

Staffing 360 Solutions Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Company Registration No. 06745176 (England and Wales)

Staffing 360 Solutions Limited

Company Information

Director	B C Flood
Secretary	B C Flood
Company number	06745176
Registered office	3rd Floor 24 Cornhill London EC3V 3ND
Auditor	Moore Kingston Smith LLP Betchworth House 57-65 Station Road Redhill Surrey RH1 1DL

Staffing 360 Solutions Limited

Strategic Report

For the year ended 31 December 2021

The director presents the strategic report for the year ended 31 December 2021.

General

Staffing 360 Solutions Limited experienced the continuing impact of the COVID pandemic during 2021. Most of the contractors that we supply to our clients operate at the sites of those clients. The continued government-mandated lockdowns, and guidance to work from home where possible, had an impact on our clients and a consequential impact on our performance. While there is no certainty that the pandemic has come to/is coming to an end the easing of restrictions has allowed our employees to return to the office environment with a similar impact for our clients.

Trading performance

As a result of the continuing pandemic across 2021, we entered discussions with our clients about how best to resolve the challenges that they faced. Remote working for both our employees and our client-facing contractors became the norm. Additionally, the war for talent continued to rage and clients looked more critically at their needs. Lower priority projects were deferred but strategically imperative projects continued and, indeed, ramped up following the loss of activities in 2020. Permanent placements also saw a rise of 6% year over year as clients attempted to secure valuable employees. A low margin payrolling client was also lost in the middle of 2020 which resulted in a six million reduction in turnover going into 2021. Therefore, despite a drop in Turnover, our Gross Profit (net revenue after direct contractor costs) showed an improvement. Along with Staffing 360 Solutions Limited's 100%-owned subsidiary of Clement May Limited the following table shows the overall performance of the UK business.

	2021	2020	Y0Y % Change
Turnover - Staffing	28,326,362	34,619,641	
Turnover – Clement May	17,679,423	16,884,692	
Total Turnover	46,005,785	51,504,333	-10.7%
Gross Profit - Staffing	5,336,962	5,465,053	
Gross Profit – Clement May	2,026,394	1,471,563	
Total Gross Profit	7,363,356	6,936,616	+6.2%

The efficiency drive, which started in 2020 and was outlined in last year's strategic report, continued into 2021 with additional changes required due to the continuing impact of the pandemic. From an Adjusted EBITDA perspective (deemed to be a proxy for our ability to generate operating cashflow) the following was the outcome for Staffing 360 Solutions Limited for 2021 and the comparative of 2020.

	2021	2020
Loss for the financial year	(2,909,589)	(3,006,846)
Amortisation and Depreciation	1,959,179	1,998,369
Exceptional Costs	1,632,312	529,323
Exchange Difference on intercompany loan	271,037	(696,466)
Interest and Taxes	(461,709)	290,570
Adjusted EBITDA	491,230	(885,050)

Within working capital there is an intercompany loan payable to the parent company, Staffing 360 Solutions Inc. (Nasdaq: STAF), of £10,000,000 which is shown as a current liability. The parent has no intention of redeeming this loan within the next twelve months and its redemption is not allowed within the invoice discounting agreement with HSBC Bank.

Staffing 360 Solutions Limited

Strategic Report (Continued)

For the year ended 31 December 2021

Principal risks and uncertainties

Staffing 360 Solutions Limited's ability to retain high performing consultants enables us to build strong relationships with clients and in turn gain a competitive advantage through a developed understanding of their cultures and requirements.

Staffing 360 Solutions Limited continues to develop its professional recruitment solutions to provide a market leading service to employers. The recruitment of new, and retention of existing experienced consultants along with maximising cost synergies are key to fuelling growth.

Recruitment is seen as a barometer for the general state and health of the economy. Staffing 360 Solutions Limited and our clients are no different. The company has worked at mitigating the impact of market volatility by furthering its diversification of clients and sectors to those that are resistant to macro-economic trends.

Financial risk management

The company's operations expose it to a variety of financial risks that include: credit, liquidity and interest rate risk.

Credit risk

The company continues its policy of carrying out credit checks on all potential customers before any services are provided. Significant risks with potential customers are subject to review by senior management.

