020 the limit on the RFF was reduced to £68.2m following the transfer of certain customer trade receivables to new customer financing arrangements.

The Group is also funded through a number of separate, non-recourse, customer financing arrangements whereby specific customers' invoices are settled in advance of their normal settlement date. The balance funded under these arrangements as at 31 December 2020 was £43.0m (2019: £35.1m). In addition, the Group has an uncommitted, non-recourse, separate receivables financing facility with a maximum value of £25m. The balance funded under this facility at 31 December 2020 was £24.3m (2019: £25.7m).

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

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

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

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

i) Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
ii) An Accordion option of up to an additional £15.0m, subject to lender approval;
iii) Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
iv) Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00x;
v) A non-utilisation fee of 0.35% of the margin;
vi) Maximum net debt (averaged over a rolling three months) to EBITDA leverage covenant commencing at 5.95x followed by a gradual reduction to 4.0x by October 2023; and
vii) Minimum interest cover covenant of 2.25x the last twelve months EBITDA to finance charges.

An arrangement fee of £0.9m was paid to the lenders in respect of the RFA.

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

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

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

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

Dividends
As a condition of refinancing the debt facility, dividends are permitted to be paid from 1 July 2022 subject to no default of the RFA and no forecast default on a 6 month look forward basis from the date of the dividend payment.

Going Concern
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

Daniel Quint
Chief Executive Officer
21 June 2021

Section 172

Stakeholder engagement

Section 172 – Fulfilling our duty

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
a) The likely consequences of any decision in the long term;
b) The interests of the Company's employees;
c) The need to foster the Company's business relationships with suppliers, customers and others;
d) The impact of the Company's operations on the community and the environment;
e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the Company.

In the decisions taken during the year ended 31 December 2020, the Directors have acted in the way they consider to be in good faith, most likely to promote the success of the Company and its continuing reputation for high standards of business conduct, and for the benefit of its stakeholders, having regard to the stakeholders and matters set out in Section 172 of the UK Companies Act 2006.

Stakeholder engagement

For the Company to meet its responsibilities to stakeholders, the Board must ensure effective engagement with them. The Board follows a formal process to regularly consider the identification and prioritisation of stakeholders and whether its relationships with key stakeholders are being managed appropriately. The Board ensures that it has effective engagement mechanisms in place to gain a clear understanding of the views of key stakeholders so that their interests and the matters set out in Section 172 of the Companies Act 2006 can be considered in Board discussions and decision making.

Taking account of the interests of our stakeholders is at the centre of Staffline Group's strategic plan and Staffline's purpose is to build and develop the most reliable integrated workforce in the country and be the leading creator of opportunities, jobs and new ideas in the employability, skills and justice sectors. As such, examples of Staffline's engagement with its key stakeholders from governments, consumers, through to our employees, business partners, shareholders the community and environment can be found throughout this Annual Report.

Examples of Staffline's key engagement activities in 2020 include:

Employees

The Group communicates and engages with our people using a variety of channels, blending in-person, virtual and electronic communication. Underpinning this is a people-centred, inclusive and collaborative culture. In 2020 we implemented our continuous listening strategy to ensure that the voice of employees is heard. The effectiveness of these strategies is tracked through our employee engagement survey. Further information on the Group's engagement with its employees can be found on pages 30 to 32. The Board is committed to the Group being a responsible employer and to creating a working environment where employees are engaged, informed and involved. The Group's employment policies are contained in the Responsible Business section on page 30.

Employee wellbeing during Covid-19

At Staffline we ensure we continue to support colleagues with relevant tools and advice. We implemented Covid-19 Response Protocols for each section of the business which outlined steps to ensure our people and customers remained safe. Further information can be found on page 32.

Shareholders

The Board is committed to open communication with shareholders to help them understand the Group's strategy and objectives. The Group's engagement with shareholders is set out in the Corporate Governance statement on page 37.
The Board issued a number of market communications throughout the year in order to inform stakeholders of important developments in the business. In addition we hosted a "Capital Markets Day" in November at which interested parties were able to discuss some of the issues affecting the Group.

Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interest of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders. Its strong customer relationships are vital to the business.
The Group's purpose and vision are set out on page 37 and its ethics policies are set out in the Responsible Business section on page 30.

Staffline engages regularly through a variety of means including communication with key account managers, Staffline programme of events, customer surveys and training academies. In 2020 Staffline has worked closely with clients to establish solutions to continue working together during the Covid-19 pandemic, in particular these included:

- Work From Home made accessible and available for our office staff;
- Stringent application of social distancing and hygiene practices for on-site staff;
- Appropriate PPE provided to necessary staff and customers;
- Investment in plastic screens and desk shields in appropriate locations; and
- Protocols for self-isolation and contact tracing; among many others.

Further information can be found on page 6.

Equality, diversity and inclusion

The Group believes that equality, diversity and inclusion enable delivery of our purpose. To benefit from a diverse workforce, we apply role-related and objective criteria to select and develop talent and we focus on building an inclusive environment where everyone feels able to participate and achieve their potential. The Group is committed to providing a work environment free from harassment and discrimination. We endeavour to treat each individual fairly in relation to job applications, training, promotion and career development. The Board receives an overview of diversity and inclusion at Staffline and approves the Group Equality and Diversity Policy annually. Further information can be found on page 31.

Community and the environment

The Board recognises its responsibilities in achieving good environmental practice and making positive contributions to the community. The relevant practices are set out in the Responsible Business section on pages 30 to 32. In response to the Covid-19 pandemic, the Group, like most businesses, had to respond quickly to the threat posed to its staff and colleagues with the now familiar techniques of isolation, distancing, and sanitation. In addition to this PeoplePlus and Staffline launched a new nationwide worker transition service as part of the #FeedTheNation campaign. We are continuing to work to move people who have been made redundant, are "at risk" or in the gig economy into the "essential services" industries.

Many industries like travel and retail have been savagely hit by Covid-19. At the same time many industries associated with food production, food supply, supermarkets and delivery services experienced a surge in demand, which required thousands of additional workers. The Group was integral part of the campaign to recruit and train a temporary workforce with #FeedTheNation which supported c.25,000 people back into work between March-June 2020.

Responsible Business

People, culture and values

"

At Staffline we place great importance on the role we play in helping support local communities and the environment surrounding us.

We understand the importance of integrating our business values and operations to meet the expectations of our stakeholders. These include clients, Government departments, employees, flexible workers, regulators, investors and suppliers.

We recognise that our social, economic and environmental responsibilities to our stakeholders are integral to our business. We aim to demonstrate these responsibilities through our actions and within our corporate policies.

We focus on driving a high-performance culture and the Group continues to review talent and succession planning at all levels to support our agility and to enable further growth. As a commercially focused business we regularly review our headcount to ensure that our lean operating model is fit for purpose.

Developing our people is key to us as an organisation and we have many ways of encouraging this. Our ethos supports nurturing talent within the business at all levels and encourages self-development which in turn aids succession planning, supporting the strategic growth of the Group.

Learning and Development
Staffline Group believes that driving a culture of continuous learning and development has never been more important and therefore the development of our people remains a key initiative in our Group strategic priorities.

Our Learning and Development schemes in 2020 have included:

- A new Learner Experience Platform which was launched in September 2020, enabling knowledge sharing, collaboration and self-directed learning across all our people;
- Supporting the formal education of our people through a variety of apprenticeships and specialist qualifications that enable our people to focus on their professional development, bringing insight and thought leadership to our business;
- Staffline GB launched the development of our Leadership team which has created opportunities for them to share and showcase their skills and experience with others across the business, delivering our first virtual "Tomorrow Starts Today" roadshow to all employees, sharing interactive and engaging development events, workshops and classes to engage and support the skills of our people;
- Our approach to managing talent and succession across our business allows us to create developmental opportunities and growth for those who have aspirations and ambitions to progress within the Group. In 2020 we have promoted two of our "top talent" Regional Manager into Director positions, and we continue to create both permanent and secondment opportunities to share and retain *talented individuals across the wider* Staffline Group;

- An extensive in-house Coaching Programme rolled out across Staffline Ireland in 2020, with 26 managers benefitting from regular individual coaching support; and
- Agile support of the business during the rapid pandemic response, to include development of new Covid-19 policies and rollout.

In addition, this year has been tough for many and the mental health and wellbeing of our people has been paramount. Sharing of information on health and wellbeing topics, articles and videos through our weekly Staffline Newsletters and launching our "Keeping You Connected" webinars have supported both communication and engagement for employees who remained working and creating connection for those on furlough leave.

Modern Slavery

Staffline's commitment to compliance and worker welfare is at the forefront of everything we do. Our ethos is to proactively apply multiple measures to reduce Modern Slavery across our business and supply chains.

Staffline Group is proud to work alongside authorities and charities to tackle Modern Slavery. Together we achieve this by educating all permanent staff in how to "spot the signs"; analyse and monitor key data in order to identify areas of risk; along with working closely with our sites who are integral to identifying possible victims quickly.

Modern Slavery is a complex, evolving crime and through vigilance, caring and the proactive approach of our staff we strive to stamp it out of Staffline.

Settled Status

The EU Settlement Scheme, introduced in March 2019, allows EU workers to apply for settled or pre-settled status within the UK, allowing them to continue living and working in the UK following the ending of the free movement of people, goods and services in January 2021. As the UK's *largest employer of EU migrant workers* (representing 59% of our total workforce) it is our duty to ensure that our EU workers have our continued support in making them aware of the EU Settlement Scheme and how to apply successfully.

Following the launch of the scheme we have continued to raise awareness of the seriousness of it through a variety of communication channels and in different languages. This has helped to raise awareness with our workers, future candidates, employees and customers. Details of these communication methods are listed below:

- Active Workers: Active EU workers for Staffline have received monthly emails reminding them to apply for settled or pre-settled status if they have not already done so. User guides and onsite communications have also been created to support with applications; and reminders have been placed on payslips.
- Candidate Attraction: Staffline Group has published regular Facebook posts across our 13 regional pages and shared within relevant job groups. Staffline has also included on every re-marketing email that is sent out to candidates, an EU Settlement Scheme banner is included at the bottom, navigating them to the Settled Status Support Page.

Equal Opportunities

It Is Staffline's Policy to provide employment equality to all and abide by the equality laws. We promote a fair and harmonious recruitment process and will not discriminate or harass any person on the grounds of:

- Gender (including gender re-*assignment)*
- Marital or family status
- Religious belief or political opinion
- Disability
- Race or ethnic origin
- Nationality
- Sexual orientation
- Age
- Pregnancy or maternity

We are committed to:

- Preventing any form of direct or indirect discrimination or victimisation;
- Promoting equal opportunities for women and men;
- Securing fair participation irrespective of religious or community background;
- Promoting equal opportunities for people with disabilities;
- Promoting equal opportunities for ethnic minorities;
- Promoting a harmonious working environment where men and women are treated with respect and dignity and in which no form of intimidation or harassment will be tolerated;
- Fulfilling all legal obligations under the relevant legislation and associated codes of practice; and
- Taking any necessary positive/affirmative action, including setting goals and timetables.

Responsible Business continued

In 2019 Staffline Ireland introduced an enhanced maternity package to support a predominantly female work force, that encourages work life balance. Staffline Ireland also provide private medical insurance to every member of staff from day one.

We encourage career progression for all colleagues in our business, regardless of gender, and this has always been and remains at the heart of our leadership team's agenda. All of our employees are important to us and we remain committed to attracting and retaining the very best talent to the business and ensuring that gender is never a factor in decisions. Being a truly diverse and inclusive company is not only the right thing to do, it is crucial to helping us grow, attract talent and engage with our customers. We believe that having an inclusive workforce, which represents society, is crucial to our long-term success.

Gender pay gap reporting ("GPGR")
Details of the Group's gender pay gap reporting can be found on our website at: www.stafflinegroupplc.co.uk/aboutus/gender-pay-gap-report/.

On 5 April 2020, Staffline employed c.2,500 monthly paid permanent employees and c.43,300 weekly paid temporary contractors. Overall, amalgamating all business areas and including the temporary workforce, our mean gender pay gap is 8.2% (2019: 9.1%). These results are affected by 94% (2019: 94%) of employees being contractors, of which 66% (2019: 64%) are male and 34% (2019: 36%) female. On their own, the temporary workers' mean gender pay gap is 7.7% (2019: 8.2%). All contractors are paid the same hourly rate for the same work, irrespective of gender. The gap derives purely from the mix of roles performed by the workers, and in particular the workers involved in the higher paid driving sector who are predominantly male. In the opinion of the Directors, it is relevant to consider separately data for the permanent employees and the temporary workers. For this group of employees, the mean gender pay gap is 16.6% (2019: 16.1%).

Health and Safety
Health and Safety has taken on a new level of importance and significance for us all in 2020. It has of course meant that we all have adapted to the prominence of Covid-19 in our lives and the changes to the working environment it has brought. Health and Safety measures implanted have included:

- Investment in appropriate PPE and office desk shields to protect both onsite and office employees;
- Rigorous implementation of social distancing measures for all staff, employees and customers; and
- Self-isolation and contact tracing protocols for every regional arm of the business, ensuring compliance with Government regulation.

Greenhouse gas emissions – Streamlined Energy and Carbon Reporting (SECR)

These disclosures are made in accordance with Streamlined Energy & Carbon Reporting guidelines. The data included covers the FY20 financial year, and will form the base year for future comparison due to this being the first year that the Group has been subject to the SECR requirements.

The data covers energy usage across all large UK entities in the Group. Energy usage from subsidiaries outside of the UK are outside the scope of this report and therefore excluded from the figures below.

UK energy use

Consumption in metric tonnes CO_2e	2020
Gas (Scope 1)	59.6
Electricity (scope 2)	135.6
Total consumption in metric tonnes CO_2e	195.2
Total energy use in kWh	1,274,932
Efficiency ratio: Scope 1 & scope 2 emissions in tonnes CO_2e per UK employee	0.08

Methodology
The methodology used to calculate our emissions is based on guidance issued by the SECR and has been calculated using the revised carbon conversion factors published by BEIS in 2020.

The Group recognises that it has a responsibility to the environment beyond legal and regulatory requirements. Work has now commenced with the development of a detailed strategy, focusing on energy consumption, waste, travel, and sustainable materials to allow the Group to implement appropriate systems in order to reduce our overall carbon footprint.

Principal Risks and Uncertainties

Managing our risks

The Board of Directors of Staffline Group plc regards effective monitoring and management of exposure to risk as critical to the delivery of the Group's strategic objectives and the creation of sustainable shareholder value. A comprehensive review of risk management processes and risk registers at both divisional and Group level was completed during the year and a robust, standardised approach has been developed. This will be more fully rolled out across the Group during 2021.

Risks are identified based on the likelihood of occurrence and the potential impact on the Group. The most significant risks to which, in the opinion of the Directors, the Group is exposed are described below, along with an overview of relevant mitigation measures that are either in place or planned.

Risk management framework
The Group is exposed to a variety of risks and uncertainties that require ongoing monitoring and management in order to mitigate against adverse impacts on long-term performance. A variety of policies, systems and processes are in place to monitor and respond effectively to these risks and uncertainties. Risk registers are maintained at divisional level and consolidated to provide a Group view twice a year, with both the process and its outputs formally reviewed by the Audit Committee and the Board.

The Board's view of the key risks and uncertainties to which the Group is exposed is set out below, with an indication of the year-on-year change in the level of risk exposure as follows:

Increased since prior year

Reduced since prior year

Similar to prior year

1. Liquidity risk and compliance with banking facility agreements

Risk

At 31 December 2020 the Group's banking facilities comprised a £73.2m receivables financing facility and a revolving credit facility ("RCF") of £20.0m.

As at the year-end, the Group's liquidity forecast (considering its then available financing facilities) identified that, absent the successful implementation of mitigating actions, there was a liquidity issue in the second half of 2021 after commencement of repayment instalments of the deferred VAT. This also indicated a potential breach of the Group's covenants under the RCF and receivables financing facility.

Under the new receivables finance agreement ("RFA"), the Group has to comply with certain undertakings and two principal financial covenants, which cover EBITDA to net debt leverage and EBITDA to interest cover. These covenants will be tested monthly from September 2021 and quarterly after 31 December 2022, subject to compliance prior to that date.

Mitigation

On 20 May 2021 the Company and certain fellow subsidiary undertakings, entered into a new £90 million Receivables Financing Agreement ("RFA") to replace the existing Group banking arrangements. The RFA contained certain pre-conditions before completion, the most significant of which was that the Company raise equity capital of at least £40.0m. This condition was satisfied, and the RFA became effective on 10 June 2021. Further details of the new facilities are given in note 20. The Placing, Subscription and Open Offer has contributed funds of £48.4 million (before expenses), which will be used to reduce Group indebtedness and to provide working capital for growth.

Subject to potential extension, if agreed by all parties, the RFA has a termination date of 1 December 2025. The Group has prepared financial forecasts covering the period to 31 December 2022 and has applied a robust sensitivity analysis to the forecasts to ensure compliance with the financial covenants in a 'downside case'. The analysis shows compliance with the covenants for the full period of the forecasts.

The Group finance team forecasts and monitors cash flows and banking facilities on a daily and weekly basis and maintains compliance with the other information undertakings required under its financing facilities. The Group also prepares a rolling 13-week cashflow forecast on a weekly basis to identify potential pinch points and ensure that sufficient cash reserves (including undrawn facilities) are in place to meet the short-term liabilities of the business. These forecasts and the potential availability of financing facilities are closely monitored by the Board.

Principal Risks and Uncertainties continued

2. Legal and Regulatory Environment and Compliance

Risk

The Group operates in a fluid and increasingly complex legal and regulatory environment, particularly in relation to the supply of temporary labour. Key elements of this environment include immigration laws, which establish 'right to work' rules, Agency Worker Regulations, National Minimum Wage regulations, gangmaster licensing regulations, Modern Slavery regulations and, during 2020, Covid-19 related furlough schemes.

The complex and varied operational environments that exist across the Group mean there is a risk of inadvertent breach of one or more of these laws or regulations.

The above and other recent and forthcoming regulatory changes affecting the Group have required deployment of resource to assess impacts, design and implement responses and monitor ongoing compliance.

The costs of compliance in terms of process design and operation, monitoring and audit, are built into customer pricing. Costs of investigating and remediating any breach and, where relevant, fines or other penalties would reduce profitability.

Mitigation

Staffline actively engages with customers, regulators and external professional advisers to discuss the requirements and implications of relevant regulations and working practices.

In-house compliance teams monitor compliance with laws and regulations such as 'right to work' checks and Agency Worker Regulations through both planned audits and investigation of exceptions identified by data analysis. These teams have seen additional investment during 2020 and the Group remains committed to continuous improvement of its governance arrangements.

New and existing employees are trained on the NMW regulations and sites that pay minimum wage are regularly audited by in-house compliance teams to ensure that practice is compliant with the regulations. An ongoing monitoring process has been established and focus is placed on sites that are considered higher risk.

Furlough payments are closely monitored to ensure that eligibility rules have been correctly applied. Detailed records of payments have been maintained to facilitate any future audit by HMRC.

Ensuring a periodic horizon scan for known or possible regulatory changes is an important component of the Group's risk management process.

3. Economic conditions

Risk

In addition to the specific economic impacts of Covid-19 and Brexit referenced below, any downturn or unexpectedly slow recovery in economic conditions in the UK and/or the Republic of Ireland could have an adverse effect on consumer confidence, leading to a knock-on effect on our customers' businesses.

Whilst any increase in unemployment in the short to medium-term might increase the availability of labour, discretionary spending by consumers may be adversely affected. An increase in the number of unemployed might also make securing a return to work by the long-term unemployed even more of a challenge.

Government spending in the medium to long-term is an area of ongoing uncertainty, not least due to the impact of Covid-19 on public finances. The likelihood of a change in the UK's governing party as a consequence of the pandemic is however seen as having receded during the second quarter.

Mitigation

Staffline provides temporary labour into a wide range of businesses in both the UK and Ireland. Sectors such as food, food logistics, on-line retail and public services are expected to be more resilient than automotive or travel and tourism, lessening the overall impact of adverse economic conditions on the Group.

The Board believes that flexible labour resourcing becomes more important as a mitigation strategy in times of increased uncertainty as use of temporary labour allows customers the flexibility they need to meet their end customers' changing demands. Staffline works closely with its customers to understand their expected future needs.

The back-to-work education and skills support services delivered by PeoplePlus could be subject to higher demand should unemployment rates rise in the short to medium term. Significant government funding has materialised in these two areas through the UK Government's "Plan for Jobs".

The Group takes a cautious approach to revenue forecasting. The business model operated by PeoplePlus, the division that is most reliant on public sector contracts, seeks to minimise fixed costs that could not be avoided should Government funding undergo a significant reduction.

4. Impact of Covid-19 pandemic

Risk

Covid-19 had an ongoing impact across the global economy throughout 2020 and the uncertainty this has created is expected to continue during 2021 as the positive effects of the introduction of vaccination programmes in the UK and other countries continue to be offset by concerns about emergence of new variants.

The effect on the Group's business has varied, with food, driving, logistics and e-commerce sectors experiencing strong demand in 2020. The retail, manufacturing and automotive industries continued to be more challenging and whilst there are encouraging signs of increasing activity in these sectors, the rate at which clients' businesses will recover as lockdown restrictions are eased cannot be predicted with any certainty.

Covid-19 combined with Brexit to have an unexpected impact on EU workers who returned from the UK to their countries of origin as the pandemic spread and have since been unable to return due to travel restrictions. Some workers' eligibility for settled status under the UK government's EU Settlement Scheme may be at risk as the 30 June 2021 deadline for applications has not been extended.

Mitigation

As referenced elsewhere, Staffline works closely with its customers to understand their expected future needs in both the short and longer term.

Weekly activity levels are closely monitored to identify potential trends as they start to develop and alternative scenarios are modelled to assess the potential impact on the Group.

As referenced elsewhere, Staffline is actively engaging with registered workers to promote awareness of the Settlement Scheme and encourage workers to apply. In the meantime, efforts to attract new workers to maintain fulfilment service levels remain ongoing.

PeoplePlus took strategic steps to quickly pivot the focus of its services to the changed economic environment with Covid-19 in which increasing levels of unemployment would be a prominent feature. PeoplePlus is now focused on its two core markets of employability and adult skills, in which it is a market leader, and has exited the Apprenticeships market.

5. Customer contracts and service delivery

Risk

Staffline operates in an increasingly competitive marketplace with rising labour costs and legislative and regulatory factors that could lead to downward pressure on margins.

This may lead to irrational pricing of tenders and/or regulatory non-compliance by competitors to secure new business, which might threaten Staffline's contract renewals and pipeline conversion rates.

Much of the Group's business is derived through long-term contracts. It is therefore essential that contractual service levels are achieved and maintained to secure contract renewals or extensions and that a healthy pipeline of potential new business is established and maintained.

PeoplePlus delivers services through a number of national and regional schemes aimed primarily at improving skills in the workforce and employability of those currently out of work. These schemes are funded by the UK Government and Welsh and Scottish devolved governments and local government and have complex eligibility rules to control the use of public funds. Delivery of these services by PeoplePlus extends to oversight of delivery partners' compliance with funding scheme rules.

Meeting the standards required by Ofsted in England, Estyn in Wales and Skills Development Scotland, who collectively oversee PeoplePlus's education-related services, is an important "licence to trade" for the PeoplePlus business.

The effects of general economic conditions, Covid-19 and Brexit on availability of labour and Staffline's ability to fulfil customers' requirements are discussed elsewhere.

Mitigation

The Group's strategy is to grow sales with the right customers that: pay appropriate pay rates, focus on retention by putting the worker first, and pay appropriate margins for our class-leading services. In order to achieve this, Staffline has:

(i) Produced a value proposition chain that clearly explains why a customer should choose Staffline and pay more for a better service;
(ii) Invested in class-leading technology; and
(iii) Established a Commercial team to work with divisional directors to analyse the current customer portfolio and secure strategic new business wins. This will include managed exit from certain under-performing contracts.

The Group will invest in its branch network and continue to pursue its digital transformation programme in 2021 to increase its presence and profile in the labour market and speed up the process of attracting, onboarding and deploying workers.

PeoplePlus maintains robust quality control and compliance monitoring processes that operate independently of operational management, including due diligence and ongoing compliance monitoring of partner delivery organisations and.a Quality Improvement Board that provides external scrutiny though its independent Chair. Accreditations such as ISO9001, ISO27001 and Cyber Essential Plus are maintained and ISO14001 accreditation will be sought during 2021.

Funding bodies carry out regular audits of PeoplePlus's compliance against scheme rules. The services concerned have all been inspected and found to meet the required standards within the last two years.

Principal Risks and Uncertainties continued

6. Security and stability of IT systems

Risk

Staffline is, like all large-scale businesses both within and outside the staffing and recruitment sector, reliant on IT systems to operate and support our business activities. Failure or disruption due to old or poorly maintained hardware or software, or deliberate cyber-attack, could result in serious business interruption.

IT infrastructure and support systems need to sufficiently support the business in its day-to-day operations, whilst also supporting the growth and diversification plans which are being implemented in-year. Disaster recovery protocols and capabilities need to be in place across the estate.

The Recruitment division carries out material weekly payroll runs for our temporary labour workforce. A failure in either key operational systems, the payroll system or BACS software could lead to workers not being paid correctly and/or on time and to consequent reputational damage.

Mitigation

Each division has a local Business Continuity Plan that is underpinned by a Group-level Disaster Recovery Plan which would be invoked in the event of critical interruption to one or more of Staffline's core IT services. This would entail the wholesale transfer of all core technical assets and services to the Group's secondary estate, which is maintained as an exact replica of the primary estate via tried and tested backup solutions. Disaster recovery capability is tested regularly.

The Group's cyber security arrangements are continuing to evolve with targeted investment deployed to build on systems already in place and, where necessary, update or amend services that identify and block suspicious or malicious activity.

Covid-19 tested the Recruitment division's ability to run temporary worker payrolls remotely and this operating model is now well established. Payrolls could be run and paid via a manual process if necessary due to extended system outages.

