For Immediate Release 25 July 2018

Staffline Group PLC

STAFFLINE GROUP PLC
(‘Staffline’ or ‘the Group’)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Staffline, the Recruitment and Training organisation, today announces its unaudited Interim Results for the six months ended 30 June 2018.

Highlights:

	Statutory			*Underlying		
	2018	**2017**	Change	**2018**	**2017**	Change
	£’m	**£’m**	%	**£’m**	**£’m**	%
Revenue	**481.0**	**427.8**	+12.4	**481.0**	**427.8**	+12.4
Recruitment	*429.6*	*369.9*	*+16.1*	*429.6*	*369.9*	*+16.1*
PeoplePlus	*51.4*	*57.9*	*(11.3)*	*51.4*	*57.9*	*(11.3)*
Profit before tax**	**10.5**	**6.3**	+66.7	**15.0**	**16.1**	(6.8)
Recruitment	*6.3*	*0.8*	*687.5*	*7.9*	*6.7*	*+17.9*
PeoplePlus	*4.2*	*5.5*	*(23.6)*	*7.1*	*9.4*	*(24.5)*
% Profit margin	**2.2%**	**1.5%**		**3.1%**	**3.8%**	
Recruitment	1.5%	0.2%		1.8%	1.8%	
PeoplePlus	8.2%	9.5%		13.8%	16.2%	
	Pence	**Pence**	%	**Pence**	**Pence**	%
Diluted earnings per share (“EPS”)**	**32.8**	**14.2**	+131.0	**47.2**	**50.1**	(5.8)
Interim dividend per share	**11.3**	**11.0**	+2.7	**11.3**	**11.0**	+2.7
	£’m	**£’m**	£’m	**£’m**	**£’m**	£’m
Net debt***	**36.9**	**32.1**	4.8 increase	**36.9**	**32.1**	4.8 increase

* Underlying excludes amortisation of intangible assets arising on business combinations, business acquisition costs and the non-cash charge/credit for share based payment costs (“SBPC”).
** Increase in reported profits before tax and earnings per share due to a £5.4m decrease in non-cash share based payment charges, reflecting the 29% decrease in the Company’s share price during the past twelve months.
*** Net debt including unamortised transaction costs.

Financial highlights:

- Group revenues up 12.4% to £481.0m (H1 2017: £427.8m). Organic growth of +2.8%, with Recruitment +5.0% and PeoplePlus -11.3% (non-Work Programme revenues grew by 28%).
- Underlying profit before tax down 6.8% to £15.0m (H1 2017: £16.1m) – Recruitment growth of £1.2m, PeoplePlus £2.3m lower.
- Underlying diluted earnings per share down 5.8% to 47.2p (H1 2017: 50.1p).
- Interim dividend increased by 2.7% to 11.3p (H1 2017: 11.0p).
- Net debt £36.9m, an increase of £20.4m in the six months (December 2017: £16.5m) with £18.4m spend on acquisitions and timing of working capital.

Operational highlights:

- Organic growth in the *Recruitment* Division remains strong, both through existing clients and by adding new names to our portfolio. Furthermore, four acquisitions during the first 6 months have provided footprint expansion in our core blue collar vertical.
- In the *Recruitment* Division we have invested in Digital platforms which are both increasing our candidate attraction and retention capability and providing unrivalled insights that enable us to improve the worker and customer experience. Our proprietary worker engagement strategy is providing strong service differentiation and driving worker and customer loyalty.
- Within the *PeoplePlus* Division, the transition away from the Work Programme and towards being a leading skills and training provider has accelerated and is nearly complete. PeoplePlus Apprenticeships has developed to be the market leading provider of Apprenticeship Levy services.
- The acquisition of LearnDirect Apprenticeships has enabled Staffline to create the UK's leading Apprenticeship Levy business.
- Positive outlook for the remainder of 2018 and for 2019 as acquisitions are fully integrated together with continued organic growth in the Recruitment division. With the business mix increasingly weighted towards the more seasonal recruitment business, the phasing of profits will be second half weighted. PeoplePlus results will be affected by the transition from an Employability to a Skills and Training organisation.

Commenting on the results and prospects for the rest of 2018, Chris Pullen, Chief Executive Officer, said:

"This is the first year of our five-year growth strategy to increase underlying diluted EPS to 200p. We have made an excellent start as we continue to achieve good organic growth in Recruitment, supported by a series of accretive bolt on acquisitions. Our investment in digital transformation, combined with our worker engagement strategy, will provide Recruitment with increasing differentiation as we seek to further consolidate the market. In PeoplePlus, we have transitioned from reliance on the Work Programme, harnessing our knowledge and experience in the area, to become the market leading Skills and Training provider. In PeoplePlus Apprenticeships, we have developed a market leading position and an excellent platform for future growth.

We are confident that the strategic decisions taken in the first half of 2018 will enable us to deliver our current 2018 expectations and provide the basis for our continued future growth."

Analyst and investor meetings:

A presentation for analysts will be held at 9.30am today at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN.

A presentation and light lunch for private and retail investors will also be held at 12.00 noon today at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. Admittance is strictly limited to those who register their attendance for the event in advance with Buchanan on staffline@buchanan.uk.com.

Following the meetings, an audio webcast will be available via the following link:
http://webcasting.buchanan.uk.com/broadcast/5b432a0735b31e4596376d5c

More information on the Group can be found at https://www.stafflinegroupplc.co.uk/.

For further information, please contact:

Staffline Group plc	
Chris Pullen, Group Chief Executive Officer	07786 265344
Mike Watts, Group Chief Financial Officer	07970 215262
investors@staffline.co.uk	
www.stafflinegroupplc.co.uk	
Liberum: NOMAD and Joint Broker	
Steve Pearce / Joshua Hughes	020 3100 2222
www.liberum.com	
Berenberg: Joint Broker	
Chris Bowman / Toby Flaux	020 3207 7800
www.berenberg.com	
Buchanan: PR and Communications	
Richard Oldworth/Jamie Hooper/Madeleine Seacombe	020 7466 5000
staffline@buchanan.uk.com	
www.buchanan.uk.com	

Market Abuse Regulation

This announcement is released by Staffline Group plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Staffline Group plc was Mike Watts, Group Chief Financial Officer.

Next trading update

The Group's next scheduled announcement of financial information will be the provision of a final pre-close trading update on Thursday 3 January 2019.

About Staffline – *Recruitment, Training and Support*

Enabling the Future of Work™

Staffline is the UK's market leading Recruitment and Training group. It has two divisions:

Recruitment Division

The UK's leading provider of flexible blue-collar workers, supplying over 60,000 staff per day to c. 1,500 private sector clients, across a wide range of industries including agriculture, drinks, driving, food processing, logistics and manufacturing. It operates from over 400 locations in UK, Eire and Poland.

Its world leading Customer Experience platform provides optimised customer-based staffing management solutions whilst providing market-leading levels of job satisfaction for workers.

PeoplePlus Division

The leading adult skills and training provider in the UK, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the country.

Education and Training – market leading provider of training courses for private sector Apprenticeships (both Levy and non-Levy) and Government funded Adult Skills programmes.

Employability – top quartile performer, supporting Government programmes providing back-to-work education and support services to the unemployed.

Justice and Community – education and training services for prisoners and ex-offenders, as well as individual support services for carers and people with disabilities, both at home and in the work place.

Interim Management Report

Overall Review

2018 is the first year of our new five-year strategy which aims to grow underlying Earnings Per Share ("EPS") to 200p.

During the first six months of the year the *Recruitment* division has launched its new digital strategy. This is comprised of Candidate Attraction, a new consumer facing front end platform, optimised for search and a streamlined candidate journey from initial landing page to on-boarding, and Customer Experience which uses a proprietary methodology together with a feedback platform, giving unrivalled levels of insight into workers' experiences on a site by site basis. This data will allow us to benefit both employee and customer retention through previously unseen feedback. We are confident that this will accelerate our consolidation of the market in which we already have a strong leadership position. These initiatives are a first for our industry and enable clients to use our size and scale for good to provide them with insights and analysis about their working environments, thus creating better productivity and staff retention as well as an improved service to their customers. Our vision is to be the trusted market leader, providing a single destination for blue-collar workers and employers to connect across the UK. Our size and scale allows us to meet growing customer demand, and the four acquisitions we have made so far this year have improved our coverage in specific geographic areas.

In *PeoplePlus*, the Group's Training, Skills, and Well-Being services division, the transition away from the Work Programme contracts remains on track and is nearly complete. We are benefiting from our investment in the Apprenticeship Levy space. Having acquired the business of LearnDirect Apprenticeships in July 2018, our apprenticeships business is now market leading in terms of both scale and capability. It is an excellent platform for growth. We have also made good progress delivering Fair Start Scotland, which launched in April. We continue to develop a strong pipeline across a number of areas, including devolved government and prison education.

Group sales in the first half of 2018 grew 12% to £481.0m (H1 2017: £427.8m). Group organic revenue growth for the period was 3%, with Recruitment organic growth of 5% offset by a 11% decrease in PeoplePlus revenues, reflecting the continued wind down of the Work Programme and the ceasing of new referrals in March 2017 (non-Work Programme revenues grew by 28%). Underlying profit* fell by 7% to £15.0m (H1 2017: £16.1m). With the business mix increasingly weighted towards the more seasonal recruitment business, the phasing of profits has moved slightly to H2. Underlying diluted earnings per share from continuing operations fell by 6% to 47.2p (H1 2017: 50.1p). Reported profit before tax of £10.5m was £4.2m higher than the £6.3m reported in H1 2017 due to a £5.4m reduction in the share based payment charge (H1 2018: £0.4m credit, H1 2017: £5.0m charge) following a 10% decrease in the share price since 31 December 2017 and a 29% decrease since June 2017.

*before tax and amortisation charges on intangible assets arising on business combinations, business acquisition costs and the non-cash share based payment credit/charge

Financial Review

Profitability

Group sales in the period grew by 12% to £481.0m (H1 2017: £427.8m) however gross profit decreased marginally by £0.5m, or 1%, to £53.6m (H1 2017: £54.1m). Gross profit in our Recruitment division grew by £4.0m (14%), which was more than offset by the reduced activity in PeoplePlus where revenues decreased by 11% and gross profit decreased £4.5m to £20.3m. Underlying overhead costs were marginally higher at £37.3m (H1 2017: £36.6m).

Underlying profit* reduced by 7% to £15.0m (H1 2017: £16.1m). On this basis, underlying diluted Earnings Per Share from continuing operations also fell, by 6%, to 47.2p (H1 2017: 50.1p). Statutory declared profit before tax increased by 67% to £10.5m (H1 2017: £6.3m), due to a non-cash share based payment credit of £0.4m (H1 2017: charge of £5.0m), reflecting the 10% reduction in the Company's share price during the first six months of the year.

