For Immediate Release 29 January 2014

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

FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2013

Staffline, the national recruitment and outsourcing organisation providing people and operational expertise to industry, today announces its preliminary results for the year ended 31 December 2013.

Financial highlights:

- Revenues up 13.4% to £416.2million (2012: £367.0 million)
- Adjusted group operating profit up 15.6% to £12.8million (2012: £11.1 million)
- Adjusted profit before tax up 16.1% to £12.5 million (2012: £10.7m)
- Reported profit before tax up 0.5% to £8.6million (2012: £8.5 million)
- Adjusted earnings per share up 21.6% to 46.1p (2012: 37.9p)
- Basic earnings per share up 12.1% to 33.3p (2012: 29.7p)
- Final dividend of 6.2p; total dividend of 10.0p (2012: 8.1p); increase of 23.5%
- Net cash at year end of £4.9m (2012: Net debt £4.6m)

Operational highlights:

- 5 year growth strategy now fully implemented and on track for 2017 target of £1bn in sales
  - Established 5 new trading divisions including driving, agriculture and white collar recruitment capabilities
- Continued growth of the ***OnSite*** platform
  - Increased by 15 sites during the reporting period to 194 (2012: 179), now represents 82% of Group sales (2012: 85%)
- Welfare to Work business, EOS, continues to trade strongly ranking among the leading work programme operators
- Select Appointments successfully re-launched and now actively targeting new franchisees
- Strong start to trading in 2014 underpinned by a robust new business pipeline from new and existing customers

Commenting on the results and prospects for 2014, Andy Hogarth, Chief Executive, said:

"The Group made excellent progress in 2013 during which time we maintained good levels of profit growth while investing in our future. The core business continues to generate strong levels of interest from both new and existing customers highlighting both our reputational and operational excellence.

Our growth strategy is now well advanced and is due to have a positive impact on the Group in the current year. Looking ahead, we have a clear strategy to grow the Group and remain focussed on broadening our service offering whilst further enhancing shareholder value. The increase in the final dividend demonstrates both our confidence in the business and the future trading prospects of the Group."

<u>A presentation for analysts and investors will be held at 9.30am on 29 January 2014 at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN</u>

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About Staffline

Staffline Group plc was historically a recruitment organisation specialising in food processing, manufacturing, e-retail, driving and logistics. We provide and manage industrial workforces and use training and business improvement techniques to ensure increased levels of efficiency to give our clients a significant commercial advantage. Our recruitment business now operates from well over 200 locations in the UK, Ireland and Poland, supplying up to 33,000 temporary workers each day.

Our recruitment brands now include Select Appointments, providing white collar office staff and Staffline Express, providing blue collar staff, both High Street branch operations. Staffline ***OnSite*** is based on clients' premises and also provides both Blue collar and White Collar temporary staff, Driving Plus providing HGV drivers, Staffline Agriculture provides workers to the UK farming and growing sectors, Resourcing Plus which offers cost effective permanent recruitment solutions.

Our other areas of operation include Elpis, a national training and consultancy organisation, OSP, a specialist volume recruitment call centre and EOS, which helps the long term unemployed back in to work through Government Welfare to Work contracts. We expanded our training capabilities in 2013 with Learning plus, a technologically advanced e-learning platform designed to deliver extremely cost effective work based skills training.

Chairman and Chief Executive's Combined Report

We are pleased to report 2013 was another year of solid progress in sales and profits and one where we also initiated a great deal of organisational change within our business. Our core ***Onsite*** operations continue to benefit from a broader trend of 'spend consolidation' by a number of clients which has enabled us to increase the number of ***OnSites*** we operate. Net growth of 15 sites during the year has taken the number of locations we operate from 179 to 194. Elsewhere EOS, our Welfare to Work division, continues to help significant numbers of the long term unemployed back into sustainable work and we have seen our investment in this division start to deliver a significant financial return for the Group.

The Group both opened and directly invested in a number of new business divisions as part of a new five year growth strategy. This strategy is designed to grow Group revenues to over a Billion pounds within 5 years, which is now referred to internally as 'Burst the Billion'. 2013 was the first year of working towards this target and we have made significant progress on our journey. These investments have, in the short-term, held back our profitability within the recruitment services segment and have not yet had sufficient time to make a meaningful impact on Group revenues. We do however firmly believe that these new initiatives coupled with our established core operations will create a diverse and highly scalable business which will return increased shareholder value.