Both business interruption and cyber insurance policies are maintained. These may not fully cover all risks and potential losses, but the Board is satisfied with the level of mitigation provided.

7. Brexit

Risk

Ongoing uncertainty during the years following the 2016 referendum on continued UK membership of the EU clearly impacted the UK labour market and led to some customers transferring a significant part of their temporary workforce, mostly notably in the Driving sector, into permanent employment to mitigate the risk of a tightening labour market.

The announcement of an outline trade deal with the EU on 24 December 2020 and subsequent completion of the UK's formal separation from the EU on 31 December 2020 have provided some clarity. However, it is likely that some level of disruption to travel and customers' supply chains will persist in the short to medium term. The economic impacts of Brexit in the short, medium and long term also remain unpredictable.

Ongoing availability of labour to fulfil customers' needs remains an area of uncertainty. The impact of Brexit on non-UK EU workers' long-term intentions is thought to have largely crystallised following the setting of the June 2021 cut-off date for the UK government's EU Settlement Scheme.

Mitigation

Brexit-related developments and risks are regularly discussed by the Board as part of ongoing monitoring of the Group's risk environment.

The Group has worked closely with the Home Office and is providing appropriate support to EU workers who are interested in applying for settled status to allow them to remain and work in the UK beyond 30 June 2021. It has developed and deployed an engagement and communication strategy driven by a sophisticated IT platform and encompassing both active workers and those who are registered but currently not working for Staffline.

PeoplePlus currently benefits from European Social Funding for some of its employability and skills programmes. The UK Government has committed to maintaining that funding until 2023, after which it will be replaced by the new Shared Prosperity Fund.

The Board remains confident that Staffline is in a strong position to continue to prosper in the future due to our ongoing investment in technology, the extent of our geographic footprint across the UK and Republic of Ireland and our proven expertise in accessing new sources of labour.

8. PeoplePlus contract portfolio

Risk

The PeoplePlus division is dependent on large, often complex, public sector contracts. Individual contract wins or losses could have a material impact on the Group's revenue and profitability. Bidding for contracts that PeoplePlus cannot effectively deliver and/or poor or unsuccessful mobilisation of new contracts, could have an adverse impact on the Group's profitability and/or reputation.

PeoplePlus expects to see growth in demand for its services with an associated requirement for rapid mobilisation of new contracts including the UK Government's Restart scheme, which is aimed at providing enhanced support to Universal Credit claimants who have been out of work for 12 months or more.

Mitigation

PeoplePlus has a clear strategic focus on its two key markets of employability services and adult skills, in which it is a market leader. Business development effort is focused on delivering sustainable market growth in these two areas and the business has a strong bid engine capability that is focused on tight bid disciplines to ensure sustainable growth. The impact of these disciplines is seen in continued improvement in business development outcomes, as evidenced by the division's bid: win rate based on number of bids, which was 56% in 2020 (2019: 53%).

PeoplePlus also has a well-established contract mobilisation model that has successfully implemented and delivered high profile government contracts at scale in the last two years. It has continued to strengthen that implementation approach and overall operational management capability in anticipation of increased demand.

Corporate Governance Statement

Our vision and values

Our Group vision is to be a world class recruitment and training Group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation. We do this through our brand values of:

- **Teamwork:** working together across the business to achieve more for our customers
- **Respect:** taking time to understand, trust and support each other to achieve shared success
- **Commitment:** demonstrating a relentless and driven ambition to exceed expectations
- **Reliability:** fulfilling all our customer requirements, getting the job done
- **Creativity:** solving problems and suggesting new ideas and insights
- **Integrity:** doing things the right way, for the right reason, ethically, honestly, every time

Chairman's Introduction

I am pleased to present the Group's Corporate Governance Report for the year ended 31 December 2020.

As an AIM listed company, Staffline is required to apply the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code"). In doing so, we have established internal governance processes that reflect best practice. Ultimate accountability for the governance of Staffline lies with our Board of Directors, the majority of whom are Non-Executive Directors, who can draw on their considerable experience in diverse areas of business. The Board is supported by Audit, Remuneration and Nominations Committees, of which the Chair and the majority of members are Non-Executive Directors. Our corporate values of teamwork, respect, commitment, reliability, creativity and integrity are driven by the Board and are at the heart of all our processes and decisions.

Since my appointment as Executive Chairman on 25 April 2020, the Company has transformed the Board and made significant progress in improving the Group's governance, operational and financial processes. The Group also strengthened its financial position through a refinancing in June 2020. These actions were achieved against the backdrop of the global Covid-19 pandemic, which created both opportunities and challenges across Staffline. During the pandemic, ensuring the health and safety of our workforce has, and continues to be, the Board's priority.

One of our strategic priorities during 2020 was improving Staffline's corporate governance including the strengthening of the Board. On 1 January 2021, I was pleased to welcome Ian Starkey and Catherine Lynch to the Board as Independent Non-Executive Directors. We have already started to benefit from their highly relevant skillsets. Ian has brought a wealth of audit and financial management and Catherine, significant people experience. This followed the appointment of Albert Ellis as Chief Executive Officer on 1 October 2020, having acted as an Independent Non-Executive Director since his appointment on 17 March 2020. Daniel Quint was appointed as Chief Financial Officer on 1 February 2021, having joined the Group as Interim Chief Executive in December 2019. Other changes during the year included the appointment of Richard Thomson as Senior Independent Director on 24 April 2020. Richard joined the Board as an Independent Non-Executive Director on 17 September 2019.

In my letter to shareholders dated 29 June 2020, I confirmed that we were in the process of appointing a Head of Internal Audit. Our new Head of Internal Audit joined us in September 2020 and we have already benefitted from this appointment, with a revised risk management framework being progressed to ensure that we have a robust process that fully encompasses our businesses. Further details are provided on page 33 of this Report.

On 1 January 2021, following the appointment of Albert as Chief Executive Officer and the conclusion of the Board transformation, I became Non-Executive Chair. I firmly believe that we have a strong, independent, highly qualified and diverse Board, actively engaged in the strategic decision-making and oversight of the Group. I look forward to working with my colleagues on the Board to strengthen further our governance processes.

The following pages of this Corporate Governance Report set out how the Group has complied with the "QCA Code" and the activities of each Board Committee and the actions that we have taken to strengthen further our internal processes and controls.

Ian Lawson
Chairman
21 June 2021

Board of Directors

Committees

A N R

Ian Lawson
Non-Executive Chairman

Appointed to the Board as Executive Chairman on 25 April 2020, and acting as Non-Executive Chairman from 1 January 2021.

Ian brings over 20 years' public company board-level experience across both the support services and engineering sectors. He retired from Severfield PLC in January 2018 after serving over four years as Chief Executive, and prior to this he was a main Board Director of Kier Group PLC from 2005 to 2013, with responsibilities for the Services, Property and Residential Divisions. Ian is also the Non-Executive Chairman of Billington Holdings Plc and NJDR Group Ltd and Non-Executive Director of Tolent Plc. Ian is a fellow of the Royal Institute of Chartered Surveyors and a fellow of the Chartered Institute of Building. Ian is Chair of the Nominations Committee.

Albert Ellis
Chief Executive Officer

Appointed to the position of Chief Executive Officer on 1 October 2020, having acted as an Independent Non-Executive Director for the Company from 17 March 2020.

Albert brings considerable experience in the staffing and human capital sector having spent over 21 years at Harvey Nash, the technology recruitment and IT solutions group. Albert held the position of Group Chief Executive Officer for 14 years, and prior to that, Chief Financial Officer. Prior to that, Albert also held a number of senior finance roles within Hays Plc, the FTSE 250 recruitment company. Albert is a qualified Chartered Accountant and is also currently a Trustee of Asia House.

Daniel Quint
Chief Financial Officer

Appointed to the Board on 18 May 2020. Appointed as Chief Financial Officer on 1 February 2021, having acted as Interim Chief Financial Officer since 18 December 2019.

Daniel is an experienced CFO and a Fellow of the Institute of Chartered Accountants in England and Wales. With over 10 years' board level experience with private and public companies, Daniel also spent five years at Robert Walters plc, one of the world's leading professional recruitment consultancies, where he held the role of Finance Director (UK, Middle East and Africa). Most recently, Daniel was Interim CFO at AIM-listed Young & Co.'s Brewery, P.L.C. Prior to this, Daniel spent three years as CFO of SPIE UK, the leading energy, safety and environmental solutions provider.

Committees

A N R

Catherine Lynch

Independent Non-Executive Director

Appointed to the Board on 1 January 2021.

Catherine is a highly experienced HR director, with over 20 years' experience, and is currently Chief People Officer UK & Ireland at Flutter Entertainment plc, the FTSE 100-listed global sports betting, gaming and entertainment company. Prior to this, Catherine spent over three years as Chief People Officer at Virgin Media, with additional experience including leading the HR functions of Ardonagh Group and BGL Group. Catherine's career has also included leadership roles at Barclaycard, Santander, Sainsbury's and Tesco. Catherine is a Fellow of the Chartered Institute of Personnel & Development (CIPD), and is currently a member of the Advisory Board of Dial Global, a community focused on inclusion. Catherine is Chair of the Remuneration Committee.

Committees

A N R

Ian Starkey

Independent Non-Executive Director

Appointed to the Board on 1 January 2021.

Ian has significant financial expertise, specifically in financial management, control and reporting. Ian had a 35 year career at KPMG, including 23 years as a lead audit engagement partner in the UK and Switzerland, and as a member of the UK Board. At KPMG, Ian worked with blue-chip corporate clients including BAE Systems, Diageo, Roche, Unilever and Vodafone. Ian is currently a non-executive member of the board at DAC Beachcroft LLP and a member of the Audit Committee of Historic Royal Palaces. Ian is a qualified Chartered Accountant. Ian is Chair of the Audit Committee.

Committees

A N R

Richard Thomson

Senior Independent Director

Appointed to the Board on 17 September 2019.

Richard has over 20 years' experience as an independent Director and board-level advisor. He began his career at Rothschild where he spent seven years, followed by five years at Alcentra, a global asset management firm. More recently he has split his time between various turnaround director/adviser roles, and a legal-tech start-up which he co-founded. Richard holds two masters degrees from St Catherine's College Oxford, the Securities Institute diploma, the Financial Times Non-executive Director diploma, and is a member of The Institute for Turnaround.

Committee Membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- O Denotes Chairman

Corporate Governance

Staffline Group plc (the "Company") is an AIM listed company and is committed to maintaining the highest standards of corporate governance throughout its operations and ensuring that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value.

In compliance with the AIM Rules for Companies, the Company has chosen to comply with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code"). Staffline Group plc, being a UK registered and listed company, is subject to the City Code on Takeovers and Mergers.

Details of the QCA Code and how the Company complies with it is detailed below:

1. Establish a strategy and business model which promote long-term value for shareholders

Our Vision

To be a world class recruitment and training Group, the clear market leader and trusted partner known for excellent service and integrity, driven forward by digital innovation.

The Group's strategy is to drive the long-term growth of the business. The Group's business model is set out on page 8 and the strategic priorities for the Group are set out on page 9.

The Group is split into three divisions: Recruitment GB; Recruitment Ireland; and PeoplePlus.

The Recruitment GB division is a provider of flexible blue-collar workers across a wide range of industries. The Recruitment Ireland division is a generalist recruitment solutions provider, operating in a branch network covering all major cities across the island of Ireland. The PeoplePlus division is a training provider, delivering adult education, prison education and skills-based employability programmes across the UK.

During 2020, PeoplePlus sold its Apprenticeships business for a nominal sum (the "Transaction"). The Transaction formed part of PeoplePlus' strategic re-focus on its core employability and adult skills capabilities as it seeks to leverage the Division's leading position within these markets to capitalise on the significant increases in funding for central and devolved government contracts that were announced in the latter part of 2020.

The principal risks faced by the Group in achieving this strategy are detailed on pages 33 to 36.

2. Seek to understand and meet shareholder needs and expectations

The Board is responsible for representing and promoting the interests of the Group's shareholders and is accountable to them for the long-term success of the Group.

All shareholders are encouraged to attend the Annual General Meeting, although restrictions due to Covid-19 meant that, due to UK Government guidelines, attendance was not permitted at the 2020 AGM. Shareholders will not be able to attend the 2021 AGM meeting in person due to continuing Covid-19 related restrictions. Consequently arrangements will be made to enable shareholders to submit questions to the Board in advance of the meeting. Shareholders will be invited to vote by proxy, the results of will be published on the website at www.stafflinegroupplc.co.uk/investor-relations/shareholder-information/ following the meeting.

In addition to the formal institutional meetings held at the interim and year end, the Executive Directors meet existing and prospective investors throughout the year as part of the ongoing investor relations engagement strategy. The Company also held a Capital Markets Day in November 2020, following the appointment of Albert Ellis as Chief Executive Officer in October 2020, at which both existing and potential Shareholders were present. A copy of the Capital Markets Day presentation is available on the Company's website at www.stafflinegroupplc.co.uk/investor-relations/

The Chair also meets key shareholders during the year to discuss corporate governance issues and to listen to any concerns that are raised. The Company's Senior Independent Director is also available to meet with Shareholders and provides an independent point of contact on Board matters. During the year, the Chairman consulted with certain of the Company's major shareholders who were opposed to certain resolutions proposed at the Company's 2020 Annual General Meeting regarding the authority to issue Ordinary Shares of the Company. Following this consultation process, the Board withdrew three Resolutions. Further information on this matter is provided on page 46 of this Annual Report. In his capacity as Remuneration Committee Chair, Richard Thomson consulted with a number of the Company's major shareholders on certain remuneration issues, including on the design of a new long-term incentive plan for Executive Directors and senior executives. The Committee is still progressing this matter. In addition, the Board consulted certain major shareholders regarding a proposed increase in the fees paid to the Independent Non-Executive Directors prior to Directors, who had no interest in this matter, considering and approving this increase.

A dedicated email address, investors@staffline.co.uk, exists to enable all current and prospective shareholders to contact the Group directly. The Board recognises that, whilst the majority of the shareholders are large institutions, the Company's private shareholders are important and the Board welcomes dialogue with them.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises its social, economic and environmental responsibilities to wider stakeholders and is committed to act in a way which it considers to be most likely to promote the success of the Group for the benefit of its members as a whole, having particular regard to:

1. The likely consequences of any decision on the long term;
2. The interests of the Group's employees and flexible workers;
3. Fostering business relationships with customers, suppliers, regulators and investors;
4. Reducing the risk of modern slavery in our supply chains;
5. The impact of operations on the community and the environment;
6. Maintaining a reputation for high standards of business conduct; and
7. The need to act fairly between members of the Company.

This underpins the Board's ability to set the overall strategic direction of the Group and support its core values, policies and procedures, which in turn, creates an environment in which the business and its employees can act with integrity and effectiveness, whilst driving profitable growth. We aim to demonstrate this through our decisions and within our corporate policies. Information on how the Board considered its stakeholders when making principal decisions is provided in the Section 172 Statement on pages 28 to 29.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' interests, the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Whilst a Group-level risk register was maintained in the past, this was not integrated with Divisional-level risk management processes. Following the appointment of a Group Head of Internal Audit in September 2020, a comprehensive review of risk management processes and risk registers at both Divisional and Group level was undertaken as a priority.

A Group Risk Management Policy and robust, standardised approach to risk management was defined and, following approval by the Audit Committee is being implemented across the businesses, with regular updates provided to the Audit Committee and the Board. The approach is based on assessing threats to the Group's financial performance, liquidity, reporting, regulatory compliance and reputation, all of which are considered by the Board to be key to the ongoing success of the business.

The Head of Internal Audit also led a review of key compliance policies in the Group, assisted by external legal counsel. Following completion of this review Group-level policies have been defined to establish a standard approach across the business in relation to matter such as fraud, bribery, competition, whistle-blowing and conflicts of interest. Employees will receive training relevant to their specific roles as part of the Group's ongoing compliance programme.

The PeoplePlus Governance Director has been seconded to Staffline Recruitment since January 2021 and tasked with implementing a more formalised governance infrastructure drawing, where appropriate, on existing arrangements in PeoplePlus.

The Group has an independent compliance audit team responsible for checking legality to work and compliance with industry body standards (e.g. GLAA and REC). The Payroll team receive ongoing training to ensure compliance with relevant legislation and procedures.

From a financial control point of view, clear authority levels for a range of transactions are in place and there is regular review of financial information at all management levels and up to the Board. To strengthen these arrangements the Board approved a Group Delegation of Authority Policy and matrix in late 2020 for implementation from 1 January 2021. In line with best governance practice, the Board also approved a formalised Schedule of Matters Reserved for the Board.

The framework provided by these documents provides clarity around the extent to which the Board, as the body that has ultimate responsibility for managing the Group's business and safeguarding the interest of its stakeholders, has chosen to delegate its authority in specific areas. Our Principal Risks and Uncertainties report can be found on pages 33 to 36 of the Annual Report.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. It has a formal schedule of matters reserved for its decision. The Board delegates certain functions to its three principal committees: the Audit Committee; the Remuneration Committee; and the Nominations Committee.

Audit Committee

Responsible for the integrity of the Company's financial statements and performance, ensuring the necessary internal controls and risk management systems are in place and effective. The Audit Committee meets at least four times a year.

Remuneration Committee

Responsible for the review, recommendation and implementation of the Group's remuneration strategy, its framework and costs. The Remuneration Committee meets twice a year and on an ad hoc basis.

Corporate Governance continued

Nominations Committee
Responsible for ensuring that the Company has the executive and non-executive Board leadership it requires. The Nominations Committee meets as and when required.

Details of the members of the Board are set out on pages 38 to 39.

There is an appropriate combination of Executive and Non-Executive Directors, with two Executive and three Independent Non-Executive Directors, excluding the Chairman. Ian Lawson, Non-Executive Chair leads the Board and is responsible for promoting the strategic success of the Company and creating value for Shareholders in the long-term, whilst ensuring that sound, effective corporate governance practices are embedded in the Group and in its decision-making processes. Albert Ellis, Chief Executive Officer is responsible for developing and delivering the Group's strategy within the policies and values established by the Board.

Daniel Quint, Chief Financial Officer is responsible for managing the financial risks, reporting and planning of the Group.

Richard Thomson, Ian Starkey and Catherine Lynch, the Independent Non-Executive Directors, bring independent and objective analysis to all matters before the Board and its Committees using their substantial and wide-ranging experience. They monitor the executives' delivery of strategy within the risk and governance structure agreed by the Board. Richard Thomson is the Senior Independent Director. In this role he supports the Chairman and provides an independent point of contact to shareholders on Board matters. Non-Executive Directors are expected to commit two days per month to the Company. This includes attendance at Board and Committee meetings, strategy sessions, the Annual General meeting and meetings with shareholders and employees.

The Board meets at least six times each year. During 2020, the Board held 20 formal Board meetings. The additional number of meetings principally related to the Group's refinancing requirements, its liquidity position and the Covid-19 pandemic, with a focus on the health and safety of the Group's employees and customers. In addition, the Board focused on strengthening the Company's corporate governance processes, including its financial controls. Given the Covid-19 pandemic, the majority of meetings were remote. In addition to the standard agenda items, the Board considered the following matters during the year:

- A revised financing structure with the Group's lenders, announced on 29 June 2020, which included a revised covenant package more appropriate for the Group's trading levels. The refinancing provided the Group with the platform to focus on its turnaround plan, including margin improvement measures, cost reduction initiatives and working capital improvements;
- The impact of the Covid-19 pandemic on the Group's operations and mitigating actions to protect the business, with a particular focus on ensuring the health and safety of the Group's employees and customers;
- The disposal of the Apprenticeships business of the Group's PeoplePlus division, which formed part of PeoplePlus' strategic re-focus on its core employability and adult skills capabilities; and
- The restructuring of the Board which included the appointments of Ian Lawson as Chair in April 2020, Daniel Quint, Interim Chief Financial Officer to the Board, in May 2020 and Albert Ellis as Chief Executive Officer in October 2020, having acted as an Independent Non-Executive Director from March 2020. This extensive period of Board restructuring concluded with the appointment of Ian Starkey and Catherine Lynch as Independent Non-Executive Directors on 1 January 2021 and Daniel Quint as Chief Financial Officer on 1 February 2021. In addition, Richard Thomson was appointed as Senior Independent Director on 24 April 2020.

The Board meeting attendance for the 20 Board meetings held in 2020 is below:

Director	Number of meetings attended	Maximum number of meetings possible
Tracy Lewis[1]	8	8
Ian Lawson[2] (Chair from 25 April 2020)	12	12
Ed Barker[3]	1	1
Albert Ellis[4]	15	15
Chris Pullen[5]	9	9
Daniel Quint[6]	9	9
Richard Thomson	20	20
Dawn Ward[7]	8	8

1 Tracy Lewis resigned as Chairman on 24 April 2020.
2 Ian Lawson was appointed as Executive Chairman on 25 April 2020 and moved to Non-Executive Chair on 31 December 2020.
3 Ed Barker resigned on 31 January 2020.
4 Albert Ellis was appointed as an Independent Non-Executive Director on 17 March 2020 and as Chief Executive Officer on 1 October 2020.
5 Chris Pullen resigned on 26 April 2020.
6 Daniel Quint was appointed as a Director on 18 May 2020, having joined the Group as Interim Chief Financial Officer on 18 December 2019. In addition, following his appointment as Interim Chief Financial Officer, and prior to his appointment as a Director, Mr Quint attended Board meetings by invitation of the Chairman. This attendance by invitation is not included in the above table.
7 Dawn Ward resigned from the Board on 23 April 2020.

Directors are given timely and relevant management information before each Board meeting. Directors are able to obtain independent professional advice in the course of their duties, at the Group's expense. All Directors submit themselves for re-election annually.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises the Non-Executive Chairman, three independent Non-Executive Directors and two Executive Directors, with a range of different experience and backgrounds.

During 2020 the Board made significant progress with its strategic priority of improving the Group's corporate governance structure. This included an extensive period of Board restructuring which concluded with the appointment of Ian Starkey and Catherine Lynch as Independent Non-Executive Directors on 1 January 2021.

Ian, a qualified chartered accountant, has significant financial expertise, specifically in financial management, control and reporting. Ian had a 35 year career at KPMG, including 23 years as a lead audit engagement partner in the UK and Switzerland, and as a member of the UK Board. Ian chairs the Group's Audit Committee.

Catherine is a highly experienced HR director, with over 20 years' experience, and is currently Chief People Officer UK & Ireland at Flutter Entertainment plc, the FTSE 100-listed global sports betting, gaming and entertainment company. She is also a member of the Advisory Board of Dial Global, a community focused on inclusion. Catherine chairs the Group's Remuneration Committee.

Other Board appointments during the year were:

- Ian Lawson as Executive Chairman in April 2020. Ian has over 16 years' public company board-level experience. Ian moved to Non-Executive Chairman of the Board on 31 December 2020, following a period of operational handover and transition to Albert Ellis, who was appointed as Chief Executive Officer in October 2020;
- Daniel Quint as a Director in May 2020, continuing as Interim Chief Financial Officer, after joining the Group on 18 December 2019. Daniel was appointed as Chief Financial Officer on 1 February 2021. Daniel has over 11 years' experience at board level at both private and public companies. He is a Fellow of the Institute of Chartered Accountants in England and Wales;
- Albert Ellis as Chief Executive Officer in October 2020, prior to which, and from 17 March 2020, Albert had acted as an Independent Non-Executive Director of the Company. Albert has extensive executive level experience in the recruitment and human capital sectors; and
- Richard Thomson, Independent Non-Executive Director, as Senior Independent Director on 24 April 2020. Richard has a wealth of commercial and financial experience.

The Nominations Committee is responsible for the appointment of Directors but ensures that the whole Board is involved in the process.

Following the above appointments, the Board believes that the Company has a strong, independent, highly qualified and diverse Board with the right people in place to lead the business. Biographical details of the Directors are set out on pages 38 and 39.

Directors are encouraged to keep their skills up to date by attending appropriate courses. A number of Directors are either currently, or have previously been, members of other Boards where new skills can be learned.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

2020 was a year of transformation for the Board, which culminated with the appointment of Catherine Lynch and Ian Starkey as independent Non-Executive Directors on 1 January 2021. Consequently, given the changes to the Board during the year, with five Directors departing and three Directors appointed to the Board, the Board did not consider it appropriate to evaluate its performance during 2020. The Board intends to conduct a Board evaluation in the latter part of this year, once the newly constituted Board is fully established.

During 2021, the Board proposes to conduct the Board evaluation internally, with the use of a questionnaire, which will focus on the remit and key issues facing the Board. In particular, the Board will consider how it discharges its strategic remit and reviews key issues facing the Group. If required, Directors will discuss any matters with the Chairman or Senior Independent Director as appropriate. The Chairman will discuss the outcome of the evaluation, including any recommendations and actions, with the Board. Details of this evaluation, including details of the outcome and actions will be included in the 2021 Annual Report.

Thereafter the Board evaluation will be on an annual basis. The Board intends to carry out an external evaluation in the latter part of 2022.

8. Promote a corporate culture that is based on ethical values and behaviours

Our corporate values are:

- Teamwork: working together across the business to achieve more for our customers;
- Respect: taking time to understand, trust and support each other to achieve shared success;
- Commitment: demonstrating a relentless and driven ambition to exceed expectations;
- Reliability: fulfilling all our customer requirements, getting the job done;
- Creativity: solving problems and suggesting new ideas and insights; and
- Integrity: doing things the right way, for the right reason, ethically, honestly, every time.

These values are driven by the Board and are at the heart of all our processes and decisions.

We take compliance with legislation and industry standards extremely seriously. A review of certain of the Group's compliance policies including bribery, fraud and whistle-blowing led by the Group's Head of Internal Audit is being undertaken together with the Group's external legal counsel. In addition the Group's Compliance Manager presented to the Board in February 2021. Further details are provided on page 45.

We are committed to reducing the threat of modern slavery and human trafficking and work with likeminded organisations to try to achieve this. This is described in the Corporate and Social Responsibility section, along with our commitment to health and safety and our approach to General Data Protection Regulations.