* before tax and amortisation charges on intangible assets arising on business combinations, business acquisition costs and the non-cash share based payment credit/charge

Taxation
The tax charge on underlying profits was £2.8m, an effective tax rate of 18.7%, in line with the average actual composite UK corporation tax rate of 19.0%. During 2015, we were the first company quoted on AIM, and the first recruitment company, to be awarded the Fair Tax Mark, for ensuring that our tax disclosures are transparent and that we are open and honest in ensuring we pay the correct amount of tax due on our profits. We are delighted that this status has been maintained, most recently in May 2018 in respect of our 2017 Annual Report.

Balance sheet
Net assets increased by £3.5m to £99.3m during the period (31 December 2017: £95.8m), the profit after tax for the period offset by the declaration and accrual of the final dividend for 2017. The main balance sheet movements during the six months related to the four Recruitment acquisitions. Total assets rose by £9.2m (4%) whilst total liabilities rose by £5.7m (3%).

Cash flows
Net cash flow from operating activities for the period was £2.3m, below the £14.4m reported in the comparative period in 2017. A £1.1m decrease in underlying profit before tax for the group together with increased working capital requirements (H1 2018: working capital outflow of £13.0m during the six months, compared to an outflow of £2.2m in H1 2017) were responsible for this movement. The Recruitment division's debtor days at 30 June 2018 are 25.5 days (30 June 2017: 22.8 days). This increase in debtor days is timing only, with significant receipts in the first week of July. Over the six-month period, average weekly days at 25.7 were an improvement on the 27.0 days reported in the comparable period last year.

Net debt
The Group's net debt position, including transaction fees, of £36.9m increased from the 2017 year-end position of £16.5m. The Group's acquisition strategy led to cash outflows on acquisitions in the six months to 30 June 2018 of £17.4m, in addition to the £1.0m outflow relating to acquisitions made in prior financial periods. The Group regularly reviews net debt with the aim of operating at or below c.1 x underlying EBITDA. June 2018 net debt of £36.9m represent 0.85x FY 2017 underlying EBITDA of £43.5m.

Refinancing
Bank facilities of £105m were due to be renewed in May 2019. As indicated in the 2017 Annual Report, discussions with our bankers led to an early agreement being reached after the 30 June 2018 half year end to increase the facilities to £150m. The term is for four years with the option of a one-year extension. This new facility supports the five-year plan and provides appropriate supporting resources.

Restatement of June 2017 and December 2017 Financial Position
Two adjustments have been made to the reported June 2017 and December 2017 Consolidated Statement of Financial Position on page 17 of this report. More detail is included in note 1 to this report.

- Following the finalisation of fair value adjustments for the acquisitions of Driver & Labour Recruit and Brightwork Limited, June 2017 Goodwill has been increased by £0.2m and Other intangible assets by £0.9m. These increases have been offset by adjustments to debtors and creditors. Net assets are unaffected by this adjustment.
- Retirement benefit assets of £1.4m as at 30 June 2017 and as at 31 December 2017 have been reclassified to non-current assets from current assets, to better reflect the nature of the asset. Total and net assets are unaffected by this adjustment.

Dividend

As an expression of our confidence in the Group's prospects, the Directors propose to increase the interim dividend by 3%, from 11.0p per share in 2017, to 11.3p per share. This dividend will be payable on 13 November 2018 to shareholders on the register at 12 October 2018. The ex-dividend date is 11 October 2018. This proposed dividend represents a cover of 4.18x compared to the underlying diluted earnings per share figure for the half year of 47.2p, in line with the targeted range of between 4.0-4.5x.

Operational Review

Recruitment

During the half year the Recruitment Division saw continued organic growth. Recruitment sales rose by 16% to £429.6m (H1 2017: £369.9m). This increase was driven by both organic growth (+5%) and by the six acquisitions since the start of H1 2017 (four this period, two H1 last year), which have contributed a further £41.4m. Our Recruitment gross profit margin has marginally reduced to 7.8% (2017: 7.9%). Despite this fall gross profit still rose by 14% to £33.3m (H1 2017: £29.3m). This percentage growth was maintained at segmental underlying operating profit level, with a 14% increase achieved, rising to £9.2m (H1 2017: £8.1m).

During the first six months of 2018, the Recruitment Division launched its new digital strategy. This included;

i. Candidate Attraction – A new consumer facing front end platform, optimised for search and a streamlined candidate journey from initial landing page to on-boarding. Enhanced by AI (Artificial Intelligence), a coherent social media strategy and optimised web content.
ii. Customer Experience – The execution of a unique engagement strategy. Using a proprietary methodology together with a feedback platform, we are able to gather sentiment and verbatim feedback from our workforce to provide unrivalled insights for use by us and our end customer. This insight is already allowing us to improve candidate attraction and retention, the benefits of which are flowing through to our customers.

The deployment of this technology will support our drive for scale and further enhance our position as the worker and customers' provider of choice.

Further investment has been made through four acquisitions. These acquisitions provide increased footprint in specific geographies, giving access to an extended workforce and customer base. The acquisitions are the trade of M&B Staff Services Limited in the Republic of Ireland, UK Distribution Personnel Limited based in South East England and Endeavour Group Limited and OneCall Recruitment Limited both based in the East of England.

Despite headwinds in the automotive industry and high street demand, the Recruitment Division has delivered 5% organic revenue growth as we continue to operate in a number of defensive sectors. We have benefited from the ongoing shift from the high street to on-line retail, supported through our Logistics operations. Food activities continue to be in high demand. The new business pipeline remains strong and we have added a number of well-known brands - across a range of sectors during H1.

Key priorities for the division in the second half of 2018 are:

- Continued organic growth – continued focus on the consolidation of our core vertical of blue collar industrial temporary workers
- Continued strong cash conversion – strong focus on return on cash invested through margin and payment terms
- Acquisitions – integrate acquisitions and continue to develop pipeline
- Digital platform – use insights to improve customer and worker experience. Better engaged workers are more productive and stay longer

PeoplePlus

Revenues in the PeoplePlus division decreased by 11% to £51.4m (H1 2017: £57.9m) reflecting the continued wind down of the Work Programme and the ceasing of new referrals in March 2017, with gross profit reducing by £4.5m to £20.3m (H1 2017: £24.8m). To offset this gross profit reduction, we have continued our strong cost management with overhead costs in the period reducing by £2.2m or 14%. Accordingly, segmental operating profitability decreased by £2.3m (24%) to £7.1m (H1 2017: £9.4m), representing 44% of the group underlying operating profit (H1 2017: 54%).

The execution of our strategy to transition PeoplePlus away from the Work Programme to becoming a learning and training focused business is on track and nearly complete. The acquisition of the business of LearnDirect Apprenticeships has enabled us to create the UK's leading Apprenticeship Levy business. With over 100 Levy customers and c.5,000 learners on programme, PeoplePlus Apprenticeships is an excellent platform for further growth. Our 5-year plan seeks to create a business with a broader based set of revenue streams, with a significantly reduced dependence on central government as a client and re-orientated to private sector client growth opportunities.

We have simplified our business structure to support successful transition away from the Work Programme, whilst enabling clear focus on the key growth opportunities of apprenticeship levy; skills and employment programmes in devolved government and local regions; and social care and wellbeing services. Alongside this we have invested in both our IT and marketing infrastructure to enable successful future business growth.

We have taken action to change our capability to operate successfully in the Apprenticeships market – and now have what we believe to be the leading management team operating in the market. Whilst the Apprenticeship Levy market has experienced a slower than expected start, this market, worth an estimated £3bn per annum, still represents an excellent growth opportunity. Our clients include high profile brands spanning a number of sectors including retail, distribution, universities and charities. These existing clients will provide organic year on year growth. With this organic growth, our strong pipeline of other opportunities in the second half and our increased sales and marketing capability - we are well positioned to become a leading player in the market as employer take up of levy provision accelerates.

We continue to be a leading provider of Adult Education. In the period, we successfully secured extensions and additional growth for a number of our European Social Funding programmes.

Our Prison Education and Training business continues to be successful and we believe is positioned well for further growth through the Prison Education Framework procurement currently underway and which will conclude in the latter part of 2018. We remain one of the leading innovators in this sector, with our in-cell learning proposition, Wayout TV, continuing to grow and now operating in 27 prisons across the UK.

Our transition management of the Work Programme revenue decline through to 2021 remains on track and we have maintained our focus on efficient and effective operational delivery to maintain strong profitability. Our 9 contracts remain in the top 10 performing nationally – which is testament to the dedication and continued customer focus of our colleagues working on the programme.

In both Scotland and Wales our businesses have performed strongly and we are well positioned for further growth. Fair Start Scotland, which commenced in April 2018, has got off to an excellent start and is currently performing ahead of our expectations, albeit it remains in its early stages. In Wales, we believe we are well positioned for growth through the Welsh Government's current procurement for its next generation of Employability and Skills programme "Working Wales" which will conclude later in 2018.

Our business development activity in the first half has been focused on developing the key growth areas of Prison Education and Working Wales – both significant value opportunities which will conclude in the second half. Over and above this we secured 17 new contract wins in the first half of 2018, at a value of £4m, and further improved our win rate to 1 in 2.

Key priorities for the division for the second half of 2018 are:

- Develop and grow private skills market business through the Apprenticeship Levy
- Deliver growth in our Prisons' Offender Learning and Skills Services contracts
- Develop and grow our presence in Wales, Scotland and local government
- Develop new market propositions in health and wellbeing and corporate learning and development.

Corporate Social Responsibility ("CSR")

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, 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.

The Group has implemented a robust Environmental and Sustainability monitoring system, which is supported by a clear strategy and development plan. In addition, our Energy Saving Opportunity Scheme ("ESOS") audit results are continually being reviewed and the opportunities to reduce our environmental impact are being acted upon. This will continue to focus on our energy consumption, waste, travel and use of sustainable materials. We carry out building and energy audits on an ongoing basis, to identify areas for improvement and opportunities to reduce our carbon footprint.

In conjunction with our General Data Protection Regulation compliance work, we are striving to move towards paper-less offices and have put measures in place to significantly reduce both printing and postage usage and costs. We continue to work closely with our suppliers and customers to improve the efficiency of distribution process and thus reduce their carbon footprint.