Overall, we continue to see good levels of growth in activity across all divisions of the business with profitability in the Group increasing in line with expectations.

Financial Review

Sales in 2013 grew by 13.4% to £416.2m with gross profit increasing by £7.3m, or 21.1% to £42.0m. Net profit for the year before tax, amortisation and the non-cash charge for share based payment costs (SBPC) rose by 16.1% to £12.5m and net profit before tax rose by 0.5% to £8.6m. Similarly earnings per share (EPS) also rose, basic pre amortisation and SBPC EPS by 21.6% to 46.1p, fully diluted pre amortisation and SBPC EPS to 45.8p (24.8%).

This level of reported growth has been relatively modest compared to previous years, partly attributable to a slowdown in our M&A activity. While we continue to evaluate a number of potential acquisition targets, our 5 year growth strategy does not require any acquisitions and the board believe this can be achieved organically.

Our balance sheet has continued to strengthen, with shareholders' funds exceeding £45m for the first time and the ratio of current assets to current liabilities being in excess of 1.3. Our financial strength is a major attraction for our larger ***OnSite*** clients since they can be absolutely certain of our financial ability to supply the temporary workers who are essential to their business.

For the first time since the flotation in 2004 we had no net debt at the year end. At 31 December 2012 Net Debt was £4.6m and this became Net Cash of £4.9m at 31 December 2013. This improvement was achieved through continued profitable trading and a concentration on reducing Debtor Days, which were 31 at 31 December 2013 (2012: 34).

Operational Review

Recruitment Services

Our recruitment operations continued to make progress during 2013 despite the UK economy remaining broadly flat. Whilst much has been made of the upturn in key economic indicators, many of our customers continued to experience at best a modest recovery, particularly in the retail sector. Demand from many individual customers in the run up to Christmas 2013 was subdued, albeit peaking to record levels for the Group as a whole during December.

There continue to be opportunities for us to grow in our core business, both organically with existing and new customer wins as well as by making strategic acquisitions. We continue to assess many bolt-on acquisition opportunities, but completed only one acquisition in this period, that of Magna Staff, in December 2013. Magna is a specialist recruitment business with two separate divisions providing Driving and Industrial staffing services with an established regional footprint across the Midlands.

Following the acquisition of Select Appointments at the end of 2012 we have spent 2013 improving systems and the operating environment for our franchisees. With a new operations manual, new branding and market offering as well as a recently launched website we are now in a position to drive significant growth to the business. Our team is actively looking to recruit new franchisees who currently work in the industry in management roles but wish to significantly increase their potential earnings by opening their own business with the benefit of a well-known brand and support. We have reduced the initial Franchise fee by one third to £24,750 and have also introduced in the London area a new 'Select Light' franchise package, which allows an individual to start their own branded recruitment business from home with an initial investment of £10,000.

As part of our stated growth strategy, we have opened a number of new divisions including Driving+, Ireland, Resourcing+, Staffline Agriculture and Staffline Business Services during the period and the initial start-up costs incurred have meant that in aggregate the Recruitment segment suffered a slight reduction in profitability during the period. We fully expect profit growth to return during the 2014 financial year and believe significant opportunities exist in all these operating divisions.

Welfare to Work and Training

The contract we hold for HM Government's Work Programme in Birmingham, Solihull and the Black Country has now entered the third year of its five year term. Figures released in June 2013 by the Department of Work and Pensions ('DWP') confirmed that our contract was, in year two, the highest performing area out of the 40 providers covering the UK. This contract has now reached the point where the initial consumption of working capital is completed and the business has started to contribute positive levels of cash flow to the Group. We expect this contract to be cash positive for its remaining term and were extremely encouraged by our performance in 2013.

The two European Social Fund contracts we were awarded in October 2011 have also historically been a significant drain on our working capital, however recent changes in the way referrals and payments are made means that these contracts will become cash positive in 2014.

