Staffline Group plc

PEOPLE | SKILLS | JOBS

ANNUAL REPORT 2015

For the year ended 31 December 2015

Company details

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05268636

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Dame Christine Braddock (Non-Executive Director)
Diane Martyn (Group Managing Director)
Ed Barker (Non-Executive Director)
John Crabtree (Non-Executive Chairman)
Phil Ledgard (Group Finance Director)

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www.staffline.co.uk

Strategic Report

Group overview

for the year ended 31 December 2015

Welcome to Staffline Group plc's Annual Report 2015

The Staffline Group was established in 1986 and since then has grown into a national organisation specialising in the provision of managed workforces to the logistics, e-retail, manufacturing, driving, agriculture, food processing and support services sectors. We use training and business improvement techniques to ensure increased levels of efficiency to give our clients a significant commercial advantage.

The acquisitions of EOS in 2012, Avanta in 2014, and A4e in 2015 being key suppliers in the welfare to work, employability and skills sectors, have created further robust business streams to complement our Staffing business. This has created a holistic group encompassing the entire work lifecycle, and has been rebranded PeoplePlus. This is encapsulated in our brand message of People Skills Jobs.

Highlights

Financial

- Revenues up 40% to £702.2 million (2014: £503.2 million)
- Group gross profit up 34% to £86.8 million (2014: £64.8 million)
- Underlying* profit before tax up 52% to £28.3 million (2014: £18.6 million)
- Underlying diluted earnings per share up 55% to 92.4p (2014: 59.7p)
- Final dividend of 12.5p; total dividend for the year of 20p (2014: 13.5p), an increase of 47%

* Underlying figures are stated before amortisation of acquired intangible assets, acquisition and exceptional re-organisation costs in PeoplePlus and the non-cash charge for share based payment costs ("SBPC")

Operational

- On track to meet five year growth ambition of £1bn in sales by 2017
- Record organic growth of the OnSite business
  - Increased by net 70 sites during the reporting period to 305 (2014: 235)
  - Strategic initiatives to support growth and customers through industry trends, including HGV driver shortage
- Successful integration of three acquisitions
  - Employability division: A4e in May 2015, now integrated and rebranded as PeoplePlus
  - Staffing division: Milestone Operations in September 2015 (HGV drivers) and Diamond Recruitment in October 2015 (in Northern Ireland)
- PeoplePlus benefiting from significantly enhanced position in Employability arena
  - 15 new government contracts won and extended during the year
  - Successful franchise of Avanta Saudi Arabia operations
  - Well placed to grow within current Parliament and beyond
- Record new business pipeline continued into the new financial year with additional contracts due to start in Q1 2016

About Staffline

Staffline is a leading outsourcing organisation providing Staffing services to industry, supplying up to 45,000 workers every day to more than 1,300 clients. In the last five years the Group has also grown to become a leading provider of services in to the Government funded Employability (Welfare to Work), Justice and Skills arena.

The business comprises two key areas:

Staffing Services

Specialising in providing complete labour solutions in agriculture, food processing, manufacturing, e-retail, driving, and the logistics sectors, the recruitment business operates from well over 300 locations in the UK, Eire and Poland.

The Staffing brands include:

- Staffline OnSite, based on clients' premises and providing both blue and white collar, out-sourced, temporary workforces
- Select Appointments, a high street branch-based operation providing white collar office staff,
- Staffline Express, a high street branch based operation
- Driving Plus, providing HGV drivers to the driving industry
- Staffline Agriculture, providing workers to the UK farming and growing sectors

Employability

Comprising the PeoplePlus brand, Government contracts include:

- Work Programme, prime contractor in nine regions and sub-contracts in five regions in England
- Steps to Success, prime contractor in Northern Ireland
- Youth Guarantee (MyGo Centre), supporting youth employment in the Ipswich area
- Ministry of Justice Transforming Rehabilitation in Warwickshire and West Mercia, helping to transform rehabilitation and probation services
- OLASS, delivery of training to prisoners in nine prisons in the East of England
- Building Employment through Education, working in Schools in Northern Ireland

Training services:

- Elpis, a national training consultancy,
- Learning Plus, an e-learning platform
- Skillspoint, a procurement consultancy specialising in helping employers benefit from government-funded, work-based training