Corporate Governance continued

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

During the year, and in accordance with best governance practice, the Board approved a Schedule of Matters Reserved for the Board. These matters include:

- Setting the Group's strategy, including the values and standards;
- Approving any changes to the Company's structure and capital;
- Approval of (i) Annual Report and Accounts (ii) half-yearly reports (iii) dividend policy and (iv) approval of any significant changes in accounting policies or practices;
- Ensuring maintenance of a sound system of internal controls and risk management;
- Approval and oversight of major capital projects;
- Approval of contracts of the Group or proposed by any subsidiary not in the ordinary course of business;
- Major investments;
- Communications with shareholders;
- Board and Committee membership;
- Remuneration of Directors, Company Secretary and other senior executives;
- Prescribing a matrix of authority limits for delegation to the various tiers of management and oversight bodies; and
- Approval of key policies including, Code of Conduct, Share Dealing Code, Bribery Prevention Policy and Whistleblowing Policy.

The Chair is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders.

As noted under Principle 5, the Board delegates certain functions to its three committees: the Audit Committee; the Remuneration Committee; and the Nominations Committee.

Audit Committee

The Audit Committee has responsibility for:

1. Oversight of the effectiveness, integrity and quality of the Company's financial reporting;
2. Reviewing the effectiveness of whistleblowing arrangements
3. Oversight of the design, implementation and effectiveness of internal financial controls - identifying and commissioning specific internal control reviews;
4. Overseeing the independence and effectiveness of the internal audit function;
5. Appointment of external auditors, their independence and performance;
6. The external audit process – meeting the external auditors and reviewing any reports from them regarding financial reporting and internal control systems;
7. Oversight of the Group's Risk Register (see pages 33 to 36), risk appetite and tolerance; and
8. Oversight of developments in relevant financial reporting legislation and regulation.

In accordance with its terms of reference, the Audit Committee meets at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee met eight times during 2020. 2020 meeting attendance is provided below, along with the key agenda items:

Director	Number of meetings attended	Maximum number of meetings possible
Ed Barker[1]	1	1
Albert Ellis[2]	5	5
Ian Lawson[3]	4	4
Tracy Lewis[4]	2	2
Richard Thomson[5]	8	8
Dawn Ward[6]	3	3

1 Ed Barker resigned as a Director and as Chair of the Committee on 31 January 2020.
2 Albert Ellis was appointed as Chairman of the Committee on 17 March 2020. He resigned as Committee Choir and as a member of the Committee on 1 October 2020 upon his appointment as Chief Executive Officer.
3 Ian Lawson was appointed as Executive Chairman and as a member of the Committee on 27 April 2020.
4 Tracy Lewis resigned as a Director and member of the Committee on 24 April 2020.
5 Richard Thomson was a member of the Committee during 2020, acting as Committee Chair from 1 February 2020 to 17 March 2020 and from 1 October 2020 to 31 December 2020.
6 Dawn Ward resigned as a Director and as a member of the Committee on 23 April 2020.

Key items considered by the Committee

- Annual external audit plan;
- Year-end external audit findings;
- Fees of the external auditors;
- Results announcement and Annual Report, including form of the external audit opinion;
- Interim results announcement;
- Letters of Representation provided to the external auditors;
- Appropriateness of applying the going concern basis of preparation in the Financial Statements;
- Key accounting judgements and estimates;
- Establishment of a Group internal audit function and appointment of Head of Internal Audit;
- Reviewing and approving the internal audit strategy and work plan for 2021;
- The Group's risk management arrangements, including consideration of a new Risk Management Framework and review of the Risk Register;
- Ongoing project to improve internal controls;
- Review of compliance policies;
- Review of delegation of authority matrix and Matters Reserved for the Board; and
- Prior year adjustments (considered in 2020 as part of the 2019 year-end audit).

Since the year end the Audit Quality Review ("AQR") group of the Financial Reporting Council has completed a review of Grant Thornton's audit of our financial statements for the year ended 31 December 2019. The Audit Committee considered the report from the AQR and discussed the findings with Grant Thornton. There were no key findings arising from the review.

Strengthening of governance arrangements and internal controls

During 2020, the following actions were taken by the Committee as part of the Group's commitment to strengthen its governance arrangements:

1. Internal Audit Function: the Committee approved the establishment of an internal audit function, including the appointment of a Group Head of Internal Audit and approval of an Internal Audit Charter. In accordance with the Charter the internal audit function:
   - Evaluates and reports to the Committee on the adequacy and effectiveness of internal controls and governance arrangements across the Group;
   - Promotes awareness of business risk, supporting management in developing and maintaining appropriate risk management processes;
   - Monitors and reviews the development and implementation of appropriate compliance policies across the Group;
   - Identifies and supports the implementation of business process and control improvements; and
   - Provides expertise in relation to business controls, risk management and governance.
2. Risk Management Framework: the Committee received a report from the Group Head of Internal Audit following his review of the risk management arrangements across the Group. Following consideration by the Committee a number of recommendations were adopted to establish a well-defined and embedded risk management framework within the Group. Management of risk and the continued development of the risk management framework will be a key focus for the Committee during 2021. Further details of the Group's risk management framework and its consideration of risks are provided on pages 33 to 36.
3. Delegation of Authority Matrix and Matters Reserved for the Board: The Committee reviewed and approved a formal Delegation of Authority Policy and Schedule of Matters Reserved for the Board.
4. Compliance Policies: The Committee commenced a review of the Group's compliance policies including: (i) specific approval procedures for all related party transactions (ii) Whistleblowing Policy (iii) Anti-Bribery Policy; (iv) Risk Management Policy (v) Money Laundering Policy and (vi) Delegation of Authority Policy. The Committee's review of the Group's compliance policies, which is led by the Head of Internal Audit, with the assistance of external legal counsel, is ongoing. Following completion of this review and amendment to any policies, relevant employees will receive training as part of the Group's ongoing compliance programme.
5. Company Secretary: in order to improve governance and regulatory compliance the Committee recommended to the Board the appointment of a qualified Company Secretary. This resulted in the appointment of Prism Cosec Limited as Company Secretary on 1 August 2020 and subsequently the appointment of Louise Barber FCG on 15 March 2021. Non-Executive Directors have access to the Executive Directors, the Company Secretary and the Company's advisors.

The key audit matters considered by the Committee:

- Revenue recognition
- Going concern
- Valuation of goodwill and intangible assets
- Valuation of investments held by the Company
- Non-underlying administrative expenses
- Quality of earnings

Remuneration Committee

The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives in a manner that is aligned to shareholder interests, while also complying with the requirements of regulation. In addition to reviewing and agreeing Directors' remuneration, the Committee also approves proposed remuneration packages for new appointments and remuneration changes for all employees where their basic gross salary is £120,000 or above.

The members of the Committee are all Non-Executive Directors. Except as shareholders and Directors, none of the members has any personal financial interest in the Group.

The Remuneration Committee meets at least twice a year and on an ad hoc basis to agree remuneration of new appointments or deal with exceptional circumstances. The meeting attendance for the nine meetings held in 2020 is below:

Director	Number of meetings attended	Maximum number of meetings possible
Dawn Ward (Chair)[1]	4	4
Richard Thomson (Chair)[2]	5	5
Ed Barker[3]	1	1
Albert Ellis[4]	5	5
Ian Lawson[5]	5	5
Tracy Lewis[6]	4	4

1 Dawn Ward resigned as a Director and as Chair of the Committee on 24 April 2020.
2 Richard Thomson was appointed as Committee Chair on 24 April 2020. He resigned as Committee Chair on 31 December 2020.
3 Ed Barker resigned as a Director and member of the Committee on 31 January 2020.
4 Albert Ellis was appointed as a member of the Committee on 17 March 2020. He resigned as a member of the Committee on 1 October 2020 upon his appointment as Chief Executive Officer.
5 Ian Lawson was appointed as a Director and as a member of the Committee on 25 April 2020.
6 Tracy Lewis resigned as a Director and as a member of the Committee on 24 April 2020.

Corporate Governance continued

Key items considered by the Committee during 2020

- Consideration of remuneration arrangements to be offered to:
  - Ian Lawson in respect of his appointment as Executive Chair;
  - Albert Ellis in respect of his appointment as Chief Executive Officer;
  - Daniel Quint in respect of his appointment as Chief Financial Officer; and
  - Other senior management appointments within the Group
- Bonus objectives for 2021 annual bonuses for the Chief Executive Officer, Chief Financial Officer, Divisional Managing Directors and Divisional Finance Directors;
- Discussion on Executive remuneration and Non-Executive fees;
- Proposed increase in Non-Executive Directors fees, including additional fee for Committee Chair;
- Compensation to be offered to departing Executive Director;
- Approval to offer remuneration packages to proposed senior appointments;
- Current share option schemes;
- A new Long-Term Incentive Plan for Executive Directors and senior executives; and
- Standardisation of contracts for the Group's senior executive management.

Nominations Committee

The Nominations Committee reviews the structure and composition of the Board and its Committees, particularly the skills, knowledge and experience of Directors. Succession planning and approval of Board appointments form an important part of the Committee's responsibilities.

The Nominations Committee meets as and when required. The meeting attendance for the eight meetings held in 2020 is below, along with the key agenda items:

Director	Number of meetings attended	Maximum number of meetings possible
Dawn Ward (Chair)[1]	4	4
Richard Thomson (Chair)[2]	8	8
Ian Lawson (Chair)[3]	3	3
Ed Barker[4]	1	1
Albert Ellis[5]	4	4
Tracy Lewis[6]	4	4
Chris Pullen[7]	5	5

1 Dawn Ward was appointed Chair of Nominations Committee on 18 October 2019 and resigned on 23 April 2020.
2 Richard Thomson was appointed as Chair on 24 April 2020.
3 Ian Lawson was appointed as a Director and as Committee Chair on 25 April 2020.
4 Ed Barker resigned as a Director and as a member of the Committee on 31 January 2020.
5 Albert Ellis was appointed as a Director and as a Committee Member on 17 March 2020.
6 Tracy Lewis resigned as a Director and as a member of the Committee on 24 April 2020.
7 Chris Pullen resigned on 26 April 2020. He recused himself from the part of certain meetings that discussed his successor.

Key items considered by the Committee

- Approval of the appointment of Albert Ellis as a Non-Executive Director on 17 March 2020 and as Chief Executive Officer on 1 October 2020;
- Approval of the appointment of Ian Lawson as Executive Chairman;
- Approval of the appointment of Daniel Quint, Interim Chief Financial Officer as a Director on 18 May 2020 and appointment as Chief Financial Officer on 1 February 2021; and
- Approval of appointment of Catherine Lynch and Ian Starkey as Independent Non-Executive Directors on 1 January 2021.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is responsible for representing and promoting the interests of the Group's shareholders and is accountable to them for the long-term success of the Group.

The Executive Directors endeavour to hold regular meetings with institutional shareholders. They also update on the performance of the Group to shareholders and wider stakeholders at the interim and annual results presentations.

On 11 August 2020, the Company announced the withdrawal of the following three Resolutions to be proposed at the Company's Annual General Meeting to be held on 12 August 2020 (the "2020 AGM"):

- Resolution 9: General authority to allot shares
- Resolution 10: Disapplication of pre-emption rights (General)
- Resolution 11: Disapplication of pre-emption rights (Acquisition or Capital Investment)

Resolutions 10 and 11 were Special Resolutions, requiring at least 75% of shareholders voting to vote in favour of the resolution. The Board decided to withdraw these resolutions following shareholder consultation. The Board has maintained a dialogue with these shareholders to ensure that it fully understands the concerns that they have raised. The Company proposes to seek authority for similar resolutions at the 2021 Annual General Meeting and understands that, following further consultation, these shareholders will be supportive. The Board welcomes dialogue with all shareholders.

All other Resolutions proposed at the 2020 AGM were passed on a poll, with more than 99% of shareholders voting, voting in favour of the resolution. Votes were cast in respect of approximately 49% of the issued share capital.

The Executive Directors also hold regular meetings and maintain an ongoing dialogue with the Group's lenders.

Details of the governance structure and work of the Board committees are included in the Annual Report.

Report on Remuneration

The Remuneration Committee comprises four Directors, of which three were Independent Non-Executive Directors: Catherine Lynch (Chairman), Richard Thomson and Ian Starkey. In addition, during the year, Ian Lawson was Executive Chair and was not considered to be an independent Director. The Board notes that this did not comply with the QCA Corporate Governance Code which states that all members of a remuneration committee must be independent. However, the Board deemed it appropriate for Ian Lawson to be appointed as a member of the Committee given that Albert Ellis had only joined the Board on 17 March 2020, and without Ian's membership the Committee would have comprised of two members only.

Policy on Executive Directors' remuneration

The Executive Directors' remuneration packages are designed to attract, motivate and retain Directors of the high calibre needed to help the Group successfully compete in its market-place. The Group's policies are to pay Executive Directors a salary at market levels for comparable jobs in the sector whilst recognising the relative size and complexity of the Group.

The remuneration of the Directors, which was all paid by the Group, is detailed on page 49 of these financial statements.

Advisers to the Committee

In the latter part of 2020, the Committee appointed Mercer to act as the Committee's advisers to provide services to the Committee, including in connection with the design and implementation of a new long term incentive plan (the New Long Term Incentive Plan). The Committee has consulted with a number of the Company's major shareholders on this proposed long-term incentive arrangement. The Committee plans to make awards under the New Long Term Incentive Plan to the Executive Directors and certain members of the senior management team during 2021. Vesting of awards will be conditional upon the satisfaction of performance conditions over a three-year vesting period and continuous employment within the Staffline Group. The Company will announce details of the awards made to the Executive Directors, including details of the performance conditions via a Regulatory News Service immediately upon granting of the awards.

Responsibilities

The Committee acts in accordance with its formal Terms of Reference, which are available on the Company's website. The Committee makes recommendations to the Board, within its Terms of Reference, on the remuneration and other benefits, including bonuses and long-term incentive plans, of the Executive Directors and members of senior management. In addition, the Committee considers the remuneration for the Chairman.

The Board sets the annual base fees payable to the Non-Executive Directors and they do not receive any additional benefits, nor are they eligible to participate in any pension, bonus or share based incentive arrangements.

No Director plays a part in any decision about his or her own remuneration. Executive Directors may accept appointments outside the Group subject to prior Board approval.

Basic salary

The Committee reviews the basic salary of Executive Directors annually. In addition, salary may be reviewed if an individual changes position or responsibility. In deciding appropriate levels, the Committee takes into account objective research on comparable companies, general market conditions and business and personal performance.

Mr Chris Pullen resigned as Chief Executive Officer on 19 February 2020, but continued in this role to ensure an orderly succession in order to maintain business continuity. He resigned as a Director on 26 April 2020. He did not receive any salary increase during 2020.

The Company appointed three Executive Directors during the year, including the appointment of Ian Lawson as Executive Chairman on 25 April 2020. Details of their basic salary are provided below:

- Ian Lawson was appointed as Executive Chairman on 25 April 2020. His salary was agreed at £195,000 p.a. based on a three day per week time commitment, ratcheting down to £100,000 p.a. on the basis of a one day per week time commitment, or upon the appointment of a Chief Executive Officer;
- Albert Ellis, Independent Non-Executive Director, was appointed as Chief Executive Officer on 1 October 2020, on a base salary of £350,000 p.a. Details of the fee he received for the period 26 April 2020 to 30 September 2020 in his position as an Independent Non-Executive Director is provided on page [xx]; and
- Daniel Quint, Interim Chief Financial Officer, was appointed as a Director of the Company on 18 May 2020. During the period from 18 May 2020 to 31 January 2021, he continued to receive payment in his capacity as Interim Chief Financial Officer. Following his appointment as Chief Financial Officer on 1 February 2021, Daniel receives a basic salary of £275,000 p.a.

Salary review: The Committee will review the salary of Messrs Ellis and Quint in January 2022. There is no obligation for the Committee to increase their salaries following this review.

Entitlement to reduce salary: The Committee recognises that there may be circumstances where the continual normal operation of the Company's business is reasonably perceived to be at risk due to exceptional and/or unexpected serious national or international events which directly or indirectly impact on the Company (including, but not limited to a catastrophe, a pandemic, war, terrorism or financial crisis). In these circumstances, the Company has reserved the right acting reasonably to reduce the salary of Albert Ellis, Chief Executive Officer or Daniel Quint, Chief Financial Officer by a maximum of 20%, without any corresponding reduction in their normal working hours. This reduction has not been applied to the salary of either Mr Ellis or Mr Quint during the Covid-19 pandemic given that they only commenced employment under their service agreements. which contained this provision, on 1 October 2020 and 1 February 2021 respectively.

Report on Remuneration continued

Annual bonus

Annual bonuses are awarded at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion, the Committee takes into account the underlying profit before taxation performance against budget amongst other things. The Committee believes that incentive compensation should recognise the growth and profitability of the business, which should be aligned to the interests of shareholders.

2020 Annual bonus

No bonus was due or payable to Chris Pullen, Chief Executive Officer who resigned on 19 February 2020 and departed the Company as Chief Executive Officer and as a Director on 26 April 2020.

Albert Ellis did not participate in a 2020 annual bonus plan due to his appointment on 1 October 2020 and in light of the ongoing Covid-19 pandemic.

Daniel Quint was appointed as a Director on 18 May 2020, having been appointed as Interim Chief Financial Officer on 17 December 2019. Mr Quint received a fee through a limited company during his appointment as Interim Chief Financial Officer. Daniel was not entitled to receive any benefits or bonus from the Company until his appointment as a Chief Financial Officer on 1 February 2021.

2021 Annual bonus

Albert Ellis and Daniel Quint will be entitled to a bonus equivalent to a maximum of 100% of their base salary, subject to the achievement of pre-determined performance conditions. The annual bonus is not contractual and is at the sole discretion of the Committee.

Details of the 2021 annual bonus outcome will be provided in the 2021 Annual Report.

Directors' share options

No Directors participate in the Company's Save As You Earn ("SAYE") share scheme.

Joint Share Ownership Plan 2018

In October 2017, the Remuneration Committee approved a Joint Share Ownership Plan ("JSOP") to provide additional incentives to certain senior executives, covering the five-year period ending 31 December 2022.

The JSOP shares are held jointly between the Directors and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the Directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the Directors and the Staffline Group plc Employee Benefit Trust.

From the date of award, the right to sell the JSOP shares was not at the discretion of the executives but instead at the discretion of the Employee Benefit Trust. On disposal of the shares, the amount received by the executives is calculated based on certain business performance conditions, as follows:

1. A range of underlying diluted EPS of between 180.0p and 200.0p required in the financial year 2022 (maximum 50% of the award). No shares vest if the EPS is below 180.0p in that year; and
2. 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the AXX over the period 1 January 2018 to 30 June 2023 (nil award if the minimum EPS requirement above is not achieved). The Company's share price at 1 January 2018 was 1,040p and the AXX stood at 1,050. As at 31 December 2019, the Company's share price had decreased by 92% to 87p, albeit the number of issued shares having increased by 147%, whereas the AXX had fallen by 8% to 958.

The Directors' interests are detailed below:

Director	Award date	Participation price	Interest over number of shares	Lapsed during the year	Date on which exercisable
C Pullen[1]	24 Jan 2018	999p	275,000	275,000	30 June 2023

1 C Pullen resigned on 26 April 2020 and his entitlement to the shares subject to the JSOP lapsed.

Pension arrangements

The Group has a defined contribution pension scheme with Scottish Widows for all permanent employees. Executive Directors are entitled to receive a contribution from the Group equivalent to 10% of their basic salary into this or another scheme of their choice. A cash allowance of 10% of basic salary is paid in lieu of Company pension contribution at the request of the Director.

Daniel Quint was not entitled to receive any pension contribution or cash allowance from the Company during his appointment as Interim Chief Financial Officer.

The Group operates a defined benefit pension scheme. However, no Directors are members.

Other benefits and benefits in kind

Albert Ellis and Daniel Quint are entitled to receive the following benefits from 1 October 2020 and 1 February 2021 respectively:

1. Life assurance cover of four times salary;
2. Private medical insurance for themselves, their spouse and their children;
3. Car allowance of £12,000 p.a.; and
4. Permanent Health Insurance.

Daniel Quint was not entitled to receive any benefits or benefits in kind during 2020. Chris Pullen received private medical insurance, life cover and car allowance until his date of departure on 26 April 2020.

None of the Non-Executive Directors or the Chairman received any benefits or benefits in kind.

Policy on Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is determined by the Board and is based upon independent surveys of fees paid to Non-Executive Directors of similar companies.

The Non-Executive Directors do not receive any benefits apart from their basic salaries or fees.

From 1 January 2020 to 31 May 2020, the Non-Executive Directors received a salary of £30,000 p.a.

During the year, the Board approved the following changes to the remuneration of the Non-Executive Directors, effective from 1 June 2020:

- An increase in the base salary of the Independent Non-Executive Directors from £30,000 to £40,000;
- An additional fee of £5,000 p.a. payable to (i) the Chair of the Audit Committee and (ii) the Chair of the Remuneration Committee; and
- That subject to prior agreement by the Remuneration Committee a day-rate can be charged at a rate of £1,500 per day (plus VAT, if applicable), by any Non-Executive Director, in the event that there is work required in addition to their normal duties. The normal duties of a Non-Executive Director are anticipated to take two days per month.

Service contracts

The Executive Directors have entered into service agreements with the Company. Albert Ellis has a service agreement which is terminable on six months' notice given by Mr Ellis, and 12 months' notice given by the Company, Daniel Quint has a service agreement which is terminable on 12 months' notice given by either party.

Letters of appointment

Ian Lawson, Richard Thomson, Ian Starkey and Catherine Lynch each have contracts terminable on six months' notice given by either party. There are no contractual termination payments other than as a result of the contractual notice period.

Directors' remuneration summary (audited)

The table below sets out the remuneration received by the Directors in respect of the year ended 31 December 2020 and for the year ended 31 December 2019:

	Year	Salary, fees £000	Annual bonus £000	Car allowance £000	Pension[9] £000	Compensation for loss of office £000	Others[10] £000	Total £000
Executive Directors								
A Ellis[1]	**2020**	**88**	–	**3**	**9**	–	–	**100**
D Quint[2]	**2020**	**413**	–	–	–	–	–	**413**
C Pullen[3]	**2020**	**125**	–	**5**	**14**	–	–	**144**
	2019	325	–	12	33	–	1	371
M Watts	2019	220	–	12	22	165	1	420
Chair								
I Lawson[4]	**2020**	**133**	–	–	–	–	–	**133**
T Lewis[5]	**2020**	**25**	–	–	–	–	–	**25**
	2019	47	–	–	–	–	–	47
J Crabtree	2019	58	–	–	–	38	–	96
Non-Executive Directors								
E Barker[6]	**2020**	**3**	–	–	–	–	–	**3**
	2019	30	–	–	–	–	–	30
A Ellis[1]	**2020**	**27**	–	–	–	–	–	**27**
R Thomson[7]	**2020**	**61**	–	–	–	–	–	**61**
	2019	9	–	–	–	–	–	9
D Ward[8]	**2020**	**10**	–	–	–	–	–	**10**
	2019	30	–	–	–	–	–	30
	2020	**885**	–	**8**	**23**	–	–	**916**
	2019	719	–	24	55	203	2	1,003

1 Albert Ellis was appointed as Chief Executive Officer on 1 October 2020, having been an Independent Non-Executive Director of the Company for the period 17 March 2020 to 30 September 2020.
2 Daniel Quint, Interim Chief Financial Officer, was appointed to the Board on 18 May 2020. During the period from his date of appointment as a Director until 31 December 2020, he received a fee through a limited company. He did not receive any pension or any benefits and he was not entitled to a bonus in respect of the year ended 31 December 2020.
3 Chris Pullen resigned as Chief Executive Officer on 19 February 2020 and as a Director on 26 April 2020. Chris Pullen received a termination payment of £135,000.
4 Ian Lawson was appointed as Executive Chairman on 25 April 2020.
5 Tracy Lewis assumed the role of Chair on 17 September 2019 and resigned on 24 April 2020.
6 Ed Barker resigned on 31 January 2020.
7 Fees to Richard Thomson included a payment of £25,000 for advisory services to the Company during the three months up to the Board changes, announced on 27 April 2020.
8 Dawn Ward resigned as an Independent Non-Executive Director on 23 April 2020.
9 Pensions include both Company contributions and cash allowances where the Directors have elected not to have contributions paid into a pension fund.
10 Others represent medical insurance for C Pullen.

Report on Remuneration continued

In addition, the Group received an income statement credit of £Nil (2019: charge of £129,000) in relation to cash and equity-settled share options held by the Directors. The total is split as follows:

	2020 credit £000	2019 credit £000
C Pullen (2018 JSOP)	–	(89)
M Watts (2018 JSOP)	–	(40)
	–	(129)

The above credits and charges were principally driven by movements in the Company's share price as follows:

	2020 £000	2019 £000
Opening share price p	**87**	1,240
Closing share price p	**44**	87
% (decrease) / increase during the year	**(49)%**	(93)%
% (decrease) / increase during the year adjusted for the equity issue in July 2019	–	(83)%

On 15 July 2019, a total of 40,986,097 ordinary 10p shares were issued by the Company, resulting in a total of 68,930,486 ordinary 10p shares now being in issue.

Report of the Directors

The Directors present their Annual Report for the Group and the Company together with the audited financial statements for the year ended 31 December 2020.

Reporting requirements

The following information is provided in other appropriate sections and is included in this Directors' Report by reference and so is deemed to be part of it:

Information	Reported
Strategic Report Corporate Governance • Corporate Governance Report • Statement of Directors' Responsibilities	Pages 1 to 36 Pages 37 to 46 Page 53
Report on Remuneration	Pages 47 to 50
Future Development and events occurring after the balance sheet date	Details can be found in the Strategic Report on pages 10 to 13
Stakeholder Engagement and Key Decisions	*Details can be found in the Strategic Report on pages 28 to 29*
Greenhouse gas emissions – Streamlined Energy and Carbon Reporting	Details can be found in the Strategic Report on page 32
Financial instruments	Details can be found in the notes to the financial statements on pages 107 to 109

Principal activities
A review of the activities of the Group, including financial and non-financial information, can be found in the Strategic Report, along with details of the Group's future developments.