ISO 9001, ISO 27001 and Investors in People ("IIP") accreditations

Our organisation has grown significantly over the last decade, both organically and through acquisition. To ensure that we maintain control over our processes we have renewed our accreditations to both ISO 9001, accreditation for our management systems, and Investors in People ("IIP" – Recruitment division), to ensure that we continue to motivate and develop our staff. The PeoplePlus business has achieved ISO 27001 "Cyber Essentials Plus" accreditation for the security of its IT systems, which represents an important certification given that we deal with the personal details of many hundreds of thousands of people.

Compliance

We take compliance with legislation and industry standards extremely seriously. We offer a total commitment to all our clients ensuring that all our workers, whether or not they are working in areas covered by the legislation, are recruited and supplied to the standards required by the Gangmasters and Labour Abuse Authority ("GLAA"). Our commitment gives our clients the assurance that all UK ethical and legal standards are met in full at all times. We operate a confidential helpline for our workers to report any concerns and conduct regular surveys to ensure we are achieving our own high standards. We are a Business Partner, active member and supporter of the "Stronger Together" initiative to help prevent exploitation and trafficking of workers. We actively work with our clients to encourage strong partnerships with the authorities to collaborate to help reduce the risk of modern slavery in our supply chains. We are also actively engaged with anti-slavery networks to collaborate to help reduce modern slavery taking place in the UK.

People

Our focus on driving a high-performance culture continues and, as we see our Talent pipeline develop, 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. The consolidation of headcount across the business at 30 June 2018, shows a permanent workforce total of 2,453 people (number of heads, not full-time equivalents), a net reduction of 77 compared to the 2,530 as at 30 June 2017 (movement includes an increase of 130 relating to acquisitions during the first half of the year).

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. We continue to place great emphasis on the training and development of our people, and we review our training needs on an ongoing basis in line with our vision, values and ambition to be an employer of choice. We are proud to be an accredited centre of the Recruitment and Employment Confederation (”REC”), offering internal fast track training programmes for REC Level 2 Certificate in Recruitment Resourcing and REC Level 3 Certificate in Recruitment Practice. The opportunity to gain a professional qualification that is industry specific demonstrates our commitment to invest and develop our colleagues personally and professionally. 24 colleagues sat their exam in May 2018 and have just received their results. Further cohorts have just commenced their fast track journey and will sit their exam in August.

A number of Master Class events have been held in both PeoplePlus and Recruitment divisions in the first half of the year. The aim of these is to ensure our management population fully understand the aims and objectives of our business in order to enhance their knowledge and engagement, empowering them to work within these parameters to grow their individual business areas. We ran a Leadership Camp at the end of February 2018 which was attended by 22 senior leaders across the organisation, giving them the opportunity to both network and learn more about themselves and their leadership style and ability.

We are now a year into the Apprenticeship Levy, and both the Recruitment and PeoplePlus divisions have worked collaboratively to develop our program, with over 100 employees taking part in these programmes so far. These apprenticeships are aimed at our first line managers enhancing their skills and capability to be the best they can be, delivering results through others, learning more about business improvement techniques and customer excellence.

Gender Pay Gap Reporting 2017 (“GPGR”)

Full disclosures, which were released on 28 February 2018, can be found on our website at:
https://www.stafflinegroupplc.co.uk/about-us/gender-pay-gap-report/

On 5 April 2017, in total Staffline employed c2,500 monthly paid permanent employees and c41,700 weekly paid temporary contractors. Overall, amalgamating all business areas and including our temporary workforce, our mean Gender Pay Gap is only 3.3%. These results are affected by 94% of employees being contractors. 64% of our contractors are male and 36% female. On their own, the temporary workers mean Gender Pay Gap is 6.1% and none receive any bonus. All are paid the same hourly rate for the same work, irrespective of gender. However, the small gap is explained by those workers involved in the higher paid Driving sector being predominantly male. In the opinion of the Directors, it is more meaningful to report data for the permanent employees only. For this group of employees, the mean Gender Pay Gap is 16.4%, with the proportion of males and females receiving a bonus only differing by 1.0%. Overall full results can be summarised as follows:

	Permanent Employees	Temporary Contractors	**Total**
Mean gender pay gap	16.4%	6.1%	**3.3%**
Median gender pay gap	12.2%	4.0%	**1.8%**
Mean gender bonus gap	44.6%	n/a	
Median gender bonus gap	37.8%	n/a	
% male employees receiving a bonus	47.0%	-	**1.6%**
% female employees receiving a bonus	46.0%	-	**4.4%**

Health, Safety and Environment

Staffline continues to take a proactive approach to the health, safety and welfare of its employees and contractors. Our commitment to Health and Safety is strong and is demonstrated by the regular reviews taking place by senior management; the outcomes of which are cascaded across the business.

Staffline actively monitors all aspects of Health and Safety using “closed loop management processes”. This allows all areas to be identified and documented during the audit process and shows continual development against all Health and Safety action plans with senior management involvement throughout. The Group’s Health and Safety management systems are reviewed annually to ensure they remain aligned to the needs of the business and allow the Group to know and demonstrate that our corporate responsibilities are being appropriately discharged.

General Data Protection Regulation (“GDPR”)

In the eighteen months ahead of the GDPR regulations coming into force on 25 May 2018, the Group undertook a review of its data handling processes. This included a devoted IT team making our systems and infrastructure more stable and secure and giving the Group the tools to prevent data breaches. Supplier and customer contracts have also been updated to give the Group appropriate protection where data is shared.

Our governance measures are comprehensive but proportionate, with the aim of minimising the risk of breaches and to uphold the protection of personal data. Our Data Protection Officer will inform and monitor compliance and the company will implement tools as appropriate that support the process, provide necessary security and ongoing delivery of objectives.

Change of directors

As noted in the 2017 Annual Report, on 24 January 2018, Andy Hogarth stepped down from his role as Chief Executive Officer, to become a non-executive director, and was succeeded by Chris Pullen. On the same date Mike Watts was appointed Chief Financial Officer and Diane Martyn stepped down as Group Managing Director. On 30 June 2018, Andy Hogarth resigned from the Board.

Events after the balance sheet date

Other than the re-financing of banking facilities noted above, there were two events between the balance sheet date of 30 June 2018 and the approval of these condensed financial statements accounts on 24 July 2018 that require to be bought to the attention of the shareholders.

1. On 16 July 2018, Staffline announced the acquisition of the trade and assets of LearnDirect Apprenticeships Limited for a nominal sum. This acquisition will significantly increase PeoplePlus’ share within the Apprenticeship Levy market to c. 10%. The combined business will be the leading adult skills and training provider in the UK.
2. On 20 July 2018, Staffline announced that it has completed the acquisition of two subsidiaries of Grafton Recruitment Ireland Holdings Limited, Grafton Recruitment Limited (Northern Ireland) and Grafton Recruitment Limited (Republic of Ireland), together “Grafton”. Grafton is a leading provider of recruitment and employment services in both Northern Ireland and the Republic of Ireland.

Related party transactions

Related party transactions are disclosed in note 16 to the condensed set of financial statements.

Going concern

As stated in note 1 to the condensed set of financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Current Trading and Outlook

The Group's outlook for the second half of 2018 remains positive. The integration of the Recruitment H1 2018 acquisitions are progressing as planned and the PeoplePlus transition away from the work programme is nearly complete. As a result, we are confident of delivering on current underlying profit market expectations for FY 2018. Staffline continues to work towards its five-year growth ambitions and expect a meaningful growth in Group earnings in 2019, driven by the full year effect of recruitment acquisitions in the current year.

In the uncertain political climate, we remain responsive and focused on adapting to new regulations and government change. Whether this may be the potential changes which the UK's exit from the EU may bring over time, our scale and capabilities mean that organisations increasingly look to Staffline's market leading position to ensure their access to a flexible and efficient workforce.

The re-financing of borrowings provides further funds and greater flexibility for the Group to continue to acquire companies which, alongside continued organic growth, will help achieve our EPS growth target. We remain in discussions with a number of companies where we see the potential to develop our reach and offering further.

Directors' responsibilities

In preparing the Interim Management Report on pages 4 to 12 and the Condensed set of Financial Statements on pages 13 to 41, the directors have considered their responsibilities for preparing consolidated financial statements in accordance with applicable law and regulations.

The Directors are responsible for preparing the Half Yearly Financial Report, in accordance with applicable laws and regulations. The Directors confirm that to the best of their knowledge:

1. This Condensed set of Financial Statements, which should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017, has been prepared in accordance with AIM Rules for Companies – Part One, Section 18 "Half-yearly reports",

2. The Interim Management Report includes a fair review of the indication of important events during the first six months, and

3. This Condensed set of Financial Statements includes a description of principal risks and uncertainties for the remaining six months of the year and disclosure of related parties' transactions and changes therein.

John Crabtree	Chris Pullen
Chairman	Chief Executive Officer

25 July 2018

Consolidated statement of comprehensive income

For the six months ended 30 June 2018

	Note	Six month period ended 30 June 2018 Underlying Unaudited £'m	Six month period ended 30 June 2018 Non underlying Unaudited £'m	Six month period ended 30 June 2018 Total Unaudited £'m	Six month period ended 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
Continuing operations						
Revenue	2	481.0	-	481.0	427.8	957.8
Cost of sales		(427.4)	-	(427.4)	(373.7)	(844.0)
Gross profit		**53.6**	**-**	**53.6**	**54.1**	**113.8**
Administrative expenses (underlying)		(37.3)	-	(37.3)	(36.6)	(74.7)
Underlying operating profit, before non-underlying administrative expenses		**16.3**	**-**	**16.3**	**17.5**	**39.1**
Administrative expenses (non-underlying)*	3	-	(4.5)	(4.5)	(9.8)	(12.2)
Operating profit/(loss)	2	**16.3**	**(4.5)**	**11.8**	**7.7**	**26.9**
Finance costs		(1.3)	-	(1.3)	(1.4)	(2.8)
Profit/(loss) for the period before taxation		**15.0**	**(4.5)**	**10.5**	**6.3**	**24.1**
Underlying				*15.0*	*16.1*	*36.3*
Non-underlying*	3			*(4.5)*	*(9.8)*	*(12.2)*
Tax expense	4	(2.8)	0.8	(2.0)	(2.6)	(5.8)
Profit/(loss) from continuing operations		**12.2**	**(3.7)**	**8.5**	**3.7**	**18.3**
Underlying				*12.2*	*12.9*	*29.0*
Non-underlying*	3			*(3.7)*	*(9.2)*	*(10.7)*
Items that will not be reclassified to the statement of comprehensive income - actuarial gains and losses, net of deferred tax				-	-	0.2
Items that may be reclassified to the statement of comprehensive income – cumulative translation loss				-	-	(0.1)
Net profit and total comprehensive income for the period				**8.5**	**3.7**	**18.4**

		Note					
Earnings per ordinary share		5					
Continuing operations:	Basic				33.2p	14.3p	71.4p
	Diluted				32.8p	14.2p	71.1p
Underlying continuing operations:	Basic				47.6p	50.4p	113.2p
	Diluted				47.2p	50.1p	112.6p

*the non-underlying result includes amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs and the non-cash charge/credit for share based payment costs.