Support services:

- The Money Advice Service,
- Independent Living Services
- Northern Ireland Prison Services, Visitor Centres

Group strategy

Growth

Our continuing Group strategy is:

- To grow the employability sector to be as strong as the OnSite recruitment services business
- To continue to be the largest provider of people in the UK blue collar market, with specialist knowledge of the food, logistics and manufacturing sectors, supported by added value services
- To develop reputation and capability and be seen as a leading organisation in the employability, skills and justice sectors
- To develop new sectors in white collar, agriculture and driving and to extend to new geographical areas by "following the client"
- To grow Select Appointments (the franchise network) to be over 100 locations
- To continue to champion and implement best practices and be actively involved with our governing bodies to help us serve our customers better
- To attract and retain the greatest talent
- To BURST THE BILLION and create stakeholder value through profitable growth

We are making significant progress in our journey through our five year growth strategy:

- 2013: a year of investing in people, new start up divisions and infrastructure;
- 2014: a year of strong growth, investment in our Welfare and Training division, and significant operational progress;
- 2015: our 10th year as a member of AiM and a transformational year of organic and acquisitive growth;
- 2016 to 2017: we're on track to achieve our goal of £1 billion revenues via organic growth supported by an ongoing appetite

Our principles

To achieve our vision, deliver our strategy and live our values, we follow a set of guiding principles in all that we do:

Our team

- To provide a great place to work
- To create lots of opportunities to develop and progress
- To offer fast-paced and rewarding work
- To have an ever-changing environment. Every day brings something new
- To recognise success

Growth and profitability

- To operate ethical, commercial practices
- To implement efficiency-driven cost models
- To create profit through building long term relationships
- To support sustainable growth
- To deliver returns for our shareholders

People

- To protect people and their interests by acting responsibly at work and in the community
- To find lots of job opportunities, every day of the week
- To provide jobs on the door step
- To offer training, apprenticeships and guidance
- To work with reputable companies

Employer partner

- To fill every job with the right person, at the right time
- To listen, understand, respond and get results
- To do things the right way, for the right reason
- To improve performance for our customers through our added value services
- To get the job done

Our vision and values

Our Group vision is to build and develop the most reliable integrated workforce in the country and be the leading creator of opportunities, jobs and new ideas in the employability, skills and justice sectors.

We do this through our brand values of:

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

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

Our CSR focus

- We shall strive to improve our environmental performance by fostering and encouraging initiatives that reduce waste
- We shall provide, and strive to maintain, a clean, healthy and safe working environment
- We shall support and encourage our employees to help local community organisations and activities
- We shall operate an equal opportunities policy for all present and potential future employees and flexible workers
- We will offer our employees clear and fair terms of employment and provide resources to enable their continual development
- We shall provide safeguards to ensure that all employees are treated with respect and without sexual, physical or mental harassment
- We shall uphold the values of honesty, integrity and fairness on our relationships with stakeholders
- We will ensure that flexible workers engaged by the company are not subject to exploitation and are provided with work opportunities in a healthy and safe working environment fully compliant with UK legislation

Phil Ledgard
Company Secretary
2015

Corporate Social Responsibility

At Staffline we place great importance on the role we play in helping to 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, suppliers, the community and the environment.

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 Management system, "One Planet", which is supported by the following policies, strategies and commitments:

- One Planet Strategy
- One Planet Development Plan
- Company Impact Register
- Legislation Register

This system is continually reviewed to ensure it remains aligned to business objectives. The main objective for the Group within 2015 was to ensure the business complied with legislation recently introduced by the Government and Environmental Agency called the Energy Saving Opportunity Scheme (ESOS). Staffline Group plc carried out extensive building audits and 100% Energy audits in order to identify areas for improvement and reduce our CO2 footprint.

The Chief Executive Officer is responsible for the implementation of this policy and will make the necessary resources available to realise our corporate responsibilities. The responsibility for our performance rests with all employees.

We continue to be independently assessed and certified by EcoVadis, an international body with the aim of improving environmental and social practices of companies by leveraging the influence of global supply chains.

> Overall, profitability in the Group has increased in line with our expectations.