Interest rate risk

The company is subject to risk from interest rate increases on its invoice discount facility. The business regularly reviews the cost effectiveness of the facility and deems it a low risk for the forthcoming year.

Liquidity risk

The company utilises an invoice discount facility that provides short term working capital. Cash availability and debt collection is continually monitored and managed by the board to ensure the company has sufficient funds available.

Business risks

The failure to retain high performing employees, and equally the failure to attract new employees with the right skill set, may adversely affect the company's operating and financial performance. To mitigate this risk, we continually invest in employee training and development on top of providing a competitive pay and benefits structure. Regular appraisals, performance reviews and incentives take place to motivate and manage consultants effectively.

The risk of a further macro-economic downturn, including the continuation of the COVID-19 pandemic, would impact the business and recruitment sector as the industry is largely driven by economic cycles and levels of business confidence. This risk is mitigated through our strategy to operate in various markets as well as contract and permanent type placements.

On behalf of the board

B C Flood

Director

19 August 2022

Staffing 360 Solutions Limited

Director's Report

For the year ended 31 December 2021

The director presents his annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of labour recruitment and provision of personnel.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

B C Flood

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Staffing 360 Solutions Limited

Director's Report (Continued)

For the year ended 31 December 2021

On behalf of the board

B C Flood
Director

19 August 2022

Staffing 360 Solutions Limited

Independent Auditor's Report

To the Member of Staffing 360 Solutions Limited

Opinion

We have audited the financial statements of Staffing 360 Solutions Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, 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.

Material uncertainty related to going concern

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

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 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.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The director is 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.

Staffing 360 Solutions Limited

Independent Auditor's Report (Continued)

To the Member of Staffing 360 Solutions Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

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

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

Responsibilities of director

As explained more fully in the Director's Responsibilities Statement, the director is 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 director determines 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 director is responsible for assessing the 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 director either intends to liquidate the company or to cease operations, or has 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.

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

Staffing 360 Solutions Limited

Independent Auditor's Report (Continued)

To the Member of Staffing 360 Solutions Limited

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.

Ian Matthews (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

19 August 2022

Chartered Accountants
Statutory Auditor

Betchworth House
57-65 Station Road
Redhill
Surrey
RH1 1DL

Staffing 360 Solutions Limited

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	28,326,362	34,619,641
Cost of sales		(22,989,400)	(29,154,588)
Gross profit		5,336,962	5,465,053
Administrative expenses		(9,918,986)	(8,389,438)
Other operating income		1,210,726	208,109
Operating loss	4	(3,371,298)	(2,716,276)
Interest payable and similar expenses	7	(325,131)	(409,411)
Loss before taxation		(3,696,429)	(3,125,687)
Tax on loss	8	786,840	118,841
Loss for the financial year		(2,909,589)	(3,006,846)

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

Staffing 360 Solutions Limited

Balance Sheet

As at 31 December 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Goodwill	9		9,671,369		11,475,167
Tangible assets	10		307,237		441,331
Investments	11		2,668,760		2,668,760
			<u>12,647,366</u>		<u>14,585,258</u>
Current assets					
Debtors	13	7,287,561		6,182,249	
Cash at bank and in hand		464,179		1,000,084	
		<u>7,751,740</u>		<u>7,182,333</u>	
Creditors: amounts falling due within one year	14	(24,026,307)		(22,026,588)	
Net current liabilities			<u>(16,274,567)</u>		<u>(14,844,255)</u>
Total assets less current liabilities			<u>(3,627,201)</u>		<u>(258,997)</u>
Creditors: amounts falling due after more than one year	15		(179,443)		(638,058)
Net liabilities			<u>(3,806,644)</u>		<u>(897,055)</u>
Capital and reserves					
Called up share capital	19		495,711		495,711
Profit and loss reserves			(4,302,355)		(1,392,766)
Total equity			<u>(3,806,644)</u>		<u>(897,055)</u>

The financial statements were approved and signed by the director and authorised for issue on 19 August 2022

