For Immediate Release 24 January 2018

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

AUDITED FULL YEAR RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017

Staffline, the Recruitment and Employability organisation, today announces its audited Full Year Results for the twelve months ended 31 December 2017.

Financial highlights:

	Statutory			*Underlying		
	2017	**2016**	Change	**2017**	**2016**	Change
	£'m	**£'m**	%	**£'m**	**£'m**	%
Revenue	**957.8**	**882.4**	+8.5	**957.8**	**882.4**	+8.5
Recruitment	*843.3*	*740.8*	*+13.8*	*843.3*	*740.8*	*+13.8*
PeoplePlus	*114.5*	*141.6*	*(19.1)*	*114.5*	*141.6*	*(19.1)*
Profit before tax	**24.1**	**18.9**	+27.5	**36.3**	**36.7**	(1.1)
Recruitment	*11.9*	*16.6*	*(28.3)*	*17.4*	*15.7*	*+10.8*
PeoplePlus	*12.2*	*2.3*	*+430.4*	*18.9*	*21.0*	*(10.0)*
% Profit margin	**2.5%**	**2.1%**		**3.8%**	**4.2%**	
Recruitment	1.4%	2.2%		2.1%	2.1%	
PeoplePlus	10.7%	1.6%		16.5%	14.8%	
	Pence	**Pence**	%	**Pence**	**Pence**	%
Diluted earnings per share ("EPS")	**71.1**	**58.8**	+20.9	**112.6**	**114.0**	(1.2)
Final dividend per share	**15.7**	**15.3**	+2.6	**15.7**	**15.3**	+2.6
Total dividend per share	**26.7**	**25.8**	+3.5	**26.7**	**25.8**	+3.5
	£'m	**£'m**	£'m	**£'m**	**£'m**	£'m
Net debt**	**16.5**	**36.7**	20.2 reduction	**16.5**	**36.7**	20.2 reduction

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

** Net debt including unamortised transaction costs

Operational highlights:

- Successful delivery of the Group's 5-year profit target in the "Burst the Billion" plan together with run rate achievement of revenue target. New 5-year target, announced today, to achieve 200p earnings per share in 2022.

- Record year within the Recruitment division (formerly "Staffing"):
  - OnSites grew by 38 locations; total locations now 395 (2016: 357) – making Staffline the clear market leader
  - Successful integration of acquisitions in Scotland and Republic of Ireland
  - The newer Driving Plus, Ireland and Agriculture divisions all had an excellent year
  - Continuing strong pipeline of new business opportunities

- Operational efficiencies and top performance within PeoplePlus division:
  - Continued cost efficiencies leading to improved margins
  - New business bid win rate doubled. £54m of new business won in 2017 including £24m for Scotland Work Programme ("Fair Start") and over £10m Adult Education funding
  - All nine of our prime Work Programme contracts are in the top 10 (out of 39) nationally for performance, providing strong credentials for ongoing contract wins
  - Adult Education division awarded a 2 rating ("Good") by Ofsted during 2017

- Senior management changes. Chris Pullen and Mike Watts to be appointed Chief Executive Officer and Chief Financial Officer, respectively, from 24 January 2018. Andy Hogarth to remain on the Board as a Non-Executive Director.

- Positive trading outlook for 2018. On track to be in a net cash position in 2018

Commenting on the results and prospects for 2018, Andy Hogarth, the outgoing Chief Executive Officer, said:

"These strong results are testament to the hard work and determination of all those involved in our business. In what has remained a competitive environment, we are delighted to report such strong organic revenue growth and the increased statutory profit before tax. Underlying profit before tax was marginally below 2016 levels. Recruitment has continued to perform well. Our reputation for reliability has not only led to many new contract wins but also existing customers extending their work with us, meaning Staffline is increasing its market share more than ever before. PeoplePlus continues successfully to manage the wind-down of the Work Programme, driving operational efficiencies whilst winning many new contracts in other areas such as Fair Start in Scotland, Adult Education and supporting companies with their new apprenticeship programmes.

We look forward to 2018, the start of our new five-year target period, with great confidence."

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

A presentation for private and retail investors will be held today at 12.00pm at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. Admittance is strictly limited to those who register their wish to attend in advance with Buchanan.

For further information, please contact:

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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 Chris Pullen, Group Chief Executive Officer (with effect from 24 January 2018).

Next trading update

The Group's next scheduled announcement of financial information will be the Annual General Meeting trading update on Thursday 17 May 2018.

About Staffline

"Enabling the future of work"

Staffline is a leading workforce recruitment and management organisation providing services, mainly in the UK and Eire, to both Government and commercial customers. The Recruitment division (previously 'Staffing' division) supplied up to 52,000 workers per day in 2017 to more than 1,500 clients. The PeoplePlus division is a leading provider to both Central and Local Government, as well as commercial customers, offering a wide range of services to help and support in the Employability (Welfare to Work), Justice, Communities and Skills arenas.

Recruitment

Specialising in providing complete labour solutions in agriculture, food processing, manufacturing, e-retail, driving and the logistics sectors, the Recruitment business operates from over 400 locations in the UK, Eire and Poland. The Recruitment brands include:

- **Staffline *OnSite*,** based on clients' premises and providing both blue and white collar, managed, temporary workforces
- Driving Plus, providing HGV drivers to the driving industry
- Staffline Agriculture, providing workers to the UK farming and horticulture sectors
- Staffline Express, our high street branch based operation
- Brightwork, a recruitment business based in Scotland specialising in temporary and permanent jobs to the drinks industry
- Diamond Recruitment, one of the largest providers of recruitment services in Northern Ireland

PeoplePlus

A trusted partner in delivering employability, skills and well-being services. Contracts span Central, Local and Devolved Government and the Private Sector, including:

Employability:

- Work Programme, prime contractor in nine regions and sub-contractor in three regions in England and Wales
- Fair Start Scotland, prime contractor in two regions commencing April 2018
- New Enterprise Allowance (business start-up support), prime contractor in three regions of England and Scotland and a sub-contractor in Wales
- Steps to Success, prime contractor in Northern Ireland, an employment programme to build skills
- Tackling Youth Unemployment through the MyGo service in Suffolk, the Youth Promise Plus in Birmingham and the Wirral Youth Employment Gateway
- Building Employment through Education, working in Schools in Northern Ireland

Education and Training services:

- Prime contractor to the Education and Skills Funding Agency, Welsh Government and Skills Development Scotland, providing Adult Education and Apprenticeships
- Delivering Apprenticeships programmes for the Private Sector, via the Apprenticeship Levy and non-levy programmes

Justice and Community services:

- Ministry of Justice, Transforming Rehabilitation in Warwickshire and West Mercia, delivering rehabilitation services
- Delivery of education and training to prisoners in ten prisons in the East of England and London
- Independent Living Services, supporting 3,500 disabled people lead independent lives
- Access To Work, a national contract providing adaptation in the work place for people with disabilities
- Support for the users of Prison Visitor Centres for the Northern Ireland Prison Service
- Carers Hubs in Stoke and Staffordshire

Chairman's Statement

Our Recruitment division has again seen significant organic revenue growth, of 10%, and, with two further acquisitions in 2017, their total revenue has increased by 14%, achieved against the backdrop of uncertainty around Brexit and the impact that it has had on lowering migration. Our PeoplePlus division has met the challenge of delivering the final years of the existing Work Programme, continuing to be the best performing supplier to the DWP and positioning itself to become a leading supplier of Apprenticeship Levy training. Other opportunities during 2017 included winning the Fair Start programme in Scotland.

Performance

2017 was the final year of our five-year plan to 'Burst the Billion', aiming to grow Group revenues to over £1 billion by 2017. Group revenues of £957.8m (2016: £882.4m), up 9%, leaves us just short of this target. However, the exiting run rate of 2017 exceeds this target and remains a significant achievement compared to the starting point of revenues of £367m in 2012 when the five- year plan began. The five-year underlying operating profit target of £30m was comfortably exceeded, being achieved two years early, in 2015.

Underlying profit before tax* reduced by 1% to £36.3m (2016: £36.7m). Whilst a reduction, this is a good achievement given the Work Programme run-off in PeoplePlus that began in March 2017. Reported profit before tax increased by 28% to £24.1m (2016: £18.9m), primarily due to exceptional reorganisation costs incurred in 2016 not being repeated in 2017.

Cash generation was again strong, with free cash flows (being EBITDA plus working capital movement, less tax paid and capex) amounting to £37.9m. Net debt fell by £20.2m, from £36.7m at the end of December 2016 to £16.5m at the end of December 2017. This provides the Group with a solid base from which to continue to generate shareholder value into the future.

** Underlying profit before tax excludes amortisation charges from intangible assets arising on business combinations, acquisition and exceptional re-organisation costs and the non-cash charge/credit for share based payment costs ("SBPC")*

Dividends

The Group is in a robust financial position with good cash generation and a strong balance sheet. Our financial position at the end of 2017 and confidence for the future enables us to propose an increased final dividend of 15.7p (2016: 15.3p), payable to shareholders on 3 July 2018, giving a full year dividend of 26.7p (2016: 25.8p). The Group's dividend policy, whilst in a net debt position, is to maintain a dividend cover ratio of between 4.0 and 4.5 times our underlying diluted EPS. Our proposed final dividend will ensure the full year dividend cover is within this range at 4.22 times. Further details on the Group's dividend policy can be found within the Chief Financial Officer's Report.

Chairman's Statement (continued)

Board Changes and Senior Management Overview

I am pleased to announce that with effect from 24 January 2018, Chris Pullen is appointed as Chief Executive of Staffline Group plc. Chris succeeds Andy Hogarth who will step down from his current role while remaining on the Board as a Non-Executive Director.

Andy Hogarth has been Chief Executive of Staffline Group plc since 2003, during which time the Group has grown to almost £1billion in revenue. The Recruitment business is now the largest blue collar OnSite business in the UK. The PeoplePlus business supports a large portfolio of government contracts focusing on People, Skills and Jobs and is the largest provider of the Work Programme in the country. I am delighted that Andy will continue to lend his considerable experience and insight to Chris and the Board in his new role as a Non-Executive Director.

Chris Pullen joined the Group in 2015 from Regus plc to develop the Group's Mergers and Acquisition strategy and became Group Chief Financial Officer in June 2016. In these roles, Chris has made a significant contribution to the development of the Group and now has an excellent insight into the Group's overall operations. He is ideally positioned to lead the business through its next stage of strategic development.