Dividends
As a condition of refinancing the debt facility, dividends are permitted to be paid from 1 July 2022 subject to no default of the new Receivables Financing Facility and no forecast default on a 6 month look forward basis from the date of the dividend payment.

Directors
The names and biographies of the Directors who held office at the date of this Annual Report are set out on pages 38 to 39. Changes to Directors from 1 January 2020 and up until the date of this Report are provided in the table below:

Director	Position	Date of appointment	Date of resignation
Ed Barker	Independent Non-Executive Director		31 January 2020
Albert Ellis	Independent Non-Executive Director	17 March 2020	30 September 2020
	Chief Executive Officer	1 October 2020	
Ian Lawson	Chairman	25 April 2020	
Tracy Lewis	Chair		24 April 2020
Chris Pullen	Chief Executive Officer		26 April 2020
Daniel Quint	Chief Financial Officer	18 May 2020	
Dawn Ward CBE	Independent Non-Executive Director		23 April 2020
Catherine Lynch	Independent Non-Executive Director	1 January 2021	
Ian Starkey	Independent Non-Executive Director	1 January 2021	

Qualifying third party indemnity provisions
A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force at the date of approval of the financial statements for the benefit of each of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

Branches
The Group has operations in the United Kingdom, Republic of Ireland, Portugal and Poland.

Employee involvement
The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's strategic objectives, vision, values and principles, are communicated in an open and regular manner. Employees are kept aware of progress versus these objectives and key developments within the Group by regular briefings. Senior staff participate in various bonus scheme arrangements linked to financial performance. Further details of the Company's engagement with its employees during the year and how it ensured their health and safety during the Covid-19 pandemic are provided on page 6.

Report of the Directors continued

Disabled persons
It is the Group's policy to give full and fair consideration to suitable applications for employment from disabled persons. Once employed, disabled persons receive equal opportunities for training, career development and promotion. Opportunities exist for employees of the Group who become disabled to continue their employment or to be trained for other positions within the Group.

Payments to suppliers
The Group aims to comply with the payment terms agreed with suppliers when goods or services have been provided in accordance with the agreed conditions.

Political donations
The Group has made no political donations in the current or prior years.

Charitable donations
The Group made charitable donations of £16,000 in the year (2019: £17,000).

Research and Development
The Group continues to invest in and develop its digital platforms as discussed in the Strategic Report.

Share Capital
At 31 December 2020 the Company's issued share capital consisted of 68,930,486 Ordinary Shares with a nominal value of 10p each ("Ordinary Shares"), each share having equal voting rights.

On 21 May 2021 the Company announced a proposed Placing, Subscription and Open Offer for new ordinary shares, which 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;
- 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; and
- The proposed Placing, Subscription and Open Offer was approved by the shareholders in a General Meeting on 9 June 2021. The total number of shares in issue following the Placing, Subscription and Open Offer is 165,767,728.

On 9 June 2021 the Shareholders, at a General Meeting, approved the creation and issue of 96,837,242 new ordinary shares pursuant to the Placing, Subscription and Open Offer.

The Company currently has no authority to purchase its own shares or to allot new Ordinary Shares, except in relation to its Save As You Earn share option scheme. Resolutions will be proposed at the 2021 annual general meeting.

Share Options
In addition to the Joint-Share Ownership Plan (details of which are provided on page 88), the Company operates a Save As You Earn share option scheme.

Going concern
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.

Annual General Meeting
The 2021 Annual General Meeting will be held at 9am on Wednesday 28 July 2021 at the offices of Liberum, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY, subject to any UK Government restrictions in place at the time. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Substantial shareholdings
The interests, by parent Company, of our top ten shareholders in the issued ordinary share capital of the Company, which have been notified as at 31 December 2020, were as follows, representing 82.7% of the total issued ordinary share capital:

	Ordinary shares of 10p each	Percentage of Ordinary Shares
HRNetGroup	20,641,959	29.95
Henry Spain Investment Services	13,059,363	18.95
Gresham House	8,013,995	11.63
Hargreaves Lansdown	5,015,939	7.28
Interactive Investors	3,429,387	4.98
A J Bell	3,156,160	4.58
Barclays Smart Investor	1,753,558	2.54
HSDL	1,208,011	1.75
Aberdeen Standard Investments	1,139,424	1.65
HSBC	1,043,750	1.51
	58,461,546	84.82

In accordance with AIM Rule 26, in so far as the Company is aware, the total and percentage of the Company's issued share capital that was not in public hands at 31 December 2020 was 1,372,163 shares and 2.0% respectively. This percentage comprises the holdings of Directors of the Company, as noted below, and the Employee Benefit Trust. Following the Fundraise on 10 June the above shareholdings have changed. The latest allocation can be viewed on the Group's website at: www.stafflinegroupplc.co.uk/investor-relations/shareholder-information.

Directors' shareholdings
The beneficial holdings of the Directors as at 31 December 2020 in the Company's issued share capital at 31 December 2020 was as follows:

Director	Ordinary shares of 10p each in issue	% of total
Ian Lawson	131,577	0.2%
Daniel Quint	25,320	–
Richard Thomson	42,579	–

Post balance sheet events
A number of Board changes occurred after the balance sheet date, as disclosed above.

Auditors
A resolution to appoint Grant Thornton UK LLP as auditor will be proposed at the forthcoming Annual General Meeting.

The Directors' Report was approved by the Board and signed on its behalf by:

Louise Barber

Louise Barber FCG
Company Secretary
21 June 2021

Statement of Directors' Responsibilities
in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Company are responsible for the maintenance and integrity of the of the ultimate Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the 2020 Annual Report ("the Annual Report"), taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group and the undertakings included in the consolidation taken as a whole;
- the Company financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board Louise Barber

Louise Barber FCG
Company Secretary
21 June 2021

Independent auditor's report

to the members of Staffline Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Staffline Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated and company statements of financial position, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation, is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:
Group: £1.66m, which represents 3.2% of the group's loss before taxation and 0.18% of group revenue.
Parent company: £1.08m, which represents 2.1% of the parent company's total assets, capped at 65% of group materiality.

Group key audit matters were identified as:
- Recruitment revenue journals – occurrence and accuracy (New);
- Going concern basis of accounting (Same as previous period);
- Accrued income in PeoplePlus – occurrence and accuracy (New);
- Non underlying administrative expenses – occurrence, accuracy and presentation and disclosure (Same as previous period); and
- Goodwill and other intangible assets – valuation (Same as previous period).

Parent company key audit matter identified:
- Investments – valuation (Same as previous period).

Our group auditor's report for the year ended 31 December 2019 included three key audit matters that have not been reported as key audit matters in our current year's report. These relate to:
- Opening balances at 1 January 2019 – accuracy and completion. Management have not idenfied any prior period adjustments and therefore this key audit matter is no longer relevant;
- Transition to IFRS 16 – valuation, presentation and disclosure. Transition has now been completed and audited in the prior year and therefore this key audit matter is no longer relevant; and
- Provisions – completeness, accuracy, presentation and disclosure. Provisions contain less judgement and estimation uncertainty this year and therefore are not identified as a key audit matter.

Our parent company auditor's report for the year ended 31 December 2019 included one key audit matter which has not been reported as a key audit matter in our current year's report. This relates to:
- Inter-company balances – valuation. Recoverability risk has reduced in the current year due to the decrease in the balance since prior year and therefore this key audit matter is no longer relevant.

Our work performed over components covered 91% of the Group's revenue and 106% of the Group's loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and certain other risks relevant to the audit:

Independent auditor's report continued

to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Recruitment revenue journals – occurrence and accuracy We identified recruitment revenue journals – occurrence and accuracy as one of the most significant assessed risks of material misstatement due to fraud. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.The revenue recorded by the group is one of the key factors that impacts EBITDA and is a Key Performance Indicator for the group. The majority of revenues within the recruitment segment are considered non-complex. Journals outside of the normal business process therefore pose a risk of fraud due to their unusual nature.	In responding to the key audit matter, we performed the following audit procedures: • Assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies, including journal entries outside of the normal course of business; • Using audit data analytics techniques to identify journal entries and other transactions where revenue and receivables transactions had a financial impact on unexpected balances or classes of transactions and then obtaining sufficient and appropriate evidence to support those transactions; and • Substantively testing revenue transactions from the provision of recruitment services by agreeing a sample of sales transactions to timesheets, remittance, and bank receipts, or alternative evidence where appropriate.
Relevant disclosures in the Annual Report and Accounts • Corporate govenance code: Audit Committee, The key audit matters considered by the Committee • Financial statements: Note 3, Accounting policies	**Key observations** Our audit work did not identify any material adjustments in relation to the occurrence and accuracy of recruitment revenue journals.

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern basis of accounting We identified going concern basis of accounting as one of the most significant assessed risks of material misstatement due to error. The going concern basis of accounting was assessed as a Key Audit Matter for the following reasons: • Continued dependence upon debt facilities to service cashflow; • The material uncertainty related to going concern in the prior year and disclosed in the prior year audited accounts; • The trading, liquidity and financing uncertainties present in the prior year remaining in place. In particular the uncertainties arising from Covid-19 pandemic and national lockdowns, the Brexit transition uncertainties, trade related bank covenants, and the non-recourse factoring facility being uncommitted; and • Discussions with management and cashflow forecasts that indicated unless mitigating actions were effected, the group did not have the liquidity to meet its cashflow requirements throughout 2021. In response to the liquidity shortfall, management refinanced their debt agreements post year-end and raised £48.4m of equity from a subscription and open offer in June 2021. Their existing debt facilities were replaced with a £90m receivables financing facility. As a result of the refinance, management have concluded that the group remains a going concern and that a material uncertainty does not exist.	In responding to the key audit matter, we performed the following audit procedures: • Obtaining an understanding of how management prepared their base case and sensitised case forecasts for the period to 31 December 2022; • Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to management's base case forecast; • Obtaining an understanding of key trading, balance sheet and cash flow assumptions and testing key assumptions to underlying historical financial analysis and available information; • Assessing the accuracy of the refinance cashflows and new debt covenant calculations within the forecasts by agreeing the forecasts to the new debt agreements and equity regulatory announcements; • Agreeing net proceeds of the equity raise to bank statements; • Assessing the appropriateness and robustness of management's forecasts by applying our own sensitivities; • Assessing the feasibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystalise; • Performing arithmetical and consistency checks on management's going concern model using internal modelling specialists; and • Assessing the adequacy of related disclosures within the annual report, including post balance sheet event disclosures relating to the 2021 equity raise and debt refinance.
Relevant disclosures in the Annual Report and Accounts • Principal risks and uncertainties: Risk one • Corporate governance code: Audit Committee, The key audit matters considered by the Committee • Financial statements: Note 3, Accounting policies and Note 33, Post balance sheet events	**Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Independent auditor's report continued

to the members of Staffline Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
PeoplePlus accrued income – occurrence and accuracy of revenue accrued in the year We identified PeoplePlus accrued income – occurrence and accuracy of revenue accured in the year as one of the most significant assessed risks of material misstatement due to fraud. In the prior year, management identified a material manual manipulation of internal reports relating to accrued income, which they derecognised in the 2019 financial statements. The unbilled portion of revenue within PeoplePlus was identified as a key audit matter due to the material impact on profit, and due to the increased judgement associated with the accrued revenue in comparison to those amounts billed in the year.	In responding to the key audit matter, we performed the following audit procedures: • Assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; • Obtaining an understanding of performance obligations within key contracts and application of revenue recognition for those contracts; • Obtaining management's reconciliation of accrued income to the trial balance at year-end and testing significant reconciling items; and • Testing a sample of accrued income at year-end to underlying documentation, including where relevant subsequent invoice and receipt.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Committee • Financial statements: Note 3, Accounting policies	**Key observations** Our audit work did not identify any material adjustments in relation to the occurrence and accuracy of PeoplePlus accrued income.

Key Audit Matter – Group	How our scope addressed the matter – Group

Non-underlying administrative expenses – occurrence, accuracy, presentation and disclosure

We identified non-underlying administrative expenses as one of the most significant assessed risks of material misstatement due to fraud.

The group has presented separately certain items in relation to reorganisation, rationalisation and restructuring costs, amortisation and impairment charges, refinancing and other non underlying costs on the face of the consolidated statement of comprehensive income. The Directors believe that the resulting "underlying" consolidated statement of comprehensive income informs a user of the financial statement's understanding of the performance of the business.

In the group's reported results, significant adjustments have been made to statutory operating loss of £44.3m to derive underlying operating profit of £4.8m, and to statutory loss before tax of £51.6m to derive underlying profit before tax of £0.7m. The most significant of these are discussed in detail in Note 5.

These costs are not defined by International Accounting Standards. Consequently, management have written an accounting policy to define non-underlying administrative charges in the group financial statements, which is set out in Note 3. In applying this accounting policy, management exercises significant judgement in respect of what it determines as non-underlying administrative charges. In making this assessment, management has identified significant costs that by their size or nature require separate presentation. As such, there is a risk of management bias in the selection of the items identified.

In responding to the key audit matter, we performed the following audit procedures:

Occurrence and accuracy

- *Inspecting and challenging the nature of the items included within* non-underlying administrative expenses by obtaining a detailed breakdown of these items and obtaining an understanding of the nature of each item;
- Testing a sample of items to invoices or other supporting evidence; and
- Checking that the specific cost incurred is one identified in the policy drafted by management.

Presentation and disclosure

- Challenging management's rationale for the basis for inclusion of certain classes of items within non-underlying administrative charges, particularly around the areas of higher judgement such as identified reorganisation, rationalisation and restructuring costs, to check whether the types of items identified meet the criteria of the accounting policy for such items defined by the group;
- Assessing the prominence given to the 'underlying' financial information and related commentary in the Annual Report compared to the statutory financial information and related commentary could be misleading;
- Assessing whether the statutory and adjusted financial information are reconciled, with sufficient prominence given to that reconciliation; and
- Assessing whether the basis of the adjusted financial information is clearly and accurately described and consistently applied, and assessing the appropriateness of the accounting policy.

Relevant disclosures in the Annual Report and Accounts

- Corporate governance code: Audit Committee, The key audit matters considered by the Committee
- Financial statements: Note 3, Accounting policies and Note 5, Expenses by nature

Key observations

Our audit work did not identify any material adjustments in relation to non-underlying administrative expenses.

Independent auditor's report continued

to the members of Staffline Group plc

Key Audit Matter – Group

Goodwill and other intangible assets – valuation

We identified the valuation of goodwill and other intangible assets - valuation as one of the most significant assessed risks of material misstatement due to error.

Under International Accounting Standard (IAS) 36 'Impairment of Assets', management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an annual assessment to determine whether the group's goodwill and other intangible assets within a cash generating unit ("CGU") are impaired.

The impact of Covid-19 on the financial results of the business in the year is an indicator for impairment. An impairment review was performed at the half year reporting period resulting in an impairment totalling £35.3m across two CGU's.

The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to CGUs and the determination of the CGUs, appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- *Obtaining management's assessment of the alignment of subsidiaries* to either Recruitment GB, Recruitment Ireland or PeoplePlus, being the relevant CGUs used in their impairment calculations and challenging those to our understanding of the business units and operating structure of the group;
- Challenging management's assessment of impairment indicators relating to intangible assets by assessing whether any CGUs showed further indicators of impairment such as a decline in performance or performance below budget;
- Checking the arithmetical accuracy of each CGU impairment calculation, including the associated sensitivity analyses;
- Using our internal valuation specialists to inform our challenge of management and their valuation expert, that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market;
- Assessing whether trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different CGU and that the assumptions are consistent with our knowledge of the business;
- Testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and inspecting the forecast cash flows;
- Assessing whether one-off items in the impairment models which management have identified as impacting the current year are actually one-off and the risk of these items being pervasive in the business in the future; and
- Where we identified significant shortfalls in key performance metrics against budget in prior years, this informed our determination of sensitivities to apply as we formed our independent view about reasonable downside scenarios.

Relevant disclosures in the Annual Report and Accounts

- Corporate governance code: Audit Committee, The key audit matters considered by the Committee
- Financial statements: Note 3, Accounting policies and Note 11, Goodwill

Key observations

An impairment review was performed at the half year reporting period resulting in an impairment toalling £35.3m across two CGU's.

Our audit work did not identify any material adjustments in relation to the valuation of goodwill and other intangible assets.

Key Audit Matter – Parent company	How our scope addressed the matter– Parent company
Investments – valuation Investments – valuation We identified the valuation of investments as one of the most significant assessed risks of material misstatement due to error. The parent company holds material investment balances and under IAS 36 management are required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. As the market value of the group was significantly below the net asset value of the parent company at the reporting date an impairment review was required. The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to investment and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.	In responding to the key audit matter, we performed the following audit procedures: • Checking the arithmetical accuracy of the impairment calculation; • Using our internal valuation experts to inform our challenge of management and their valuation specialist, that the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market; • Checking trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different CGU and that the assumptions are consistent with our knowledge of the business; • Testing the accuracy of management's forecasting through a comparison of budget to actual data, historical variance trends and inspecting the forecast cash flows; and • Comparing the investments held to the net assets of the subsidiary and challenging management on whether there were indicators of impairment.
Relevant disclosures in the Annual Report and Accounts • Corporate governance code: Audit Committee, The key audit matters considered by the Committee. • Financial statements: Note 3, Accounting policies and Note 13, Investments.	**Key observations** Management concluded that additional adjustments were required having considered our audit findings in relation to the valuation of investments. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Independent auditor's report continued

to the members of Staffline Group plc

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1.66m, which represents 3.2% of the group's loss before taxation and 0.18% of group revenue.	£1.08m, which represents 2% of the parent company's total assets, capped at 65% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgments: • The selection of an appropriate benchmark • The selection of an appropriate percentage to apply to that benchmark • The consideration of other qualitative factors We have also used loss before tax as an underlying benchmark. We selected this benchmark as it is also a key performance measure for the company and is therefore of interest to stakeholders. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019, due to the loss for the year being higher than the prior year. The materiality determined was not revised during the audit.	In determining materiality, we made the following significant judgments: • The selection of an appropriate benchmark • The selection of an appropriate percentage to apply to that benchmark • The consideration of other qualitative factors Total assets is is considered to be the most appropriate benchmark as the company's purpose is that of holding of investments in subsidiary entities. The company does not undertake any trading activities. We have capped materiality at 65% of group materiality. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019, due to the group loss for the year being higher than the prior year. The materiality determined was not revised during the audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1.08m which is 65% of financial statement materiality.	£0.75m which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgments: • Our experience with auditing the financial statements of the group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified. • The number of components within the group and the extent of audit procedures planned and performed at these components. The performance materiality determined was not revised during the audit.	In determining performance materiality, we made the following significant judgments: • Our experience with auditing the financial statements of the group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified. The performance materiality determined was not revised during the audit.

Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: • Related party transactions • Directors remuneration and transactions with Directors	We determined a lower level of specific materiality for the following areas: • Related party transactions • Directors remuneration and transactions with Directors
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£83,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£54,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent company

Independent auditor's report continued

to the members of Staffline Group plc

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Management currently identifies three reporting segments: Recruitment GB, being the provision of workforce recruitment and management to industry, Recruitment Ireland, being the provision of generalist recruitment services and PeoplePlus, being the provision of skills training and probationary services. These reporting segments are monitored by the Chief Operating Decision Maker, the group's Board, and strategic decisions are made on the basis of reporting segment operating results. All companies report their financial results and position using the group accounting policies. We viewed these companies as separate components for the purposes of determining the scope of our audit.

In setting our audit scope we determined any individual component which contributed more than 10% to consolidated revenues or consolidated underlying profit before taxation to be financially significant to the group.

The audit of the financial information of each of the following components was completed using component materiality:

- Staffline Group plc
- Staffline Recruitment Limited
- Staffline Recruitment (NI) Limited
- PeoplePlus Group Limited

For all other components across the group, analytical procedures of the component using group materiality was completed.

The audit of the Recruitment GB component were carried out by a Grant Thornton London based audit team. We engaged a Grant Thornton UK team to audit the key component within the PeoplePlus reporting segment and we engaged Grant Thornton Ireland to audit the key component in the Recruitment Ireland reporting segment. The group team performed reviews of the component auditors' work. All work was carried out remotely.We determined the level of involvement we needed to have in their audit work at those reporting units to be able to conclude whether sufficient, appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Detailed audit instructions were issued to the component auditors where a full scope audit approach had been identified. The audit instructions detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported back to the group audit team. We were involved in the planning of the audit work for all full scope audit components and communicated with all component auditors throughout the planning, fieldwork and concluding stages of their audit work.

Our audit work on the above components covers 91% of each of consolidated revenue, underlying consolidated loss before tax and reported consolidated loss before tax.

Audit approach	No. of components	% coverage Revenue	% coverage Loss before tax
Full-scope audit	4	91	106
Analytical procedures	13	9	-6

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how Staffline Group plc is complying with those legal and regulatory frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (IFRS, the Companies Act 2006 and the QCA Corporate Governance Code).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet; and
  - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of goodwill and intangible assets and investments.
- Our audit procedures involved:
  - evaluation of the design effectiveness andassessing the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to the consolidation that increased revenue or that reclassified costs from the income statement to the balance sheet;
  - challenging assumptions and judgements made by management in its significant accounting estimates;
  - testing the completeness of the group's related party transactions through information obtained at the parent and component entities and testing that these transactions had a valid business purpose; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Independent auditor's report continued

to the members of Staffline Group plc

- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabailities to identify or recognise non-compliance with laws and regulations through the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.
- Matters in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of accrued income have been communicated with the audit team. This is also reported as a key audit matter in the key audit matter section of our report where the matter and specific precdures were performed in response to this matter is described in more detail.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Marc Summers, BSc (Hons), FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON

21 June 2021

Financial Statements

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Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 Underlying £m	2020 Non-underlying* £m	2020 Total £m	2019 Underlying Restated £m	2019 Non-underlying* Restated £m	2019 Total Restated £m
Continuing operations							
Revenue	4	**927.6**	–	**927.6**	1,063.0	–	1,063.0
Cost of sales	5	**(853.0)**	–	**(853.0)**	(975.5)	–	(975.5)
Gross profit		**74.6**	–	**74.6**	87.5	–	87.5
Administrative expenses	5	**(69.8)**	**(49.1)**	**(118.9)**	(84.6)	(39.1)	(123.7)
Operating (loss)/profit		**4.8**	**(49.1)**	**(44.3)**	2.9	(39.1)	(36.2)
Finance costs	6	**(4.1)**	**(3.2)**	**(7.3)**	(5.0)	(3.2)	(8.2)
(Loss)/profit for the year before taxation		**0.7**	**(52.3)**	**(51.6)**	(2.1)	(42.3)	(44.4)
Tax credit	8	**2.7**	**0.4**	**3.1**	1.0	2.4	3.4
(Loss)/profit from continuing activities		**3.4**	**(51.9)**	**(48.5)**	(1.1)	(39.9)	(41.0)
Loss from discontinued operations	10			**(4.2)**			(3.0)
Loss for the year				**(52.7)**			(44.0)
Items that will not be reclassified to profit and loss – actuarial losses, net of tax				**(0.8)**			(0.7)
Items that may be reclassified to profit and loss –cumulative translation loss				**(0.1)**			–
Total comprehensive loss for the year				**(53.6)**			(44.7)
Loss per ordinary share	9						
Continuing operations:							
Basic and diluted				**(71.2)p**			(89.6)p
Discontinued operations:							
Basic and diluted				**(6.2)p**			(6.7)p

* An analysis of the non-underlying items is provided in note 5.

Comparative results have been restated for the effect of the activities that were discontinued in 2020, see note 10 for details.

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £m	Own shares JSOP £m	Share premium £m	Share-based payment reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2019	2.8	(4.8)	41.2	0.3	43.0	82.5
Issue of share capital	4.1	–	36.9	–	–	41.0
Costs of issue of share capital	–	–	(3.0)	–	–	(3.0)
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.2	(0.2)	–
Transactions with owners	4.1	–	33.9	0.2	(0.2)	38.0
Loss for the year	–	–	–	–	(44.0)	(44.0)
Actuarial loss on pension scheme, net of taxation	–	–	–	–	(0.7)	(0.7)
Total comprehensive loss for the year, net of tax	–	–	–	–	(44.7)	(44.7)
At 31 December 2019	**6.9**	**(4.8)**	**75.1**	**0.5**	**(1.9)**	**75.8**
Save As You Earn ("SAYE") share scheme – equity-settled	–	–	–	0.1	(0.1)	–
Transactions with owners	**–**	**–**	**–**	**0.1**	**(0.1)**	**–**
Loss for the year	–	–	–	–	(52.7)	(52.7)
Actuarial loss on pension scheme, net of taxation	–	–	–	–	(0.8)	(0.8)
Cumulative translation adjustments	–	–	–	–	(0.1)	(0.1)
Total comprehensive loss for the year, net of tax	–	–	–	–	(53.6)	(53.6)
At 31 December 2020	**6.9**	**(4.8)**	**75.1**	**0.6**	**(55.6)**	**22.2**

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

Company Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £m	Own shares JSOP £m	Share premium £m	Profit and loss account £m	Total equity £m
At 1 January 2019	2.8	(4.8)	41.2	37.5	76.7
Issue of share capital	4.1	–	36.9	–	41.0
Costs of issue of share capital	–	–	(3.0)	–	(3.0)
Transactions with owners	4.1	–	33.9	–	38.0
Loss for the year	–	–	–	(76.7)	(76.7)
Total comprehensive income for the year, net of tax	–	–	–	(76.7)	(76.7)
At 31 December 2019	**6.9**	**(4.8)**	**75.1**	**(39.2)**	**38.0**
Profit for the year	–	–	–	13.5	13.5
Total comprehensive income for the year, net of tax	–	–	–	13.5	13.5
At 31 December 2020	**6.9**	**(4.8)**	**75.1**	**(25.7)**	**51.5**

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

Consolidated and Company Statements of Financial Position

As at 31 December 2020

	Note	Consolidated 2020 £m	Consolidated 2019 Restated £m	Company 2020 £m	Company 2019 £m
Assets					
Non-current					
Goodwill	11	**59.6**	94.9	–	–
Other intangible assets	12	**24.3**	34.0	–	–
Investments	13	–	–	**67.8**	75.0
Property, plant and equipment	14	**9.6**	14.6	–	–
Deferred tax asset	23	**4.4**	1.4	–	–
		97.9	144.9	**67.8**	75.0
Current					
Trade and other receivables	17	**104.8**	132.4	**7.7**	51.3
Current tax asset		**1.7**	5.3	**0.2**	–
Cash and cash equivalents	18	**24.5**	25.0	–	–
Restricted cash	18	**0.9**	12.7	–	–
		131.9	175.4	**7.9**	51.3
Total assets		**229.8**	320.3	**75.7**	126.3
Liabilities					
Current					
Trade and other payables	19	**153.3**	126.4	**3.8**	8.8
Borrowings	20	**13.0**	6.4	–	–
Other liabilities	21	–	0.7	–	–
Provisions	22	**3.8**	16.0	–	–
Lease liabilities	15	**1.6**	2.6	–	–
		171.7	152.1	**3.8**	8.8
Non-current					
Borrowings	20	**20.0**	78.1	**20.0**	78.1
Other liabilities	21	**7.3**	1.4	**0.4**	1.4
Provisions	22	**1.2**	2.4	–	–
Lease liabilities	15	**3.9**	5.8	–	–
Deferred tax liabilities	23	**3.5**	4.7	–	–
		35.9	92.4	**20.4**	79.5
Total liabilities		**207.6**	244.5	**24.2**	88.3
Equity					
Share capital	24	**6.9**	6.9	**6.9**	6.9
Own shares		**(4.8)**	(4.8)	**(4.8)**	(4.8)
Share premium		**75.1**	75.1	**75.1**	75.1
Share-based payment reserve		**0.6**	0.5	–	–
Profit and loss account		**(55.6)**	(1.9)	**(25.7)**	(39.2)
Total equity		**22.2**	75.8	**51.5**	38.0
Total equity and liabilities		**229.8**	320.3	**75.7**	126.3

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit for the year was £13.5m (2019: loss of £76.7m). The accompanying notes form an integral part of these financial statements.