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 30 June 2018

Unaudited

	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2018 (audited)	**2.8**	**(8.9)**	**40.3**	**0.1**	**61.5**	**95.8**
Transition to IFRS15: Revenue Recognition (note 1)	-	-	-	-	(1.0)	(1.0)
At 1 January 2018 (restated)	**2.8**	**(8.9)**	**40.3**	**0.1**	**60.5**	**94.8**
Dividends (note 5)	-	-	-	-	(4.0)	(4.0)
Vesting of Joint Share Ownership Plan ("JSOP") shares	-	-	-	-	-	-
Issue of new shares (note 12)	-	(0.9)	0.9	-	-	-
Transactions with owners	**-**	**(0.9)**	**0.9**	**-**	**(4.0)**	**(4.0)**
Profit for the period	-	-	-	-	8.5	8.5
Actuarial gains and losses (note 9)	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**8.5**	**8.5**
At 30 June 2018 (unaudited)	**2.8**	**(9.8)**	**41.2**	**0.1**	**65.0**	**99.3**

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 30 June 2017

Unaudited

	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2017 (audited)	**2.8**	**(8.9)**	**39.9**	**0.1**	**49.8**	**83.7**
Dividends (note 5)	-	-	-	-	(3.9)	(3.9)
Vesting of Joint Share Ownership Plan ("JSOP") shares	-	-	-	-	-	-
Issue of new shares - share options exercised	-	-	0.4	-	-	0.4
Transactions with owners	**-**	**-**	**0.4**	**-**	**(3.9)**	**(3.5)**
Profit for the period	-	-	-	-	3.7	3.7
Actuarial gains and losses (note 9)	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**3.6**	**3.6**
At 30 June 2017 (unaudited)	**2.8**	**(8.9)**	**40.3**	**0.1**	**49.5**	**83.8**

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

Audited

	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2017	**2.8**	**(8.9)**	**39.9**	**0.1**	**49.8**	**83.7**
Dividends (note 5)	-	-	-	-	(6.7)	(6.7)
Issue of new shares – share options exercised	-	-	0.4	-	-	0.4
Share options issued in equity settled share based payments	-	-	-	-	-	-
Transactions with owners	**-**	**-**	**0.4**	**-**	**(6.7)**	**(6.3)**
Profit for the year	-	-	-	-	18.3	18.3
Actuarial gains (note 9)	-	-	-	-	0.2	0.2
Cumulative translation adjustments	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**18.4**	**18.4**
At 31 December 2017	**2.8**	**(8.9)**	**40.3**	**0.1**	**61.5**	**95.8**

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated statement of financial position

As at 30 June 2018

	Note	**30 June 2018 Unaudited £'m**	30 June 2017 Unaudited (as restated) £'m	31 December 2017 Audited (as restated) £'m
Assets				
Non-current assets				
Goodwill	6	101.9	94.2	94.2
Other intangible assets	7	32.3	25.2	20.8
Property, plant and equipment	8	8.2	7.4	7.7
Retirement benefit asset	9	1.4	1.2	1.4
Deferred tax asset	4	0.6	0.8	0.5
		144.4	**128.8**	**124.6**
Current				
Trade and other receivables		121.6	105.1	107.6
Cash and cash equivalents	10	6.7	20.0	31.3
		128.3	**125.1**	**138.9**
Total assets		**272.7**	**253.9**	**263.5**
Liabilities				
Current				
Trade and other payables		109.7	97.1	103.0
Borrowings	11	8.6	8.6	8.6
Other current liabilities (incl. unpaid dividends)		4.0	3.9	1.8
Joint Share Ownership Plan current liability		6.0	8.1	3.3
Current tax liabilities	4	3.0	2.7	3.4
		131.3	**120.4**	**120.1**
Non-current				
Borrowings	11	35.0	43.5	39.2
Other non-current liabilities inc. provisions		2.4	2.7	5.7
Deferred tax liabilities	4	4.7	3.5	2.7
		42.1	**49.7**	**47.6**
Total liabilities		**173.4**	**170.1**	**167.7**
Equity				
Share capital	12	2.8	2.8	2.8
Own shares		(9.8)	(8.9)	(8.9)
Share premium		41.2	40.3	40.3
Share based payment reserve		0.1	0.1	0.1
Profit and loss account		65.0	49.5	61.5
Total equity		**99.3**	**83.8**	**95.8**
Total equity and liabilities		**272.7**	**253.9**	**263.5**

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated statement of cash flows

For the six month period to 30 June 2018

	Note	**Six month period to 30 June 2018 Unaudited £'m**	Six month period to 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
Cash flows from operating activities	13	**5.6**	**17.5**	**47.9**
Taxation paid	4	(3.3)	(3.1)	(6.7)
Taxation received	4	-	-	0.5
Net cash inflow from operating activities		**2.3**	**14.4**	**41.7**
Cash flows from investing activities - trading				
Purchases of property, plant and equipment	8	(1.6)	(0.9)	(2.7)
Proceeds on sale of property, plant and equipment		-	-	-
Purchase of intangible assets – software	7	(1.3)	(0.6)	(1.1)
Free cash from operations		**(0.6)**	**12.9**	**37.9**
Cash flows from investing activities - acquisitions				
Acquisition of businesses - cash paid, net of cash acquired	14	(17.4)	(6.8)	(8.1)
Cash flows from financing activities:				
New loans (net of transaction fees)		-	-	-
Loan repayments		(4.4)	(4.4)	(8.8)
Acquisition of businesses - deferred consideration for prior year acquisitions		(1.0)	(0.4)	(0.4)
Interest paid		(1.2)	(1.3)	(2.6)
Dividends paid		-	-	(6.7)
Proceeds from sale of Joint Share Ownership Plan shares		-	-	-
Settlement of Joint Share Ownership Plan liability		-	-	-
Proceeds from the issue of share capital		-	0.3	0.3
Net cash flows (used in) financing activities		**(6.6)**	**(5.8)**	**(18.2)**
Net change in cash and cash equivalents		**(24.6)**	**0.3**	**11.6**
Cash and cash equivalents at beginning of period		**31.3**	**19.7**	19.7
Cash and cash equivalents at end of period	10	**6.7**	**20.0**	31.3
Underlying operating profit		**16.3**	**17.5**	**39.1**
% free cash conversion of underlying operating profit		**(4%)**	**74%**	**97%**

The accompanying notes on pages 19 to 40 form an integral part of these financial statements.

Notes to the summary financial statements

For the half year ended 30 June 2018

1 Interim accounts and accounting policies

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

The unaudited condensed interim Group financial statements for the six-month period ended 30 June 2018 (including the comparatives for the six-month period ended 30 June 2017 and the year ended 31 December 2017) were approved by the board of directors on 24 July 2018. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

It should be noted that accounting estimates and assumptions are used in the preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events, actual results may ultimately differ from those estimates. The unaudited interim Group financial statements have been prepared using the accounting policies as described in the December 2017 audited year-end Annual Report and have been consistently applied.

The interim Group financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006, section 434. The full accounts for the year ended 31 December 2017 received an unqualified report from the auditors and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies.

Basis of preparation

The unaudited interim Group financial statements, which should be read in conjunction with the audited Annual Report for the year ended 31 December 2017, have been prepared in accordance with AIM Rules for Companies – Part One, Section 18 "Half-yearly reports".

The interim Group financial statements consolidate those of the parent company and all of its subsidiaries as at 30 June 2018. Subsidiaries are all entities to which the Group is exposed, or has rights, to variable returns and has the ability to affect those returns through power over the subsidiary. All Recruitment division subsidiary interim accounts are prepared to the nearest Sunday to 30 June, so 2018 accounts are for the 26 weeks ended 1 July 2018, 2017 accounts being for the 26 weeks ended 2 July 2017. All PeoplePlus subsidiaries have an interim reporting date of 30 June 2018 (2017: 30 June 2017).

The consolidated Group financial statements have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised in the December 2017 audited year-end Annual Report, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are prepared under the historical cost convention except for contingent consideration and cash settled share options which are measured at fair value. The consolidated financial statements are presented in sterling, which is also the functional currency of the parent company.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

1 Interim accounts and accounting policies (continued)

Impact of future amendments to IFRS

2018 marks the year for implementing two new significant International Financial Reporting Standards (IFRS) being IFRS15 Revenue from Contracts with Customers and IFRS9 Financial Instruments. In addition, IFRS 16 Leases is effective from the beginning of 2019.

IFRS 15 Revenue from Contracts with Customers

During 2017 a project was undertaken within both divisions to understand the impact of IFRS 15 Revenue from contracts with customers, on our revenue recognition policies. Our Recruitment division revenue accounting policy, detailed within the Accounting Policies section of our 2017 Annual Report, is unaffected by the application of this new standard as we currently only recognise revenue once a performance obligation has been delivered.

Our PeoplePlus division has several contracts all of which have different performance obligations. Our finance team have reviewed the contracts and concluded that, in most cases, our accounting policy is unaffected by the application of this new standard. We have a number of similar contracts where our contractual obligation relates to helping individuals gain employment and stay in employment for a specified period of time. Payments under these contracts are staged in relation to the number of weeks the individual is employed. Currently revenue is recognised as and when a stage payment is due. Under IFRS 15 this single obligation will be settled over time and therefore all revenues will be recognised over the period specified in the contract. This amendment at transition in 2018 resulted in a reduction in the Group's opening 1 January 2018 net assets by £1.0m to £94.8m.

IFRS 9 Financial Instruments

In 2017, a review of the impact to the Group of applying IFRS 9 Financial Instruments was undertaken. The classification and measurement of the Group's trade receivables will change in our 2018 Annual Report due to the fact some of these balances are factored. This changes the classification of these trade receivables, estimated to be £4.8m at 31 December 2017, which will be classified as fair value through the Income Statement. However, this does not impact on the Income Statement or the Statement of Financial Position and no disclosure is required in the unaudited interim Group Financial Statements for the six month period ended 30 June 2018. An Expected Credit Loss ("ECL") model has been prepared for both divisions as at 30 June 2018 and there was no impact on the Income Statement or the Statement of Financial Position. The Group does not hedge, therefore the changes to hedge accounting under IFRS 9 do not apply to the Group.