Strategic Report

Combined Chairman's and Chief Executive's statement

for the year ended 31 December 2015

Andy Hogarth
Chief Executive

John Crabtree OBE
Non-Executive Chairman

2015 marked our 10th anniversary since being admitted to trading on AiM and proved to be another year of significant growth and opportunity for Staffline. This was the third year of our five year target to 'Burst the Billion', to grow Group revenues to over £1 billion in 2017, and the performance this year helped our plans to achieve this. Total sales in 2015 grew 40% to £702.2m (2014: £503.2m). Underlying profit before tax, amortisation, acquisition and exceptional re-organisation costs in PeoplePlus and the non-cash charge for share based payment costs ("SBPC") increased by 52% to £28.3m (2014: £18.6m).

Our Staffing business has continued to go from strength to strength, achieving considerable organic growth and ending the year with a record 305 OnSites (2014: 235). This performance was underpinned by our investment in a number of recent start-up opportunities as well as our existing divisions to expand our operational reach and bring in new talent, extending our highly scalable platform. Two complementary bolt-on acquisitions, Diamond Recruitment and Milestone Operations, were also completed later in the second half.

Our Employability division has also undergone a significant expansion following the acquisition of A4e in April 2015. The A4e acquisition positions Staffline as the largest provider of Work Programme contracts in the UK, and the eight-month contribution from the business has supported continued organic growth within the division, which has now been rebranded "PeoplePlus". The Transforming Rehabilitation contract, awarded by the Ministry of Justice, commenced in February 2015 and has had an excellent start with us achieving all our contractual milestones. We also announce today that we have successfully transferred our previous Avanta Employability operations in the Kingdom of Saudi Arabia to a franchise arrangement to be operated by our existing joint venture partner in the country. The Arabian Education and Training Group will continue to operate this business under an initial 10 year franchise agreement and this agreement will allow us to focus on

UK operations where PeoplePlus has such expertise.

Overall, we are pleased to report that sales and profitability in the Group have increased in line with our and the market's expectations.

Financial review

Sales in 2015 grew by 40% to £702.2m (2014: £503.2m) with gross profit increasing by £22m, or 34.0% to £86.8m (2014: £64.8m). This increase has come from a mixture of strong organic growth and the part-year contribution of the PeoplePlus, Diamond Recruitment and Milestone Operations acquisitions. Underlying profit before tax, amortisation, acquisition and exceptional re-organisation costs in A4e and the non-cash charge for share based payment costs (SBPC) increased by 52%, from £18.6m in 2014 to £28.3m. On this basis adjusted diluted EPS rose to 92.4p (2014: 59.7p).

As previously indicated, as a result of the high levels of organic growth and acquisitions in 2015, net debt (inclusive of transaction costs) peaked at £63.1m at the year end, up from £49.8m at the half year. With improving free cash flow levels, this is expected to fall quickly in the coming year to below c.0.75 x EBITDA and continue to reduce through to 2018 and beyond.

Our larger OnSite clients particularly appreciate our robust financial position and strong cash generation since they can be absolutely certain of our ability to supply their temporary workers who are essential to ensure continued production. It is also essential to supporting the growth ambitions of PeoplePlus, where financial strength is a key criterion in the contract bidding processes.

During 2015, we were also the first company quoted on AIM and the first recruitment company to be awarded the Fair Tax Mark, for ensuring that we are open and honest in ensuring we pay the amount of tax due on our profits.

Operational review

Staffing services

All of our Staffing businesses saw growth during 2015, supported by a generally improving economy. Sales rose by 26.7% to £554.5m, driven by organic growth and also by the acquisitions of both Diamond Recruitment in Northern Ireland and Milestone Operations towards the end of the year. Our gross profit margin has marginally declined by 0.3% to 8.5%. This reverses the trend last year which saw an improvement of 0.2% and has been driven by the on-boarding costs of such a significant number of new OnSite locations and the impact of the rise in National Minimum Wage ("NMW") increasing our sales but keeping the gross profit the same. The segmental underlying operating profit rose by 14.1% to £13.2m.