I can also report that Diane Martyn, Group Managing Director, is stepping down from the Board on 24 January 2018, but will continue to work with the Group on a part-time basis to support the strategic goals of the business. Diane has also made an immense contribution to the Group's success and we are delighted she will continue to be part of it.

Mike Watts is appointed as Group Chief Financial Officer with effect from 24 January 2018. He joined our PeoplePlus division as Finance Director in February 2017 where he has already made an excellent contribution to the business. Prior to Staffline, Mike was at Capita plc where he was Finance Director of a number of businesses. Mike is a Chartered Accountant, having qualified with PwC and has a Ph.D from Cambridge University in Materials Science.

The Group has developed an extremely experienced senior management team under the PLC Board and has the right leadership capability in place to achieve the strategic objectives of our Recruitment and PeoplePlus divisions.

Simon Rouse joined the Group in November 2017 as Managing Director of PeoplePlus from Capita where he was a Portfolio Managing Director, leading a number of contracts across both the private and public sector.

Mark Underwood joined the Group in 2012 and has been Managing Director of the Specialist Recruitment Businesses (Driving Plus, Agriculture and Branch network operations). These have been key to the success of Recruitment's "new division" strategy. Mark is now appointed as Managing Director of our Recruitment division.

I am delighted that we have an experienced management team in place to deliver the Group's next development plan. Most members of the team have worked together for a considerable time and have vast knowledge of Staffline, our customers and the markets in which we operate. I would also like to thank the whole team for all their continued efforts, support and contribution.

Chairman's Statement (continued)

Outlook

For a number of years now, the Group has maintained its objective of being the largest provider of people in the UK blue collar market, with specialist knowledge of the food, logistics/driving and manufacturing sectors. The Board and I are confident that the Recruitment division can continue to grow its market share through further organic growth as well as suitable acquisitions which strengthen our offering.

The restructuring of PeoplePlus has positioned the division well to provide a strong Apprenticeship Levy offering, as well as being agile enough to take advantage of other opportunities in the employability, justice and wellbeing sectors. Similar to 2017, 2018 is seen as a transitional year for this division, with the Work Programme revenues tailing off and the further development of our Skills, Employability and Health and Wellbeing offering.

Key priorities for the two divisions in 2018 are:

Recruitment:

- Continued organic growth – focus on our core business
- Continued strong cash conversion – focus on margin and payment terms
- Bolt on acquisitions – enhancing continued organic growth
- New digital platform – differentiation in a tight labour market

PeoplePlus

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

Despite the change in sales mix within PeoplePlus, we expect the Group's 2018 profit to be slightly higher than in 2017. Continued strong cash generation should either result in net debt being eliminated in 2018 or provide the resources to acquire additional businesses. The Group is in an excellent position to continue to generate shareholder value through growing cashflows in future years.

John Crabtree OBE
Chairman

23 January 2018

Chief Executive Officer's Statement

Trading

Sales in 2017 grew by 9% to £957.8m (2016: £882.4m). A change in the sales mix between the two divisions, with Recruitment accounting for 88% of the 2017 revenue (2016: 84%), has had a comparative impact on the Group's gross profit margin, with a reduction from 14.2% in 2016 to 11.9% in 2017. Underlying profit before tax* reduced by 1% to £36.3m (2016: £36.7m). On this basis, adjusted diluted earnings per share fell to 112.6p (2016: 114.0p), a reduction of 1%. However, reported profit before tax from continuing operations increased by 28% to £24.1m (2016: £18.9m) and reported diluted earnings per share from continuing operations rose by 21% to 71.1p (2016: 58.8p).

** Underlying profit before tax excludes amortisation charges from intangible assets arising on business combinations, acquisition and exceptional re-organisation costs and the non-cash charge/credit for share based payment costs ("SBPC")*

Key Performance Indicators

The Group monitors a number of performance indicators both financial and non-financial. These indicators are discussed in this report.

	2017	**2016**
Revenue	£957.8m	£882.4m
Year on year total revenue growth	8.5%	25.6%
Organic revenue growth	4.9%	11.7%
Gross profit margin as a % of revenue	11.9%	14.2%
Recruitment division gross profit	£66.1m	£61.3m
Recruitment division gross profit margin to sales	7.8%	8.3%
Underlying Profit Before Tax*	£36.3m	£36.7m
Underlying Profit Before Tax as a % of revenue	3.8%	4.2%
Net Debt including unamortised transaction costs	£16.5m	£36.7m
Recruitment Services DSO (days) – year end	23.4	23.3
Highest number of temporary contractors (per week)	52,400	51,100
Number of Recruitment OnSites (year-end)	395	357

Operational Review

Recruitment

Recruitment sales rose by 14% to £843.3m (2016: £740.8m) driven both by organic growth of 9.5% and by the acquisitions of Driver and Labour Recruit Limited (trading as "Oak Recruitment") in the Republic of Ireland and Brightwork Limited ("Brightwork") in Scotland in the first half of 2017. All our OnSite divisions saw good organic growth in the year.

Our Recruitment gross profit margin, expressed as a percentage of sales, decreased by half a percent from 8.3% to 7.8% - more than half of which was due to an increase in the minimum wage. A more meaningful metric is the cash margin per hour which rose in the year by +1.2%. The increase in margin per hour reflects the increased scale and diversity of our customer base. The above factors resulted in gross margin increasing by 7.8% from £61.3m to £66.1m. During the year we invested heavily within Recruitment, specifically on IT infrastructure and new senior talent, which saw overheads rise by 7.9%, the net result of which is that underlying operating profit, before finance charges, increased by 7.4%, to £20.2m (2016: £18.8m).

Chief Executive Officer's Statement (continued)

Recruitment (continued)

We continue to generate significant opportunities for the Group to build market share in our core business, underpinned by our rigid adherence to compliance, ethical approach and ability to deliver to our customers. Customers are increasingly looking for suppliers with scale and added value products, such as worker retention models, apprenticeships and bespoke training. This has meant that we have continued to win new business in line with prior year levels of growth. The number of OnSite locations from which we operate grew by net 38, ending the period with a total of 395 locations. 14 of those wins were within our core OnSite divisions with 17 in our newer divisions (Agriculture, Driving, Ireland) and 7 acquired with Brightwork. This demonstrates that Staffline's geographical and operational scale means we remain the go-to supplier across most industry sectors.

The ongoing uncertainty around the final Brexit outcome has had an impact on UK consumer spend, specifically within the fashion and food sectors. This has made supermarket and high-street store demand volatile. As a result, our growth in these areas has slowed down. This has meant that our 10% organic growth has been achieved through new customers in both the core and newer divisions. For example, our largest single-site customer (by volume) was a brand new Staffline customer in 2016 where our business has continued to grow in 2017 due to our excellent service levels.

The uncertainty around the final Brexit outcome has also seen a reduction in the number of EU citizens coming to the UK and an increase in those returning to their homelands. In addition, UK unemployment rates at 42 year lows have impacted on our ability to attract candidates. However, our scale of operations, our excellence in both candidate attraction and retention and our ability to offer additional training through PeoplePlus have meant that we have been able to mitigate any temporary shortfalls in available candidates.

As we face into the challenges of a tightening labour market and the competition for talent intensifies we are placing even greater emphasis on the job seeker experience. Customer experience and employee engagement are at the heart of our business model and job seekers are increasingly choosing Staffline due to the emphasis we place on using our scale for good. By using our vast network and resources to provide fast, flexible and long-term employment across thousands of roles, we offer applicants unprecedented choice and variety of work assignments as we introduce thousands of job seekers to the most suitable employers via simple and easy to use applications. We have invested in a digital transformation programme which reflect changes in job seeker behaviour with emphasis on search engine optimisation and we anticipate a considerable return on this investment during 2018, by way of increased applications and brand awareness from both active and passive job seekers.

PeoplePlus

PeoplePlus revenues decreased by 19% to £114.5m (2016: £141.6m) in 2017. This has been driven by the much-publicised start of the wind down of the Work Programme following the end of referrals in March 2017. Gross profit reduced by £15.9m to £47.7m (2016: £63.6m) with the gross profit margin falling from 45% to 42%. We have successfully managed overhead costs, saving £13.6m year on year. This has mostly offset the fall in revenues, with operating profit, before finance charges, only reducing by £2.3m (11%) from 2016, improving the operating margin to 16.5% (2016: 15.0%).

Chief Executive Officer’s Statement (continued)

PeoplePlus (continued)

PeoplePlus is built on three key themes of helping people to:

- Transform lives – through our work in Justice Services and Adult Social Care
- Get jobs and keep jobs – through our work with youth employment programmes, employability programmes across the UK, including helping people set up their own businesses
- Develop careers – through our work in Apprenticeships and Adult Education

On the Work Programme, following the end of referrals in March 2017, we have focused on effective and efficient operational delivery to counter the revenue decline through to March 2021. Our focus on delivery has resulted in our 9 contracts being in the top 10 performers nationally, a further improvement on the prior year’s strong performance. The revenue reduction was forecast and this allowed us to make significant savings in overheads through changes in our operating model. This has allowed us to maintain strong profitability in the Work Programme during 2017 which we expect to continue in 2018.

The Apprenticeship Levy, introduced in April 2017, has created a huge new market for apprenticeship delivery. Whilst the overall market growth in apprenticeship numbers is significantly below Government expectations, we feel that this market still represents an excellent growth opportunity and we have aligned ourselves accordingly. Our strong offering has seen us sign a number of new contracts in 2017 and we are continuing to build a strong pipeline into 2018. These existing clients will provide organic year on year growth. This, coupled with expected new wins in 2018, will allow us to take advantage of a growing market, estimated to be worth £3 billion per annum. We also believe this will create a good foothold for us into the private sector market overall where we want to develop new market propositions.

The Adult Education division was given a 2 rating (“Good”) by Ofsted during 2017, a clear reflection of the very high quality of our training provision. Business performance has been strong, with growth in existing contracts following the government re-tender and our ability to deliver against these remains high, positioning us well for further growth. We were awarded over £10m of new AEB funding during the year.

Our Independent Living Services (“ILS”) and Carers Hubs have continued to perform well, with ILS managing £40m of direct payments from councils on behalf of local care recipients; enabling them to live more independently. With demand on Adult Social Care growing and representing a challenging budget area for local authorities, we continue to seek opportunities to further develop our services in this area.

Our focus on new business has allowed us to secure £54m (2016: £13m) of new business in 2017 with an improved win rate of 1 in 3 (2016: 1 in 6). This includes £24m for Fair Start Scotland, the Scottish Government’s key employability programme which commences in April 2018 and New Enterprise Allowance 2 at £9m, which supports individuals wishing to start in self-employment.