IFRS 16 Leases

IFRS 16 Leases is effective for accounting periods beginning on or after 1 January 2019. However, the Group has begun a review of the impact the new standard would have on its financial reporting. As at 31 December 2017 the Group has 131 operating leases and recognised the rental expense in the Income Statement as it falls due. Under IFRS 16, a significant number of these leases would lead to the recognition of a fixed asset and a financial liability. A small number of leases would continue to be recognised through the Income Statement as short-term leases i.e. leases with a maximum lease term of no more than twelve months.

Had the standard been applicable for the year ended 31 December 2017 and for the six month period ended 30 June 2018, the estimated impact on the Group's reported profit before tax would have been less than £0.1m, on Underlying Profit, being Operating Profit excluding amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs and the non-cash charge/credit for share based payment costs, of between £0.1m-£0.2m and on EBITDA between £1.5m-£2.0m. Current analysis indicates the recognised assets and liabilities would have been in the range of £5.0m-£7.5m.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

1 Interim accounts and accounting policies (continued)

Prior year adjustment: June 2017 Consolidated Statement of Financial Position (see notes 6 and 7)

During the year end 31 December 2017, the Group acquired the entire share capital of Driver & Labour Recruit Limited (March 2017) and Brightwork Limited (May 2017). In accordance with IFRS 3 Business Combinations, the directors made an initial assessment of the fair values of the acquired assets and liabilities, resulting in Goodwill assets of £nil and £2.4m, respectively, being created in the consolidated statement of financial position. In addition, Other Intangible assets of £0.5m and £2.7m were recognised respectively. During the year ended 31 December 2017, the Directors undertook a review of the provisional fair values, with adjustments being reflected within the carrying value of Goodwill and Other Intangible assets as at the acquisition date.

Net adjustments of £0.1m for Driver & Labour Recruit Limited and £1.0m for Brightwork Limited were made during the year, increasing the respective Goodwill assets by £0.2m and Other Intangible assets by £0.9m, shown as a prior year restatement of the June 2017 Consolidated Statement of Financial Position. Net assets are unaffected by these adjustments.

Prior year adjustment: June 2017 and December 2017 Consolidated Statement of Financial Position

Retirement benefit assets of £1.4m as at 30 June 2017 and as at 31 December 2017 have been reclassified to non-current assets from current assets, to better reflect the nature of the asset. Total and net assets are unaffected by this adjustment.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

2 Segmental reporting

Management currently identifies two operating segments: the provision of recruitment and outsourced human resource services to industry ('Recruitment') and the provision of training, skills, and well-being services - collectively this segment is called 'PeoplePlus'. These operating segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions made on the basis of segment operating results.

Segment information for the reporting half year is as follows:

	Recruitment Six months ended 30 June 2018 Unaudited £'m	PeoplePlus Six months ended 30 June 2018 Unaudited £'m	Total Group Six months ended 30 June 2018 Unaudited £'m	(Restated) Recruitment Six months ended 30 June 2017 Unaudited £'m	(Restated) PeoplePlus Six months ended 30 June 2017 Unaudited £'m	(Restated) Total Group Six months ended 30 June 2017 Unaudited £'m
Segment continuing operations:						
Revenue from external customers	429.6	51.4	481.0	369.9	57.9	427.8
Cost of sales	(396.3)	(31.1)	(427.4)	(340.6)	(33.1)	(373.7)
Segment gross profit	**33.3**	**20.3**	**53.6**	**29.3**	**24.8**	**54.1**
Administrative expenses (underlying)	(23.7)	(11.3)	(35.0)	(20.8)	(13.6)	(34.4)
Depreciation, software amortisation (underlying)	(0.4)	(1.9)	(2.3)	(0.4)	(1.8)	(2.2)
Segment underlying operating profit*	**9.2**	**7.1**	**16.3**	**8.1**	**9.4**	**17.5**
Administrative expenses - share based payment credit/(charge)	0.4	-	0.4	(5.0)	-	(5.0)
Amortisation of intangible assets arising on business combinations	(2.0)	(2.9)	(4.9)	(0.9)	(3.9)	(4.8)
Segment operating profit	**7.6**	**4.2**	**11.8**	**2.2**	**5.5**	**7.7**
Finance costs	(1.3)	-	(1.3)	(1.4)	-	(1.4)
Profit for the period before taxation	**6.3**	**4.2**	**10.5**	**0.8**	**5.5**	**6.3**
Tax expense	(1.1)	(0.9)	(2.0)	(1.6)	(1.0)	(2.6)
Net profit/(loss) for the period	**5.2**	**3.3**	**8.5**	**(0.8)**	**4.5**	**3.7**
Total non-current assets	97.2	47.2	144.4	75.2	53.6	128.8
Total current assets	112.3	16.0	128.3	99.0	26.1	125.1
Total assets	209.5	63.2	272.7	174.2	79.7	253.9
Total liabilities	154.9	18.5	173.4	147.7	22.4	170.1
Capital expenditure inc software	1.8	1.1	2.9	0.7	0.8	1.5

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

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

2 Segmental reporting (continued)

Segment information for the year ended 31 December 2017 is as follows:

	Recruitment Year ended 31 December 2017 Audited £'m	PeoplePlus Year ended 31 December 2017 Audited £'m	Total Group Year ended 31 December 2017 Audited £’m
Segment continuing operations:			
Sales revenue from external customers	843.3	114.5	957.8
Cost of sales	(777.2)	(66.8)	(844.0)
Segment gross profit	**66.1**	**47.7**	**113.8**
Administrative expenses (underlying)	(45.1)	(25.2)	(70.3)
Depreciation, software amortisation (underlying)	(0.8)	(3.6)	(4.4)
Segment underlying operating profit*	**20.2**	**18.9**	**39.1**
Administrative expenses - share based payment credit	(3.4)	-	(3.4)
Amortisation of intangible assets arising on business combinations	(2.1)	(6.7)	(8.8)
Segment operating profit	**14.7**	**12.2**	**26.9**
Finance costs	(2.8)	-	(2.8)
Segment profit before taxation	**11.9**	**12.2**	**24.1**
Tax expense	(3.3)	(2.5)	(5.8)
Segment profit from continuing operations	**8.6**	**9.7**	**18.3**
Total non-current assets (restated – see note 1)	75.3	49.3	124.6
Total current assets (restated – see note 1)	108.5	30.4	138.9
Total assets	183.8	79.7	263.5
Total liabilities	147.6	20.1	167.7
Capital expenditure inc software	2.5	1.3	3.8

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

All head office costs are allocated to the Recruitment division in the above results. This results from the historical nature of the Group and reflects where the costs are predominantly incurred.

During the six month period to 30 June 2018, no customers in the Recruitment Services segment contributed greater than 10% of the Group's revenue of £481.0m, (six months to 30 June 2017: two customers, accounting for 24.0% or £88.8m of the Recruitment divisions revenue); the amount receivable from these two customers at 30 June 2017 was £13.1m.

During the six month period to 30 June 2018, the PeoplePlus segment had no customer contributing more than 10% of the Group’s revenue (30 June 2017: none).

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

3 Administrative expenses (non-underlying)

	Six months ended 30 June 2018 Unaudited £'m	Six months ended 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
Included within administrative expenses are the following non-underlying costs			
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	4.9	4.8	8.8
Share based payment charges/(credits)	(0.4)	5.0	3.4
Business acquisition costs	-	-	-
	4.5	**9.8**	**12.2**
Tax credit on above non-underlying costs (note 4)	(0.8)	(0.6)	(1.5)
Post taxation effect on above non-underlying costs	3.7	9.2	10.7

The share based payment credit of £0.4m during the period (H1 2017: charge of £5.0m) was due to a 10% decrease in the Company's share price during the six month period (30 June 2018: £9.36 per share, 31 December 2017: £10.40 per share).

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

4 Taxation

	Six months ended 30 June 2018 Unaudited £'m	Six months ended 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
The tax charge for the period consists of:			
UK corporation tax at 19.00% (HY17: 19.50%, FY17: 19.25%)	2.9	3.1	6.9
Adjustments in respect of prior years	-	-	0.1
UK current tax charge	**2.9**	**3.1**	**7.0**
Deferred tax			
Timing differences arising in the year – intangible fixed asset amortisation	(0.8)	(0.8)	(1.6)
Timing differences arising in the year – others	(0.1)	(0.1)	-
Adjustments in respect of prior years	-	0.4	0.4
UK deferred tax (credit)	**(0.9)**	**(0.5)**	**(1.2)**
Total UK tax charge for the period	**2.0**	**2.6**	**5.8**
The tax charge can be further analysed by division and by underlying /non-underlying trading as follows:			
Recruitment division	1.1	1.6	3.3
PeoplePlus division	0.9	1.0	2.5
Total UK tax charge for the period	**2.0**	**2.6**	**5.8**
Underlying trading	2.8	3.2	7.3
Non-underlying trading	(0.8)	(0.6)	(1.5)
Total UK tax charge for the period	**2.0**	**2.6**	**5.8**
The current tax charge for the period, as recognised in the statement of comprehensive income, is higher than the standard rate of UK corporation tax of 19.00%. The differences are explained below:			
Profit for the period before taxation	10.5	6.3	24.1
Standard UK tax rate - composite	19.00%	19.50%	19.25%
Tax on profit for the period at the standard rate	2.0	1.2	4.6
Effect of:			
Depreciation charge in excess of capital allowances	0.1	0.1	0.2
Amortisation of intangible assets arising on business combinations	0.8	0.8	1.6
JSOP charges/(credits) not taxable	(0.1)	1.0	0.6
Adjustments in respect of prior years	-	-	0.1
Others (net)	0.1	-	(0.1)
Actual UK current tax expense	**2.9**	**3.1**	**7.0**
Underlying pre-tax profit for the period	15.0	16.1	36.3
Effective % underlying current tax charge	19.33%	19.25%	19.28%
Effective % underlying total tax charge	18.67%	19.88%	20.11%

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

4 Taxation (continued)

	Six months ended 30 June 2018 Unaudited £'m	Six months ended 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
The current tax liability at the end of the period and movements during the period can be analysed as follows:			
Liability at the beginning of the period	3.4	2.5	2.5
Charge on profits for the period	2.9	3.1	7.0
Paid in the period (net of repayments)	(3.3)	(3.1)	(6.2)
Liabilities on business acquisitions / others	-	0.2	0.1
Liability at the end of the period	**3.0**	**2.7**	**3.4**
Balance of 2018 liabilities	2.9	-	-
Balance of 2017 liabilities	0.1	3.1	3.4
Balance of 2016 liabilities / (repayments due)	-	(0.4)	-
Liability at the end of the period	**3.0**	**2.7**	**3.4**
Deferred tax asset and liability balances at the period end can be analysed as follows:			
Assets			
Capital allowances	0.6	0.8	0.5
Share based payment liability	-	-	-
	0.6	**0.8**	**0.5**
Liabilities			
Acquired intangible assets	4.5	3.3	2.5
Retirement benefits	0.2	0.2	0.2
	4.7	**3.5**	**2.7**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