B C Flood
Director

Company Registration No. 06745176

Staffing 360 Solutions Limited

Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	495,711	1,614,080	2,109,791
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(3,006,846)	(3,006,846)
Balance at 31 December 2020	495,711	(1,392,766)	(897,055)
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(2,909,589)	(2,909,589)
Balance at 31 December 2021	495,711	(4,302,355)	(3,806,644)

Staffing 360 Solutions Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1 Accounting policies

Company information

Staffing 360 Solutions Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, 24 Cornhill, London, EC3V 3ND.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Staffing 360 Solutions Inc. These consolidated financial statements are available from its registered office, 757 3rd Avenue, 27th Floor, New York, NY 10017, USA or from the website of Staffing 360 Solutions Inc:
<https://www.staffing360solutions.com/investors>.

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

1.2 Going concern

At the Balance Sheet date, the Company had net liabilities of £3,806,644. The Company's negative working capital and liquidity position combined with the uncertainty generated by the economic reaction to the COVID-19 pandemic raise substantial doubt about the Company's ability to continue as a going concern.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such it is uncertain the full magnitude that the pandemic will have on the Company's financial position, liquidity and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry and workforce.

The ultimate parent company, Staffing 360 Solutions, Inc. has committed to support the company financially for at least twelve months from the date of approval of these financial statements and will not recall the intercompany balances (£14.1m) that is due to it. The director believes this will provide sufficient liquidity for the business as the economy continues to recover, but reserves the option to consider further financing.

On this basis, the Director believes that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore these financial statements are prepared on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The company derives its turnover in the recruitment consultancy business which comprises of:

Revenue from contract placements, which represents amounts billed for the services of contractors. Revenue is recognised as services are rendered and validated by the receipt of an approved time sheet and contractor invoice,

Revenue from permanent placements, which is recognised on the candidates first day in their new role.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	5 years straight line
Fixtures and fittings	3 - 7 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies**(Continued)****1.8 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company only has financial instruments classified as basic and measured at amortised cost. The company has no financial instruments that are classified as 'other' or financial instruments measured at fair value.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies**(Continued)*****Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

1.13 Retirement benefits

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Services	28,326,362	34,619,641
	<u>28,326,362</u>	<u>34,619,641</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
UK	24,500,235	31,723,484
Europe	2,457,490	1,784,037
Rest of the World	1,368,637	1,112,120
	<u>28,326,362</u>	<u>34,619,641</u>
	2021	2020
	£	£
Other significant revenue		
Grants received	-	208,109
	<u>-</u>	<u>208,109</u>

4 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	271,037	(696,466)
Government grants	-	(208,109)
Fees payable to the company's auditor for the audit of the company's financial statements	36,000	32,500
Depreciation of owned tangible fixed assets	155,381	194,571
Amortisation of intangible assets	1,803,798	1,803,798
	<u>2,266,216</u>	<u>1,927,304</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Sales	49	56
Administration	16	27
	<u>65</u>	<u>83</u>
Total	<u>65</u>	<u>83</u>

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

5 Employees (Continued)

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	5,033,448	4,433,838
Social security costs	632,660	635,951
Pension costs	358,977	249,746
	<u>6,025,085</u>	<u>5,319,535</u>

6 Director's remuneration

	2021	2020
	£	£
Remuneration for qualifying services	619,832	621,820
Company pension contributions to defined contribution schemes	880	6,125
	<u>620,712</u>	<u>627,945</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021	2020
	£	£
Remuneration for qualifying services	528,087	523,679
Company pension contributions to defined contribution schemes	880	6,125
	<u>528,967</u>	<u>529,804</u>

7 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	317,662	373,824
Interest on finance leases and hire purchase contracts	7,469	35,587
	<u>325,131</u>	<u>409,411</u>

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

8 Taxation

	2021 £	2020 £
Deferred tax		
Origination and reversal of timing differences	(786,840)	-
Other adjustments	-	(118,841)
	<u>(786,840)</u>	<u>(118,841)</u>
Total deferred tax	<u>(786,840)</u>	<u>(118,841)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	(3,696,429)	(3,125,687)
	<u>(3,696,429)</u>	<u>(3,125,687)</u>
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(702,322)	(593,881)
Unutilised tax losses carried forward	(181,327)	-
Group relief	34,760	91,877
Depreciation on assets not qualifying for tax allowances	29,522	345,488
Fixed asset differences	-	20,265
Deferred tax not recognised	32,527	17,410
	<u>(786,840)</u>	<u>(118,841)</u>
Taxation credit for the year	<u>(786,840)</u>	<u>(118,841)</u>