Our training business, Elpis, was for the first time included in the Welfare to Work offering during the period and this has resulted in significant growth of revenues for this business which we expect to lead to greater profitability in 2014.

Market Overview

Gangmaster Licencing Authority ('GLA')

We remain convinced that the GLA has done much to improve standards and drive many sub-standard operators out of the regulated sector. Recent changes in the senior management of the GLA have significantly improved the organisation's effectiveness, uncovering and stopping some of the unacceptable abuse of people being trafficked from Eastern Europe. There is much more work to be done in this area and we support the widening of the GLA's scope of activity to encompass at least the Construction, Care and Hospitality Sectors.

Marshall Evans, who was Operations Director until 25 February 2013, continues to be a member of the Board of Directors of the GLA as well as being a member of the Recruitment and Employment Confederation (REC) Council and Chairman of its Policy Committee. Andy Hogarth also sits on the Board of the Association of Labour Providers and Diane Martyn is a member of the REC Council. These roles allow us to understand and have a say in future industry trends and Government policy.

PAYE and Travel and Subsistence Schemes

We are greatly encouraged by the recent action taken by the GLA, which has resulted in two umbrella companies being unable to trade in the regulated sector, and also by HMRC which closed down one of the largest umbrella operators in the industrial sector.

We have also seen specific action by HM Treasury with new legislation effective from April 2014 which will prevent workers from being pay rolled offshore and therefore avoiding the cost of Employers National Insurance. The recent Autumn Statement by the Chancellor has also set out his objective of stopping the use of bogus self-employment to avoid Employers National Insurance contributions. Whilst during the year we lost a small number of clients to competitors operating these and other tax avoidance schemes we also won new and returning business from customers who are realising the potential liabilities they face if they allow their supplier to use these schemes unscrupulously. The heightened media interest around exploitative tax avoidance schemes has resulted in clients becoming more adverse to the potential reputational risk to their businesses if they are seen to profit from the schemes.

There has also been an increase in activity by HMRC in questioning the way schemes have been set up, particularly with regard to the types of employment contracts used.

The environment of governance and compliance offered by Staffline continues to underpin our service offering and ensures that we offer our customers the comfort of regulatory compliance helping to ensure the protection of their brand.

Health & Safety

We continue to work as efficiently and as safely as possible and external independent audits are regularly undertaken to reinforce our Health and Safety culture. Total hours worked are up 7% for this period in comparison to last year and we are pleased to report a significant decrease in the accident frequency rate for the period.

Environmental Policy

Staffline's recent policy is to identify and then reduce excessive paper usage. Staffline has introduced an online application process which will significantly reduce the need for paper based application forms, thereby reducing our paper usage. There have been over 3,000 registrations online in the last few months. In addition, the use of email payslips remains at over 88%. These steps are very encouraging as we further reduce our carbon footprint whilst continuing to grow.

People

The Group continues to expand which is reflected in an increase to 519 employees in the Recruitment Services segment. In addition a further 298 people are now employed by Eos, bringing the Group's total workforce to 817.

Developing people has continued to be an important focus for the Staffline Group. In 2013 18 employees successfully passed their Certificate in Recruitment practice. Business delivery and improvement training has resulted in 20 employees attending 'Delight the Customer' training, 12 employees completing a business writing course and 18 employees attending the six month Real Account Management programme.

Leadership and Management development remains critical to supporting Staffline Group's growth and performance objectives. Our residential management development programme has delivered Leadership and self-awareness training along with Coaching and Motivating a Winning Team with further programmes booked in for later in 2014. Additional modules in a range of key competencies including customer care have been delivered successfully and will continue throughout 2014.

A training and change management initiative was launched in 2013 for our shared services functions. This will continue to develop and deliver throughout 2014.

We continue to place great emphasis on the training and development of our people in line with our vision and values.

Compliance

We take compliance with legislation and industry standards extremely seriously, offering a total commitment to all of our clients to ensure that all of our workers, whether or not supplied in to the regulated sector, are recruited and supplied to the standards required by the Gangmaster Licencing Authority. This total commitment gives our clients the assurance that all UK ethical and legal standards are fully met. 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.