5 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (2018 half year end 2,315,400 shares, 2017 year-end 2,220,400 shares; 2017 half year end 2,220,400 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 under the SAYE scheme. Details of the earnings and weighted average number of shares used in the calculations are set out below:

	Basic six month period ended 30 June 2018 Unaudited	Basic six month period ended 30 June 2017 Unaudited	Basic Year ended 31 December 2017 Audited	**Diluted six month period ended 30 June 2018 Unaudited**	Diluted six month period ended 30 June 2017 Unaudited	Diluted Year ended 31 December 2017 Audited
Earnings from continuing operations (£'m)	**8.5**	3.7	18.3	**8.5**	3.7	18.3
Weighted daily average number of shares 000	**25,629**	25,614	25,621	**25,877**	25,729	25,756
Earnings per share (pence):						
Continuing operations	**33.2p**	14.3p	71.4p	**32.8p**	14.2p	71.1p
Underlying Earnings from continuing operations (£'m)*	**12.2**	12.9	29.0	**12.2**	12.9	29.0
Underlying earnings per share (pence)*	**47.6p**	50.4p	113.2p	**47.2p**	50.1p	112.6p

*Underlying earnings after adjusting for amortisation of intangible assets arising on business combinations, share based payment charges/(credits), business acquisition costs and exceptional reorganisation costs including the tax effect.

The weighted daily average number of shares has been increased by 8,000 shares, on a basic (undiluted basis), since 31 December 2017 to take account of the full year effect of the 100,000 shares issued in January 2017 to satisfy shares granted on options that vested to Diane Martyn, a previous director of the Company. The 121,000 increase in the diluted basis average number of shares also reflects the issue of 148,000 share options to employees in October 2017 under the 2017 SAYE scheme.

Dividends

During the 6 month period to 30 June 2018, Staffline Group plc paid no dividends to its equity shareholders (H1 2017: £nil). Dividends totalling £6.7m or 26.3p per share were paid during the year ended 31 December 2017. A final dividend in respect of the 2017 financial year totalling £4.0m (2017: £3.9m, being the final 2016 dividend) has been declared and was approved at the Company's AGM in May 2018 and has therefore been accrued within these financial statements. This represents a payment of 15.7p per share (2016: 15.3p) and was paid in July 2018 (2017: paid in July 2017). An interim dividend for 2018 of 11.3p per share (2017: 11.0p) is proposed for payment in November 2018, totalling £2.9m, but has not been accrued within these financial statements.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

6 Goodwill

Gross carrying amount	Division	Total Restated – see note 1 £'m
At 1 July 2017 as reported		**94.0**
Fair value adjustments – Brightwork Limited	Recruitment	0.1
Fair value adjustments – Driver & Labour Recruit Limited	Recruitment	0.1
At 1 July 2017 as restated		**94.2**
Additions		-
At 31 December 2017		**94.2**
Additions – Endeavour Group Limited	Recruitment	7.7
At 30 June 2018		**101.9**

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

	30 June 2018 £'m	30 June 2017 restated £'m	31 December 2017 £'m
Recruitment division	44.9	37.2	37.2
PeoplePlus division	57.0	57.0	57.0
Total	**101.9**	**94.2**	**94.2**

Management consider there to be two cash generating units (in line with the business segments defined in note 2) and have tested these two cash generating units for impairment. Significant headroom arose on the testing and consequently no impairment charges have been made.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

6 Goodwill (continued)

On 26 January 2018, the Recruitment division of the Group acquired the trade of M&B Staff Services Limited ("M&B"), a staffing recruitment company trading in the Republic of Ireland, at a cost of £0.2m.

On 9 February 2018, the Recruitment division of the Group acquired 100% of the issued ordinary share capital of UK Distribution Personnel Limited ("UKD"), a specialist driving recruitment agency company based in the South East of England, at a cost of £2.4m.

On 16 March 2018, the Recruitment division of the Group acquired 100% of the issued ordinary share capital of Endeavour Group Limited, including its trading subsidiary Vital Recruitment Limited ("Vital") a leading blue-collar recruitment business in the East of England, focusing on the Food, Agriculture and Logistics sectors, at a cost of £18.6m.

On 8 June 2018, the Recruitment division of the Group acquired 100% of the issued ordinary share capital of One Call Recruitment Limited ("One Call"), a staffing recruitment company operating in the East of England, at a cost of £2.0m.

Based on initial figures, all subject to further fair value review, a summary of the acquisitions is as follows:

	M&B	UKD	Vital	One Call	Total
	£'m	£'m	£'m	£'m	£m
Initial consideration	0.2	1.6	11.8	2.0	15.6
Deferred consideration – paid	-	-	0.8	-	0.8
Deferred consideration – unpaid	-	0.8	6.0	-	6.8
Total consideration	**0.2**	**2.4**	**18.6**	**2.0**	**23.2**
Fixed assets (tangible and intangible)	-	-	0.1	0.1	0.2
Cash, overdrafts and financing facilities	-	1.5	(2.2)	(0.3)	(1.0)
Debtors	-	0.3	10.7	2.2	13.2
Creditors	-	(0.1)	(7.9)	(1.9)	(9.9)
Other creditors including tax	-	(0.1)	(0.3)	-	(0.4)
Total net assets acquired (entity)	**-**	**1.6**	**0.4**	**0.1**	**2.1**
Goodwill asset acquired	-	-	7.7	-	7.7
Intangible asset acquired	0.2	0.9	12.7	2.3	16.1
Deferred tax liability on intangible asset acquired	-	(0.1)	(2.2)	(0.4)	(2.7)
Total net assets acquired (group)	**0.2**	**2.4**	**18.6**	**2.0**	**23.2**
Results post acquisition:					
Turnover	1.0	1.8	22.5	2.1	27.4
Pre-tax profit/(loss)	0.2	0.2	(0.1)	0.1	0.4

If the above four acquisitions had occurred on 1 January 2018, the Group's revenues and profit after tax for the period ended 30 June 2018 would have been £509.1m and £8.7m respectively, compared to the reported £481.0m and £8.5m respectively.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

7 Other Intangible assets

The Group's other intangible assets include the customer contracts and lists obtained through the acquisition of businesses plus acquired software. There are no intangible assets with restricted title.

	Software £'m	Licenses £'m	Customer contracts £'m	Customer lists £'m	Total £'m
Gross carrying amount					
At 1 July 2017 as reported	**9.8**	**2.0**	**48.6**	**5.5**	**65.9**
Prior year adjustment (note 1)	-	-	0.9	-	0.9
At 1 July 2017 as restated	**9.8**	**2.0**	**49.5**	**5.5**	**66.8**
Additions	0.4	-	-	-	0.4
At 1 January 2018	**10.2**	**2.0**	**49.5**	**5.5**	**67.2**
Additions	1.3	-	-	-	1.3
Additions through business combinations	-	-	16.1	-	16.1
At 30 June 2018	**11.5**	**2.0**	**65.6**	**5.5**	**84.6**
Amortisation					
At 1 July 2017	**3.5**	**2.0**	**30.6**	**5.5**	**41.6**
Charged in the period	0.8	-	4.0	-	4.8
At 1 January 2018	**4.3**	**2.0**	**34.6**	**5.5**	**46.4**
Charged in the period	1.0	-	4.9	-	5.9
At 30 June 2018	**5.3**	**2.0**	**39.5**	**5.5**	**52.3**
Net book value					
At 30 June 2018	**6.2**	**-**	**26.1**	**-**	**32.3**
At 31 December 2017	**5.9**	**-**	**14.9**	**-**	**20.8**
At 30 June 2017	**6.3**	**-**	**18.9**	**-**	**25.2**

As at 30 June 2018, there are seven individually material other intangible assets:

	Software £'m	Customer contracts £'m	Total £'m
Customer contracts in Vital Recruitment		12.0	12.0
Customer contracts in A4E Limited	-	4.2	4.2
Customer contracts in Brightwork	-	2.7	2.7
Customer contracts in OneCall Recruitment	-	2.2	2.2
Customer contracts in Milestone	-	2.1	2.1
Software developed for the Ministry of Justice contract	2.7	-	2.7
Payroll and Credit Control software developed for Recruitment division	2.9		2.9
Others	0.6	2.9	3.5
Net book value at 30 June 2018	**6.2**	**26.1**	**32.3**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

8 Property, plant and equipment

	Land and buildings £'m	Computer equipment £'m	Fixtures and fittings £'m	Motor vehicles £'m	Total £'m
Gross carrying amount					
At 1 July 2017	**5.2**	**8.3**	**2.4**	**0.1**	**16.0**
Additions	-	1.7	0.1	-	1.8
Disposals	-	(0.9)	(0.6)	-	(1.5)
At 1 January 2018	**5.2**	**9.1**	**1.9**	**0.1**	**16.3**
Additions	0.1	1.2	0.3	-	1.6
Additions - business combinations	-	0.2	-	-	0.2
Disposals	-	(1.7)	-	-	(1.7)
At 30 June 2018	**5.3**	**8.8**	**2.2**	**0.1**	**16.4**
Depreciation					
At 1 July 2017	**2.0**	**6.0**	**0.5**	**0.1**	**8.6**
Charged for the period	0.1	0.8	0.5	-	1.4
Disposals	-	(0.9)	(0.5)	-	(1.4)
At 1 January 2018	**2.1**	**5.9**	**0.5**	**0.1**	**8.6**
Charged for the period	0.3	0.8	0.2	-	1.3
Disposals	-	(1.7)	-	-	(1.7)
At 30 June 2018	**2.4**	**5.0**	**0.7**	**0.1**	**8.2**
Net book value					
At 30 June 2018	**2.9**	**3.8**	**1.5**	**-**	**8.2**
At 31 December 2017	**3.1**	**3.2**	**1.4**	**-**	**7.7**
At 30 June 2017	**3.2**	**2.3**	**1.9**	**-**	**7.4**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

9 Retirement benefit asset

One of the Group's subsidiaries operates a defined benefit pension scheme for its staff. The scheme is closed to new entrants. The last actuarial valuation of the scheme was at 31 May 2017.