Chief Executive Officer's Statement (continued)

PeoplePlus (continued)

Our Community Rehabilitation Company ("CRC") contract continues to perform well against its contractual targets and is evolving in line with HMIP recommendations and contractual changes being introduced by the Ministry of Justice. The Offender Learning and Skills Services contract has seen us draw down the maximum revenue available against a challenging environment, and reflects the quality of our delivery and strong relationships with prison service leadership. This high level of performance will put us in a strong position for the next iteration of these contracts which are a strategic priority for us as we look to grow in the offender learning and skills market.

PeoplePlus Northern Ireland has successfully tendered for, and been awarded, European Social Funding. This project will further develop our skills and employability offering across the Province. Existing programmes in Employability, Community and Justice sectors continue to perform at projected levels. Our Apprenticeship Northern Ireland provision is realising growth with several national branded businesses committing to work in sole partnership to upskill their workforces across Northern Ireland. There is a strong pipeline of new opportunities for further growth in the apprentice market.

PeoplePlus Wales performed strongly throughout 2017, exceeding our expectations in all areas including Youth Programmes and expects to be confirmed as the top performing provider in Wales when Government learner outcome reports are published. This positions PeoplePlus Wales well for the 2018 round of tendering by the Welsh Government of youth and adult programmes.

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.

Chief Executive Officer's Statement (continued)

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 during the year 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.

People

Our focus on driving a high-performance culture continues and, as we see our Talent pipeline develop, the Group continues to review 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 31 December 2017, shows a permanent workforce total of 2,265 people (full time equivalents), a net reduction of 220 compared to 2,485 as at 31 December 2016 (movement includes an increase of 80 relating to acquisitions in Scotland and the Republic of Ireland during the year). Average monthly headcount has fallen by a net 16% during the year, from 2,793 in 2016 to 2,357 in 2017.

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.

Our first Peak Performance Camp was held with senior leaders across the business in February 2017. This has resulted in some strategic projects taking place to explore more business opportunities for growth. A Master Class event was held in our PeoplePlus business during November to enhance the understanding and knowledge of our senior managers in growing their individual business areas. Our next annual Leadership Camp for our leaders of the future will take place in February 2018.

As the Apprenticeship Levy came into force this year, Recruitment and PeoplePlus divisions have worked collaboratively to develop our program, with our first 60 delegates embarking on a 3-day residential at Nottingham University to start off on their apprenticeship programmes in June 2017. 24 new delegates joined the programme in November with a further 40 planned for January 2018. 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. A Level 5 management development program is also planned for 12 delegates in early 2018 to support our current 'high potential' managers grow to become leaders of the future.

Gender Pay Gap Reporting ("GPGR")

Our April 2017 GPGR review has almost been completed and we are aiming to put the results on our website by no later than the middle of February 2018.

Chief Executive Officer's Statement (continued)

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.

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.

General Data Protection Regulation ("GDPR")

Staffline will comply with applicable GDPR regulations when they take effect in 2018, including as a data processor, while also working closely with our providers of finance, customers and partners to meet contractual obligations for our procedures, products and services.

Our governance measures will be 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.

Work is currently underway to build transition plans for all our systems and processes to ensure that the changes are managed effectively and without causing interruption to our normal business routines. Internal awareness campaigns and staff training activities will launch at the start of 2018.

Events after the balance sheet date

There were no events between the balance sheet date of 31 December 2017 and the approval of these accounts on 23 January 2018 that are required to be bought to the attention of the shareholders.

Related party transactions

Related party transactions are disclosed in note 16 to these summary financial statements.

Chief Executive Officer's Statement (continued)

Five-year plan

Although we narrowly missed our internal target set in 2013 of achieving £1 billion revenue in 2017, we significantly exceeded the underlying operating profit target of £30m. The past five years has seen significant growth in both revenue and underlying operating profit:

- Turnover up £591m, a Compound Annual Growth Rate ("CAGR") of 21%
- Underlying operating profit up £28m, a CAGR of 29%

It is worth highlighting that the current run rate based on revenues in the second half of the year is in excess of £1 billion.

Our new plan, the fourth since we became a listed company, is during the next five years to grow underlying diluted Earnings Per Share to 200p, a 77% increase on the 112.6p reported this year. To achieve this target, we will continue to achieve strong organic growth. In addition, we will continue to seek further acquisitions in either current or complimentary new sectors.

Current Trading

Nearly one month into the new financial year, we have started well, buoyed by additional contracts, largely from existing Recruitment customers all of which are due to start by the end of the first quarter. We also have a sales pipeline which is larger than ever before and we are focused on maintaining our strong track record of organic growth by supporting our clients' requirements effectively and efficiently.

Meanwhile, our PeoplePlus division is well placed to benefit as new contract opportunities come through this year, in Welfare to Work, Justice with OLASS, Wellbeing and as a consequence of the Apprenticeship Levy. In addition to driving organic growth, we continue to look for further bolt-on acquisitions primarily within our Recruitment division and remain in discussions with a number of companies.

On a personal note, this is my 15th and final annual Chief Executive's Statement. I am delighted that Staffline has such an excellent internal successor to me in Chris Pullen. We have worked closely for the past two years and share a vision for the continued success of the Group and the people who work with it and I wish him and his executive team all the best for the future. I will continue to support both the business and the executive team in any way I can in my new role as a Non-Executive Director.

Andy Hogarth
Chief Executive Officer

23 January 2018

Chief Financial Officer's Statement

Financial Highlights

2017 has been a year of steady growth with total revenue for the year increasing by 9% to £957.8m (2016: £882.4m). Of this revenue growth, 5% is organic, despite PeoplePlus revenues falling by 19% year on year, attributable to the existing Work Programme closing to new job seekers from March 2017. The remaining revenue growth has been achieved through the continued increase in the number of Recruitment OnSites and from the strategic acquisitions of Brightwork Limited in Scotland and Driver and Labour Recruit Limited in the Republic of Ireland. Both acquisitions increase our presence in their respective countries. Revenues in our Recruitment division grew by £102.5m (up 14%), of which £70.2m (up 10%) is organic growth.

In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles ("GAAP") under which the Group reports. The Directors believe that these non-GAAP measures assist with the understanding of the performance of the business. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be an important means of comparing performance year-on-year and they include key measures used within the business for assessing performance. We acknowledge that the adjustments made to arrive at underlying profit may not be comparable to those made by other companies, mainly in respect of the adjustment for share based payment charges including both equity and cash settled components. It should be noted that whilst the amortisation of business acquisition related intangible assets has been added back, the revenue from those acquisitions has not been eliminated.

Our overall gross profit has decreased by 9% to £113.8m (2016: £124.9m) with gross profit margins reducing to 11.9% (2016: 14.2%). This reduction is a result of the change in sales mix with PeoplePlus revenues falling (divisional margin of 41.7%) and Recruitment revenues growing (divisional margin of 7.8%). The Recruitment division gross margin has declined to 7.8% (2016: 8.3%) primarily as a result of the National Living Wage increase in April 2017 (no effect on absolute gross profit). This factor has become a regular feature of our Recruitment gross margin profile and will continue, with the Government planning to increase the National Living Wages from the current £7.50 for over 25s to £9.00 by 2020.

Reported profit before taxation grew by 28% to £24.1m (2016: £18.9m), primarily due to exceptional reorganisation costs incurred in 2016 not being repeated in 2017, whilst underlying profit before taxation reduced marginally in line with expectations by 1% to £36.3m (2016: £36.7m) and underlying profit before taxation as a percentage of revenue fell to 3.8% (2016: 4.2%).

Non-underlying administrative charges

Non-underlying administrative charges have reduced by £5.6m to £12.2m in 2017 (2016: £17.8m). These charges are regarded as recurring or non-recurring items of income or expenditure of a particular size and/or nature relating to the operations of the business that, in the Directors' opinion, require separate identification. These items are included in "total" reported results but are excluded from "underlying" results. These items can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. They include exceptional restructuring costs in 2016 of forming and reorganising the PeoplePlus division, Share Based Payment charges and credits and the amortisation of intangible assets arising on business combinations, being either non-recurring or material in the context of our trading performance during the year. Non-underlying administrative charges are summarised in the table below.

Chief Financial Officer's Statement (continued)

	2017 £'m	2016 £'m
Amortisation of intangible assets arising on business combinations	8.8	12.4
Share based payment charges/(credit)	3.4	(2.9)
Transaction costs	-	0.1
Reorganisation costs	-	6.6
Impairment of tangible fixed assets (reorganisation related)	-	1.6
	12.2	**17.8**

The charge for amortisation of intangible assets arising on business combinations in 2017 relates principally to the acquisition of the A4e business (£5.6m charge: asset will be fully amortised by February 2019), Milestone (£1.0m charge: asset will be fully amortised by September 2020) and Diamond (charge £0.6m: asset will be fully amortised by September 2020) businesses in 2015 together with the Avanta business acquired in 2014 (£1.1m charge: asset fully amortised by the end of 2017). The share based payment charge in 2017 arose due to the 23% increase in the Company's share price during the year from £8.45 to £10.40. The reorganisation costs noted above for 2016 relate to the integration of acquisitions to form the PeoplePlus division. This process was started in 2015 and completed in 2016.

Earnings per Share

Statutory basic earnings per share increased by 21% to 71.4p (2016: 59.1p) and the diluted earnings per share increased to 71.1p (2016: 58.8p). A lower underlying profit before tax (£0.4m lower than 2016) and higher share based payment charges (£8.2m higher in 2017), were more than offset by a lower charge for the amortisation of intangible assets (£3.6m lower than 2016) and no reorganisation related charges in 2017 (£8.2m lower than 2016). In addition, our finance charges have reduced (£0.5m lower than 2016) as we repay our term loan but our tax charge is higher than 2016 by £1.9m due primarily to the tax allowability of the exceptional reorganisation costs in 2016 (no charges in 2017).

Removing non-cash charges for Share Based Payment Charges, amortisation of intangible assets arising on business combinations and the exceptional costs of reorganisation (and their respective taxation impacts) results in an adjusted basic earnings per share decrease of 1% to 113.2p (2016: 114.7p) and an adjusted diluted earnings per share decrease of 1% to 112.6p (2016: 114.0p).