Board Membership

As we reported in the results for the first half of the year Tim Jackson, Shaun Brittain and Marshall Evans have all resigned their positions on the board, Tim to pursue an opportunity in the charitable sector, Shaun to take up his position as joint MD of Staffline Recruitment Ltd and Marshall to reduce his working hours while remaining with the Group in a part-time capacity. We would like to thank each of them for their tireless support and dedication to the Group.

Diane Martyn, previously CEO of Randstad Staffing in the UK, moved from a role as non-executive director of the Group to Group Managing Director with effect from 25 February 2013.

Phil Ledgard ACA, joined Staffline as Group Finance Director with effect from 9 October. Phil worked for G4S for 10 years prior to joining Staffline, his last role being FD of the £250m Facilities Management division of G4S.   Phil gained his accountancy qualification with PwC and has a BA in Accounting and Financial Analysis from Warwick Business School.

Finally, Nick Keegan, who joined Staffline in December 2004, has confirmed his intention to resign from his Non-Executive role on the Board with effect from the 2014 AGM having served for over 9 years since our flotation in 2004. We are currently in the process to recruit two new Independent Directors, at least one of whom we expect to be in a position to replace Nick at the time of the AGM.

Investment

As part of our five year growth plan we have invested significant sums in both new divisions and new contracts.

We are confident that these divisions will develop in the coming years and contribute to driving profit growth. As part of our strategic plans we have continued to invest in our bespoke management information system, Infinity+, which will further improve our operating efficiency. All of the Group's locations are now live with Infinity+ and we are already deriving a wide range of benefits from it. The new system will provide the platform for further development that will deliver greater efficiencies across the business.

We are currently conducting a review of our shared services facility based in Nottingham with the aim of ensuring we have the capability to sustain a £1bn turnover business in the coming years.

Growth strategy

We have now finished the first year of our new five year strategic growth plan aimed at broadening our market reach and increasing the scale of all of our divisions. This plan seeks to build on our strong market presence in blue collar recruitment and has seen Group investment in Driving, expansion into Ireland, Resourcing, Agriculture and the replication of our successful ***Onsite*** model within the Business Services recruitment arena.

We see significant opportunities to increase our market presence within Welfare to Work having already improved the operational performance of Eos in a relatively short period of time. All the major political parties are committed to supporting the Work Programme and our continuing strong performance on this contract leaves us confident we can add to our existing operations over the coming years.

Current Trading

We have started 2014 strongly, with a pipeline of confirmed customer orders which means we expect to open a number of new ***OnSites*** in the first three months. The majority of the new divisions are also in advanced discussions with potential customers and we are confident that they will start to make a positive contribution to Group profitability in 2014. We are also well placed to win further contracts in our Welfare business.

It is against this backdrop that the Board remains confident that the current financial year will continue to generate exciting and significant growth for the Group.

Finally and as an expression of our confidence in the Group's current trading prospects, the Directors propose to increase the final dividend by 24.0% from 5p to 6.2p. This dividend will be payable on 4 July 2014 to shareholders on the register at 6 June 2014. The ex-dividend date is 4 June 2014. This will result in a total dividend for the year of 10.0p per share, an increase of 23.5% on last year's dividend of 8.1p.

John Crabtree OBE	Andy Hogarth
Chairman	Chief Executive

29 January 2014

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 Before amortisation and share based payment charge £'000	2013 Amortisation and share based payment charge £'000	2013 Total £'000	2012 Total £'000
Continuing operations					
Sales revenue	4	416,193	-	416,193	366,980
Cost of sales		(374,171)	-	(374,171)	(332,268)
Gross profit		**42,022**	**-**	**42,022**	**34,712**
Administrative expenses	5	(29,178)	-	(29,178)	(23,600)
Operating profit before amortisation of intangibles and share based payment charge		**12,844**	**-**	**12,844**	**11,112**
Administrative expenses - Share based payment charge		-	(2,154)	(2,154)	(426)
Administrative expenses - Amortisation of intangibles		-	(1,766)	(1,766)	(1,802)
Profit from operations		**12,844**	**(3,920)**	**8,924**	**8,884**
Finance costs	6	(360)	-	(360)	(363)
Profit for the period before taxation		**12,484**	**(3,920)**	**8,564**	**8,521**
Tax expense	8	(2,243)	1,078	(1,165)	(2,111)
Net profit and total comprehensive income for the period		**10,241**	**(2,842)**	**7,399**	**6,410**
Total comprehensive income attributable to:					
Non-controlling interest				-	(11)
Owners of the parent				7,399	6,421
Earnings per ordinary share	9				
Basic				33.3p	29.7p
Diluted				33.1p	28.7p