The amounts recognised in the balance sheet are determined as follows:

	30 June 2018 £'m	30 June 2017 £'m	31 December 2017 £'m
Fair value of plan assets (see below)	9.6	9.2	9.8
Present value of funded obligations (see below)	(8.2)	(8.0)	(8.4)
Asset in the balance sheet	**1.4**	**1.2**	**1.4**
% funding ratio	117%	115%	117%
Net actuarial gain/(loss) for the period	**-**	-	**0.2**
Bonds (68% of assets as at 30 June 2018)	6.5	5.7	5.6
Equities (31% of assets as at 30 June 2018)	3.0	3.4	3.8
Cash (1% of assets as at 30 June 2018)	0.1	0.1	0.4
Fair value of plan assets	**9.6**	**9.2**	**9.8**
At beginning of the period	8.4	7.8	7.8
Interest cost on liabilities	0.1	0.1	0.2
Service cost – current accrual cost	0.1	0.1	0.3
Actuarial (gain)/loss on change of assumptions	(0.4)	0.1	0.1
Others net (benefits paid etc)	-	(0.1)	-
Present value of funded obligations	**8.2**	**8.0**	**8.4**
Membership numbers: active	25	25	25
Membership numbers: total	274	274	274
The principal assumptions used in the valuations above are as follows:			
Price inflation (RPI)	3.0%	3.3%	3.1%
Price inflation (CPI)	2.0%	2.5%	2.1%
Pensionable salary increases	3.0%	3.3%	3.1%
Future pension increases for leavers (as RPI assumption)	3.0%	3.3%	3.1%
Liability discount rate (yield on AA corporate bonds)	2.7%	2.8%	2.5%

IAS 19, together with IFRIC 14 ("The limit on a defined pension asset"), regulations only allow a surplus to be recognised as an asset in the balance sheet to the extent that it can be recovered through reduced contributions in the future or through refunds from the scheme. The "Rules of The A4E Retirement Benefit Scheme" dated 24 September 2012 states in section 4.1 paragraph 2 that: *If a valuation discloses that a value of The Scheme assets exceeds the value of its liabilities the Trustees may reduce this surplus by paying it to the Employer (less tax) to the extent permitted by section 37 of the 1995 Pensions Act (payment of surplus to employer).* The Directors are therefore satisfied that the full surplus be so recognised.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

10 Cash and cash equivalents

	30 June 2018 £'m	30 June 2017 £'m	31 December 2017 £'m
Cash and cash equivalents	6.7	20.0	31.3
Bank overdraft	-	-	-
Cash and cash equivalents per cash flow statement	**6.7**	**20.0**	**31.3**

Cash and cash equivalents consist of cash on hand and balances with banks only. At 30 June 2018, £6.7m (30 June 2017: £20.0m) of cash on hand and balances with banks were held by subsidiary undertakings but these balances are available for use by the Company, Staffline Group plc. £1.6m (30 June 2017: £0.4m) of the half year-end cash balance was held with NatWest Bank plc and Bank of Ireland Group plc, outside of the group overdraft facility with Lloyds Banking Group plc.

Long term credit ratings for the three banks are currently as follows:

	Fitch	Standard & Poors	Moody's
NatWest Bank plc	A-	A-	A1
Lloyds Banking Group plc	A+	BBB+	A3
Bank of Ireland Group plc	BBB	BBB-	Baa3

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

	30 June 2018 £'m	30 June 2017 £'m	31 December 2017 £'m
Cash and cash equivalents	6.7	20.0	31.3
Less: held outside of Group overdraft facility	(1.6)	(0.4)	-
Overdraft facility	15.0	15.0	15.0
Additional Revolving Credit Facility	7.5	7.5	7.5
Bank guarantee	-	(0.4)	-
Banking Facility Headroom	**27.6**	**41.7**	**53.8**

11 Borrowings

	30 June 2018 £'m	30 June 2017 £'m	31 December 2017 £'m
Current liabilities:			
Term loan	8.8	8.8	8.8
Unamortised transaction costs	(0.2)	(0.2)	(0.2)
	8.6	**8.6**	**8.6**
Non-current liabilities:			
Revolving credit facility	35.0	35.0	35.0
Term loan	-	8.7	4.3
Unamortised transaction costs	-	(0.2)	(0.1)
	35.0	**43.5**	**39.2**
Total borrowings	**43.6**	**52.1**	**47.8**
Total borrowings excluding unamortised transaction costs	43.8	52.5	48.1
Less: Cash and cash equivalents (note 10)	6.7	20.0	31.3
Net debt as disclosed in consolidated statement of cash flows (note 13)	**37.1**	**32.5**	**16.8**

The term loan and revolving credit facility ("RCF") are secured by a debenture over all the assets of the Group.

A term loan of £35.0m was drawn down in June 2015 as part of the A4e acquisition. The loan is repayable quarterly and matures in 2019. Interest accrues on the loan at between 1.4% and 2.0% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

The RCF of £35.0m is repayable in 2019 and interest accrues at the same rate as the term loan. In 2016, the group secured a further £7.5m of working capital facility, available to be drawn down with two days' notice (not included in the borrowings above as not drawn down as at each of 30 June 2018, 31 December 2017 or 30 June 2017).

On 4 July 2018 the Group re-financed its outstanding borrowings. A new Facility Agreement was entered into, providing the Group with a £120m committed RCF and a further uncommitted RCF of £30.0m. Carved out from the £120.0m committed RCF is an Overdraft facility of £25.0m. The new Facility Agreement is for four years, with an option to extend for a further year. The Term loan of £8.8m and RCF of £35.0m outstanding at 30 June 2018 were repaid on 06 July 2018 and replaced with an RCF of £43.8m. 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.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

12 Share capital

	30 June 2018 Unaudited £'m	30 June 2017 Unaudited £'m	31 December 2017 Audited £'m
Authorised			
30,000,000 ordinary 10p shares	**3.000**	3.000	3.000
Allotted and issued			
27,944,389 (June and December 2017: 27,849,389) ordinary 10p shares	**2.794**	2.785	2.785

	Six months ended 30 June 2018 000	Six months ended 30 June 2017 000	Year ended 31 December 2017 000
Shares issued and fully paid at the beginning of the period	**27,849**	27,749	27,749
Shares issued during the period	95	100	100
Shares issued and fully paid at end of period	**27,944**	27,849	27,849
Shares authorised but unissued	2,056	2,151	2,151
Total equity shares authorised at end of period	**30,000**	30,000	30,000

95,000 ordinary shares were issued on 6 June 2018 to satisfy obligations under the Group's 2018 Joint Share Ownership Plan.

All ordinary shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 2,315,400 shares (31 December 2017: 2,220,400 shares; 30 June 2017: 2,220,400 shares) held by the Employee Benefit Trust where the right to dividends has been waived.

Of the 2,315,400 shares held by the Employee Benefit Trust as at 30 June 2018, 1,175,000 shares relate to the Staffline Group plc 2013 Joint Share Ownership Plan which vested on 30 June 2018 and, as such, will be sold by Employee Benefit Trust as soon as practicable after 24 July 2018. This will impact both the cost of future dividends and the diluted earnings per share figures disclosed for the Group, as both currently exclude shares held by the Employee Benefit Trust.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

13 Cash flows from operating activities

	Six month period ended 30 June 2018 Unaudited £'m	Six month period ended 30 June 2017 Unaudited £'m	Year ended 31 December 2017 Audited £'m
Profit before taxation	10.5	6.3	24.1
Adjustments for:			
Finance costs	1.3	1.4	2.8
Depreciation, loss on disposal and amortisation - underlying	2.3	2.2	4.4
Depreciation, loss on disposal and amortisation – non underlying	4.9	4.8	8.8
Operating profit before changes in working capital and share options	**19.0**	**14.7**	**40.1**
Change in trade and other receivables	(2.1)	5.8	3.5
Change in trade, other payables and provisions	(10.9)	(8.0)	1.0
Impact of foreign exchange loss on operating activities	-	-	(0.1)
Cash generated from operations	**6.0**	**12.5**	**44.5**
Employee cash settled share options (non-cash charge/(credit))	(0.4)	5.0	3.3
Employee equity settled share options	-	-	0.1
Net cash inflow from operating activities	**5.6**	**17.5**	**47.9**

Movement in net debt	**£'m**	£'m	£'m
Net debt at beginning of the period (excluding transaction fees)	(16.8)	(37.2)	(37.2)
Unwinding of discount on loan notes	(0.1)	-	-
Loan repayments	4.4	4.4	8.8
Change in cash and cash equivalents	(24.6)	0.3	11.6
Net debt at end of period (excluding transaction fees)	**(37.1)**	**(32.5)**	**(16.8)**

Represented by:	**£'m**	£'m	£'m
Cash and cash equivalents (note 10)	6.7	20.0	31.3
Current borrowings (note 11)	(8.6)	(8.6)	(8.6)
Non-current borrowings (note 11)	(35.0)	(43.5)	(39.2)
Net debt including transaction fees	**(36.9)**	**(32.1)**	**(16.5)**
Transaction fees	(0.2)	(0.4)	(0.3)
Net debt at end of period (excluding transaction fees)	**(37.1)**	**(32.5)**	**(16.8)**

Non-cash items above represent employees cash settled share options, the unwinding of the discount on loan notes and the movement of transaction costs in relation to debt issue fees.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

14 Acquisition of businesses - cash paid, net of cash acquired

Cashflows in relation to the acquisitions of M&B Staff Services ("M&B"), UK Distribution Personnel Limited ("UKD"), Endeavour Group Limited ("Vital") and One Call Recruitment Limited ("One Call") are as follows:

	Total Consideration (note 6)	Consideration deferred (note 6)	Cash acquired (note 6)	Loans and overdrafts acquired (note 6)	**Acquisition of businesses**
	£'m	£'m	£'m	£'m	**£'m**
M&B	0.2	-	-	-	**0.2**
UKD	2.4	(0.8)	(1.5)	-	**0.1**
Vital	18.6	(6.0)	(0.8)	3.0	**14.8**
One Call	2.0	-	-	0.3	**2.3**
Six-month period ended 30 June 2018 Unaudited	**23.2**	**(6.8)**	**(2.3)**	**3.3**	**17.4**
Year ended 31 December 2017 Audited	5.8	(1.7)	(1.9)	5.9	**8.1**
Six-month period ended 30 June 2017 Unaudited	5.8	(3.0)	(1.9)	5.9	**6.8**

15 Principal risks and uncertainties

The UK Listing Authority's Disclosure and Transparency Rules requires a description of the principal risks and uncertainties for the remaining six months of the year.