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2021 and 31 December 2021	15,223,125
Amortisation and impairment	
At 1 January 2021	3,747,958
Amortisation charged for the year	1,803,798
	<u>5,551,756</u>
At 31 December 2021	5,551,756
Carrying amount	
At 31 December 2021	9,671,369
	<u>9,671,369</u>
At 31 December 2020	11,475,167
	<u>11,475,167</u>

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

10 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2021	223,770	1,481,810	1,705,580
Additions	-	21,287	21,287
At 31 December 2021	223,770	1,503,097	1,726,867
Depreciation and impairment			
At 1 January 2021	176,756	1,087,493	1,264,249
Depreciation charged in the year	2,088	153,293	155,381
At 31 December 2021	178,844	1,240,786	1,419,630
Carrying amount			
At 31 December 2021	44,926	262,311	307,237
At 31 December 2020	47,014	394,317	441,331

11 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	12	2,668,760	2,668,760

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Clement May Limited	England and Wales	Ordinary	100.00
Staffing 360 Solutions SDN. BHD.	Malaysia	Ordinary	100.00

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

13 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	5,303,860	4,471,370
Amounts owed by group undertakings	485,399	-
Other debtors	13,275	96,685
Prepayments and accrued income	567,027	1,483,034
	<u>6,369,561</u>	<u>6,051,089</u>
Deferred tax asset (note 17)	918,000	131,160
	<u>7,287,561</u>	<u>6,182,249</u>

14 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	£
Bank loans	16	4,684,498	6,204,819
Obligations under finance leases		29,167	33,522
Trade creditors		1,973,115	617,029
Amounts owed to group undertakings		14,975,014	12,232,279
Taxation and social security		1,253,580	1,444,659
Other creditors		26,865	692,802
Accruals and deferred income		1,084,068	801,478
		<u>24,026,307</u>	<u>22,026,588</u>

15 Creditors: amounts falling due after more than one year

	Notes	2021	2020
		£	£
Bank loans and overdrafts	16	179,443	610,035
Obligations under finance leases		-	28,023
		<u>179,443</u>	<u>638,058</u>

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

16 Loans and overdrafts

	2021	2020
	£	£
Bank loans	4,863,941	6,814,854
Payable within one year	4,684,498	6,204,819
Payable after one year	179,443	610,035

The company had two bank loans in the year:

The first loan was repaid in full by monthly instalments in June 2021 and was subject to a interest rate of 2.35% per annum over the base rate.

The second loan is repayable in full by monthly instalments up to May 2023 and is subject to a interest rate of 3.75% per annum over the base rate.

The above loans are secured by fixed and floating charge over all assets of the company.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2021	2020
	£	£
Balances:		
Tax losses	918,000	131,160
Movements in the year:		2021
		£
Asset at 1 January 2021		(131,160)
Credit to profit or loss		(786,840)
Asset at 31 December 2021		(918,000)

The deferred tax asset set out above is expected to reverse within [12 months] and relates to the utilisation of tax losses against future expected profits of the same period.

Staffing 360 Solutions Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

18 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	358,977	249,746

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	495,711	495,711	495,711	495,711

20 Financial commitments, guarantees and contingent liabilities

The company has provided security under an unlimited multilateral cross guarantee for a bank pooling facility covering a number of companies under the control of Staffing 360 Solutions, Inc. for the invoice factoring facility. There is a fixed and floating charge over all assets of the company.

21 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	126,667	243,743
Between two and five years	-	272,572
	126,667	516,315

22 Ultimate controlling party

The Company's immediate parent undertaking is Staffing 360 Solutions (Holdings) Limited, an entity registered in the United Kingdom, by virtue of its holding 100% of the company's issued share capital.

The Company's ultimate parent company is Staffing 360 Solutions, Inc., an entity registered in the United States of America, by virtue of its holding 100% of the issued share capital of the immediate parent undertaking.