We continue to generate significant opportunities for the Group to build market share in our core business, underpinned by our ethical and reliable reputation in the industry, despite the broader UK economy remaining a highly competitive environment for many of our clients in the food processing and production sectors and therefore for our business. We have benefited from the trend towards further consolidation within the recruitment industry, which has enabled us to increase the net number of OnSites from which we operate by a record total of 70, ending the year with a total of 305 locations. This increase has resulted from a number of new clients choosing Staffline as well as extensions to current contracts. Our new OnSites in 2016 also include the first two white-collar OnSites. This is an encouraging development, although somewhat later than we had originally hoped, and the growth of this division is a priority for 2016 and beyond.

We have also expanded our presence in both new and existing sectors including Manufacturing, Logistics & Distribution, Food Processing, Agriculture and Driving Plus. Having established a number of new divisions within Staffing Services during 2013 as part of our five year growth strategy, including Driving Plus, Ireland and Agriculture, we continued to invest during the period under review. As anticipated, all three new divisions made a positive contribution during the year.

HGV driver shortages remain a well-documented problem in the industry, fuelled by changes to driver education regulations, and we expect resource will become even scarcer in this area in the coming years. We believe significant opportunities exist within the driving recruitment sector and we will continue to support the exciting organic growth of this division with acquisitive bolt-on opportunities, such as the acquisition of Milestone Operations.

Building on our success in Ireland, which has demonstrated that we can better grow our business by having one responsible individual in a geographic area, in 2015 we appointed a Country Director for Scotland to support further growth.

We have continued to see the strengthening of the UK economy lead to a tightening of the labour market with shortages particularly pronounced in the driving and other skilled areas but also in the unskilled sector in certain

Combined Chairman's and Chief Executive's statement continued...

parts of the UK. We have been able to fulfil all of our customer requirements in 2015 and we have contingent plans to ensure that we continue to do so in 2016. However the tightening labour market is likely to lead to greater wage inflation and hence a greater cost of recruitment in 2016, supporting demand for our flexible labour services.

The introduction of the National Living Wage ("NLW"), which will increase the minimum wage from the current £6.70 to £7.20 in April 2016, will no doubt start to encourage more people to enter the labour market. The further increases due to be introduced in the period until 2020 when it is set to be at least £9 per hour are also likely to further encourage not only current UK residents to enter work but also to further encourage people from Eastern Europe to come to the UK, supporting our growth and increasing the supply of labour. Current levels of NMW for unskilled workers vary across Europe, from £7.11 in France, £6.29 in Germany, £6.09 in Austria, £3.38 in Greece, £1.84 in Poland and £1.42 in Lithuania. Whilst this significant increase in UK wages may encourage an increase in migration from Europe it is likely to further widen the supply pool of labour, thus helping Staffline to continue to grow.

Employability

The completion of the A4e acquisition for an effective consideration of £34.5m on 27th April 2015 further significantly enhanced our position in the Employability arena. Since it has only contributed to the results for eight months during the year, we will see the full benefits of this transaction in 2016 and beyond. Post-acquisition, we have now fully completed the integration of A4e with our existing businesses quicker than expected although at a slightly higher cost and re-named the division PeoplePlus. PeoplePlus benefits from significant scale within the Department of Work and Pensions ("DWP") main contracts, the Work Programme. With nine prime contracts and five sub-contracts we are the largest provider by both the number of contracts and referrals. In addition, A4e brought us a number of other contracts, including OLASS 4, delivering training for prisoners in nine prisons in the East of England, The Money Advice Service and Independent Living Services.

Revenues in the division grew by 124.8% to £147.7m reflecting the first full year effect of the Avanta acquisition (acquired in June 2014) and a number of contract wins, with gross profit increasing by 52.0% to £39.9m.

Underlying segmental operating profitability rose by 119.4% to £17.1m. Profitability of the enlarged PeoplePlus division has been in line with our initial expectations although due to the improving economy referrals, and therefore revenues, were lower in the year. The number of referrals we receive on the Work Programme has steadily declined over the last two years and revenues for the remaining 15 months of the contract and the follow-on 24 months' run-off will be lower than originally expected. Nevertheless, the operational efficiencies gained from the integration of our three brands will ensure that predicted profitability will be maintained.

The decision by Government to extend the Work Programme by one year provides an added benefit. PeoplePlus remains well placed to capitalise on its existing Work Programme contracts over the course of the current parliament and going forwards into the next contract round.