The Staffline Group plc board of directors has completed a robust and detailed assessment of the Group's risk management processes and the Group's risk register. The Group is exposed to a variety of potential risks and uncertainties which require on-going monitoring and management in order to mitigate against any adverse impact on long-term performance. The Board recognises that effective risk management is a critical part of achieving our strategic objectives. It employs a variety of systems and policies to respond effectively to these risks and uncertainties to protect the continued strategic success of the Group. Risk registers are maintained within both divisions of the Group, which are consolidated twice a year, with the output formally reviewed by the Audit Committee. The Board reviews risks and uncertainties under four principal types, Strategic and market related, Operational and compliance, Reputational and Financial.

The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2017. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 24 to 27 of the 31 December 2017 Annual Report which is available at www.stafflinegroupplc.co.uk/investor-relations/.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

Principal risks and uncertainties (continued)

Three principle risks remain:

Strategic and market related

- ***Shortage of staffing resource:*** With UK unemployment rates falling below 5% and issues around Brexit and foreign labour, there is a risk that our Recruitment division will not be able to obtain sufficient resource to fulfil its contractual obligations. In addition, there is an industry wide shortage of qualified drivers with, as above, the risk that our Recruitment division will not be able to obtain sufficient resource to fulfil its customer requirements.
  Mitigation:
  Through the launch of a new digital resourcing platform we expect to be able to increase our candidate pool through the attraction of greater number of candidates, and through increased retention levels as we improve the worker experience, with early results supporting this. In addition, the Group monitors national and regional labour statistics and has further developed its overseas recruitment function. The Group promotes new driver apprenticeships and continues to improve the relationship between its PeoplePlus and Recruitment divisions, with PeoplePlus providing labour resource to Recruitment.
- ***PeoplePlus Development Strategy:*** The winding down of the Work Programme ("WP") will reduce the potential revenue accessible to the PeoplePlus division. The division is investing in its Skills and Training and Communities/Justice revenue streams for future growth, to offset the financial effects of the winding down of the WP. In particular, the growth in Apprenticeship Levy revenue is considered a key part of the division's future plans.
  Mitigation:
  The PeoplePlus division is on track in its transition from a Work Programme to a Skills and Training organisation. In the first half of 2018, non-WP revenues grew by 28% compared to the same period in 2017, with the acquisition of LearnDirect Apprenticeships in July 2018 developing the division into a market leading provider of Apprenticeship Levy services. PeoplePlus will continue to focus on a strong bid win rate (almost 50% success in H1 2018) whilst sustaining an average contract length of three years, contributing to an overall targeted operating profit margin of 15%.

Operational and Compliance

- ***Business Interruption – information security breach or cyber-attack:***

i. Major IT failure - As with all large scale businesses, including those in the market sectors in which we operate, we are reliant on our IT systems to support and operate our business.

ii. Business Interruption – Breach of data security (Cyber-Crime) - The Group holds sensitive personal information in respect of temporary workers, participants of our various PeoplePlus contracts, and our own staff. There is increased evidence of cyber-crime. Breaches or attacks could lead to potential reputational damage with a potential resultant loss of revenue, financial penalties for the Group and diversion of management time. The new GDPR has further focussed the Group's attention on this matter.
Mitigation:
The Group has an appropriate Disaster Recovery plan in place in the event of a major internal failure of our IT systems. The Group's IT systems in the two divisions are segregated, enabling divisional Business Continuity Plans which include the utilisation of the other division's physical locations. A back-up replica system has been put in place, maintained by a third-party company and back-up connections are also in place in both divisions. During 2017 the Group migrated the hosting of materially all of its systems to a third-party specialist IT company. The Group has insurance in place for business interruption and has in place suitable Group policies and procedures.

Notes to the summary financial statements (continued)
For the half year ended 30 June 2018

16 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, the granting of share options and share transactions as noted below:

Share options
On 24 January 2018, 400,000 ordinary shares in the Company ("JSOP shares") were awarded to the two executive Directors of the Company in accordance with the 2018 Staffline Group Joint Share Ownership Plan ("JSOP"). These ordinary shares will be held by the Staffline Group Employee Benefit Trust ("EBT"):

- Chris Pullen, Chief Executive Officer, 275,000 shares
- Mike Watts, Chief Financial Officer, 125,000 shares

Under the JSOP rules the full allocation will be triggered if fully diluted underlying earnings per share, before amortisation of intangible assets arising on business combinations and share based payment charges, ("Adjusted EPS") in the financial year ending 31 December 2022 is 200p or higher. 75 per cent of the award will be triggered if Adjusted EPS is 180p in the financial year ending 31 December 2022, with the allocation scaled up on a straight-line basis for Adjusted EPS between 180p and 200p. There will be no award if Adjusted EPS is below 180p in the financial year ending 31 December 2022 and any allocation made based on Adjusted EPS will be halved if the Total Shareholder Return ("TSR") of the Company is not better than the TSR for the FTSE AIM All Share index over the five-year period 1st January 2018 to 31st December 2022. The awards vest in full in the event of a change of control at any time.

Share transactions with directors
- On 24 January 2018, Chris Pullen, Chief Executive Officer, acquired 5,043 ordinary shares of 10p each in the capital of the Company at an average price of 991.4 pence per ordinary share.
- On 30 January 2018 Andy Hogarth, director, up to his resignation on 30 June 2018, sold 1,006,189 ordinary shares of 10p each in the capital of the Company at an average price of 1,020.0 pence per ordinary share.
- On 16 February 2018, John Crabtree, Chairman, acquired 2,680 ordinary shares of 10p each in the capital of the Company at an average price of 934.0 pence per ordinary share.
- On 22 March 2018, Ed Barker, non-executive director, acquired 1,104 ordinary shares of 10p each in the capital of the Company at an average price of 923.0 pence per ordinary share.

Excluding interests in share options and Joint Share Ownership Plans, which are fully disclosed above and in the 2017 Annual Report, the beneficial holdings of the directors as at 30 June 2018 in the Company's issued share capital at 30 June 2018 are as follows:

	Ordinary shares of 10p each	% of total in issue
Ed Barker	1,104	-
John Crabtree	22,930	0.1%
Chris Pullen	17,043	0.1%
	41,077	**0.2%**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2018

17 Note on the unaudited interim accounts

The unaudited interim accounts are prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents and advisers accept and assume no liability to any person in respect of this trading update save as would arise under English law. Statements contained in this trading update are based on the knowledge and information available to the Group's Directors at the date it was prepared and therefore facts stated and views expressed may change after that date.

Forward looking statements

This document and any materials distributed in connection with it may include forward-looking statements, beliefs, opinions or statements concerning risks and uncertainties, including statements with respect to the Group's business, financial condition and results of operations. Those statements and statements which contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect the Group's Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and which may cause results and developments to differ materially from those expressed or implied by those statements and forecasts. No representation is made that any of those statements or forecasts will come to pass or that any forecast results will be achieved. You are cautioned not to place any reliance on such statements or forecasts. Those forward-looking and other statements speak only as at the date of this trading update. The Group undertakes no obligation to release any update of, or revisions to, any forward-looking statements, opinions (which are subject to change without notice) or any other information or statement contained in this trading update. Furthermore, past performance of the Group cannot be relied on as a guide to future performance.

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Staffline Group plc share for the current or future financial years would necessarily match or exceed the historical published earnings per Staffline Group plc share.

Nothing in this document is intended to constitute an invitation or inducement to engage in investment activity. This document does not constitute or form part of any offer for sale or subscription of, or any solicitation of any offer to purchase or subscribe for, any securities nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract, commitment or investment decision in relation thereto. This document does not constitute a recommendation regarding any securities.

Staffline Group plc

Group five-year summary (unaudited)

Financial reporting half years ended 30 June £'m (prior years as restated)						
	2018	**2017**	**2016**	**2015**	**2014**	**5 year % compound annual growth**
Comprehensive income (6 months)						
Turnover	481.0	427.8	414.7	297.2	208.1	23%
Underlying operating profit	16.3	17.5	16.7	10.9	6.6	25%
% margin	3.4%	4.1%	4.0%	3.7%	3.2%	
Reported operating profit	11.8	7.7	12.9	1.6	2.1	
Reported profit/(loss) after taxation	8.5	3.7	10.1	(0.6)	1.5	
Underlying diluted earnings per share	47.2p	50.1p	48.5p	32.2p	22.2p	21%
Declared dividend per share	11.3p	11.0p	10.5p	7.5p	5.0p	23%
Dividend cover v underlying diluted	4.2x	4.6x	4.6x	4.3x	4.4x	
Financial position (half year end)						
Goodwill	101.9	94.2	91.5	89.5	47.5	
Intangible assets	32.3	25.2	30.4	14.1	33.5	
Property, plant and equipment	8.2	7.4	11.2	16.2	3.9	
Trade and other receivables	121.6	105.1	100.9	97.4	79.8	
Cash and cash equivalents	6.7	20.0	17.0	20.1	10.7	
Trade and other payables	(109.7)	(97.1)	(95.1)	(88.4)	(63.9)	
Borrowings (exc deal fees)	(43.8)	(52.5)	(61.2)	(69.9)	(37.4)	
Deferred tax net (liability)/asset	(4.1)	(2.7)	(3.5)	(1.7)	(4.9)	
Other (net liabilities)	(13.8)	(15.8)	(10.8)	(13.1)	(6.6)	
Net assets	**99.3**	**83.8**	**80.4**	**64.2**	**62.6**	
Net (debt)/cash (exc deal fees)	(37.1)	(32.5)	(44.2)	(49.8)	(26.7)	
Goodwill, intangibles	134.2	119.4	121.9	103.6	81.0	
Other net assets	2.2	(3.1)	2.7	10.4	8.3	
Cash flows (6 months)						
Underlying operating profit	16.3	17.5	16.7	10.9	6.6	
Non–underlying cash costs	-	-	-	(0.4)	(0.7)	
Depreciation, amortisation - operating	2.3	2.2	2.4	1.8	0.7	
Working capital movements	(13.0)	(2.2)	7.1	(4.4)	(5.3)	
Capital expenditure, inc software	(2.9)	(1.5)	(4.2)	(1.1)	(0.4)	
Taxation paid (net)	(3.3)	(3.1)	-	(3.2)	(1.6)	
Free cash from operations	**(0.6)**	**12.9**	**22.0**	**3.6**	**(0.7)**	
Interest paid	(1.2)	(1.3)	(1.3)	(0.6)	(0.1)	
Business acquisitions inc debt acquired	(18.4)	(7.2)	(1.1)	(35.1)	(46.2)	
Issue of share capital	-	0.3	-	-	15.4	
Others	(0.1)	-	(0.1)	-	-	
(Increase)/reduction in net debt	**(20.3)**	**4.7**	**19.5**	**(32.1)**	**(31.6)**	