The 2019 balance sheet has been restated to present Current Tax assets being corporation tax receivable.

The financial statements were approved by the Board of Directors on 21 June 2021 and signed on their behalf by:

Daniel Quint

Albert Ellis
Director
21 June 2021

Daniel Quint
Director
21 June 2021

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities	29	**65.8**	1.6
Taxation paid	8	**(0.5)**	(1.1)
Net cash inflow from operating activities		**65.3**	0.5
Cash flows from investing activities – trading			
Purchases of property, plant and equipment	14	**(1.3)**	(2.5)
Sale of property, plant and equipment		**0.2**	0.6
Purchase of intangible assets – software	12	**(1.3)**	(3.2)
Cash flows from investing activities – acquisitions			
Acquisition of businesses – deferred consideration for prior year acquisitions	30	**(0.3)**	(7.2)
Total cash flows arising from investing activities		**(2.7)**	(12.3)
Total cash flows arising from operating and investing activities		**62.6**	(11.8)
Cash flows from financing activities			
New loans (net of transaction fees)	20	**43.0**	24.9
Reduction in Receivables Finance Facility	20	**(29.7)**	–
Loan repayments	20	**(58.1)**	(26.8)
Principal repayment of lease liabilities	15	**(3.4)**	(3.2)
Interest paid		**(8.5)**	(6.0)
Payment from/(into) restricted fund	18	**11.8**	(12.7)
Settlement of NMW liabilities from restricted funds	18	**(11.8)**	–
Gross proceeds from the issue of share capital		**–**	41.0
Costs relating to the issue of share capital	24	**–**	(3.0)
Net cash flows from financing activities		**(56.7)**	14.2
Net change in cash and cash equivalents		**5.9**	2.4
Cash and cash equivalents at beginning of year		**18.6**	16.2
Cash and cash equivalents at end of year	18	**24.5**	18.6

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

Notes to the Financial Statements

For the year ended 31 December 2020

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 training and probationary services.

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 registered office and principal place of business of the Group and its subsidiary companies is disclosed on the Company details page to these financial statements, page 113, and within note 13. The Company's registration number is 05268636.

The financial statements for the year ended 31 December 2020 (including the comparatives for the year ended 31 December 2019) were approved and authorised for issue by the Board of Directors on 21 June 2021.

There have been no new accounting standards that have required adoption in the current year. In 2019 the Group adopted new guidance for the recognition of leases. The standard was applied using the modified retrospective approach, with the cumulative effect of adoption as at 1 January 2019 being recognised as a single adjustment to retained earnings.

The Company does not have an ultimate controlling party. As noted on page 52, the largest shareholder held 29.9% of the Company's issued share capital as at 31 December 2020.

3 Accounting policies

Basis of preparation

The Consolidated financial statements are prepared for the year ended 31 December 2020. The Consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are prepared under the historical cost convention except for cash-settled share options which are measured at fair value.

The Company financial statements of Staffline Group plc have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS 101) and the Companies Act 2006. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, Share-based Payment (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, Financial Instruments: Disclosures;
- Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16;
  - paragraph 118(e) of IAS 38;
  - requirements of paragraphs 62 and B64 of IFRS 3 Business Combinations; and
  - paragraph 33(c) of IFRS 5
- The following paragraphs of IAS 1, Presentation of Financial Statements:
  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position;
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IAS 7, Statement of Cash Flows;
- Paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, Related Party Disclosures (key management compensation); and
- The requirements in IAS 24, Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

At the date of authorisation of these financial statements, there were no new Standards or amendments to existing Standards and Interpretations that became effective in the year. No Standards or amendments to existing Standards have been adopted early by the Group.

Notes to the Financial Statements continued

For the year ended 31 December 2020

3 Accounting policies continued

Basis of preparation continued

The Directors anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

The Consolidated and Company financial statements are presented in sterling, which is the functional currency of the Parent Company and Group. The principal accounting policies of the Group and Company are set out below and have been consistently applied, unless stated otherwise.

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 on pages 10 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27. The principal risks and uncertainties to which the Group is exposed are described on pages 33 to 36.

As described in the Chief Executive Officer's Review on pages 10 to 13, despite the challenging trading conditions experienced across all divisions in the Group during 2020, the Group reported an underlying operating profit for the year on continuing activities. In the recruitment divisions, the impact of Covid-19 was mixed with customers in the food distribution and online retail sectors experiencing increased demand. Other sectors such as manufacturing and automotive industries were severely impacted by the lockdowns and subsequent reduced demand. The Group's PeoplePlus division was impacted by the disruption to its training programmes, with all face-to-face training cancelled or transferred to digital delivery. In response to the pandemic, the Directors enabled the majority of its permanent staff to work from home and provided additional support with Covid-secure working practices implemented at client's premises.

As a result of the pandemic, trading volumes in the first half of the year were severely impacted. The Directors maintained tight cost control throughout and maintained overheads at reduced levels, benefitting from previous restructuring programmes. These initiatives resulted in improved performance in the second half of the year and lockdown restrictions eased, resulting in underlying profit and positive cash generation.

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

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

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

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

- A total of 87,249,500 new ordinary shares of 10 pence each placed at a price of 50 pence per share (the "Issue Price") to certain existing shareholders 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. The total cost of the Fundraise and debt refinancing was £4.0m. The net proceeds are to be used to reduce total indebtedness and to provide working capital for growth.

The Directors have prepared updated forecasts and cash flow projections to 31 December 2022 which is considered to be a reasonable period over which a reasonable view can be formed. These forecasts, which incorporate the effect of the fundraise and debt refinancing described above, have been used to assess going concern and have been stress-tested by applying sensitivity analysis, principally involving significant reductions to revenues across all three divisions over the period to 31 December 2022.

The Covid-19 pandemic has caused considerable disruption to significant parts of the business and even as lockdown and social distancing measures are eased, there remains uncertainty over the rate at which economic activity will recover. The Group reacted swiftly to the immediate effects of the pandemic in the first half of the year with continuing tight cost control combined with support from the government through the furlough scheme and VAT payment deferral. The sensitivity testing undertaken on the forecasts demonstrated that there are a number of mitigating actions available to the Group, which would constrain losses and conserve working capital.

The sensitivity analysis also demonstrated that under the stress tests applied, the Group would be able to comply with the financial covenants, as specified in the RFA, which are described in note 20.

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 33 to 36. In addition, note 28 to the accounts includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully.

At 31 December 2020, the Group had net debt of £8.8m (2019: £59.5m), on a pre-IFRS 16 basis, and following the debt refinancing has committed facilities until 1 December 2025. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

At 31 December 2020, the Group had net debt of £8.8m (2019: £59.5m), on a pre-IFRS 16 basis, and following the debt refinancing has committed facilities until 1 December 2025. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

As at 18 June 2021, the Group had cash at bank of £63.2m and, an unutilised facility of £25.5m under its RFA, resulting in aggregate available liquidity of £88.7m.

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

Consolidation of subsidiaries
The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 December 2020 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed or has rights to variable returns and the ability to affect those returns through control over the subsidiary. The results of subsidiaries whose accounts are prepared in a currency other than sterling; are translated at the average rates of exchange during the period and their year end balances at the year end rate of exchange. Translation adjustments are taken to the profit and loss reserves.

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

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

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

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

Notes to the Financial Statements continued

For the year ended
31 December 2020

3 Accounting policies continued

Underlying profit – non-GAAP measures of performance continued

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, mainly in respect of the adjustment for share based payment charges including both equity and cash settled components. 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.

All of 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 reportable operating segments: the provision of recruitment and outsourced human resource services to industry, in Great Britain (Recruitment GB) and also in Ireland (Recruitment Ireland), plus the provision of skills training and probationary services, together "PeoplePlus". Each of these reportable 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.

Revenue recognition

Recruitment divisions

Income from the provision of temporary contractors is recognised as services are rendered, based on hours worked multiplied by the contracted hourly rate, net of rebates. In the case of temporary contractors, there is deemed to be one performance obligation, being the satisfactory completion of the daily hours. Income from permanent placements is recognised when the candidates start work, since there is deemed to be one performance obligation, being the commencement of employment of the worker. In the occasional instances where a permanent worker is deemed to be unsatisfactory and a suitable replacement cannot be found, a credit will be issued. No provision is held for this since the amounts are not material. In each case, revenue is only recognised when the labour or service has been provided and the Group is contractually entitled to the revenue.

Revenue is measured at the fair value of the consideration received or receivable for the supply of services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Provisions for rebates are accounted for in the period to which the sale relates and are calculated in accordance with the contractual arrangements in place. The rebate provision recognised is the full amount invoiced less the potential impact of other reasonably foreseen constraints. Management calculates an estimate of the most likely amount of the rebate based upon the terms agreed within the contract and adopt a prudent approach.

The Group assesses whether it is acting as agent or principal depending on whether the customer has a direct relationship with the Group, whether the Group has the primary responsibility for providing the services and whether the Group has control over the placement of the worker. Where the Group acts as a principal in the supply, revenue is recognised as the gross amount due, net of value-added tax, rebates and discounts. The Recruitment GB division has a limited number of second tier arrangements whereby another recruitment company will provide contractors to the Group to enable the Group to fulfil a customer's requirement. Where this arrangement constitutes an agency relationship rather than principal, the amount of revenue recognised is limited to the management fee or margin receivable for that service after making provision for any losses foreseen, volume rebates and any other amounts payable, rather than the full amount invoiced. Trade receivables and payables related to these sales are recorded at full invoice value.

The Recruitment division recognises Contract assets to reflect revenue recorded in relation to work that is part way through completion of a performance obligation and is yet to be invoiced.

Contract liabilities are short term in nature (<1 year) and are recognised in the profit and loss account in the year following recognition.

PeoplePlus division
Income is generated from skills-based contracts, and the provision of welfare to work services. The segment recognises revenue upon fulfilment of the performance obligation, being the provision of a specified individual level of training, support or advice for a person enrolled in the programme. There is one contract that has more than one performance obligation, however, the revenue was not material in either the current or prior year.

For contracts where the contractual obligation relates to providing individuals with training, support or advice for a specific period of time, ranging between 3-24 months, the revenue is recognised over time as this reflects when the individual receives the benefit and the end client is simultaneously receiving and consuming the benefits provided by PeoplePlus's performance. Progress towards satisfaction of the performance obligation is determined based upon, for example, activities carried out. Where income is received in advance this is initially held in the statement of financial position as deferred income and released to the statement of comprehensive income as services are provided. Accrued income is recognised where services have been provided in advance of invoiced income and, based on all available evidence, the division expects to receive payment in accordance with the contract.

Revenue is accounted for over the period the services are provided in accordance with IFRS 15 including where the outcomes are variable in nature. There are a few contracts that have a variable element of revenue associated with them, for example one contract has an element of payment by results and potential penalties if insufficient activities are carried out. Detailed management information is used to support the basis of the variable element of the revenue recognition calculation to provide the most likely amount. This will take into account historical experience, as well as future expectations in terms of success rates and the anticipated length of period over which the services are ultimately provided and ensure that a prudent approach is adopted.

Operating expenses
Operating expenses are recognised in the statement of comprehensive income when incurred and are classified according to their nature.

Furlough claims
Where the Group has been entitled to receive a government grant, it has determined the treatment of the grant under either a capital approach or the income approach. The Group has only been in receipt of grants determined as appropriate to account for under the income approach. The grant income has been matched with the related costs, for which they are intended to compensate, on a systematic basis. The grant income has only been recognised where there is reasonable assurance that the Group will comply with all conditions attached to the grant and that the grant will be received. During the year, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") in the UK and the Temporary Wage Subsidy Scheme ("TWSS") in the Republic of Ireland and claimed and received a total of £31.4m. At the year end, £0.1m has been recognised on the balance sheet as a grant receivable within other debtors. There are no unfulfilled conditions and contingencies attached to the grants recognised within these financial statements.

Goodwill
Goodwill represents the excess of the fair value of the cost of a business acquisition over the Group's share of the fair value of assets and liabilities acquired as at the date of acquisition. Goodwill is tested annually for impairment and carried at historic fair value less accumulated impairment losses.

Intangible assets
Assets acquired as part of a business combination
In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. An independent valuation is undertaken in order to assess the fair value of intangible assets acquired in a business combination.

The fair value is then amortised over the expected useful economic life of the asset as detailed below. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Customer contracts, customer lists, brands and licences
The fair value of acquired customer contracts, customer lists, brands and licences is capitalised and, subject to impairment reviews, amortised over their estimated lives (estimated to be five years). The amortisation is calculated so as to write off their fair value less their estimated residual values over their estimated lives. An impairment review is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Computer software
Computer software is carried at historical cost less subsequent amortisation and impairment losses. Amortisation is charged on the cost less the estimated residual value, which is assessed annually, of these assets on a straight-line basis over the estimated useful economic life of each asset.

The useful lives of computer software are three to five years and are amortised on a straight-line basis.

Notes to the Financial Statements continued

For the year ended 31 December 2020

3 Accounting policies continued

Property, plant and equipment

Freehold land and property, computer equipment, fixtures and fittings and motor vehicles are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on the cost less the estimated residual value, which is assessed annually, of these assets over the estimated useful economic life of each asset.

The estimated useful economic lives of property, plant and equipment and the depreciation basis can be summarised as follows:

Land and buildings	50 years straight-line
Computer equipment	3-5 years straight-line
Fixtures and fittings	3-5 years straight-line
Motor vehicles	25% reducing balance

Right-of-use assets are depreciated over their lease term. Assets in the course of construction are not depreciated until they are available for use.

Impairment assessment

Goodwill, other intangible assets and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Investments

Investments in the subsidiary undertakings are held at cost less provision for impairment.

Leases

The Group is not party to any material leases where it acts as a lessor, but the Group does have a large number of material property and equipment leases, under which it is a lessee.

Following the adoption of IFRS 16, for any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities are disclosed separately.

Taxation
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit or loss for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the Consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full if material. Deferred tax assets are recognised if it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly in other comprehensive income or equity are charged or credited directly to other comprehensive income or equity.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and in hand and overdrafts which are repayable on demand. Cash held in escrow is excluded from net debt.

Pensions
The Group contributes to a number of pension arrangements. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit plan
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited within other comprehensive income in the period in which they arise.

Defined contribution plan
A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if an underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Notes to the Financial Statements continued

For the year ended 31 December 2020

3 Accounting policies continued

Financial assets

The Group's financial assets include cash, trade receivables and other receivables. The Company's financial assets relate to amounts owed by subsidiary companies which are initially recorded at fair value and subsequently at amortised cost.

All financial assets are initially recognised at fair value, plus transaction costs. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group uses a receivables financing facility against certain customer trade receivables, and a number of separate customer financing arrangements. Under these arrangements the associated trade receivables are non-recourse to the Group and as such substantially all the risks and rewards of ownership of these trade receivables are transferred at the point the trade receivables are transferred to third parties. Consequently, those trade receivables are de-recognised at the point of transfer.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due. Refer to note 28 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

The Company assesses at each balance sheet date whether amounts owed by subsidiary companies are impaired by reference to any evidence indicating that the Company may not be able to collect all amounts due in full.

Financial liabilities

The Group's financial liabilities include bank loans, receivables finance facilities, trade and other payables, including liabilities for share-based payments, and other liabilities, which include deferred and contingent consideration payable in respect of business acquisitions.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the statement of comprehensive income.

Bank funding is raised to support the long-term capital requirements of the Group's operations. They are recognised at the proceeds received and any direct issue costs are charged to profit and loss when incurred. Direct issue costs capitalised from the refinancing of debt in previous years has been charged to profit and loss in the current year. Exit fee liabilities are recognised on the balance sheet at the time of refinancing. All other finance charges are charged to the profit and loss account on an accruals basis.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

Dividend distributions to shareholders are included in "other short-term financial liabilities" when the dividends are approved by the shareholders' meeting prior to the financial year-end but remain unpaid at the year-end.

Contingent consideration is measured at fair value through profit and loss.

Short-term employee benefits

Short term employee benefits, including holiday entitlement, are current liabilities included in accruals, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities reflect those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated statement of financial position. Instead, they are disclosed in note 26.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Share capital is determined using the nominal value of shares that have been issued.

Own shares is determined using the nominal value of shares that were issued to the Employee Benefit Trust in relation to the Joint Share Ownership Plan ("JSOP"). This Trust is deemed to be controlled by the Group and therefore consolidated, resulting in the "Own shares" deducted from equity.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share-based payment reserve represents the value of shares granted under share-based payment arrangements.

The profit and loss account includes all current and prior period results as disclosed in the statement of comprehensive income.

Dividends
Final dividends are recognised as a distribution in the period in which they are approved by the shareholders. Interim dividends are recorded in the period in which they are paid. Distributions to owners of the Company are not recognised in the statement of comprehensive income under IFRS but are disclosed as a component of the statement of changes in equity.

Share-based employee remuneration
All share-based payment arrangements are recognised in the Consolidated financial statements. The Group operates equity-settled and cash-settled share-based remuneration plans for remuneration of certain of its Directors and employees.

Equity-settled share-based remuneration
All employee services received in exchange for the grant of any share based remuneration are measured at their fair values at the date of grant. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). All share based remuneration is ultimately recognised as an expense in profit or loss in the statement of comprehensive income with a corresponding credit to the share-based payment reserve, net of deferred tax where applicable.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Cash-settled share-based remuneration
The Group has in place certain issued cash-settled share-based payment schemes in respect of services provided by key employees. The share-based payment is measured at the fair value of the liability at the grant date and remeasured at fair value of the liability at each subsequent balance sheet date. A financial liability is recognised for the fair value of the share-based payments at the date of the grant and is remeasured at the end of each reporting period and at settlement with any changes to the fair value recognised in profit or loss in the statement of comprehensive income. The fair value of awards is recognised over the periods in which employees render service.

Critical judgements and estimate uncertainty in applying the Group's accounting policies
Significant management judgements
The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Revenue recognition
The Group assesses the nature of the commercial arrangements with its customers to determine whether it is acting as the principal or as an agent. When the Group acts as a principal, revenue is recognised as the full amount invoiced, net of value-added tax, rebates and discounts. When the Group provides a secondary service in which it acts as agent for the customer, typically in partnership with another employment agency, the amount of revenue recognised is limited to the margin receivable for that service after making provision for any losses foreseen, volume rebates and any other amounts payable, rather than the full amount invoiced.

In most cases the Group acts as principal due to its direct relationship with its customers and its primary relationship with the worker, with control over when and where they are placed, and pricing. Revenue is recognised on an agency basis when the Group does not have a direct relationship with the worker for control or remuneration and does not have primary responsibility for their placement.

Notes to the Financial Statements continued

For the year ended 31 December 2020

3 Accounting policies continued
Critical judgements and estimate uncertainty in applying the Group's accounting policies continued
Significant management judgements continued
Non-underlying items
The Group supplements the performance disclosures that are required under IFRS with additional measures and information that is intended to assist the understanding of exceptional income or charges, and to demonstrate the underlying results of the business.

Non-underlying income or expenditure items are typically non-recurring items of a particular size and/or nature relating to the operations of the business that are judged to merit separate disclosure in the income statement. Additional explanation is given regarding the circumstances that gave rise to each item and its likely outcome, see note 5.

Investment in subsidiary undertakings and intercompany loans
The Company initially recognises its investments in, and loan balances with, subsidiary undertakings at cost, plus transaction costs, less impairment. After initial recognition, these are measured at amortised cost. The intercompany loan balances are not subject to formal loan agreements and are therefore classified as interest free and on demand.

Details of the Company's investments are given in note 13 and details of intercompany loans are given in note 17.

Leases
Under IFRS 16 Leases, a right-of-use asset and associated lease liability have been recognised. The amounts to be recognised are affected by the expected lease term, which may not be the same as the formal term of the lease. Consequently, a judgment is required to determine the expected lease termination date based on anticipated operational requirements. The circumstances of each lease, which for the Group relate principally to office premises, have been assessed to determine the most likely lease termination date, being either the break date (if the break is likely to be exercised) or the lease end date. Management has not assumed any extensions beyond the lease end dates.

Information regarding the Group's leases is provided in note 15.

Borrowings
At the year-end the Group had in place a £20.0m Revolving Credit Facility ("RCF"), which expires in July 2022. In practice the elements of the facility that are drawn down typically have short term expiry dates. Management considers the overall effect and features of the facility to be those of long-term borrowings that expire after more than one year from the end of the year. The Group has an unconditional right to renew at each expiry date and roll the loan. Accordingly, the RCF balance outstanding is disclosed as non-current.

The Group also has a new Receivable Financing Facility ("RFF"), which commenced on 26 June 2020. The Group receives advances against eligible receivables but retains responsibility for collection. The amounts due are funded on a recourse basis and consequently the receivable remains on the balance sheet until settled by the customer.

The Group receives additional funding by utilising other receivables financing facilities held against certain customer receivables, and a number of separate Customer Financing arrangements. In these separate arrangements the associated trade receivables are considered to be settled on receipt of funds. Management consider the arrangements to be non-recourse to the Group and consequently debt is removed from the total receivables balance on the date of settlement.

The effect of these receivables financing arrangements is that trade receivables are settled significantly in advance of normal commercial terms, which can be 60 – 90 days for these customers. The Group incurs a cost for this service, which is judged to be financing in nature rather than a settlement discount, or other form of price reduction, and it is therefore treated as a finance cost through profit and loss.

Details of the Group's borrowings are given in note 20.

Deferred tax asset
The Group recognises a deferred tax asset on unused tax losses carried forward within the Irish businesses and on the timing difference between depreciation charges and tax allowances. The Recruitment Ireland division has maintained its profitability during the year and management has determined that there is sufficient evidence to show that the tax losses will be utilised in the foreseeable future. Subsidiary undertakings within the Recruitment GB and PeoplePlus divisions also have carried forward tax losses. For those companies, management has concluded that there is insufficient evidence to justify the recognition of a deferred income tax asset.

Details of all deferred tax balances are provided in note 23.

Provisions

The Group, with assistance from its specialist advisors, has continued to engage fully with HMRC to quantify, to the fullest extent reasonably possible, its remaining liability arising from the "National Minimum Wage" ("NMW") enquiry. The investigations that took place during 2019 expanded the range of the enquiry, both geographically and across the Group's customer base. The formal enquiry was closed in April 2020, but the Group has continued to undertake internal "self- assessment" reviews to ensure ongoing compliance, with the continuing close involvement of HMRC. Judgements are required over the nature of the workplace practices at each customer site and their application to the NMW regulations in order to ensure compliance at all times.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

In 2019 and in the current year the Group has recognised impairment losses on goodwill in its Recruitment GB and PeoplePlus divisions (see note 11). During 2019 and in the current year the Company has recognised impairment losses on its investments in certain subsidiary undertakings.

Trade and other receivables

Due to the nature of its contracts with the English Skills Funding Agency the PeoplePlus division recognises some of its revenues on a completion basis using management's best estimate of the likely outcome and the value of the service provided at the reporting date. At the year-end the value of accrued income subject to estimation was £0.9m (2019: £2.0m).

The Group's credit control procedures are considered to be robust, but the potential for loss is always present. Management conducts regular detailed reviews of overdue and delinquent debt in order to estimate the value of bad debt provision required. If the expected credit loss allowances were to double, the increase in the provision would be £0.1m.

An analysis of trade and other receivables is given in note 17 and details of their risk profile is provided in note 28.

Holiday pay accrual

As required by International Accounting Standard 19 – Employee Benefits, the Group estimates the amount of holiday pay earned and unpaid at the year-end. The basic accrual is based on the number of hours earned by each worker multiplied by their average hourly pay rate calculated over the previous 52 weeks. Holiday pay hours accrue over the 12 months following each individual worker's start date and any unclaimed hours outstanding on the anniversary date are lapsed. For this and other reasons, particularly absences without notice, the amount of holiday pay paid is always lower than the maximum liability – known as the "take-up" rate – and the accrual similarly is reduced. For accrual purposes, management bases the take-up rate on historic data averaged over the previous 12 months. The take-up rate fluctuates with seasonality and the availability of work, depending upon customer requirements and, consequently, the accrual is considered to be a best estimate. For every percentage point change in the take up rate provision would change by £0.1m (2019: £0.1m).