Statement of Financial Position, Cash Generation and Financing

The Group Statement of Financial Position has not changed significantly during the year. Total Group assets have increased by £13.2m to £263.5m (2016: £250.3m), due to increased cash (up £11.6m) and trade and other receivable balances (up £4.5m). The trade and other receivables increase is due to balances acquired on the purchases of Brightwork and Oak Recruitment businesses during the year. Days Sales Outstanding ("DSO") at 31 December 2017 within the Recruitment division remained low at 23.4 days (31 December 2016: 23.3 days).

Free cashflows, being underlying EBITDA plus working capital movement, less tax paid and capex, amount to £37.9m in 2017 (2016: £36.0m). The Group's free cash conversion of 97% (2016: 90%) continues to be strong enabling the swift repayment of the Group's debt and providing the Group with funds for reinvestment. Free cash conversion is calculated as free cashflows as a percentage of underlying profit before tax. Cash conversion is expected to be at comparable levels in 2018.

Chief Financial Officer's Statement (continued)

Total Group liabilities have increased marginally by £1.1m to £167.7m (2016: £166.6m). Total borrowings (see note 12) reduced by £8.6m, from £56.4m at the end of 2016 to £47.8m at the end of 2017, partially offset by an increase in JSOP liabilities. The Group's headroom versus available banking facilities as at 31 December 2017 was £53.8m (31 December 2016: £41.8m) as set out below:

	2017 £'m	2016 £'m
Cash at bank and hand	31.3	19.7
Overdraft facility	15.0	15.0
Additional Revolving Credit Facility	7.5	7.5
Bank Guarantee	(0.0)	(0.4)
Banking Facility Headroom	**53.8**	**41.8**

Throughout the year, the Company remained comfortably within its banking facilities. Group banking facilities are summarised as follows:

Facility type	**Facility expiry date**	**Headline amount**	**Net borrowing as at 31 December 2017**	**Net borrowing as at 31 December 2016**
Term Loan (drawn in May 2015)	Apr 2019	£35.0m	£13.1m	£21.9m
Revolving credit facility (including overdraft facility)	Apr 2019	£57.5m	£35.0m	£35.0m
Unamortised transaction costs		-	(£0.3m)	(£0.5m)
Total facilities		**£92.5m**	**£47.8m**	**£56.4m**
Less cash held			(£31.3m)	(£19.7m)
Net debt, including unamortised transaction costs			**£16.5m**	**£36.7m**

Negotiations to renew the banking facilities have yet to commence but it is anticipated that discussions will start before the end of March 2018.

All term loan amounts are repayable quarterly through to maturity in 2019. Interest accrues on the term loan at between 1.4% and 2.4% plus LIBOR or Bank Base Rate, depending upon the level of adjusted leverage (see below). Total finance charges, including the interest costs of the term loan and loan notes were £2.8m for the year (2016: £3.3m).

Net debt

We have ended the year with net debt of £16.5m (including unamortised transaction costs) significantly lower than the £36.7m at the end of 2016. This was short of our aim of being in a net cash position at the year-end due in part to delayed receipts from customers and the acquisitions of Brightwork and Oak Recruitment businesses. However, the significant improvement is expected to continue and the Board anticipate that, with all things being equal, the Group will report a net cash position at the end of 2018.

Chief Financial Officer's Statement (continued)

During the year ended 31 December 2017, there was headroom against each of the four banking covenants below at each of the four quarter ends when covenants are formally assessed:

1. Cash flow cover – being the ratio of cash generated to debt servicing costs
2. Interest cover – being the ratio of EBITDA excluding Share Based Payment charges to interest costs
3. Adjusted leverage – being the ratio of net debt to EBITDA excluding Share Based Payment charges (as adjusted for acquisitions)
4. Asset cover – being the ratio of trade debtors to net debt

The Directors have reviewed reasonable possible outcomes within the next financial year, in accordance with IAS 1 paragraph 129, and have concluded that the outcomes which were reasonably possible would not involve either a covenant or banking facility breach during 2018. Cash flows are monitored daily against forecasts that are updated each month, to ensure that the Company continues to operate within its banking facilities. It is expected that our free cash flow levels will support the swift reduction in net debt in the coming periods.

Taxation

The tax charge on statutory profits was £5.8m (2016: £3.9m), an effective tax rate of 24.1% (2016: 20.6%), higher than the average actual composite UK corporation tax rate of 19.25% due the non tax allowability of JSOP charges. The tax charge on underlying profits was £7.3m (2016: £7.6m), an effective tax rate of 20.1% (2016: 20.6%), not significantly different to the average actual composite UK corporation tax rate of 19.25% (2016: 20.00%). 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 was renewed in both 2016 and in 2017.

Dividend Policy

The Group's current dividend policy is to maintain a dividend cover of between 4.0 and 4.5 times of Underlying Diluted Earnings Per Share ("EPS"). Underlying Diluted EPS is calculated as Earnings Per Share adjusted for amortisation of intangibles arising on business combinations, share based payment charges/credits, acquisition related costs and reorganisation costs including the tax effect. The Group's proposed final dividend will ensure the full year dividend cover is within this range at 4.22 times. The Group has maintained this dividend cover for over five years and reviews the cover annually. With our net debt reducing, and our expectation that by the end of 2018, all things being equal, we will be in a net cash position, the Group expects dividend growth in the coming years to reduce the cover towards 2.5 to 4.0 times.

Reserves of the Company are reviewed at least twice a year to ensure that it has adequate distributable reserves available to enable it to declare and pay dividends as they fall due.

Chief Financial Officer's Statement (continued)

Going concern

The net debt position of the Group, as discussed earlier, has fallen during 2017 from £36.7m to £16.5m.

The Directors have reviewed forecasts for the next three years and detailed forecasts covering the period up to the end of Q1 2019. These forecasts demonstrate that the Group is expected to be able to operate fully within its banking facilities for at least twelve months from the approval of this Report, with significant headroom being noted across all financial covenants.

With improving free cash flow levels, debt is forecast to continue to fall in 2018, with the Group expected to have a net cash position by the end of 2018.

With strong financial performance for the year ended 31 December 2017 and a strong start to 2018 the Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis.

Changes to International Financial Reporting Standards

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.

IFRS 15 Revenue from Contracts with Customers

During 2017 a project has been 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 2016 and 2017 Annual Report, is unaffected by the application of this new standard as we currently 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 will result in an estimated increase in our 31 December 2017 revenue by £0.5m, an increase of £0.5m in our profit before taxation from £24.1m to £24.6m and a reduction in the Group's net assets by £1.0m to £94.8m.

Chief Financial Officer's Statement (continued)

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 due to the fact some of these balances are factored. This will change 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, based on current analysis, this will not impact on the Income Statement or the Statement of Financial Position. An Expected Credit Loss ("ECL") model has been prepared for both divisions as at 31 December 2017 and again will not have an impact on the Income Statement or the Statement of Financial Position. The Group has not hedged in either 2016 or 2017, therefore the changes to hedge accounting under IFRS 9 will not apply to the Group at transition.

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 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, acquisition and exceptional reorganisation cost 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.

Forward looking statements

Certain statements in this announcement are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward looking statements contained in this announcement regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Readers should not place undue reliance on forward looking statements, which apply only as of the date of this announcement.

Important notice

This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares in the Company, nor shall it, or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company. Past performance cannot be relied upon as a guide to future performance.

Chris Pullen
Chief Financial Officer

23 January 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 Underlying £'m	2017 Non-underlying* £'m	2017 Total £'m	2016 Underlying £'m	2016 Non-underlying* £'m	2016 Total £'m
Continuing operations							
Revenue	3	957.8	-	957.8	882.4	-	882.4
Cost of sales	4	(844.0)	-	(844.0)	(757.5)	-	(757.5)
Gross profit		**113.8**	**-**	**113.8**	**124.9**	**-**	**124.9**
Administrative expenses	4	(74.7)	(12.2)	(86.9)	(84.9)	(17.8)	(102.7)
Operating profit/(loss)		**39.1**	**(12.2)**	**26.9**	**40.0**	**(17.8)**	**22.2**
Finance costs		(2.8)	-	(2.8)	(3.3)	-	(3.3)
Profit/(loss) for the year before taxation		**36.3**	**(12.2)**	**24.1**	**36.7**	**(17.8)**	**18.9**
Tax expense	5	(7.3)	1.5	(5.8)	(7.6)	3.7	(3.9)
Profit/(loss) from continuing operations		**29.0**	**(10.7)**	**18.3**	**29.1**	**(14.1)**	**15.0**
Profit after tax on discontinued operations				-			0.8
Profit for the year				**18.3**			**15.8**
Items that will not be reclassified to the statement of comprehensive income - actuarial gains and (losses), net of deferred tax				0.2			(1.1)
Items that may be reclassified to the statement of comprehensive income – cumulative translation loss				(0.1)			-
Net profit and total comprehensive income for the year				**18.4**			**14.7**
Earnings per ordinary share	6						
Continuing operations:							
Basic				71.4 pence			59.1 pence
Diluted				71.1 pence			58.8 pence
Discontinued operations:							
Basic				-			3.2 pence
Diluted				-			3.1 pence
Underlying:							
Basic				113.2 pence			114.7 pence
Diluted				112.6 pence			114.0 pence

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

The accompanying notes on pages 26 to 48 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	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 6)	-	-	-	-	(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 10)	-	-	-	-	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 26 to 48 form an integral part of these summary financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	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 2016	**2.8**	**(9.0)**	**39.9**	**0.1**	**39.4**	**73.2**
Dividends (note 6)	-	-	-	-	(5.8)	(5.8)
Sale of Joint Share Ownership Plan ("JSOP") shares no longer required	-	0.1	-	-	1.4	1.5
Share options issued in equity settled share based payments	-	-	-	0.1	-	0.1
Share options vested in the year				(0.1)	0.1	-
Transactions with owners	**-**	**0.1**	**-**	**-**	**(4.3)**	**(4.2)**
Profit for the year	-	-	-	-	15.8	15.8
Actuarial losses (note 10)	-	-	-	-	(1.1)	(1.1)
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**14.7**	**14.7**
At 31 December 2016	**2.8**	**(8.9)**	**39.9**	**0.1**	**49.8**	**83.7**

The accompanying notes on pages 26 to 48 form an integral part of these summary financial statements