We are also pleased to announce that we won or extended 15 contracts during the year, all working for either local or central government. Whilst all were of relatively small value, the largest being £0.8m over 12 months we are confident that the delay caused by the General

Election will be cleared during 2016 and that these wins demonstrate our unique positioning in the market which should lead to further opportunities becoming available to us.

ISO 9001 and Investors in People ("IIP")

Our organisation has grown significantly over the last couple of years, both organically and through acquisition. We are currently in the final stages of our assessment for Staffline to achieve IIP accreditation for our Shared Services. We have worked tirelessly to ensure we have consistent and robust processes and procedures across all the divisions to meet the new IIP standards. The introduction of new HR software will also enable automation and create efficiencies across the business delivering a self-service approach to managing data, all of which will support our ability to provide accurate management information reporting.

In addition to the above, we have achieved the Recruitment and Employment Confederation's accreditation for the Group for 2015 and continue to be Patrons of the Institute of Employment Professionals. We will continue in our mission to gain further accreditation and increase levels of professionalism within our business sector.

People

With the Group further expanding, we have seen an increase to 847 employees in our Staffing business and related shared services with an additional 2,447 people employed by the PeoplePlus business, bringing the Group's total workforce at 31 December to 3,294. The number of contractors paid each week grew steadily during the year peaking at just over 45,000 in the lead-up to Christmas. Our ability to support the ever-growing business with limited additional central resource is testament to the quality and commitment of our employees.

Our residential management development programme has been delivered to 103 delegates through the Leadership Camp since its launch in 2013 and has been further complemented with one to one Coaching sessions. An additional suite of management workshops have been delivered to 107 managers last year which has incorporated:

- Self-Awareness together with Coaching and Motivating a Winning Team;
- Driving Sales through Customer Care;
- Effective Time Management;
- Advanced Communication; and
- Commercial Awareness & Strategic Planning.

This year's highlights

Continued expansion of the OnSite model, increased by **70 sites** during the period. Which takes the total to **305**

Acquired **Milestone Operations** and **Diamond Recruitment Group**, making us dominant in the UK Driving sector and in Ireland

Supplied **55,001,985 hours** of temporary labour to more than **1,600 clients**

45,001 temporary workers placed at 'peak'

1,779,300 timesheets processed; an increase of **40.4%** over 2014

Checked the ID's of **122,320** candidates

Combined Chairman's and Chief Executive's statement continued...

Additional programmes are being rolled out in early 2016 to be delivered by subject matter experts, with 28 days scheduled in the first six months of the year dedicated to management training. We have introduced 360 degree feedback amongst our leadership and talent pool population and continue to progress with succession and talent planning for the Group.

In addition to our management development offering, a number of eLearning training solutions have been developed and rolled out since the latter part of 2014, of which over 300 people have now completed multiple modules since the launch. A wider Group launch commenced in January 2015 across the Group offering a full complement of solutions hosted by the Group's Learning Plus business.

Our ethos continues to support developing talent within the business at all levels and encourages self-development which in turn aids succession planning, supporting the strategic growth of the Company.

We continue to place great emphasis on the training and development of our people in line with our vision and values and ambition to be an employer of choice. We are also ambassadors of the Apprenticeship programmes and have recently engaged 23 people in apprenticeships across Shared Services and our National Response Centre. Our aim is to enhance capability within our existing workforce offering a true resourcing strategy to grow from within.

In 2015 we appointed a Director of Talent Development to develop our future leaders.

Health, safety and environment

Staffline continues to take a proactive approach to the Health, Safety and welfare of its employees and contractors. Our strong commitment to Health and Safety is demonstrated by the regular Senior Management reviews taking place, the outcomes of which are cascaded across the business. In addition, the Head of Staffline's Health & Safety Team has recently been awarded a Fellowship status within the International Institute of Risk & Safety Management, in addition to his Chartered Member of the Institute of Occupational Safety & Health membership, further supporting the development of a culture of H&S across all business units.

Staffline actively monitors all aspects of Health & Safety using a "closed loop management process". This allows all areas to be identified and documented during the audit process and shows continual development against all Health & Safety action plans with Senior Management involvement throughout.