The holiday pay accrual, which amounts to £14.4m (2019: £11.7m), is included within accruals in note 19.

National Minimum Wage Provision

The calculation of the National Minimum Wage provision requires considerable judgement as to the elements to be included, which include inter alia, estimates of waiting and preparation times based on customer practices over several years, attendance records and payment information. Management has estimated the provision based on the best available data for thousands of current and former employees, covering numerous current and former customer sites. The main inquiry is settled, as are the follow-on self-assessment reviews. As part of it's compliance processes, the Group continues with its regular inspections across all sites.

Details of the provision are provided in note 22.

Notes to the Financial Statements continued

4 Segmental reporting – continuing operations

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

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

Segment information for the reporting year is as follows:

	Recruitment GB 2020 £m	Recruitment Ireland 2020 £m	PeoplePlus 2020 £m	Group Costs 2020 £m	Total Group 2020 £m	Recruitment GB Restated** 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus Restated** 2019 £m	Group Costs 2019 £m	Total Group Restated 2019 £m
Sales revenue from external customers	**732.1**	**120.5**	**75.0**	–	**927.6**	840.0	147.7	75.3	–	1,063.0
Cost of sales	**(685.9)**	**(110.0)**	**(57.1)**	–	**(853.0)**	(783.4)	(132.1)	(60.0)	–	(975.5)
Segment gross profit	**46.2**	**10.5**	**17.9**	–	**74.6**	56.6	15.6	15.3	–	87.5
Administrative expenses	**(38.2)**	**(8.2)**	**(13.4)**	**(2.6)**	**(62.4)**	(49.1)	(10.7)	(15.3)	(2.5)	(77.6)
Depreciation, software & lease amortisation	**(3.8)**	**(0.7)**	**(2.9)**	–	**(7.4)**	(2.9)	(0.6)	(3.5)	–	(7.0)
Segment underlying operating profit/(loss)*	**4.2**	**1.6**	**1.6**	**(2.6)**	**4.8**	4.6	4.3	(3.5)	(2.5)	2.9
Reorganisation costs	**(2.0)**	**(0.7)**	–	**(1.3)**	**(4.0)**	(1.3)	–	(1.0)	(1.4)	(3.7)
Legal investigation professional fees	–	–	–	–	–	(1.0)	–	–	–	(1.0)
NMW remediation costs and financial penalties	–	–	–	–	–	0.7	–	–	–	0.7
Audit scope extension	–	–	–	–	–	(0.6)	–	(0.2)	–	(0.8)
Transaction costs	–	–	–	**(0.5)**	**(0.5)**	–	–	–	(0.9)	(0.9)
Amortisation of intangibles arising on business combinations	**(7.6)**	**(1.4)**	**(0.2)**	–	**(9.2)**	(8.0)	(1.3)	(1.6)	–	(10.9)
Goodwill impairment	**(18.8)**	–	**(16.5)**	–	**(35.3)**	(14.3)	–	(8.0)	–	(22.3)
Share-based payment charge	–	–	**(0.1)**	–	**(0.1)**	(0.1)	–	(0.1)	–	(0.2)
Segment (loss)/profit from operations	**(24.2)**	**(0.5)**	**(15.2)**	**(4.4)**	**(44.3)**	(20.0)	3.0	(14.4)	(4.8)	(36.2)
Finance costs	**(2.5)**	**(0.2)**	**(0.1)**	**(4.5)**	**(7.3)**	(1.7)	–	(0.1)	(6.4)	(8.2)
Segment (loss)/profit before taxation	**(26.7)**	**(0.7)**	**(15.3)**	**(8.9)**	**(51.6)**	(21.7)	3.0	(14.5)	(11.2)	(44.4)
Tax credit/(charge)	**0.6**	**0.2**	**0.7**	**1.6**	**3.1**	2.6	0.5	0.1	0.2	3.4
Segment (loss)/profit from continuing operations	**(26.1)**	**(0.5)**	**(14.6)**	**(7.3)**	**(48.5)**	(19.1)	3.5	(14.4)	(11.0)	(41.0)

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

** *The prior year has been restated to exclude Apprenticeships from People Plus and to exclude Poland from Recruitment GB, see note 10.*

	Recruitment GB 2020 £m	**Recruitment Ireland 2020 £m**	**PeoplePlus 2020 £m**	**Staffline Group 2020 £m**	**Total Group 2020 £m**	Recruitment GB 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus 2019 £m	Staffline Group 2019 £m	Total Group 2019 £m
Total non-current assets	**45.9**	**11.5**	**40.5**	**–**	**97.9**	71.3	16.1	57.5	–	144.9
Total current assets	**97.9**	**15.6**	**18.4**	**–**	**131.9**	134.1	21.4	19.9	–	175.4
Total assets (consolidated)	**143.8**	**27.1**	**58.9**	**–**	**229.8**	205.4	37.5	77.4	–	320.3
Total liabilities (consolidated)	**142.3**	**22.4**	**21.9**	**20.6**	**207.2**	119.4	28.3	16.4	80.4	244.5
Cash capital expenditure inc software	**1.2**	**0.1**	**1.3**	**–**	**2.6**	3.7	0.1	1.9	–	5.7

Revenues can be analysed by country as follows (97% of revenues arising within the UK in 2020, 96% in 2019):

	Recruitment GB 2020 £m	**Recruitment Ireland 2020 £m**	**PeoplePlus 2020 £m**	**Total Group 2020 £m**	Recruitment GB Restated 2019 £m	Recruitment Ireland 2019 £m	PeoplePlus Restated 2019 £m	Total Group Restated 2019 £m
UK	**732.1**	**91.4**	**75.0**	**898.5**	840.0	110.9	75.3	1,026.2
Republic of Ireland	**–**	**29.1**	**–**	**29.1**	–	36.8	–	36.8
	732.1	**120.5**	**75.0**	**927.6**	840.0	147.7	75.3	1,063.0

No customer contributed more than 10% of the Group's revenue during either 2020 or 2019.

5 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2020 £m	2019 Restated £m
Employee benefits expenses – cost of sales	**827.9**	939.7
Other cost of sales	**25.1**	35.8
Employee benefits expenses – administrative expenses	**40.5**	45.4
Depreciation and software amortisation	**7.4**	7.3
Operating lease expenses	**1.5**	1.2
Other administrative expenses	**20.4**	30.7
	922.8	1,060.1
Disclosed as:		
Cost of sales	**853.0**	975.5
Administrative expenses	**69.8**	84.6
	922.8	1,060.1

Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	**15**	15
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the accounts of subsidiaries	**680**	1,176
– Audit of the pension scheme	**18**	11
– Audit related assurance services	**154**	200
Total	**867**	1,402

For 2019, £805,000 of the above was for additional audit procedures including prior year adjustments, which is considered to be non-underlying.

Notes to the Financial Statements continued

For the year ended 31 December 2020

5 Expenses by nature continued

Non-underlying expenses – continuing operations

	Note	2020 £m	2019 £m
Reorganisation, rationalisation and restructuring costs	1	**4.0**	3.7
Legal investigation professional fees		**–**	1.0
NMW remediation costs and financial penalties		**–**	(0.7)
Revised audit scope and increased audit fees		**–**	0.8
Transaction costs – business acquisitions and strategic options	2	**0.5**	0.9
Refinancing costs	3	**3.2**	3.2
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	4	**9.2**	10.9
Goodwill impairment	5	**35.3**	22.3
Share-based payment charges – other senior executives		**0.1**	0.2
		52.3	42.3
Tax credit on above non-underlying expenses		**(0.4)**	(2.4)
Post taxation effect on above non-underlying expenses		**51.9**	39.9

Notes:

1. During the year the Group has continued its reorganisation, rationalisation and restructuring programme across all the divisions in order to reduce the number of properties occupied and reducing administration headcount. In the prior year the Group implemented a strategy of transitioning the PeoplePlus division away from a predominantly work programme driven business to a skills and training business.

2. Costs have been incurred in the current year and prior years in relation to advice on the Group's strategic options.

3. The Group's credit facilities were restructured during the year at a cost of £3.2m (2019: £3.2m). Further details of the refinancing are given in note 20.

4. 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.

5. The results of an impairment review showed that further impairment charges to goodwill were required in the Recruitment GB and PeoplePlus cash-generating units of £18.8m (2019: £14.3m) and £16.5m (2019: £8.0m) respectively. Further details are given in note 11.

6 Finance costs

	2020 £m	2019 £m
Interest payable on financing arrangements	**4.1**	5.0
Refinancing costs – non-underlying	**3.2**	3.2
Total	**7.3**	8.2

7 Directors' and employees' remuneration

Employee benefits expense – consolidated

Expense recognised for employee (excluding temporary workers) benefits is analysed below:

	2020 £m	2019 Restated £m
Wages and salaries	**64.8**	67.5
Social security costs	**6.7**	7.8
Other pension costs – defined contribution plans	**3.5**	3.3
Other pension costs – defined benefit plan service cost	**–**	0.1
	75.0	78.7
Share-based payment charge – cash-settled	**–**	–
Share-based payment charge – equity-settled	**0.1**	0.2
	75.1	78.9
Included in administrative expenses (note 5)	**40.8**	45.4
Included in cost of sales	**34.2**	33.1
Share-based payment charge (cash and equity-settled)	**0.1**	0.2
	75.1	78.7

	2020 Number	2019 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
– Sales and administrative	**2,357**	2,582

Included in cost of sales are temporary workers' remuneration paid through the temporary payroll of subsidiary companies as follows:

	2020 £m	2019 £m
Wages and salaries payable to employees	**758.2**	873.4
Social security costs	**44.8**	47.0
Other pension costs – defined contribution plans	**4.4**	3.9
Gross cost	**807.4**	924.3
Coronavirus Job Retention Scheme receipts	**(31.4)**	–
	776.0	924.3

	Number	Number
The average monthly number of temporary workers contracted by the Group during the year was:	**43,163**	43,760

The average number of persons (including Directors) employed by the Company during the year was 4 (2019: 6). Employee costs were £nil (2019: £nil). All Directors of the Group are remunerated through a subsidiary of the Company for their services to the Group as a whole. No direct recharge was made to the Company during the year (2019: £nil).

Directors' remuneration is detailed on pages 47 to 50 of the Report on Remuneration and disclosed further in note 25.

Notes to the Financial Statements continued

For the year ended 31 December 2020

7 Directors' and employees' remuneration continued

Share-based employee remuneration

Save As You Earn ("SAYE") share option plan 2017

In October 2017, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2017. Eligible employees were invited to subscribe for options over Staffline's Ordinary Shares of 10p each ("Ordinary Shares") with an exercise price of £9.32, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2017 and are exercisable between 1 December 2020 and 31 May 2021. A total of 290 employees elected to participate, and, pursuant to these elections, a total of 148,276 options over Ordinary Shares were granted on 26 October 2017, equating to 0.22% of the current issued share capital of 68,930,486 shares. As at 31 December 2020, options over 11,901 shares remain (37 employees), options over 136,375 shares having lapsed (253 employees).

Save As You Earn ("SAYE") share option plan 2018

In September 2018, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2018. Eligible employees were invited to subscribe for options over Staffline's Ordinary Shares of 10p each ("Ordinary Shares") with an exercise price of £9.76, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2018 and are exercisable between 1 December 2021 and 31 May 2022. A total of 167 employees elected to participate and, pursuant to these elections, a total of 73,588 options over Ordinary Shares were granted on 18 September 2018, equating to 0.11% of the current issued share capital of 68,930,486 shares. As at 31 December 2020, options over 11,982 shares remain (36 employees), options over 61,606 shares having lapsed (131 employees).

Save As You Earn ("SAYE") share option plan 2019

In November 2019, Staffline granted options to employees as part of its Save As You Earn ("SAYE") share scheme for 2019. Eligible employees were invited to subscribe for options over Staffline's Ordinary Shares of 10p each ("Ordinary Shares") with an exercise price of £0.76, a 20% discount to the closing middle market price on the trading day before the invitation to participate was made. The options have a contract start date of 1 December 2019 and are exercisable between 1 December 2022 and 1 June 2023. A total of 170 employees elected to participate and, pursuant to these elections, a total of 1,336,094 options over Ordinary Shares were granted on 6 November 2019, equating to 1.94% of the current issued share capital of 68,930,486 shares. As at 31 December 2020, options over 795,885 shares remain (95 employees), options over 540,209 shares having lapsed (75 employees).

Performance-related share option plan

Other than options granted to Chris Pullen (a former Director of the Company – options lapsed during the prior year), details of which are fully disclosed within the Report on Remuneration on pages 47 to 50, no other performance-related share options have been granted.

Except as noted under the Joint Share Ownership Plans below, all share-based employee remuneration will be settled in equity. The Group has no other legal or constructive obligation to repurchase or settle the options in cash.

Joint Share Ownership Plan 2018

In January 2018, the Company established a Joint Share Ownership Plan ("JSOP") to provide additional incentives to certain senior executives. The JSOP shares are held jointly between the Directors and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the Directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the executives and the Staffline Group plc Employee Benefit Trust.

A Plan covering the five-year period ending 31 December 2022 was approved by the Remuneration Committee in October 2017. Plan rules are the same as those for the 2013 Plan as highlighted above. The amount receivable by the executives is calculated based on certain business performance conditions, as follows:

1. A range of underlying diluted earnings per share ("EPS") of between 180.0p and 200.0p required in the financial year 2022 (maximum 50% of the award). No shares vest if the EPS is below 180.0p in that year.
2. 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the FTSE AIM All-Share Total Return Index (AXX) over the period 1 January 2018 to 30 June 2023 (nil award if the minimum EPS requirement above is not achieved). The Company's share price at 1 January 2018 was 1,040p and the AXX stood at 1,050. As at 31 December 2018, the Company's share price had increased by 19% to 1,240p whereas the AXX had fallen by 18% to 859.

Directors' and senior executives' interests are detailed below:

	Award date	Participation price	Interest over number of shares	Date on which exercisable
C Pullen (resigned 26 April 2020)	24 Jan 2018	999p	275,000	30 June 2023
Other executives (10 in total of which 3 left during the year)	Various	1,046p	500,000	30 June 2023
			775,000	

As noted above, the Directors and senior executives, most of whom participate in the JSOP, acquired an interest in the shares jointly with the Staffline Group plc Employee Benefit Trust ("EBT"). At the end of the financial year, the EBT held 1,140,400 (2018: 1,140,400) ordinary 10p shares to satisfy participants' interests when the Scheme vests in June 2023.

The 2018 Joint Share Ownership Plan ("JSOP") is settled in cash and therefore accounted for as a cash-settled scheme. As at 31 December 2019 the Company's share price was 87p, albeit the number of issued shares had increased by 147%. It was therefore considered highly unlikely that the JSOP would vest and accordingly no valuation is attached.

As at 31 December 2018 the fair value of the liability was determined using the Binomial valuation model. Significant inputs into the calculations were:

- Share price at date of grant (January 2018 grant of 960,000 shares at 999p per share, September 2018 grant of 80,000 shares at 1,294p per share);
- Exercise prices based on the December 2018 year-end share price of 1,240p per share;
- An average of 30.9% volatility based on expected and historical share price;
- Risk-free interest rate of 0.830%, being five-year UK Gilts spot yield;
- The disposal of shares by the EBT on 30 June 2023; and
- Assumption that 50% of relevant employees will leave before the vesting date, 100% of the EPS target will be achieved and 100% of the TSR target will be achieved.

Share-based employee remuneration
In total a charge of £0.1m of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2020 (2019: £0.2m) which increased the share-based payment reserve by £0.1m (2019: £0.2m) in respect of equity-settled schemes (all employees SAYE scheme) and increased the liability by £nil (2019: £1.0m) in respect of cash-settled JSOP schemes.

	2020 £m	2019 £m
Save As You Earn Scheme (equity-settled)	**0.1**	0.2
Total	**0.1**	0.2

Key management personnel
The key management are considered to be the Board of Directors of Staffline Group plc, whose remuneration can be seen in the Report on Remuneration on pages 47 to 50, and the divisional Directors, most of whom participate in the JSOP schemes. The aggregate remuneration, excluding share based payment charges, for the divisional Directors for the year is £1.6m (2019: £2.6m). In addition, compensation payments of £0.2m (2019: £0.3m) were made on the departure of four key management personnel during the year (2019: one). Disclosures in accordance with IAS 24 are included in note 25.

8 Tax expense
The tax credit on the loss for the year consists of:

Continuing activities	2020 £m	2019 Restated £m
Corporation tax		
UK corporation tax at 19.00% (2019: 19.00%)	**0.8**	0.7
Adjustments in respect of prior years	**–**	(1.7)
UK current tax (credit)/charge	**0.8**	(1.0)
Deferred tax		
Timing differences arising in the year	**(3.3)**	(1.6)
Adjustments in respect of prior years	**(0.6)**	(0.8)
UK deferred tax credit	**(3.9)**	(2.4)
Total UK tax credit for the year	**(3.1)**	(3.4)

In the prior year, the net "adjustments in respect of prior years" credit of £2.5m (current £1.7m credit, deferred £0.8m credit) arose largely from the use of trading losses to reduce previously estimated tax liabilities (current) and the recognition of trading losses available to offset current and future profits generated by the Group's subsidiaries in Ireland.

Notes to the Financial Statements continued

For the year ended 31 December 2020

8 Tax expense continued

The tax credit can be further analysed by division and by underlying/non-underlying trading as follows:

	2020 £m	2019 Restated £m
Recruitment GB	**(0.6)**	(2.6)
Recruitment Ireland	**(0.2)**	(0.5)
PeoplePlus	**(0.7)**	(0.1)
Staffline Group	**(1.6)**	(0.2)
Total UK tax credit for the year	**(3.1)**	(3.4)
Underlying trading	**(0.4)**	(1.0)
Non-underlying trading	**(2.7)**	(2.4)
Total UK tax credit for the year	**(3.1)**	(3.4)

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% (2019: lower than the 19.00% standard rate). The differences are explained below:

	2020 £m Total	2019 Restated £m Total
Loss for the year before taxation	**(51.6)**	(44.4)
Tax rate	**19%**	19%
Tax on loss for the year at the standard rate	**(9.8)**	(8.4)
Effect of:		
Goodwill impairment	**6.7**	4.2
Change in deferred tax rate to 19.00%	**0.5**	0.2
Expenses not allowable	**0.9**	0.7
Adjustments in respect of prior years	**(0.6)**	(2.5)
Tax losses available	**(0.8)**	2.4
Actual tax credit	**(3.1)**	(3.4)
On underlying profit/(loss)	**(2.7)**	(1.0)
On non-underlying loss	**(0.4)**	(2.4)
Actual tax credit	**(3.1)**	(3.4)
Effective total tax rate for the year	**6.0%**	7.7%

The total tax credit for the year of £3.1m (2019: restated £3.4m), which amounts to 6.0% (2019: 7.7%) of the loss for the year, relates principally to the movement of deferred tax balances including the recognition of deferred taxation of carried forward tax losses. The Group has no current corporation tax liability in respect of either the current or prior years. An amount of overpaid corporation tax of £4.1m has been offset against the balance of VAT that was deferred between March and June 2020. The remaining corporation tax amounts receivable were received in early 2021.

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

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 was calculated based on that rate. In the 11 March 2020 Budget, it was announced that the UK tax rate would remain at 19% and not reduce to 17% from 1 April 2020.

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

The current tax asset at the end of 2020 of £1.7m (2019: (£5.3m) can be analysed as follows:

	2020 £m	2019 £m
(Asset)/liability at the beginning of the year	**(5.3)**	(2.3)
(Credit)/charge on profits for the year	**–**	(1.7)
R&D tax credit	**0.2**	(0.2)
Offset against deferred VAT liability	**4.1**	–
Paid in the year (net of repayments)	**(0.7)**	(1.1)
Asset at the end of the year	**(1.7)**	(5.3)
Balance of 2020 tax year (assets)	**(0.7)**	–
Balance of 2018 tax year (assets)	**–**	(4.8)
Balance of 2017 tax year (assets)	**(1.0)**	(0.4)
Balance of 2016 tax year (assets)	**–**	(0.1)
Asset at the end of the year	**(1.7)**	(5.3)

9 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (2020 and 2019 year-end 1,140,400 shares). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the potential issue of Ordinary Shares resulting from share options granted to certain Directors and share options granted to employees in 2017, 2018 and 2019 under the SAYE scheme.

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

	Basic 2020	Basic Restated 2019	Diluted 2020	Diluted Restated 2019
Loss from continuing operations (£m)	**(48.5)**	(41.0)	**(48.5)**	(41.0)
Weighted average number of shares	**67,790,086**	45,668,823	**67,790,086**	45,668,823
Loss per share from continuing operations (p)	**(71.5)p**	(89.6)p	**(71.5)p**	(89.6)p
Underlying (loss)/earnings from continuing operations (£m)	**3.4**	(1.1)	**3.4**	(1.1)
Underlying (loss)/earnings per share (p)*	**5.0p**	(2.4)p	**5.0p**	(2.4)p
Loss from discontinued operations (£m)	**(4.2)**	(3.0)	**(4.2)**	(3.0)
Weighted average number of shares	**67,790,086**	45,668,823	**67,790,086**	45,668,823
Loss per share from discontinued operations (p)	**(6.2)p**	(6.6)p	**(6.2)p**	(6.6)p
Underlying (loss)/earnings from discontinued operations (£m)	**(1.9)**	(3.0)	**(1.9)**	(3.0)
Underlying (loss)/earnings per share (p)*	**(2.8)p**	(6.6)p	**(2.8)p**	(6.6)p

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

The weighted average number of shares for the year ended 31 December 2019 (basic) was increased by 22,121,263 shares to take account of the effect of the placing and open offer in July 2019 whereby 40,986,097 new Ordinary Shares were issued.

Dividends

No dividends have been paid in either the current or prior years and no final dividend for 2020 has been proposed.

10 Discontinued activities

On 1 December 2020 the Group sold its loss-making Apprenticeships training business for a nominal sum. The sale agreement requires PeoplePlus to provide working capital support to the purchaser in the form of reimbursement of relevant salary costs incurred between December 2020 and March 2021, which will be repaid over 12 months commencing May 2021.

For 2020 the Apprenticeships business recorded an operating loss of £(2.2)m (2019: £(3.6)m), before reorganisation and exit costs of £(2.5)m (2019: £nil).

In addition, the Group is in active discussions to sell its subsidiaries in Poland to the incumbent management team. Consequently, the results of the Polish activities are deemed to be discontinued and the trade is being held for disposal in 2021. The loss for 2020 was £(0.1)m before non-underlying costs of £(0.2)m.

Notes to the Financial Statements continued

For the year ended 31 December 2020

10 Discontinued activities continued

	2020 Apprenticeships £m	2020 Poland £m	2020 Total £m	2019 Apprenticeships £m	2019 Poland £m	2019 Total £m
Revenue	**7.2**	**1.0**	**8.2**	12.6	1.1	13.7
Cost of sales	**(8.3)**	**(1.0)**	**(9.3)**	(13.6)	(1.1)	(14.7)
Gross profit	**(1.1)**	-	**(1.1)**	(1.0)	-	(1.0)
Administrative expenses	**(1.1)**	**(0.1)**	**(1.2)**	(2.6)	(0.1)	(2.7)
Underlying operating loss	**(2.2)**	**(0.1)**	**(2.3)**	(3.6)	(0.1)	(3.7)
Non-underlying costs	**(2.5)**	**(0.2)**	**(2.7)**	–	–	–
Operating loss	**(4.7)**	**(0.3)**	**(5.0)**	(3.6)	(0.1)	(3.7)
Tax credit	**0.8**	–	**0.8**	0.7	–	0.7
Loss for the period	**(3.9)**	**(0.3)**	**(4.2)**	(2.9)	(0.1)	(3.0)

The cashflows of these businesses were as follows:

	2020 Apprenticeships £m	2020 Poland £m	2020 Total £m	2019 Apprenticeships £m	2019 Poland £m	2019 Total £m
Net cash outflow from operating activities	**(0.7)**	**(0.1)**	**(0.8)**	(1.9)	(0.1)	(2.0)

The loss on sale of these business is as follows;

	2020 Apprenticeships £m	2020 Poland £m	2020 Total £m	2019 Apprenticeships £m	2019 Poland £m	2019 Total £m
Consideration received or receivable:	–	–	–	–	–	–
Cash	–	–	–	–	–	–
Total consideration	–	–	–	–	–	–
Carrying amount of net assets sold	**(0.4)**	–	**(0.4)**	–	–	–
Loss on sale before income tax	**(0.4)**	–	**(0.4)**	–	–	–

Following the discontinuation, the 2019 Consolidated statement of comprehensive income has been restated to allow comparison of continuing operations in accordance with IFRS 5. The table below sets out the adjustments made to exclude the results of the discontinued Apprenticeships and Polish businesses.