Consolidated and Company statement of financial position

As at 31 December 2017

	Note	Consolidated 2017 £'m	Consolidated 2016 £'m	Company 2017 £'m	Company 2016 £'m
Assets					
Non-current assets					
Goodwill	7	94.2	91.6	-	-
Other intangible assets	8	20.8	25.8	-	-
Investments		-	-	58.3	55.0
Property, plant and equipment	9	7.7	8.0	-	-
Deferred tax asset	5	0.5	0.9	-	-
		123.2	**126.3**	**58.3**	**55.0**
Current					
Trade and other receivables		107.6	103.1	64.1	30.0
Retirement benefit net asset	10	1.4	1.2	-	-
Cash and cash equivalents	11	31.3	19.7	-	-
		140.3	**124.0**	**64.1**	**30.0**
Total assets		**263.5**	**250.3**	**122.4**	**85.0**
Liabilities					
Current					
Trade and other payables		103.0	97.5	30.2	7.9
Borrowings	12	8.6	8.6	8.6	8.6
Other current liabilities		5.1	0.5	3.3	-
Current tax liabilities	5	3.4	2.5	-	-
		120.1	**109.1**	**42.1**	**16.5**
Non-current					
Borrowings	12	39.2	47.8	4.2	12.8
Other liabilities inc. provisions		5.7	6.2	3.2	3.2
Deferred tax liabilities	5	2.7	3.5	-	-
		47.6	**57.5**	**7.4**	**16.0**
Total liabilities		**167.7**	**166.6**	**49.5**	**32.5**
Equity					
Share capital	13	2.8	2.8	2.8	2.8
Own shares		(8.9)	(8.9)	(8.9)	(8.9)
Share premium		40.3	39.9	40.3	39.9
Share based payment reserve		0.1	0.1	-	-
Profit and loss account		61.5	49.8	38.7	18.7
Total equity		**95.8**	**83.7**	**72.9**	**52.5**
Total equity and liabilities		**263.5**	**250.3**	**122.4**	**85.0**

The accompanying notes on pages 26 to 48 form an integral part of these summary financial statements. The summary financial statements were approved by the Board of Directors on 23 January 2018 and signed on their behalf by:

A Hogarth - Director

C Pullen - Director

Consolidated statement of cash flows

For the year ended 31 December 2017

	Note	2017 £'m	2016 £'m
Cash flows from operating activities	14	**47.9**	**46.9**
Taxation paid	5	(6.7)	(5.6)
Taxation received	5	0.5	1.6
Net cash inflow from operating activities		**41.7**	**42.9**
Cash flows from investing activities - trading			
Purchases of property, plant and equipment	9	(2.7)	(3.6)
Sale of property, plant and equipment		-	-
Purchase of intangible assets – software	8	(1.1)	(3.3)
Free cash from operations		**37.9**	**36.0**
Cash flows from investing activities - acquisitions			
Acquisition of businesses - cash paid, net of cash acquired	15	**(8.1)**	**-**
Cash flows from financing activities:			
New loans (net of transaction fees)		-	8.9
Loan repayments		(8.8)	(11.9)
Acquisition of businesses - deferred consideration for prior year acquisitions		(0.4)	(10.9)
Interest paid		(2.6)	(3.1)
Dividends paid	6	(6.7)	(5.8)
Proceeds from sale of Joint Share Ownership Plan shares		-	1.5
Proceeds from the issue of share capital		0.3	-
Net cash flows (used in) financing activities		**(18.2)**	**(21.3)**
Net change in cash and cash equivalents		**11.6**	**14.7**
Cash and cash equivalents at beginning of year		**19.7**	**5.0**
Cash and cash equivalents at end of year	11	**31.3**	**19.7**
Underlying operating profit		**39.1**	**40.0**
% free cash conversion of underlying profit		**97%**	**90%**

The accompanying notes on pages 26 to 48 form an integral part of these summary financial statements.

Notes to the summary financial statements

For the year ended 31 December 2017

1 Nature of operations, general information and statement of compliance

The principal activities of Staffline Group plc and its subsidiaries (the Group) include the provision of recruitment and outsourced human resource services to industry and services in the welfare to work arena and skills training.

Staffline Group plc ('Company'), a Public Limited Company listed on AIM, is incorporated and domiciled in the United Kingdom. The Company acts as the holding company of the Group. The registered office and principal place of business of the Group is 19-20, The Triangle, NG2 Business Park, Nottingham NG2 1AE. The Company registration number is 05268636.

The financial statements for the year ended 31 December 2017 (including the comparatives for the year ended 31 December 2016) were approved and authorised for issue by the board of Directors on 23 January 2018.

The Company does not have an ultimate controlling party.

2 Accounting policies

Basis of preparation

The consolidated financial statements are prepared for the year ended 31 December 2017. The consolidated financial statements of the Group and these summary financial statements have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, 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 Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit for the year before dividends paid was £26.7m (2016: £5.4m).

The consolidated financial statements are presented in sterling, which is also the functional currency of the parent company and the Group.

The principal accounting policies of the Group are set out within the 2016 and 2017 Annual Reports for the Group and have been consistently applied.

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent company and all its subsidiaries as at 31 December 2017 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed or has rights to variable returns and the ability to affect those returns through power over the subsidiary. All PeoplePlus subsidiaries have a reporting date of 31 December 2017 (2016: 31 December 2016), with all Recruitment subsidiary accounts prepared for the 52 weeks ended 1 January 2018 (2016: 52 weeks ended 31 December 2017). The results of subsidiaries whose accounts are prepared in a currency other than Sterling, are translated at the average rates of exchange during the period and their year end balances at the year-end rate. Translation adjustments are taken to the profit and loss reserves.

2 Accounting policies (continued)

Underlying profit – non GAAP measures of performance

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

Non-underlying charges are regarded as recurring or non-recurring items of income or expenditure of a particular size and/or nature relating to the operations of the business that in the Directors' opinion require separate identification. These items are included in "total" reported results but are excluded from "underlying" results. These items can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. They include exceptional restructuring costs of forming and reorganising the PeoplePlus division, Share Based Payment charges and credits and the amortisation of intangible assets arising on business combinations, being either non-recurring or material in the context of our trading performance during the year.

We acknowledge that the adjustments made to arrive at underlying profit may not be comparable to those made by other companies, mainly in respect of the adjustment for share based payment charges including both equity and cash settled components. It should be noted that whilst the amortisation of acquisition related intangible assets has been added back, the revenue from those acquisitions has not been eliminated.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

3 Segmental reporting

Management currently identifies two operating segments: the provision of workforce recruitment and management to industry ('Recruitment') and the provision of welfare to work services, skills training and probationary 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 year is as follows:

	Recruitment 2017 £'m	PeoplePlus 2017 £'m	Total Group 2017 £'m	Recruitment 2016 £'m	PeoplePlus 2016 £'m	Total Group 2016 £'m
Segment continuing operations:						
Sales revenue from external customers	843.3	114.5	957.8	740.8	141.6	882.4
Cost of sales	(777.2)	(66.8)	(844.0)	(679.5)	(78.0)	(757.5)
Segment gross profit	**66.1**	**47.7**	**113.8**	**61.3**	**63.6**	**124.9**
Administrative expenses	(45.1)	(25.2)	(70.3)	(41.8)	(38.2)	(80.0)
Depreciation, software amortisation	(0.8)	(3.6)	(4.4)	(0.7)	(4.2)	(4.9)
Segment underlying operating profit *	**20.2**	**18.9**	**39.1**	**18.8**	**21.2**	**40.0**
Administrative expenses - share based payment (charge)/credit	(3.4)	-	(3.4)	2.9	-	2.9
Administrative expenses – reorganisation costs	-	-	-	(0.2)	(8.0)	(8.2)
Administrative expenses – transaction costs	-	-	-	(0.1)	-	(0.1)
Amortisation of intangibles arising on business combinations	(2.1)	(6.7)	(8.8)	(1.7)	(10.7)	(12.4)
Segment profit from operations	**14.7**	**12.2**	**26.9**	**19.7**	**2.5**	**22.2**

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

3 Segmental reporting (continued)

	Recruitment 2017 £'m	PeoplePlus 2017 £'m	Total Group 2017 £'m	Recruitment 2016 £'m	PeoplePlus 2016 £'m	Total Group 2016 £'m
Segment profit from operations	**14.7**	**12.2**	**26.9**	**19.7**	**2.5**	**22.2**
Finance costs	(2.8)	(0.0)	(2.8)	(3.1)	(0.2)	(3.3)
Segment profit before taxation	**11.9**	**12.2**	**24.1**	**16.6**	**2.3**	**18.9**
Tax expense	(3.3)	(2.5)	(5.8)	(2.8)	(1.1)	(3.9)
Segment profit from continuing operations	**8.6**	**9.7**	**18.3**	**13.8**	**1.2**	**15.0**
Total non-current assets	75.3	47.9	123.2	68.7	57.6	126.3
Total current assets	108.5	31.8	140.3	95.9	28.1	124.0
Total assets	183.8	79.7	263.5	164.6	85.7	250.3
Total liabilities	147.6	20.1	167.7	139.6	27.0	166.6
Capital expenditure inc software	2.5	1.3	3.8	1.4	5.5	6.9

* Segment underlying operating profit stated before amortisation of intangibles arising on business combinations, acquisition costs, reorganisation costs and share based payment charges/credits.

All head office costs are allocated to the Recruitment division in the above results. This results from the historical nature of the Group with the PeoplePlus division only being formed in the past couple of years and reflects where the costs are predominantly incurred.

During 2017, one customer in the Recruitment division contributed greater than 10% of the Group's revenue, representing £101m or 12.0% of that segment's revenues (2016: one customer representing £93m or 12.6%); the amount receivable from this customer at 31 December 2017 is £12.3m (2016: £13.6m). The PeoplePlus segment had no customer contributing more than 10% of the Group's revenue during either 2017 or 2016.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

4 Expenses by nature

Expenses by nature are as follows:

Underlying expenses

	2017 £'m	2016 £'m
Employee benefits expenses – cost of sales	815.5	733.4
Employee benefits expenses – administrative expenses	39.5	39.2
Depreciation and software amortisation	4.4	4.9
Operating lease expenses	5.6	7.6
Other expenses	53.7	57.3
	918.7	**842.4**
Disclosed as:		
Cost of sales	844.0	757.5
Administrative expenses - underlying	74.7	84.9
	918.7	**842.4**

Auditors' remuneration in their capacity as auditors of the parent Company is £13,750 (2016: £13,750) and in their capacity as auditor of subsidiary companies is £166,250 (2016: £181,250). Non-audit remuneration in respect potential acquisitions totalled £75,000 (2016: £nil), in respect of tax compliance services totalled £11,000 (2016: £27,000) and in respect of other advice totalled £50,000 (2016: £44,000). The other advice this year relates to assistance with IFRS changes, certification of year-end covenant reporting and assistance in the liquidation of dormant companies.