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital	Own shares JSOP	Share premium	Share based payment reserve	Profit and loss account	Total attributable to owners of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2013	2,289	(1,157)	15,969	75	22,673	39,849	(40)	39,809
Dividends	-	-	-	-	(1,976)	(1,976)	-	(1,976)
Issue of new shares to JSOP	188	(8,054)	7,866	-	-	-	-	-
Share options issued in equity settled share based payments	-	-	-	26	-	26	-	26
Share options exercised	92	-	360	(70)	70	452	-	452
Acquisition of non-controlling interest	-	-	-	-	-	-	40	40
Transactions with owners	**280**	**(8,054)**	**8,226**	**(44)**	**(1,906)**	**(1,498)**	**40**	**(1,458)**
Profit for the period	-	-	-	-	7,399	7,399	-	7,399
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**7,399**	**7,399**	**-**	**7,399**
At 31 December 2013	**2,569**	**(9,211)**	**24,195**	**31**	**28,166**	**45,750**	**-**	**45,750**

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total attribut-able to owners of parent £'000	Non-control-ling interest £'000	Total Equity £'000
At 1 January 2012	2,284	(1,157)	15,928	229	17,702	34,986	(87)	34,899
Dividends	-	-	-	-	(1,578)	(1,578)	-	(1,578)
Share options issued in equity settled share based payments	-	-	-	32	-	32	-	32
Share options exercised	5	-	41	(186)	186	46	-	46
Acquisition of non controlling interest	-	-	-	-	-	-	58	58
Transactions with owners	**5**	**-**	**41**	**(154)**	**(1,450)**	**(1,558)**	**58**	**(1,500)**
Profit for the period	-	-	-	-	6,421	6,421	(11)	6,410
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**6,421**	**6,421**	**(11)**	**6,410**
Balance at 31 December 2012	**2,289**	**(1,157)**	**15,969**	**75**	**22,673**	**39,849**	**(40)**	**39,809**

Consolidated statement of financial position

As at 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill	10	30,971	30,971
Other intangible assets	11	4,005	3,031
Property, plant & equipment	12	2,068	2,343
Deferred tax asset	18	802	140
		37,846	36,485
Current			
Trade & other receivables	13	63,090	59,598
Cash and cash equivalents	14	12,485	3,650
		75,575	63,248
Total assets		**113,421**	99,733
Liabilities			
Current			
Trade and other payables	15	55,987	46,678
Borrowings	16	62	678
Other current liabilities	17	593	2,928
Current tax liabilities		351	1,325
		56,993	51,609
Non-current			
Borrowings	16	7,500	7,556
Other non-current liabilities	17	2,767	70
Deferred tax liabilities	18	411	689
Total liabilities		**67,671**	59,924
Equity			
Share capital	19	2,569	2,289
Own shares		(9,211)	(1,157)
Share premium		24,195	15,969
Share based payment reserve		31	75
Profit & loss account		28,166	22,673
		45,750	39,849
Non-controlling interest		-	(40)
Total equity		**45,750**	39,809
Total equity & liabilities		**113,421**	99,733