	2019 Total as reported £m	2019 Discontinued £m	2019 Total Restated £m
Continuing operations			
Revenue	**1,076.7**	**(13.7)**	**1,063.0**
Cost of sales	(990.2)	14.7	(975.5)
Gross profit	**86.5**	**1.0**	**87.5**
Administrative expenses	(126.4)	2.7	(123.7)
Operating loss	**(39.9)**	**3.7**	**(36.2)**
Finance costs	(8.2)	-	(8.2)
Loss for the year before taxation	**(48.1)**	**3.7**	**(44.4)**
Tax credit	4.1	(0.7)	3.4
Loss from continuing activities	**(44.0)**	**3.0**	**(41.0)**

11 Goodwill

Gross carrying amount by reportable segment

Gross carrying amount	Recruitment GB £m	Recruitment Ireland £m	PeoplePlus £m	Total £m
At 1 January 2020	**54.5**	**5.7**	**57.0**	**117.2**
Impairment adjustment				
At 1 January 2020	14.3	–	8.0	22.3
Charged in the year	18.8	–	16.5	35.3
At 31 December 2020	33.1	–	24.5	57.6
Net book amount at 31 December 2020	**21.4**	**5.7**	**32.5**	**59.6**
Net book amount at 31 December 2019	40.2	5.7	49.0	94.9

Impairment – Goodwill

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

An impairment review was done at the half year reporting period. This led to an impairment being noted in the Recruitment GB and PeoplePlus cash-generating units. The impairment review was performed using forecasts, adjusted for the impact of the Covid-19 pandemic, using discount rates of 11.7% for Recruitment GB, 10.9% for Recruitment Ireland and 11.7% for PeoplePlus. The results of the impairment review performed showed headroom in the Recruitment Ireland cash-generating unit and accordingly no impairment noted, but that impairments to goodwill were required in the Recruitment GB and PeoplePlus CGUs of £18.8m and £16.5m respectively.

An updated review was conducted as at 31 December 2020, the recoverable amount of goodwill was determined based on a value-in-use calculation, using forecasts for 2021-23, followed by an extrapolation of expected cash flows over the next two years with a 0% growth rate for each cash-generating unit. The forecasts are prepared by the individual reportable segments of the Group taking into account individual contracts, historic performance and new contract wins. Pre-tax discount rates of 13.0% for Recruitment GB, 12.0% for Recruitment Ireland and 10.8% for PeoplePlus (2019: 11.7% for Recruitment GB and PeoplePlus and 10.9% for Recruitment Ireland) 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 for £73.1m Recruitment GB, £19.6m for Recruitment Ireland and £49.9m for PeoplePlus, all being value-in-use.

The results of the impairment review at 31 December 2020 showed headroom in all CGUs and accordingly no further impairment was noted. The same calculations indicated that an impairment was required to the Company's carrying value of its investment in PeoplePlus of £6.9m (see note 13).

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 reportable segments, they are operated and reviewed as single units by the Board of Directors. Each reportable 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 reportable 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 13.0% for Recruitment GB, 12.0% for Recruitment Ireland and 10.8% for PeoplePlus and a terminal growth value of 0%. These rates are based on the latest weighted average costs of capital for each operating segment. These rates have increased this year primarily due to a movement in the risk-free rate. The calculations highlighted headroom of £31.6m for Recruitment GB, headroom of £4.6m for Recruitment Ireland and headroom of £13.0m for PeoplePlus. A 1% increase in the discount rates reduces the headroom to £25.9m for Recruitment GB, reduces headroom to £2.9m for Recruitment Ireland and reduces headroom to £8.7m for PeoplePlus.

2. The achievability of the forecasted future cash flows. There is an inherent uncertainty regarding the achievability of forecasts, as there are macro economic factors outside of the Group's control. A sustained underperformance of 10% reduces the headroom to £24.3m for Recruitment GB, reduces headroom to £2.6m for Recruitment Ireland and reduces headroom to £8.0m for PeoplePlus. A sustained underperformance of 23% would be required before any impairment was necessary to the goodwill.

As at 31 December 2020 the Company had no goodwill (2019: £nil).

Notes to the Financial Statements continued

12 Other intangible assets

The Group's other intangible assets include the customer contracts, brands and lists obtained through the acquisition of businesses plus acquired software. There are no intangible assets with restricted title.

Gross carrying amount	Software £m	Licences £m	Customer contracts and brands £m	Customer lists £m	Total £m
At 1 January 2019	**12.9**	**2.0**	**85.1**	**5.5**	**105.5**
Additions	3.2	–	–	–	3.2
At 31 December 2019	**16.1**	**2.0**	**85.1**	**5.5**	**108.7**
Additions	1.5	–	–	–	1.5
Disposals	(5.4)	–	–	–	(5.4)
At 31 December 2020	**12.2**	**2.0**	**85.1**	**5.5**	**104.8**
Amortisation					
At 1 January 2019	**8.7**	**2.0**	**46.4**	**5.5**	**62.6**
Charged in the year	1.2	–	10.9	–	12.1
At 31 December 2019	**9.9**	**2.0**	**57.3**	**5.5**	**74.7**
Charged in the year	1.8	–	9.2	–	11.0
Disposals	(5.2)	–	–	–	(5.2)
At 31 December 2020	**6.5**	**2.0**	**66.5**	**5.5**	**80.5**
Net book amount at 31 December 2020	**5.7**	**–**	**18.6**	**–**	**24.3**
Net book amount at 31 December 2019	6.2	–	27.8	–	34.0

The Company has no other intangible assets (2019: £nil).

As at 31 December 2020, there are six individually material other intangible assets:

	2020 £m			2019 £m		
	Software	**Customer contracts and brands**	**Total**	Software	Customer contracts and brands	Total
Customer contracts in Endeavour Group	–	**5.8**	**5.8**	–	8.2	8.2
Customer contracts/brands in Passionate About People Group	–	**6.2**	**6.2**	–	8.5	8.5
Customer contracts in Grafton Recruitment	–	**3.4**	**3.4**	–	4.7	4.7
Payroll and Credit Control software developed for Recruitment division	**4.9**	–	**4.9**	5.6	–	5.6
Customer contracts in One Call Recruitment	–	**1.5**	**1.5**	–	2	2
Customer contracts in Brightwork	–	**0.9**	**0.9**	–	1.6	1.6
Others	**0.8**	**0.8**	**1.6**	0.6	2.8	3.4
Net book amount at 31 December 2020	**5.7**	**18.6**	**24.3**	6.2	27.8	34.0

Software, customer contracts and brands each have a useful economic life ("UEL") of 5.0 years. At 31 December 2020, the remaining UELs of the principal customer contracts are as follows:

	UEL (years)
Endeavour Group	1.2
Passionate About People Group	1.8
Grafton Recruitment	1.6
One Call Recruitment	1.4
Brightwork	0.3

13 Fixed asset investments – Company

	Investment in Group undertakings £m
Cost at 1 January 2019	**125.2**
Impairment adjustment	(50.2)
Net book amount at 31 December 2019	**75.0**
Impairment adjustment	(7.2)
Net book amount at 31 December 2020	**67.8**

An impairment review was carried out with respect to the Company's carrying value of its investments in subsidiaries and considering recoverable amount as the higher of value-in-use and fair value less costs to sell for each investment.

The impairment review indicated that an impairment was required to the Company's carrying value of its investments of £7.2m (2019: £50.2m).

The recoverable amount of the investments were based on value-in-use calculations with the same assumptions as described in note 11. The recoverable amounts of the remaining investments were based on fair value less costs to sell with reference to level 3 inputs, being inputs for the asset or liability that are not based on observable market data, with consideration of the balance sheet position of the subsidiaries. This led to an impairment of £6.9m in People Plus Limited.

A further impairment of £0.3m was recognised based on the results of fair value less costs to sell calculations.

As at 31 December 2020, the Company holds interests in the following companies:

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Registered office: 19-20 The Triangle, NG2 Business Park, Nottingham, NG2 1AE			
Staffline Recruitment Limited	100%	England and Wales	Recruitment
PeoplePlus Group Limited	100%	England and Wales	Skills and training
A4e Limited	100%	England and Wales	Welfare to Work
A4e Enterprise Limited*	100%	England and Wales	Dormant
Action For Employment Trustees Limited*	100%	England and Wales	Dormant
Agency Plus Limited*	100%	England and Wales	Dormant
A La Carte Recruitment Limited*	100%	England and Wales	Dormant
Broomco (4198) Limited*	100%	England and Wales	Dormant
Datum RPO Limited*	100%	England and Wales	Recruitment
Driving Plus Limited*	100%	England and Wales	Dormant
Endeavour Group Limited*	100%	England and Wales	Dormant
Eos Works Limited*[1]	100%	England and Wales	Non-trading
Eos Services Limited*	100%	England and Wales	Dormant
Eos Works Group Limited[1]	100%	England and Wales	Non-trading
Experience Management Limited (was JFDI Group Limited)	100%	England and Wales	Dormant
Staffline Recruitment (NI) Limited (was Grafton Recruitment Limited)*	100%	Northern Ireland	Recruitment
International Employment Group Limited (was Onsite Partnership Limited)	100%	England and Wales	Dormant
Learning Plus System Limited	100%	England and Wales	Dormant
Network Projects Limited*	100%	England and Wales	Dormant
Omega Resource Group Limited*	100%	England and Wales	Dormant
One Call Recruitment Limited*	100%	England and Wales	Dormant
Passionate About People Limited*	100%	England and Wales	Dormant
PeoplePlus Learning Limited*	100%	England and Wales	Dormant
Skillspoint Limited*	100%	England and Wales	Dormant
Softmist Limited*	100%	England and Wales	Dormant
IEG Limited (was Staffline Limited)	100%	England and Wales	Dormant
Staffline Appointments Limited*[1]	100%	England and Wales	Non-trading
Staffline Holdings Limited	100%	England and Wales	Dormant
Staff-Line Trustees Limited*	100%	England and Wales	Dormant
Techsearch Technology Limited*	100%	England and Wales	Dormant
Vital Recruitment Limited*	100%	England and Wales	Dormant

* These companies are owned indirectly through other Group companies.

[1] These UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2020. The Directors of Staffline Group plc have confirmed that the Company will provide a financial guarantee under Section 479C in relation to the subsidiaries listed above. No liability is expected to arise from the giving of this obligation.

Notes to the Financial Statements continued

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13 Fixed asset investments – Company continued

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Registered office: ul. Fryderyka Chopina 2, 44-100 Gliwice, Poland			
Staffline Polska Sp. zoo*	100%	Poland	Dormant
Staffline Recruitment Gliwice Sp. zoo*	100%	Poland	Dormant
Agencja Pracy Tymczasowej Staffline sp. zoo*	100%	Poland	Recruitment
Vital Logistics sp. zoo*	100%	Poland	Recruitment
Registered office: Cooldriona Court, Main Street, Swords, Co. Dublin, K67 WN92			
Staffline Limited (was Staffline Recruitment Limited)	100%	Republic of Ireland	Recruitment
Staffline Recruitment (ROI) Limited (was Grafton Recruitment Limited)*	100%	Republic of Ireland	Recruitment
Registered office: 38a Mallusk Road, Newtownabbey, Northern Ireland, BT36 4PP			
PeoplePlus (Works) NI Limited*	100%	Northern Ireland	Training
Registered office: 193/199 Bath Street, Glasgow, Scotland, G2 4HU			
Brightwork Limited*	100%	Scotland	Recruitment
Brightwork Specialist Recruitment Limited*	64%	Scotland	Dormant
Registered office: Elgar House, Shrub Hill Road, Worcester, England, WR4 9EE			
Warwickshire and West Mercia Community Rehabilitation Company Limited*	100%	England and Wales	Probationary services
Mercia Community Action CIC*	100%	England and Wales	Dormant
Registered office: Southern Exchange House, 34 Earl Grey Street, Edinburgh, EH3 9BN			
PeoplePlus Scotland Limited*	100%	Scotland	Dormant
Registered office: Rua S. Joao de Brito 605 E-4, Porto, Ramalde, 4100 455 Porto			
Omega Recruitment, Unipessoal LDA*	100%	Portugal	Recruitment

* These companies are owned indirectly through other Group companies.

[1] These UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2020. The Directors of Staffline Group plc have confirmed that the Company will provide a financial guarantee under Section 479C in relation to the subsidiaries listed above. No liability is expected to arise from the giving of this obligation.

14 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 2019	15.2	11.0	2.5	0.2	28.9
Additions	1.6	2.2	0.1	–	3.9
Disposals	(1.2)	(0.2)	(0.3)	–	(1.7)
At 31 December 2019	**15.6**	**13.0**	**2.3**	**0.2**	**31.1**
Additions	0.3	1.2	0.1	–	1.6
Disposals	(1.2)	(2.9)	(1.1)	–	(5.2)
At 31 December 2020	**14.7**	**11.3**	**1.3**	**0.2**	**27.5**
Depreciation					
At 1 January 2019	3.1	6.1	1.9	0.2	11.3
Charged in the year – operating	2.9	2.2	0.5	–	5.6
Charged in the year – impairment*	0.5	–	–	–	0.5
Disposals	(0.5)	(0.2)	(0.2)	–	(0.9)
At 31 December 2019	**6.0**	**8.1**	**2.2**	**0.2**	**16.5**
Charged in the year – operating	2.8	2.7	0.1	–	5.6
Disposals	(0.9)	(2.2)	(1.1)	–	(4.2)
At 31 December 2020	**7.9**	**8.6**	**1.2**	**0.2**	**17.9**
Net book value					
At 31 December 2020	**6.8**	**2.7**	**0.1**	**–**	**9.6**
At 31 December 2019	9.6	4.9	0.1	–	14.6

* The impairment of right-of-use assets in 2019 relates to onerous leases.

In the year ended 31 December 2019, the Group applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group was 1 January 2019. The Group applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of these leases, which were previously treated as operating leases, the Group elected to measure the carrying value as if the Standard had been applied since the commencement date but discounted using the Group's incremental borrowing rate at the date of initial application. Right-of-use assets, principally property related assets, comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Additional information on the right-of-use assets by class of assets is as follows:

At 31 December 2020

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

At 31 December 2019

	Carrying amount	Depreciation expense	Impairment
Office buildings	7.6	(2.5)	(0.5)
IT equipment	0.3	(0.1)	–
	7.9	(2.6)	(0.5)

As at 31 December 2020 the Company had no property, plant and equipment assets (2019: £nil).

Notes to the Financial Statements continued

For the year ended 31 December 2020

15 Leases

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

	2020 £m	2019 £m
Current	**1.6**	2.6
Non-current	**3.9**	5.8
	5.5	8.4

The Group has leases for its operational and administrative offices, and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

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	49	0.1 – 14.2	3.3	18
IT equipment	5	0.1 – 3.8	2.0	–

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 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 2020						
Lease payments	**1.7**	**1.1**	**0.8**	**0.6**	**1.7**	**5.9**
Finance charges	**(0.1)**	**(0.1)**	**(0.1)**	–	**(0.1)**	**(0.4)**
Net present value	**1.6**	**1.0**	**0.7**	**0.6**	**1.6**	**5.5**
31 December 2019						
Lease payments	2.8	1.9	1.2	0.7	2.3	8.9
Finance charges	(0.2)	(0.1)	(0.1)	–	(0.1)	(0.5)
Net present value	**2.6**	**1.8**	**1.1**	**0.7**	**2.2**	**8.4**

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:

	2020 £m	2019 £m
Short-term leases	**0.6**	0.6
Leases of low value assets	**0.8**	0.5
	1.4	1.1

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

Total cash outflow for leases for the year ended 31 December 2020 was £4.8m (2019: £4.3m).

16 Retirement benefit net liability

One of the Group's subsidiaries, PeoplePlus Group Limited, operates a defined benefit pension scheme for some staff. The scheme is closed to new entrants. The last actuarial valuation of the scheme was at 30 May 2019. Given that the fair value of plan assets is only £9.8m (2019: £9.8m), only significant disclosures are reported below.

The amounts recognised in the balance sheet are determined as follows:

	2020 £m	2019 £m
Fair value of plan assets	**9.8**	9.8
Present value of funded obligations	**(10.9)**	(9.9)
Net liability in the balance sheet at 31 December	**(1.1)**	(0.1)
Actuarial losses during the year, pre tax	**(1.0)**	(0.9)
Deferred tax on loss	**0.2**	0.2
Actuarial losses during the year, post deferred tax impact	**(0.8)**	(0.7)

The directors have agreed with the pension trustees to make additional contributions to the pension scheme with a view to substantially reducing the liability by 31 July 2029.

The movement in the fair value of the plan assets over the year is as follows:

	2020 £m	2019 £m
Balance at 1 January	**9.8**	9.2
Interest on assets	**0.2**	0.2
Contributions – employer and member	**0.1**	0.2
Benefits paid	**(0.2)**	(0.2)
Actuarial gain/(loss) on asset return	**(0.1)**	0.4
Fair value of plan assets in the balance sheet at 31 December	**9.8**	9.8

At 31 December 2020, the scheme's assets, valued at market value, were distributed as follows:

	2020 £m	2019 £m
Bonds (68% of assets as at 31 December 2020)	**6.7**	6.7
Equities (31% of assets as at 31 December 2020)	**3.0**	3.0
Cash (1% of assets as at 31 December 2020)	**0.1**	0.1
Fair value of plan assets in the balance sheet at 31 December 2020	**9.8**	9.8

All investments are managed by the investment advisors and Standard Life within the Standard Life "wrap investment" portfolio where the investments are held within Dimensional Funds at the year end. All funds are passively managed. The funds held by the scheme are all pooled investment vehicles and therefore the investment manager is responsible for appointing an independent custodian. The objective of each of these funds is to match the investment return in a particular investment market subject to an acceptable degree of tracking-error that is monitored by the Trustees.

The movement in the present value of defined benefit funding obligations over the year is as follows:

	2020 £m	2019 £m
Balance at 1 January 2020	**9.9**	8.4
Interest cost on liabilities	**0.2**	0.3
Service cost – current accrual cost	**0.1**	0.1
Benefits paid – net of member contributions	**(0.2)**	(0.2)
Actuarial loss/(gain) on change in assumptions	**0.9**	1.3
Present value of funded obligations in the balance sheet at 31 December 2020	**10.9**	9.9
Membership numbers (active 2020: 12, 2019: 11)	**263**	259

The liabilities have been calculated using the following principal actuarial assumptions:

	2020	2019
Inflation rate (RPI)	**2.90%**	2.95%
Inflation rate (CPI)	**2.30%**	2.35%
Salary increase	**2.90%**	2.95%
Discount rate	**1.35%**	2.05%
Future pension increases for leavers (RPI)	**2.90%**	2.95%

Notes to the Financial Statements continued

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16 Retirement benefit net liability continued

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions are based on the following mortality tables:

- Pre-retirement mortality: 100% of SAPS "S2" Normal tables
- Post-retirement mortality: 100% of SAPS "S2" Normal tables

Future improvements in longevity are as based on the following:

- Pre-retirement mortality: CMI 2019 projections with a long-term trend of 0.0% per annum
- Post-retirement mortality: CMI 2019 projections with a long-term trend of 1.25% per annum

The mortality assumptions used were as follows:

	31 Dec 2020 years	31 Dec 2019 years
Average expected future life at age 60 for a:		
– male currently aged 60	**27.1**	27.0
– female currently aged 60	**29.3**	29.1
– male currently aged 40	**28.6**	28.5
– female currently aged 40	**30.8**	30.6

Members are assumed to retire at the earliest age where there would be no reduction. It is also assumed that members commute 75% of the maximum HMRC allowance based on current commutation factors. There are £nil (2019: £nil) contributions unpaid at the year-end.

A charge of £0.1m (2019: £0.1m) is included within the statement of comprehensive income within administrative expenses for the service cost. A net actuarial loss, after deferred taxation, of £0.8m (2019: loss of £0.7m) is included within the consolidated statement of changes in equity.

At 31 December 2020 the Company had no pension balances (2019: £nil).

17 Trade and other receivables

	2020 Group £m	**2020 Company £m**	2019 Group Restated £m	2019 Company Restated £m
Trade and other receivables	**89.1**	**–**	118.1	–
Amounts due from Group undertakings	**–**	**7.7**	–	51.2
Accrued income	**15.7**	**–**	14.3	–
	104.8	**7.7**	132.4	51.2

Trade and other receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure and the Group maintains a comprehensive credit insurance policy, which mitigates a significant proportion of any potential credit risk. The Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognised represent a large number of receivables from various customers.

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand. An assessment of the recoverability of amounts due from Group undertakings for the year ended 31 December 2019 resulted in an impairment adjustment of £17.7m. During the year ended 31 December 2020 the amount due was substantially settled and the impairment adjustment was reversed. The amounts held at 31 December 2020 by the Company pose no material liquidity or credit risk as they are owed by other group undertakings and are expected to be settled by Group transactions. The subsidiary concerned has sufficient cash to settle the receivable as at 31 December 2020.

Included in the trade and other receivables balance above is a bad debt provision of £0.8 (2019: £1.4m). The bad debt provision is split as follows:

	2020 £m	2019 £m
Expected Credit Loss ("ECL")	**0.1**	0.1
Specific bad debt provision	**0.7**	1.3
Bad debt provision	**0.8**	1.4

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 28 for details.

18 Cash

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
Cash and cash equivalents	**24.5**	–	25.0	–
Restricted cash	**0.9**	–	12.7	–

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

Cash and cash equivalents amounting to £24.5m (2019: £25.0m), as disclosed in the consolidated statement of cash flows comprises cash balances of £24.5m (2019: £25.0m), less overdrafts of £nil (2019: £6.4m).

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

Long-term credit ratings for the four banks are currently as follows:

	Fitch	Standard & Poor's	Moody's
Lloyds Banking Group plc	A+	BBB+	A3
Bank of Ireland Group plc	BBB	BBB–	Baa2
HSBC Holdings plc	A+	A–	A2
Royal Bank of Scotland plc	A+	A	A1*/A2

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

	2020 £m	2019 £m
Cash at bank (as above)	**24.5**	25.0
Undrawn Receivable Finance Facility	**54.9**	–
Overdraft facility	–	18.6
Committed revolving credit facility unutilised	–	0.1
Banking facility headroom	**79.4**	43.7

As at 31 December 2020 the Company had no cash balances (2019: £nil).

19 Trade and other payables

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
Trade and other payables	**18.7**	–	18.2	–
Accruals	**47.1**	**0.1**	58.1	1.0
Deferred income	**6.9**	–	2.6	–
Amounts due to Group undertakings	–	**3.7**	–	7.8
Other taxation and social security	**80.6**	–	47.5	–
	153.3	**3.8**	126.4	8.8

The fair value of trade and other payables has not been separately disclosed as, due to their short duration, the Directors consider the carrying amounts recognised in the statement of financial position to be a reasonable approximation of their fair value.

The Group took advantage of the UK Government scheme for the deferral of VAT payments between March and June 2020. The total deferral under the scheme amounted to £42.4m after offset of a Corporation Tax refund due from 2018. Repayment of the balance is due to be paid over instalments commencing from June 2021. As at 31 December 2020, £37.1m is payable within one year and a final payment of £5.8m is due in January 2022.

For 2020, revenue includes £2.6m (2019: £0.5m) included in the contract liability balance at the beginning of the period.

Amounts due to Group undertakings are non-interest bearing, unsecured and repayable on demand.

Notes to the Financial Statements continued

For the year ended 31 December 2020

20 Borrowings

Borrowings are repayable as follows:

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
In one year or less or on demand*	**14.9**	–	9.0	–
In more than one year but not more than two years*	**21.0**	**20.0**	1.8	–
In more than two years but not more than five years*	**1.3**	–	79.9	78.1
In more than five years	**1.6**	–	2.2	–
Unamortised transaction costs	**(0.3)**	–	–	–
Total borrowings	**38.5**	**20.0**	92.9	78.1

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

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
Split:				
Current liabilities:				
Receivables Finance Facility	**13.3**	–	–	–
Unamortised transaction costs	**(0.3)**	–	–	–
Bank overdraft	–	–	6.4	–
Lease liabilities	**1.6**	–	2.6	–
	14.6	–	9.0	–
Non-current liabilities:				
Revolving credit facility	**20.0**	**20.0**	78.1	80.0
Lease liabilities	**3.9**	–	5.8	–
Unamortised transaction costs	–	–	–	(0.8)
	23.9	**20.0**	83.9	79.2
Total borrowings	**38.5**	**20.0**	92.9	79.2
Total borrowings excluding unamortised transaction costs	**38.8**	**20.0**	92.9	80.0
Less: Cash (note 18)	**(24.5)**	–	(25.0)	(16.2)
Net debt	**14.3**	**20.0**	67.9	63.8

On 26 June 2019 the Group and its lenders agreed to certain amendments to the RCF. The lenders agreed to a waiver of all quarterly financial covenant tests for the period ended 30 June 2019. The key amendments to the RCF were:

i) Relaxation of the September and December 2019 leverage covenants followed by a gradual reduction of the leverage covenant to net debt of less than 2x EBITDA by 31 December 2020;
ii) Restrictions on new material share, business and asset acquisitions until January 2021;
iii) No dividends to be declared by the Company for the 2019 and 2020 financial years;
iv) Repayment and cancellation of revolving facility commitments by £10.0m on both 15 November 2019 and 15 November 2020;
v) Net proceeds of the July 2019 share issue in excess of £30.0m to be used to reduce, and cancel, the Credit Facilities available.

In consideration of these amendments, an amendment fee has been paid to the lenders and certain other changes were made to the Credit Facility (including the removal of the accordion option and the ability to request the lenders to extend the Credit Facility for an additional 12 months beyond July 2022). The expiry date for the Credit Facility remains in June 2022. The Company has agreed to pay the lenders an exit fee based on a percentage of the outstanding commitments when the Credit Facility expires or, if sooner, refinanced.

Interest accrues on the borrowings at between 1.4% and 2.0% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

On 24 July 2019, following the share issue, £6.8m was used to reduce, and cancel, part of the Credit Facilities. On 15 November 2019, in line with the amendments above, £10.0m was used to further reduce, and cancel, part of the Credit Facilities.

In December 2019, the Company agreed an amendment to the Credit Facilities which included:

i) The deferral of testing covenants at December 2019; and
ii) The agreement to waive any potential covenant breaches and defaults arising as a result of the prior year adjustments.

Subsequently, between January and May 2020, the Company agreed amendments to the Credit Facilities which included further deferrals of covenant testing and the reporting of such testing.

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

The key terms of the new facilities are below, with other terms of the RCF remaining in place:
i) Expiry date July 2022;
ii) Repayment and cancellation of RCF commitments by £10.0m on 31 July 2020;
iii) The RFF can initially be drawn down against the receivables of the Recruitment GB division and Northern Ireland, part of the Recruitment Ireland division;
iv) Interest on the RFF accruing at 3.50% plus Bank of England base rate;
v) Minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022; and
vi) No dividends to be declared by the Company until July 2022.