A further £49.2m of 2016 costs has been reclassified this year, from Other expenses to Employee benefits expenses (cost of sales) to better reflect the nature of the expense.

Non-underlying administrative expenses

	2017 £'m	2016 £'m
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	8.8	12.4
Share based payment charges/(credit) - directors	2.1	(0.8)
Share based payment charges/(credit) – other senior executives	1.3	(2.1)
Transaction costs	-	0.1
Reorganisation costs (2016: integration of acquisitions to form the PeoplePlus division)	-	6.6
Impairment of tangible fixed assets (reorganisation related)	-	1.6
	12.2	**17.8**
Tax credit on above non-underlying expenses	(1.5)	(3.7)
Post taxation effect on above non-underlying expenses	**10.7**	**14.1**

The charge for amortisation of intangible assets arising on business combinations in 2017 relates principally to the acquisition of A4e (£5.6m charge: asset will be fully amortised by February 2019), Milestone (£1.0m charge) and Diamond (£0.6m charge) businesses in 2015 together with the Avanta business acquired in 2014 (charge £1.1m: asset fully amortised by the end of 2017). The share based payment charge this year arose due to the 23% increase in the company's share price during the year.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

5 Tax expense

The tax charge on the profit for the year consists of:

	2017 £'m	2016 £'m
UK corporation tax at 19.25% (2016: 20.00%)	6.9	6.0
Adjustments in respect of prior years	0.1	0.3
UK current tax charge	**7.0**	**6.3**
Deferred tax		
Timing differences arising in the year	(1.6)	(2.4)
Adjustments in respect of prior years	0.4	-
UK deferred tax (credit)	**(1.2)**	**(2.4)**
Total UK tax charge for the year	**5.8**	**3.9**

The net "adjustments in respect of prior years" charge of £0.5m (current £0.1m, deferred £0.4m) arose largely from a reassessment of the level of tax provisions required and a reassessment of the tax deductability of amortisation on certain intangible fixed assets (2016: charge of £0.3m - current).

The charge can be further analysed by division and by underlying/non-underlying trading as follows:

	2017 £'m	2016 £'m
Recruitment division	3.3	2.8
PeoplePlus division	2.5	1.1
Total UK tax charge for the year	**5.8**	**3.9**
Underlying trading	7.3	7.6
Non-underlying trading (credit)	(1.5)	(3.7)
Total UK tax charge for the year	**5.8**	**3.9**

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

5 Tax expense (continued)

The tax charge for the year, as recognised in the statement of comprehensive income, is higher than the standard rate of corporation tax in the UK of 19.25% (2016: higher than 20.00%), being the weighted average annual corporation tax rate for the full financial year (nine months at 19.00% and three months at 20.00%). The differences are explained below:

	2017 £'m Current tax	2017 £m Deferred tax	**2017** **£'m** **Total**	**2016** **£'m** **Total**
Profit for the year before taxation	24.1		**24.1**	**18.9**
Tax rate	19.25%		**19.25%**	**20.00%**
Tax on profit for the year at the standard rate	4.6		**4.6**	**3.8**
Effect of:				
Depreciation charge in excess of capital allowances	0.2	0.3	0.5	0.4
Amortisation of intangible assets arising on business combinations	1.6	(1.6)	-	-
JSOP charges/(credits) not taxable	0.6	-	**0.6**	(0.6)
Change in deferred tax rate to 17.00%	-	(0.3)	**(0.3)**	-
Adjustments in respect of prior years	0.1	0.4	**0.5**	0.3
Others net	(0.1)	-	**-**	-
Actual tax expense	**7.0**	**(1.2)**	**5.8**	**3.9**
On underlying profit	7.0	0.3	7.3	7.6
On non-underlying profit	-	(1.5)	(1.5)	(3.7)
Actual tax expense	**7.0**	**(1.2)**	**5.8**	**3.9**
Underlying pre-tax profit for the year			**36.3**	**36.7**
Effective underlying current tax rate for the year			19.3%	21.0%
Effective underlying total tax rate for the year			20.1%	20.6%
Effective total tax rate for the year			24.1%	20.6%

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

5 Tax expense (continued)

The effective total tax rate of 24.1% is greater than the UK corporation tax rate of 19.25% for the year due to the tax charge adjustment relating to the prior year of £0.5m and due to the JSOP comprehensive income statement not being deductible under UK corporation tax and therefore added back to taxable profits.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget in July 2015 (legislation passed in November 2015). These include reductions to the main rate to reduce the rate from 20.0% to 19.0% from 1 April 2017. In March 2016, it was further announced in the Chancellor's budget that the UK corporation main tax from 1 April 2020 will be reduced from 19% to 17% (legislation enacted in September 2016). As a result of this change, UK deferred tax balances have been remeasured at 17.0% (2016: 19.0%).

The Board continues to seek to improve the transparency and communication of the Group's tax affairs. In 2017 the Group was delighted to be re-awarded its Fair Tax Mark. A copy of the Group's tax policy is available at www.staffline.co.uk/investors/group-tax-policy.

The amortisation charge relating to intangible assets arising on business combinations and the JSOP profit and loss charge (2016: credit) are not deductible under UK corporation tax and are therefore added back to taxable profits. A deferred tax liability is recognised in respect of consolidated intangible assets. This liability is reduced each year in line with the amortisation charge, giving rise to a deferred tax credit each year. No deferred tax is recognised on the JSOP charges.

There are no material profits arising overseas and accordingly no disclosures relating to overseas' tax are included within the financial statements.

The current tax liability at the end of 2017 of £3.4m (2016: £2.5m) can be analysed as follows:

	2017 **£'m**	**2016** **£'m**
Liability at the beginning of the year	2.5	0.4
Charge on profits for the year	7.0	6.3
Paid in the year (net of repayments)	(6.2)	(4.0)
Liabilities on business acquisitions/others	0.1	(0.2)
Liability at the end of the year	**3.4**	**2.5**
Balance of 2017 tax year liabilities	3.4	-
Balance of 2016 tax year liabilities	-	1.7
Balance of 2015 tax year liabilities	-	0.8
Liability at the end of the year	**3.4**	**2.5**

The 2017 year-end liability is scheduled to be paid in two equal instalments in January and April 2018.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

5 Tax expense (continued)

Deferred taxation

Deferred tax assets/(liabilities)	**1 January 2017**	Recognised in comprehensive income - current year	Recognised in comprehensive income – prior year	Others	**31 December 2017**
	£'m	£'m	£'m	£m	**£'m**
Property, plant and equipment temporary timing differences	**0.8**	(0.3)	-	-	**0.5**
Acquired intangible assets	**(3.3)**	2.0	(0.4)	(0.8)	**(2.5)**
Retirement benefit asset	**(0.2)**	-	-	-	**(0.2)**
Share based payment liability	**0.1**	(0.1)	-	-	**-**
	(2.6)	**1.6**	**(0.4)**	**(0.8)**	**(2.2)**
Recognised as:					
Deferred tax asset	**0.9**	(0.4)	-	-	**0.5**
Deferred tax liability	**(3.5)**	2.0	(0.4)	(0.8)	**(2.7)**
	(2.6)	**1.6**	**(0.4)**	**(0.8)**	**(2.2)**

The current year credit of £1.6m includes a £0.3m credit relating to a change in the deferred tax rate from 19.0% in 2016 to 17.0% in 2017. "Others" represent the £0.8m effect of intangibles acquired relating to Brightwork and Oak Recruitment this year. There are no material deferred tax assets that have not been recognised (2016: nil).

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

6 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (2017 year end 2,220,400 shares; 2016 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 2017	Basic 2016	**Diluted 2017**	Diluted 2016
Earnings from continuing operations (£'m)	**18.3**	15.0	**18.3**	15.0
Earnings from discontinued operations (£'m)	**-**	0.8	**-**	0.8
Weighted average number of shares (000)	**25,621**	25,367	**25,756**	25,520
Earnings per share (pence):				
Continuing	**71.4p**	59.1p	**71.1p**	58.8p
Discontinued	**-**	3.2p	**-**	3.1p
Underlying Earnings from continuing operations (£'m)	**29.0**	29.1	**29.0**	29.1
Underlying earnings per share (pence)*	**113.2p**	114.7p	**112.6p**	114.0p

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

The weighted average number of shares (basic) has been increased by 254,000 (2016: 484,000) shares to take account of the full year effect of the 170,000 shares sold by the 2010 JSOP scheme in December 2016 as no longer required and the 100,000 of new shares issued in January 2017 to satisfy the exercising of share options by D Martyn, a director of the Company.

During the year, Staffline Group plc paid dividends of £6.7m (2016: £5.8m) to its equity shareholders:

	2017 £'m	2016 £'m	**2017 per share (pence)**	2016 per share (pence)
Interim 2017 paid November 2017 (Interim 2016: paid November 2016)	2.8	2.7	11.0p	10.5p
Final 2016 paid July 2017 (Final 2015: paid July 2016)	3.9	3.1	15.3p	12.5p
Total paid during the year	**6.7**	5.8	**26.3p**	23.0p

A final dividend for 2017 of £4.0m has been proposed (2016: £3.9m – paid July 2017) but has not been accrued within these financial statements. This represents a payment of 15.7 pence (2016: 15.3 pence) per share. The final dividend for 2017 is proposed for payment in July 2018.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

7 Goodwill - consolidated

Gross carrying amount	Division	Total £'m
At 31 December 2015		**91.5**
Additions – Paragon Training (NI) Limited	PeoplePlus	0.1
At 31 December 2016		**91.6**
Additions – Driver & Labour Recruit Limited (see (a) below)	Recruitment	-
Additions – Brightwork Limited (see (b) below)	Recruitment	2.6
At 31 December 2017		**94.2**

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

	31 December 2017 £'m	31 December 2016 £'m
Recruitment division	37.2	34.6
PeoplePlus division	57.0	57.0
Total	**94.2**	**91.6**

Management consider there to be two cash generating units (in line with the business segments defined in note 3) and have tested these two cash generating units for impairment.