Consolidated statement of cash flows

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	**25**	**17,005**	**6,843**
Cash flows from investing activities			
Purchases of property, plant and equipment		(737)	(543)
Purchase of intangibles		(2,040)	-
Sale of property, plant and equipment		-	24
Acquisition of businesses - deferred consideration for prior acquisitions		(2,511)	(1,454)
Acquisition of businesses - deferred consideration for current acquisitions		-	(168)
Acquisition of businesses - cash acquired		-	315
Acquisition of businesses - cash paid		(326)	(2,810)
Net cash used in investing activities		**(5,614)**	**(4,636)**
Cash flows from financing activities:			
New loans		-	2,500
Loan repayments		(645)	(1,060)
Interest paid		(360)	(338)
Dividends paid		(1,976)	(1,578)
Proceeds from the issue of share capital		452	46
Net cash flows from financing activities		**(2,529)**	**(430)**
Net change in cash and cash equivalents		**8,862**	**1,777**
Cash and cash equivalents at beginning of period		**3,618**	**1,841**
Cash and cash equivalents at end of period	**14**	**12,480**	**3,618**
Net debt at beginning of year		**(4,584)**	**(4,921)**
Net change in cash and cash equivalents		**8,862**	**1,777**
Decrease in loans		**645**	**1,060**
Increase in RCF		**-**	**(2,500)**
Net funds/(debt) at end of period		**4,923**	**(4,584)**

1 Accounting policies

Basis of preparation

The consolidated financial statements are for the 52 weeks ended 29 December 2013.

The consolidated financial statements of the Group have been prepared using the significant accounting policies and measurement bases summarised within those financial statements, 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.

Functional and presentation currency

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

The principal accounting policies of the Group are set out within those financial statements.

2 Segmental reporting

Management currently identifies two operating segments: the provision of recruitment and outsourced human resource services to industry and the provision of welfare to work and other training services. These operating segments are monitored by the Group's Board and strategic decisions made on the basis of segment operating results. In the prior year, other training services were included within the recruitment services segment; following an internal reorganisation, the training services were moved under the same management as the welfare to work segment. Accordingly the prior year segmental analysis has been restated for this change.

2 Segmental reporting (continued)

Segment information for the reporting period is as follows:

	Recruitment services 2013 £'000	Welfare to work and training 2013 £'000	Total Group 2013 £'000	Recruitment services 2012 £'000	Welfare to work and training 2012 £'000	Total Group 2012 £'000
Segment continuing operations:						
Sales revenue from external customers	393,597	22,596	416,193	352,954	14,026	366,980
Cost of sales	(359,563)	(14,608)	(374,171)	(322,017)	(10,251)	(332,268)
Segment gross profit	**34,034**	**7,988**	**42,022**	**30,937**	**3,775**	**34,712**
Administrative expenses	(23,727)	(4,420)	(28,147)	(20,208)	(2,470)	(22,678)
Depreciation	(491)	(540)	(1,031)	(360)	(562)	(922)
Segment operating profit before amortisation of intangibles and share based payment charge	**9,816**	**3,028**	**12,844**	**10,369**	**743**	**11,112**
Administrative expenses - share based payment charge	(2,154)	-	(2,154)	(426)	-	(426)
Amortisation of intangibles	(1,313)	(453)	(1,766)	(1,349)	(453)	(1,802)
Segment profit from operations	**6,349**	**2,575**	**8,924**	**8,594**	**290**	**8,884**
Segment assets	**99,938**	**13,483**	**113,421**	**91,779**	**7,954**	**99,733**

During 2013 two customers in the recruitment services segment contributed greater than 10% of the Group’s revenues being 19.2% (£75m) and 11.6% (£45m) of that segment’s revenues (2012: two customers greater than 10%); the amounts receivable from the two customers at 31 December 2013 were £8.9m and £5.1m respectively. The welfare to work and training segment has one large customer that accounts for 94% (£21.2m) of that segment’s revenues (2012: 92%); the amount receivable from that customer was £0.5m.

3 Earnings per share

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 own shares (JSOP). The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

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

	Basic 2013	Basic 2012	**Diluted 2013**	Diluted 2012
Earnings (£'000)	**7,399**	6,410	**7,399**	6,410
Weighted average number of shares	**22,242,934**	21,614,114	**22,351,311**	22,343,159
Earnings per share (pence)	**33.3p**	29.7p	**33.1p**	28.7p
Adjusted earnings per share (pence)*	**46.1p**	37.9p	**45.8p**	36.7p

*Earnings after adjusting for amortisation and share based payment charge, including the tax effect. The prior year values have been adjusted to add back the tax effect of amortisation and share based payment charge.

The weighted average number of shares has been increased by 628,820 (2012: 729,045) shares to take account of all the share options exercised during the year, excluding own shares.