On 31 July 2020, the RCF was reduced by £10.0m from £30.0m to £20.0m. On 8 October 2020, following the removal of two customers from the RFF, the maximum availability on the RFF was reduced by £5.0m from £73.2m to £68.2m.

As at 31 December 2020 the Group also has available a separate £25.0m uncommitted, non-recourse, Receivables Financing Facility against certain customer receivables, and a number of separate, non recourse, Customer Financing arrangements whereby specific customer invoices are settled in advance of their normal settlement date. The balance funded under this Receivables Financing Facility at 31 December 2020 was £24.3m (2019: £25.7m) and the value of invoices funded under the Customer Financing arrangements was £43.0m (2019: £35.1m). Costs incurred in relation to these arrangements are charged to profit and loss as finance charges when incurred.

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

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

I) Maximum receivables financing facility of £90.0m over a four-and-a-half-year term, with a one-year extension option;
II) An Accordion option of up to an additional £15.0m, subject to lender approval;
III) Security on all of the assets and undertakings of the Company and certain subsidiary undertakings;
IV) Interest accruing at 2.75% over SONIA, with a margin ratchet downward to 2.0%, dependent upon the Group's leverage reducing to 3.00x;
V) A non-utilisation fee of 0.35% of the margin; and
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.

Minimum interest cover covenant of 2.25x the last twelve months EBITDA to finance charges.

The new facility enabled the cancellation of the existing facilities, comprising the RCF of £20.0m and the RFF of £68.2m and also the non-recourse Receivables Purchase Facility of £25.0m.

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

Notes to the Financial Statements continued

For the year ended 31 December 2020

21 Other liabilities

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
Due within one year (current)				
Deferred consideration	–	–	0.6	–
Retirement benefit net liability	–	–	0.1	–
	–	–	0.7	–
Due after more than one year (non-current)				
Other taxation and social security	**5.8**	–	–	–
Retirement benefit net liability	**1.1**	–	–	–
Revolving credit facility termination fee	**0.4**	**0.4**	1.4	1.4
	7.3	**0.4**	1.4	1.4

A final instalment of £5.8m relating to the UK Government VAT deferral scheme is due for payment in January 2022.

The Group has agreed with the trustees of the Group's defined benefit pension scheme to make additional contributions to the scheme in order to eliminate the current deficit by July 2029.

During the year, deferred consideration of £0.3m was paid to the former owners of one of the businesses that was acquired in 2018. The unpaid balance was transferred to the income statement.

22 Provisions

	IT costs £m	Staff costs £m	Property costs £m	Contract termination £m	NMW remediation and financial penalties £m	2020 Group Total £m	2019 Group Total £m
At 1 January 2020	**0.7**	**0.8**	**3.7**	**0.4**	**12.8**	**18.4**	**25.1**
Amounts charged to the income statement	–	0.3	0.7	–	–	1.0	2.0
Amounts transferred from accruals	–	–	0.2	–	–	0.2	
Amounts utilised	(0.7)	(0.3)	(1.3)	(0.4)	(10.9)	(13.6)	(8.0)
Unused amounts reversed to the income statement	–	–	(1.0)	–	–	(1.0)	(0.7)
At 31 December 2020	–	**0.8**	**2.3**	–	**1.9**	**5.0**	**18.4**
Due within one year (current)	–	0.8	1.1	–	1.9	3.8	16.0
Due after more than one year (non-current)	–	–	1.2	–	–	1.2	2.4
At 31 December 2020	–	**0.8**	**2.3**	–	**1.9**	**5.0**	**18.4**

The Group has previously made provisions for IT costs, staff costs and property costs relating to the restructuring of the PeoplePlus division. The IT costs related to onerous IT contracts; the staff costs related to redundancies; and the property costs related to lease dilapidations.

Provision is made for "wear and tear" dilapidations costs at the Group's leased properties. Where possible, dilapidations provisions are determined based on an independent valuation of the estimated total cost payable on expiry of the respective leases. The amounts recognised are in respect of "wear and tear" to date. The timing and value of the costs are uncertain due to potential changes to exit dates and the final liability which may be subject to negotiation with the landlord.

The NMW remediation and financial penalties provision relates to historic HMRC National Minimum Wage breaches, of which a large proportion was settled in the year.

The Company has no provisions (2019: £nil).

23 Deferred taxation

	2020 Group £m	2020 Company £m	2019 Group £m	2019 Company £m
Deferred taxation assets	**4.4**	–	1.4	–
Deferred taxation (liabilities)	**(3.5)**	–	(4.7)	–
Net liability	**(0.9)**	–	(3.3)	–

The table below shows the Group movement in net deferred taxation during the year.

2020 Deferred tax assets/(liabilities)	**1 January 2020 £m**	**Recognised in comprehensive income – current year £m**	**Recognised in comprehensive income – prior year £m**	**31 December 2020 £m**
Property, plant, equipment and software temporary timing differences	**0.9**	**(0.1)**	**(0.4)**	**0.4**
Acquired intangible assets	**(4.7)**	–	**1.7**	**(3.0)**
Provisions	**0.1**	–	**0.6**	**0.7**
Recoverable tax losses	**0.4**	**2.7**	**(0.5)**	**2.6**
Retirement benefit asset	–	–	**0.2**	**0.2**
Net liability	**(3.3)**	**2.6**	**1.6**	**0.9**
Recognised as:				
Deferred tax asset	**1.4**	**3.1**	**(0.1)**	**4.4**
Deferred tax liability	**(4.7)**	**(0.5)**	**1.7**	**(3.5)**
Net liability	**(3.3)**	**2.6**	**1.6**	**0.9**

The table below shows the Group movement in net deferred taxation during the prior year.

2019 Deferred tax assets/(liabilities)	1 January 2019 £m	Recognised in comprehensive income – current year £m	Recognised in comprehensive income – prior year £m	31 December 2019 £m
Property, plant, equipment and software temporary timing differences	0.9			0.9
Acquired intangible assets	(6.7)	2.0	–	(4.7)
Provisions	0.1	–	–	0.1
Recoverable tax losses	–	(0.4)	0.8	0.4
Retirement benefit asset	(0.1)	0.1	–	–
Net liability	(5.8)	1.7	0.8	(3.3)
Recognised as:				
Deferred tax asset	0.9	(0.3)	0.8	1.4
Deferred tax liability	(6.7)	2.0	–	(4.7)
Net liability	(5.8)	1.7	0.8	(3.3)

The Group has incurred taxable losses amounting in aggregate to £3.2m (2019: £13.4m), which arose during the year and has brought forward tax losses of £12.2m. These losses are available for relief against future tax liabilities. The likelihood of recovery of these losses in the foreseeable future is considered to be probable and consequently a deferred tax asset has been recognised.

Deferred tax assets and liabilities in the UK have been recognised at the rate of 19%, whilst those in the Republic of Ireland have been recognised at 12.5%. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax assets and liabilities as at 31 December 2019 were calculated based on that rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

The Company has no deferred tax balances at 31 December 2020 (2019: £nil).

Deferred tax net liabilities expected to unwind next year total £1.8m, being the estimated amortisation of intangible assets arising on business combinations of £9.3m at a tax rate of 19%.

No deferred tax has been recognised on taxable temporary differences associated with investments as the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements continued

For the year ended 31 December 2020

24 Share capital

	2020 £m	2019 £m
Allotted and issued		
68,930,486 ordinary 10p shares	**6.9**	6.9

	2020 Number	2019 Number
Shares issued and fully paid at the beginning of the year	**68,930,486**	27,944,389
Shares issued during the year	–	40,986,097
Shares issued and fully paid at the end of the year	**68,930,486**	68,930,486

All Ordinary Shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 1,140,400 shares held at 31 December 2020 (2019: 1,140,400 shares) by the Employee Benefit Trust where the right to dividends has been waived.

On 15 July 2019, a total of 40,986,097 ordinary 10p shares were issued by the Company, resulting in a total of 68,930,486 ordinary 10p shares now being in issue.

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

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

25 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There were no material transactions with Directors of the Company during the period, except for those relating to remuneration and share purchases as noted below.

Transactions with key management personnel

The Group key management personnel's (defined as the Company's Directors and those senior management who participate in the Group's JSOP schemes) remuneration, which includes the Group Directors' remuneration disclosed above, is detailed below:

	2020 £'000	2019 £'000
Short-term employee benefits:		
Salaries and fees (inc. car allowance)	**3,899**	3,302
Bonus – paid at year end (2019: unpaid at year-end)	**60**	519
Benefits in kind	**6**	13
Compensation for loss of office	**163**	264
Share-based employee remuneration charge	**7**	200
	4,135	4,298

During the year ended 31 December 2019 the Group spent £298,335 with Inspired Thinking Group, a specialist marketing services and technology business where Tracy Lewis was Chair until March 2019. There was no outstanding balance at 31 December 2019 or 2020.

The fees for the services of Daniel Quint of £413,000 which are included in transactions with directors and £709,000 which are included in transactions with key management personnel were all paid to the company, Q Finance Limited, of which Daniel is a director. The fees relating to Dawn Ward of £10,000 included in both the transactions with directors and the transactions with key management personnel were paid to Burton and South Derbyshire College, of which Dawn Ward is the Chief Executive and Principal.

26 Contingencies

A cross guarantee exists between all companies in the Group for all amounts owing to Lloyds Banking Group, HSBC Bank and Bank of Ireland. The Group amounts owing to Lloyds Banking Group, HSBC Bank and Bank of Ireland at the 2020 financial year-end are £33.3m (2019: £60.1m).

27 Capital commitments

The Group and Company had no material capital commitments at either 31 December 2020 or 31 December 2019.

28 Risk management objectives and policies

The Group is exposed to a variety of financial risks through its use of financial instruments which result from both its operating and investing activities. The Group's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Credit risk

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets (being current assets excluding corporation tax recoverable) recognised at the balance sheet date, as summarised below:

	2020 Loans and receivables and balance sheet totals £m	2019 Loans and receivables and balance sheet totals £m
Trade and other receivables (note 17)		
held to sell at fair value through the statement of comprehensive income	**4.3**	6.2
– held to collect	**84.8**	111.9
Cash and cash equivalents (note 18)	**24.5**	25.0
Accrued income (note 17)	**16.7**	14.3
	130.3	157.4

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

31 December 2020	Not more than 30 days past due £'000s	>31 days past due £'000s	>61 days past due £'000s	>91 days past due £'000s	Total £'000s
Expected loss rate	0.04%	0.40%	2.89%	13.27%	
Gross carrying amount – trade receivables	75,066	8,238	1,030	287	84,621
Loss allowance	**34**	**33**	**30**	**38**	**135**

31 December 2019	Not more than 30 days past due £'000s	>31 days past due £'000s	>61 days past due £'000s	>91 days past due £'000s	Total £'000s
Expected loss rate	0.05%	0.97%	1.60%	2.30%	
Gross carrying amount – trade receivables	108,055	2,557	1,199	1,386	113,197
Loss allowance (including specific provisions)	54	25	19	32	130

Notes to the Financial Statements continued

For the year ended 31 December 2020

28 Risk management objectives and policies continued

Credit risk continued

The closing loss allowance for trade receivables as at 31 December 2020 reconciles to the opening loss allowances as follows:

	2020 £m	2019 £m
As at 31 December – as previously calculated under IAS 39	**0.1**	0.1
Increase in loss allowance recognised in profit or loss during the year	–	–
As at 31 December	**0.1**	0.1

Credit risk is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. Details in respect of trade receivables at 31 December 2020 are provided in note 17. Substantially all of the trade within the PeoplePlus division is with local and central Government; therefore, the credit risk with these customers is considered low.

The Group has adopted a policy of carefully monitoring all customers, especially those who lack an appropriate credit history.

Liquidity risk

The Group seeks to manage financial risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by the use of a Receivables Finance Facility of up to £68.2m (31 December 2019: £25.0m overdraft) and the use of a credit facility of £20.0m (31 December 2019: £78.2m). As at 31 December 2020, £20.0m (2019: £78.1m) of the credit facility and £13.2m of the Receivables Finance Facility was utilised.

The Group has covenants attached to its banking facilities. Following the June 2020 refinancing, the main covenants are minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

Interest rate risk

All financial liabilities of the Group are subject to floating interest rates. Competitive rates have been renegotiated with the Group's bankers and the rate paid on the RCF has been set at 3.5% plus LIBOR. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- 1 percentage point with effect from the beginning of the year.

	2020	**2020**	2019	2019
	+1%	**–1%**	+1%	–1%
(Decrease)/increase in net result and equity £m	**(0.6)**	**0.6**	(0.9)	0.9

Foreign currency sensitivity

Most of the Group's transactions are carried out in sterling. Exposure to currency exchange rates arises from the Group's overseas sales and purchases which are predominantly denominated in Polish zloty and the euro (Republic of Ireland and Portugal). The Group has not entered into any foreign currency risk mitigation strategies to date. This will be kept under review.

Financial liabilities

The Group's liabilities (being total liabilities excluding deferred tax liabilities and unamortised transaction cost balances) are classified as follows:

	2020 Financial liabilities at fair value through profit or loss £m	**2020 Other financial liabilities at amortised cost £m**	**2020 Liabilities not within the scope of IFRS 9 £m**	**2020 Balance sheet total £m**
Revolving credit facility ("RCF")	–	**20.0**	–	**20.0**
Receivables Finance Facility ("RFF")	–	**13.3**	–	**13.3**
Lease liabilities	–	**5.5**	–	**5.5**
Trade and other payables	–	**18.7**	–	**18.7**
Accruals	–	**47.1**	–	**47.1**
Deferred income	–	–	**6.9**	**6.9**
Other liabilities	–	**0.4**	**1.1**	**1.5**
Taxation and social security	–	–	**86.2**	**86.2**
Provisions	–	–	**5.0**	**5.0**
Total	–	**105.0**	**99.2**	**204.2**

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

	2019 Financial liabilities at fair value through profit or loss £m	2019 Other financial liabilities at amortised cost £m	2019 Liabilities not within the scope of IFRS 9 £m	2019 Balance sheet total £m
Revolving credit facility ("RCF")	–	78.1	–	78.1
Overdraft	–	6.4	–	6.4
Lease liabilities	–	8.4	–	8.4
Trade and other payables	–	18.2	–	18.2
Accruals	–	58.1	–	58.1
Deferred income	–	–	2.6	2.6
Deferred consideration	–	0.6	–	0.6
Other liabilities	–	1.4	0.1	1.5
Taxation and social security	–	–	47.5	47.5
Provisions	–	–	18.4	18.4
Total	–	171.2	68.6	239.8

Fair value represents amounts at which an asset could be exchanged, or a liability settled on an arm's length basis.

Financial assets and financial liabilities measured at fair value are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:
- level 1 – quoted prices in active markets for identical assets and liabilities;
- level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has no financial assets or liabilities in any of the above classifications.

Maturity of financial liabilities

The analysis of the maturity of financial liabilities within the scope of IFRS 7 at 31 December 2020 is as follows:

	2020 Less than one year £m	**2020 One to five years £m**	**2020 More than five years £m**	**2020 Total £m**	2019 Less than one year £m	2019 One to five years £m	2019 More than five years £m	2019 Total £m
Revolving credit facility	–	**20.0**	–	**20.0**	–	78.1	–	78.1
Overdraft	–	–	–	–	6.4	–	–	6.4
Lease liabilities	**1.6**	**2.3**	**1.6**	**5.5**	2.6	3.8	2.0	8.4
Trade and other payables	**18.7**	–	–	**18.7**	18.2	–	–	18.2
Accruals	**47.1**	–	–	**47.1**	60.5	–	–	60.5
Deferred consideration	–	–	–	–	0.6	–	–	0.6
Total	**67.4**	**22.3**	**1.6**	**91.3**	88.3	81.9	2.0	172.2

The analysis of the maturity of contractual undiscounted financial liabilities (including estimated future interest) at 31 December 2020 is as follows:

	2020 Less than one year £m	**2020 One to five years £m**	**2020 More than five years £m**	**2020 Total £m**	2019 Less than one year £m	2019 One to five years £m	2019 More than five years £m	2019 Total £m
Revolving credit facility	–	**21.1**	–	**21.1**	–	86.3	–	86.3
Overdraft	–	–	–	–	6.4	–	–	6.4
Lease liabilities	**1.7**	**2.5**	**1.7**	**5.9**	2.8	3.8	2.1	8.7
Trade and other payables	**18.7**	–	–	**18.7**	18.2	–	–	18.2
Accruals	**47.1**	–	–	**47.1**	60.5	–	–	60.5
Deferred consideration	–	–	–	–	0.6	–	–	0.6
Total	**67.5**	**23.6**	**1.7**	**92.8**	88.5	90.1	2.1	180.7

Notes to the Financial Statements continued

For the year ended 31 December 2020

29 Cash flows from operating activities – consolidated

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

	2020 £m	2019 Restated £m
Loss before taxation from:		
Continuing operations	**(51.6)**	(44.4)
Discontinued operations	**(5.0)**	(3.7)
	(56.6)	(48.1)
Adjustments for:		
Finance costs	**7.3**	8.2
Depreciation and amortisation – underlying	**7.4**	7.3
Depreciation, loss on disposal and amortisation – non-underlying	**9.2**	10.9
Loss on disposal of property, plant and equipment – discontinued operations	**0.8**	-
Impairment of goodwill	**35.3**	22.3
Cash generated before changes in working capital and share options	**3.4**	0.6
Change in trade and other receivables	**27.6**	24.6
Change in trade, other payables and provisions	**34.6**	(23.8)
Impact of foreign exchange loss on operating activities	**0.1**	–
Cash generated from operations	**65.7**	1.4
Employee equity-settled share options	**0.1**	0.2
Net cash inflow from operating activities	**65.8**	1.6

Movement in net debt

	2020 £m	2019 £m
Net debt at 1 January (excluding transaction fees)	**(67.9)**	(74.2)
Loan repayments	**58.1**	1.9
Drawdown from Receivables Finance Facility	**(43.0)**	–
Reduction in Receivables Finance Facility	**29.7**	–
Lease payments, additions, disposals and interest	**2.9**	2.0
Change in cash and cash equivalents	**5.9**	2.4
Net debt at 31 December (excluding transaction fees)	**(14.3)**	(67.9)
Represented by:		
Cash and cash equivalents (note 18)	**24.5**	25.0
Current borrowings (note 20)	**(13.0)**	(6.4)
Lease liabilities (note 15)	**(5.5)**	(8.4)
Non-current borrowings (note 20)	**(20.0)**	(78.1)
Net debt including transaction fees	**(14.0)**	(67.9)
Transaction fees (unamortised balance)	**(0.3)**	–
Net debt at 31 December (excluding transaction fees)	**(14.3)**	(67.9)

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

	Overdrafts £m	Lease liabilities £m	Revolving credit facility £m	Receivables Finance Facility £m	Movements from financing activities £m	Cash £m	Total £m
Net debt as at 1 January 2019	–	(10.4)	(80.0)	–	(90.4)	16.2	(74.2)
Cash flows during the year	(6.4)	3.2	1.9	–	(1.3)	8.8	7.5
Non-cash movements in leases	–	(1.2)	–	–	(1.2)	–	(1.2)
Net debt at 31 December 2019	(6.4)	(8.4)	(78.1)	–	(92.9)	25.0	(67.9)
Cash flows during the year	6.4	2.9	58.1	(13.3)	54.3	(0.5)	53.6
Non-cash movements in leases	–	(0.2)	–	–	(0.2)	–	(0.2)
Net debt at 31 December 2020	–	**(5.5)**	**(20.0)**	**(13.3)**	**(38.8)**	**24.5**	**(14.3)**

30 Acquisition of businesses – cash paid; net of cash acquired

Cash flows in relation to the seven acquisitions made during 2018 are as follows:

	2020 Total acquisitions £m	2019 Total acquisitions £m
Consideration paid	**0.3**	7.2
Acquisition of businesses per cash flow – investing activities	**0.3**	7.2
Debt facilities acquired – financing activities	**–**	–
Acquisition of businesses	**0.3**	7.2

31 Capital management policies and procedures

The Board's current priorities for the Group's free cash flow are to fund Group development and maintain the strength of the Statement of financial position. The Group's overall strategy remains unchanged from last year in that it manages its capital to ensure that the Group will be able to continue as a going concern through the economic cycle.

The capital structure of the Group consists of net debt, which is represented by cash and cash equivalents (note 18), bank loans, overdrafts and revolving credit facilities (note 19) and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The only restrictions on the Group's capital relates to the covenants attached to the debt facilities.

In December 2019, the Company agreed an amendment to the Credit Facilities which included:
i) The deferral of testing covenants at December 2019; and
ii) The agreement to waive any potential covenant breaches and defaults arising as a result of the prior year adjustments.

Subsequently, between January and May 2020, the Company agreed amendments to the Credit Facilities which included further deferrals of covenant testing and the reporting of such testing.

The lenders agreed to a waiver of all quarterly financial covenant tests for the quarter ending 30 June 2019, as part of the amendments to the facilities made in the year.

The Group has covenants attached to its banking facilities. Following the June 2020 refinancing, the main covenants are minimum EBITDA and minimum liquidity covenants until a return to minimum leverage, interest and asset cover covenants in January 2022.

32 Changes in accounting policies

There were no new accounting pronouncements requiring adoption in the year and no changes to accounting policies.

33 Post balance sheet events

With the exception of the following, there were no events not disclosed elsewhere, between the balance sheet date of 31 December 2020 and the approval of these accounts on 21 June 2020, that are required to be brought to the attention of shareholders:

A number of Board changes occurred after the balance sheet date, as disclosed in the Corporate Governance Statement and Directors' Report.

The Group Continues to maintain its isolation, distancing and sanitation measures in accordance with national guidelines in order to reduce the effects of Covid-19. The pandemic is continuing to affect the Group's operations across all business areas and geographically.

The Group successfully completed a debt refinancing exercise with new lenders which completed on 10 June 2021. Alongside the debt refinancing the Company issued 96,837,242 new shares via an Open offer, Subscription and Placing which completed on the same date. Further details of the refinancing are given in notes 3 and 20 and details of the share issue are given in note 24.

Staffline Group plc

Unaudited five-year summary of financial data

Staffline Group plc
Unaudited five year summary of financial data

	Financial reporting years ended 31 December £m				
	2020	2019 Restated	2018 Restated	2017 Restated	2016
Comprehensive income					
Turnover	**927.6**	1,063.0	1,120.9	957.8	882.4
Underlying operating (loss)/profit	**4.8**	2.9	32.8	38.0	40.0
% margin	**0.5%**	0.3%	2.9%	4.0%	4.5%
Operating (loss)/profit	**(44.3)**	(36.2)	(14.7)	25.8	22.2
Net (loss)/profit after taxation	**(52.7)**	(44.0)	(16.0)	17.5	14.7
Underlying (loss)/earnings per share (diluted)	**5.0p**	(2.4)p	88.3p	108.3p	114.0p
Declared dividend per share	**n/a**	n/a	11.3p	26.7p	25.8p
Dividend cover v underlying diluted EPS	**n/a**	n/a	n/a	4.1x	4.4x
Financial position					
Goodwill	**59.6**	94.9	117.2	94.2	91.6
Intangible assets	**24.3**	34.0	42.9	20.8	25.8
Property, plant and equipment	**9.6**	14.6	7.6	7.7	8.0
Trade and other receivables	**106.5**	137.7	159.5	107.7	103.1
Cash and cash equivalents	**24.5**	25.0	16.2	31.3	19.7
Restricted cash	**0.9**	12.7	–	–	–
Trade and other payables	**(153.3)**	(126.4)	(143.4)	(103.4)	(97.5)
Borrowings (excl deal fees)	**(33.0)**	(84.5)	(80.0)	(48.1)	(56.9)
Lease liabilities (IFRS 16)	**(5.5)**	(8.4)	–	–	–
Deferred tax net liability	**0.9**	(3.3)	(5.8)	(2.1)	(2.6)
Other (net liabilities)	**(12.3)**	(20.5)	(31.4)	(14.2)	(7.5)
Net assets	**22.2**	75.8	82.8	93.9	83.7
Net debt, pre-IFRS 16, excluding deal fees	**(8.8)**	(59.5)	(63.8)	(16.8)	(37.2)
Goodwill, intangibles	**83.9**	128.9	160.1	115.0	117.4
Other net assets	**(52.9)**	6.4	(13.2)	(4.3)	3.5
Cash flows					
Underlying operating (loss)/profit	**4.8**	2.9	32.8	38.0	40.0
Loss on discontinued activities	**(5.0)**	(3.7)	–	–	–
Non-underlying cash costs	**(4.5)**	(5.7)	(30.2)	–	(6.6)
Depreciation, amortisation	**8.2**	7.3	4.8	4.4	4.9
Working capital movements	**62.2**	0.8	12.8	5.5	8.7
Capital expenditure, inc. software	**(2.4)**	(5.1)	(6.4)	(3.8)	(6.9)
Taxation paid (net)	**(0.5)**	(1.1)	(6.4)	(6.2)	(4.0)
Adjusted free cash from operations[1]	**62.8**	(4.6)	7.4	37.9	36.1
Dividends and interest paid	**(8.5)**	(6.0)	(9.8)	(9.3)	(8.9)
Business acquisitions inc. debt acquired	**(0.3)**	(7.2)	(49.6)	(8.5)	(1.9)
Payment into restricted fund	–	(12.7)	–	–	–
Issue of share capital, share sales (net)	–	38.0	5.0	0.3	1.5
Others	**0.1**	–	–	–	(0.3)
Reduction/(increase) in net debt	**54.1**	7.5	(47.0)	20.4	26.5

Comparative results for the year ended 31 December 2019 have been restated for the removal of the activities that were discontinued in 2020.

1 *Being free cash from operations as adjusted for the settlement of JSOP liabilities.*

Company details

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05268636

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Albert Ellis (Chief Executive Officer)
Daniel Quint (Chief Financial Officer)
Richard Thomson (Senior Independent Non-Executive Director)
Ian Starkey (Non-Executive Director)
Catherine Lynch (Non-Executive Director)

Secretary:
Louise Barber FCG

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