For both segments the recoverable amount of goodwill was determined based on a value-in-use calculation, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows over the next two years with a pre-tax discount rate of 11.0% (2016: 10.7%) based on weighted average cost of capital. The organic Recruitment annual profit growth rates for the three-year forecasts are between 12% and 20% and are based on the continuation of historic organic growth achieved by the business over the past 3 years and planned acquisitions. This has been achieved by sales growth from both existing and new customers and acquisitions. The growth rate for Recruitment exceeds the long-term average growth rate for the market but this is deemed reasonable based on a) the growth experienced over the past 3 years and b) the detailed business plans for 2018-2020. Beyond the three-year forecast, no growth has been included in the calculation on the grounds of prudence. The PeoplePlus annual profit growth rate is also assumed to be nil beyond the 2018-2020 three-year forecast, due to the uncertainty around the run-off of the DWP Work Programme contracts and the growth of other contracts including Apprenticeships. Margins for both divisions have been forecast to follow current trends.

The results of the impairment review discussed above showed significant headroom in both cash generating units and accordingly no impairment is noted. Apart from the considerations described in determining the value-in-use of the cash generating units above, the Directors do not believe that any reasonably possible changes in the assumptions used in calculating the value-in-use would result in the recoverable amount of goodwill falling below the carrying value and impairment becoming necessary. The review also indicates that no provision is required to write down the carrying value of other intangible assets and tangible fixed assets (2016: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2017

7 Goodwill – consolidated (continued)

Additions

a) Driver & Labour Recruit Limited

On 5 March 2017, the Recruitment division of the Group acquired 100% of the issued ordinary share capital of Driver & Labour Recruit Limited, a staffing recruitment company trading as Oak Recruitment in the Republic of Ireland. Initial consideration of £0.3m was paid with a further £0.3m deferred consideration payable in four quarterly instalments commencing June 2017 and ending on March 2018 (£0.2m paid out this financial year with £0.1m provided for at the financial year end). £0.1m of net assets were acquired. In accordance with IFRS 3 Business Combinations, the directors made an initial assessment of the fair values of the acquired assets and liabilities, which, along with identified fair value adjustments, are shown in the table below, all subject to further fair value review. A summary of the acquisition is as follows:

	Balance sheet as at 5 March 2017	Fair Value Adjustments	Provisional fair value 31 December 2017
	£'m	£'m	£'m
Intangible fixed assets – software	-	-	-
Property, plant and equipment	-	-	-
Trade and other receivables	0.9	-	0.9
Accrued income	-	-	-
Cash and bank	0.1	-	0.1
Trade and other payables	(0.4)	(0.1)	(0.5)
Corporation tax payable	-	-	-
Invoice financing loan	(0.4)	-	(0.4)
Net assets/(liabilities) acquired	**0.2**	**(0.1)**	**0.1**
Intangible assets identified – customer contracts/lists			0.6
Deferred tax liability on acquired intangibles			(0.1)
Goodwill (not tax deductible)			-
Consideration			**0.6**

At 5 March 2017, the trade and other receivables balance in the table above amounts to gross receivables of £0.9m and provisions of £nil.

b) Brightwork Limited

On 15 May 2017, the Recruitment division of the Group acquired 100% of the issued share ordinary capital of Brightwork Limited, a staffing recruitment company based in Scotland. Initial consideration of £2.5m was paid with a further £2.7m deferred consideration payable in five quarterly instalments commencing August 2017 and ending on August 2018 (£1.1m paid out this financial year with £1.6m provided for at the financial year end). £0.2m of net liabilities were acquired. In accordance with IFRS 3 Business Combinations, the directors made an initial assessment of the fair values of the acquired assets and liabilities, which, along with identified fair value adjustments, are shown in the table below, all subject to further fair value review. A summary of the acquisition is as follows:

Notes to the financial statements (continued)

For the year ended 31 December 2017

7 Goodwill – consolidated (continued)

	Balance sheet as at 15 May 2017	Fair Value Adjustments	Provisional fair value 31 December 2017
	£'m	£'m	£'m
Intangible fixed assets – software	0.1	(0.1)	-
Property, plant and equipment	0.2	(0.2)	-
Trade and other receivables	6.5	(0.2)	6.3
Accrued income	0.8	-	0.8
Cash and bank	1.8	-	1.8
Trade and other payables	(3.1)	(0.4)	(3.5)
Corporation tax payable	(0.1)	-	(0.1)
Invoice financing loan	(5.5)	-	(5.5)
Net assets/(liabilities acquired)	**0.7**	**(0.9)**	**(0.2)**

Intangible assets identified – customer contracts/lists	3.5
Deferred tax liability on acquired intangibles	(0.7)
Goodwill (not tax deductible)	2.6
Consideration	**5.2**

At 15 May 2017, the trade and other receivables balance in the table above amounts to gross receivables of £6.5m and provisions of £nil.

Together, Oak Recruitment and Brightwork contributed revenues of £32.3m and profit after tax of £0.7m in the period from date of respective acquisitions to 31 December 2017.

If the acquisitions of Oak Recruitment and Brightwork had occurred on 1 January 2017, the Group's revenues and profit after tax for the year ended 31 December 2017 would have increased by £12.8m and £nil respectively, to £970.6m and £18.3m respectively.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

8 Other intangible assets - consolidated

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 January 2016	**5.6**	**2.0**	**45.4**	**5.5**	**58.5**
Additions	3.3	-	-	-	3.3
At 31 December 2016	**8.9**	**2.0**	**45.4**	**5.5**	**61.8**
Additions	1.1	-	-	-	1.1
Additions through business combinations (see note 7)	-	-	4.1	-	4.1
Transfer from property, plant and equipment	0.2	-	-	-	0.2
At 31 December 2017	**10.2**	**2.0**	**49.5**	**5.5**	**67.2**
Amortisation					
At 1 January 2016	**0.9**	**1.5**	**13.9**	**5.5**	**21.8**
Charged in the year	1.8	0.5	11.9	-	14.2
At 31 December 2016	**2.7**	**2.0**	**25.8**	**5.5**	**36.0**
Charged in the year	1.6	-	8.8	-	10.4
At 31 December 2017	**4.3**	**2.0**	**34.6**	**5.5**	**46.4**
Net book amount at 31 December 2017	**5.9**	**-**	**14.9**	**-**	**20.8**
Net book amount at 31 December 2016	6.2	-	19.6	-	25.8

As at 31 December 2017, there are six individually material other intangible assets:

	Software £'m	Licenses £'m	Customer contracts £'m	Customer lists £'m	Total £'m
Customer contracts in A4E Limited	-	-	7.1	-	7.1
Customer contracts in Brightwork	-	-	3.1	-	3.1
Customer contracts in Milestone Operations	-	-	2.6	-	2.6
Software developed for the Ministry of Justice contract	2.9	-	-	-	2.9
Payroll and Credit Control software developed for Recruitment division	1.5				1.5
Software developed for the Work Programme contract	1.3	-	-	-	1.3
Others	0.2	-	2.1	-	2.3
Net book amount at 31 December 2017	**5.9**	**-**	**14.9**	**-**	**20.8**

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

9 Property, plant and equipment - consolidated

	Land and buildings £'m	Computer equipment £'m	Assets in course of construction £'m	Fixtures and fittings £'m	Motor vehicles £'m	Total £m
Gross carrying amount						
At 1 January 2016	**3.6**	**6.9**	**0.7**	**3.8**	**0.1**	**15.1**
Additions	2.6	1.7	(0.7)	-	-	3.6
Reclassification	(0.8)	-	-	0.8	-	-
Disposals	(0.2)	-	-	-	-	(0.2)
At 31 December 2016	**5.2**	**8.6**	**-**	**4.6**	**0.1**	**18.5**
Additions	-	2.5	-	0.2	-	2.7
Transfer to software intangible asset*	-	(0.2)	-	-	-	(0.2)
Disposals	-	(1.8)	-	(2.9)	-	(4.7)
At 31 December 2017	**5.2**	**9.1**	**-**	**1.9**	**0.1**	**16.3**
Depreciation						
At 1 January 2016	**1.3**	**3.0**	**-**	**1.4**	**0.1**	**5.8**
Charged in the year - operating	0.4	1.7	-	1.0	-	3.1
Charged in the year – impairment**	-	1.3	-	0.3	-	1.6
At 31 December 2016	**1.7**	**6.0**	**-**	**2.7**	**0.1**	**10.5**
Charged in the year - operating	0.4	1.7	-	0.7	-	2.8
Disposals	-	(1.8)	-	(2.9)	-	(4.7)
At 31 December 2017	**2.1**	**5.9**	**-**	**0.5**	**0.1**	**8.6**
Net book value						
At 31 December 2017	**3.1**	**3.2**	**-**	**1.4**	**-**	**7.7**
At 31 December 2016	**3.5**	**2.6**	**-**	**1.9**	**-**	**8.0**

*Acquired software assets previously disclosed as Computer Equipment were reclassified as Intangible Software assets during 2017.

** The impairment charge of £1.6m in 2016 related to the reorganisation of the PeoplePlus division and the exiting of properties no longer required.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

10 Retirement benefit net asset - consolidated

One of the Group's subsidiaries (A4e Limited) 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 30 May 2017.

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

	31 December 2017 £'m	31 December 2016 £'m
Fair value of plan assets (see below)	9.8	9.0
Present value of funded obligations	(8.4)	(7.8)
Net asset in the balance sheet	**1.4**	**1.2**
% funding ratio	117%	115%
Net actuarial gain/(loss) for the year	**0.2**	**(1.1)**
Bonds (58% of assets as at 31 December 2017)	5.6	5.3
Equities (38% of assets as at 31 December 2017)	3.8	3.2
Cash (4% of assets as at 31 December 2017)	0.4	0.5
Fair value of plan assets	**9.8**	**9.0**
Membership numbers: active	25	26
Membership numbers: total	274	275
The principal assumptions used in the valuations above are as follows:		
Price inflation (RPI)	3.1%	3.3%
Price inflation (CPI)	2.1%	2.5%
Pensionable salary increases	3.1%	3.3%
Future pension increases for leavers	3.3%	3.3%
Liability discount rate (yield on AA corporate bonds)	2.5%	2.9%
Average expected life (years) at age 60 for a:		
- Male currently aged 60	26.6	26.5
- Female currently aged 60	28.7	28.3
- Male currently aged 40	28.1	27.8
- Female currently aged 40	30.2	29.5

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 year ended 31 December 2017

11 Cash and cash equivalents - consolidated

	2017 £'m	2016 £'m
Cash and cash equivalents	31.3	19.7
Bank overdraft	-	-
Cash and cash equivalents per cash flow statement	**31.3**	**19.7**

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year-end £31.3m (2016: £19.7m) of cash on hand and balances with banks were held by subsidiary undertakings, however this balance is available for use by the Group. £0.0m (2016: £0.9m) of the year-end cash balance was held at the Bank of Ireland, outside of the group overdraft facility with Lloyds Banking Group and HSBC Bank. Long term credit ratings for the three banks are currently as follows:

	Fitch	Standard & Poors
HSBC Bank plc	AA-	AA-
Lloyds Banking Group	A+	BBB+
Bank of Ireland	BBB-	BBB

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

	2017 £'m	2016 £'m
Cash at bank	31.3	19.7
Overdraft facility	15.0	15.0
Additional Revolving Credit Facility	7.5	7.5
Bank guarantee	-	(0.4)
Banking Facility Headroom	**53.8**	**41.8**

With the exception of £10,000, all of the Bank Guarantees as at 31 December 2016 expired during 2017.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

12 Borrowings - consolidated

Borrowings are repayable as follows:

	2017 £'m	2016 £'m
In one year or less or on demand	8.8	8.8
In more than one year but not more than two years	39.3	8.8
In more than two years but not more than five years	-	39.3
Unamortised transaction costs	(0.3)	(0.5)
Total borrowings	**47.8**	**56.4**

	2017 £'m	2016 £'m
Split:		
Current liabilities:		
Term loan	8.8	8.8
Unamortised transaction costs	(0.2)	(0.2)
	8.6	**8.6**
Non-current liabilities:		
Revolving credit facility	35.0	35.0
Term loan	4.3	13.1
Unamortised transaction costs	(0.1)	(0.3)
	39.2	**47.8**
Total borrowings	**47.8**	**56.4**
Total borrowings excluding unamortised transaction costs	48.1	56.9
Less: Cash (note 11)	31.3	19.7
Net debt as disclosed in consolidated statement of cash flows	**16.8**	**37.2**

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

A term loan of £35m was drawn down in June 2015 as part of the A4e acquisition. The loan is repayable quarterly and matures in April 2019. Interest accrues on the loan at between 1.4% and 2.4% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants. The revolving credit facility 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. This was not drawn down at either year end and was not utilised at all during 2017.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

13 Share capital

	2017 £'m	2016 £'m
Authorised		
30,000,000 (2016: 30,000,000) ordinary 10pence shares	**3.0**	3.0
Allotted and issued		
27,849,389 (2016: 27,749,389) ordinary 10pence shares	**2.8**	2.8

	2017	**2016**
Shares issued and fully paid at the beginning of the year	**27,749,389**	**27,749,389**
Shares issued during the year	100,000	-
Shares issued and fully paid at the end of the year	**27,849,389**	**27,749,389**
Shares authorised but unissued	2,150,611	2,250,611
Total equity shares authorised at end of the year	**30,000,000**	**30,000,000**

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 2,220,400 shares (31 December 2016: 2,220,400 shares) held at 31 December 2017 by the Employee Benefit Trust where the right to dividends has been waived.

On 27 January 2017, the Company issued 100,000 new ordinary shares of 10p each in the capital of the Company following an exercise of share options by Diane Martyn, Group Managing Director, at a price of 348.6 pence per ordinary share.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

14 Cash flows from operating activities - consolidated

	2017 £'m	2016 £'m
Profit before taxation	24.1	18.9
Adjustments for:		
Operating loss on discontinued operations	-	(0.2)
Finance costs	2.8	3.3
Depreciation, loss on disposal and amortisation - underlying	4.4	5.1
Depreciation, loss on disposal and amortisation – non-underlying	8.8	14.0
Operating profit before changes in working capital and share options	**40.1**	**41.1**
Change in trade and other receivables	3.5	13.2
Change in trade, other payables and provisions	1.0	(4.5)
Impact of foreign exchange loss on operating activities	(0.1)	-
Cash generated from operations	**44.5**	**49.8**
Employee cash settled share options (non-cash charge/(credit))	3.3	(2.9)
Employee equity settled share options	0.1	-
Net cash inflow from operating activities	**47.9**	**46.9**

Movement in net debt	2017 £'m	2016 £'m
Net debt at 1 January 2017 (excluding transaction fees)	(37.2)	(63.7)
Unwinding of discount on loan notes	-	(0.1)
Loan repayments	8.8	11.9
Change in cash and cash equivalents	11.6	14.7
Net debt at 31 December 2017 (excluding transaction fees)	**(16.8)**	**(37.2)**

Represented by:	£'m	£'m
Cash and cash equivalents (note 11)	31.3	19.7
Current borrowings (note 12)	(8.6)	(8.6)
Non-current borrowings (note 12)	(39.2)	(47.8)
Net debt including transaction fees	**(16.5)**	**(36.7)**
Transaction fees	(0.3)	(0.5)
Net debt at 31 December 2017 (excluding transaction fees)	**(16.8)**	**(37.2)**

Non-cash items included 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 year ended 31 December 2017

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

Cashflows in relation to the acquisition of Brightwork Limited and Driver and Labour Recruit Limited (trading as Oak Recruitment) are as follows:

	Brightwork £'m	Oak Recruitment £'m	2017 £'m	2016 £'m
Total Consideration (note 7)	5.2	0.6	5.8	-
Consideration deferred (note 7)	(1.6)	(0.1)	(1.7)	-
Cash acquired (note 7)	(1.8)	(0.1)	(1.9)	-
Loans and overdrafts acquired (note 7)	5.5	0.4	5.9	-
Acquisition of businesses	**7.3**	**0.8**	**8.1**	**-**

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

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 exercising of share options and share sales as noted below:

On 27 January 2017, the Company issued 100,000 new ordinary shares of 10p each in the capital of the Company ("the New Shares") following an exercise of share options by Diane Martyn, Group Managing Director, at a price of 348.6 pence per ordinary share. On 27 January 2017, Diane Martyn sold 100,000 ordinary shares of 10p each in the capital of the Company at an average price of 1,032.5 pence per ordinary share.

On 14 March 2017, Andy Hogarth, Chief Executive Officer, sold 55,000 ordinary shares of 10p each in the capital of the Company at an average price of 1,150.0 pence per ordinary share.

Excluding interests in share options (Andy Hogarth and Chris Pullen, Chief Financial Officer) and Joint Share Ownership Plans (Andy Hogarth and Diane Martyn), which are fully disclosed in the 2017 Annual Report, the beneficial holdings of the directors in the Company's issued share capital at 31 December 2017 are as follows:

	Ordinary shares of 10p each	% of total in issue
Andy Hogarth	1,513,629	5.4%
John Crabtree	20,250	0.1%
Diane Martyn	3,750	-
Chris Pullen	12,000	-
	1,549,629	**5.6%**

In addition, a pension fund established for the benefit of Andy Hogarth holds 46,875 shares in the Company.

Notes to the summary financial statements (continued)

For the year ended 31 December 2017

17 Statement of directors' responsibilities

In preparing this preliminary announcement and summary financial statements the directors have considered their statutory responsibilities in relation to the preparation and approval of the annual report and financial statements. In preparing the summary financial statements, the directors have:

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

In the case of each director in office at the date the summary financial statements are approved:

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

18 Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated statement of comprehensive income statement, the consolidated statement of changes in equity, the consolidated statement of financial position balance sheet, the consolidated statement of cash flows and associated notes have been extracted from the Group's 2017 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006. Those financial statements have not yet been delivered to the Registrar of Companies. The Group's 2017 statutory audited financial statements will be published on the Staffline Group plc website during May 2018: www.stafflinegroupplc.co.uk

Staffline Group plc

Group five-year summary (unaudited)

Financial reporting years ended 31st December £m						
*restated	**2017**	**2016**	**2015***	**2014***	**2013**	**% annual compound growth**
Weeks	52	52	52	53	52	
Comprehensive income						
Turnover	957.8	882.4	702.2	503.2	416.2	23%
Underlying operating profit	39.1	40.0	30.3	19.4	12.8	32%
% margin	4.1%	4.5%	4.3%	3.9%	3.1%	
Reported operating profit	26.9	22.2	7.5	11.2	8.9	
Net profit after taxation	18.4	14.7	2.8	6.8	7.4	
Underlying earnings per share (diluted)	112.6	114.0p	92.4p	59.7p	45.8p	25%
Declared dividend per share	26.7p	25.8p	20.0p	13.5p	10.0p	28%
Dividend cover v underlying diluted EPS	4.2x	4.4x	4.6x	4.4x	4.6x	
Financial position (year-end)						
Goodwill	94.2	91.6	91.5	69.7	31.0	
Intangible assets	20.8	25.8	36.7	12.0	4.0	
Property, plant and equipment	7.7	8.0	9.3	4.9	2.1	
Trade and other receivables	107.6	103.1	116.8	76.4	63.1	
Cash and cash equivalents	31.3	19.7	5.0	18.4	12.5	
Trade and other payables	(103.0)	(97.5)	(101.3)	(69.5)	(56.0)	
Borrowings (exc deal fees)	(48.1)	(56.9)	(68.7)	(36.2)	(7.6)	
Deferred tax net (liability)/asset	(2.3)	(2.6)	(5.1)	(1.9)	0.4	
Other (net liabilities)	(12.4)	(7.5)	(8.6)	(8.9)	(3.7)	
Net assets	**95.8**	**83.7**	**73.2**	**64.5**	**45.8**	
Net (debt)/cash (exc deal fees)	**(16.8)**	**(37.2)**	(63.7)	(17.8)	4.9	
Goodwill, intangibles	**115.0**	**117.4**	128.2	81.7	35.0	
Other net assets	**(2.4)**	**3.5**	8.7	0.6	5.9	
Cash flows						
Underlying operating profit	39.1	40.0	30.3	19.4	12.8	
Non–underlying cash costs	-	(6.6)	(4.1)	(0.7)	-	
Depreciation, amortisation	4.4	4.9	3.6	2.0	1.0	
Working capital movements	4.4	8.7	(14.0)	(3.1)	6.2	
Capital expenditure, inc software	(3.8)	(6.9)	(4.4)	(2.7)	(2.8)	
Taxation paid (net)	(6.2)	(4.0)	(5.0)	(2.5)	(3.1)	
Free cash from operations	**37.9**	**36.1**	**6.4**	**12.4**	**14.1**	
Dividends, interest paid	(9.3)	(8.9)	(5.8)	(3.3)	(2.4)	
Business acquisitions inc debt acquired	(8.5)	(1.9)	(45.7)	(46.8)	(2.8)	
Issue of share capital, sale of shares	0.3	1.5	-	15.4	0.5	
Others	-	(0.3)	(0.8)	(0.4)	0.1	
Reduction/(increase) in net debt	**20.4**	**26.5**	**(45.9)**	**(22.7)**	**9.5**	