Having reviewed the Group's Health & Safety management systems during 2015, a number of updated policies and procedures have been implemented. The H&S management systems continue to allow the Group to demonstrate that its corporate responsibilities are being appropriately discharged. As Staffline has grown, the H&S Team has also increased in size to provide information, advice and guidance and during early 2016 regionally based H&S specialists will be on hand to support the many and various business units.

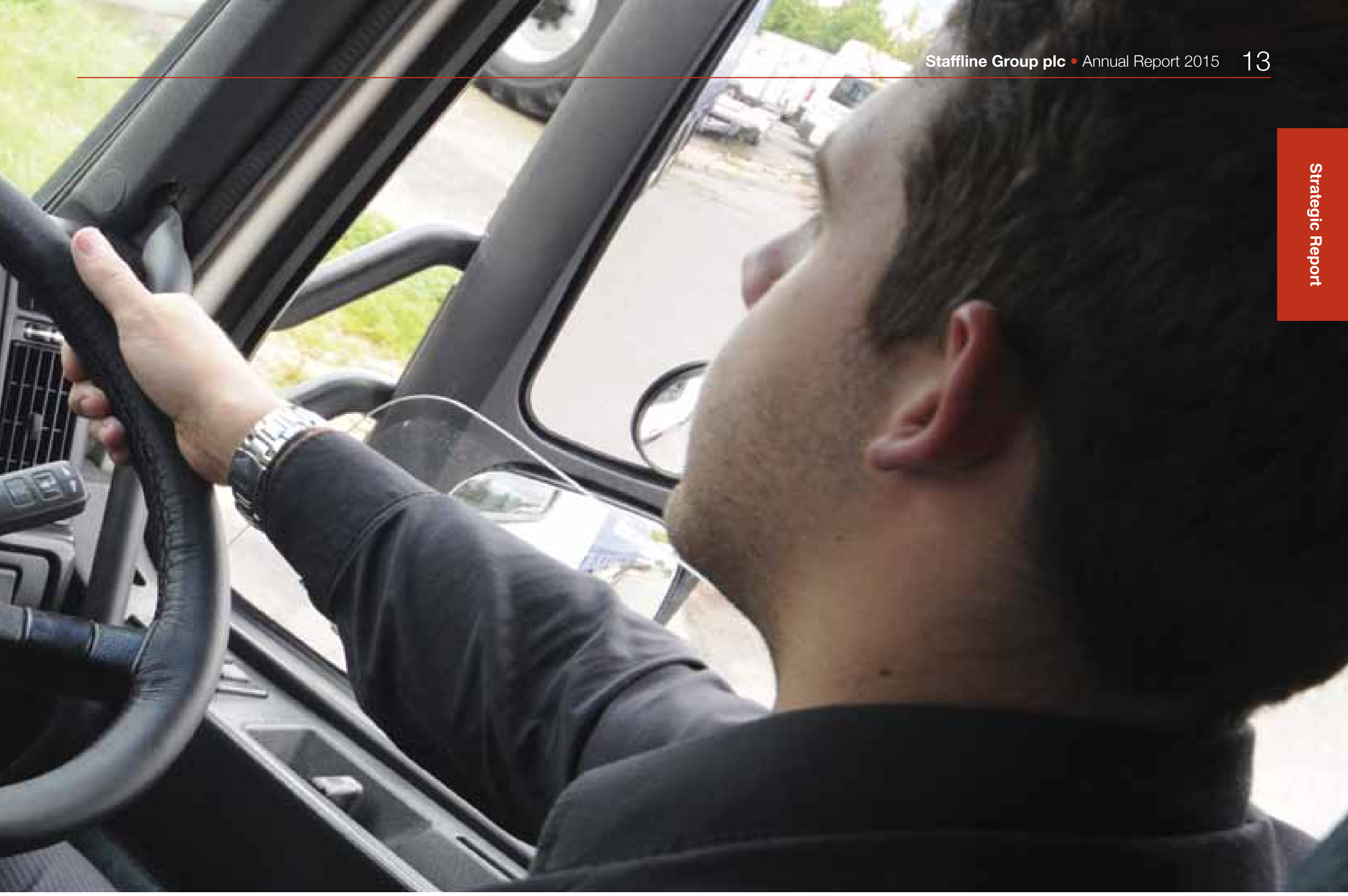
The Group continues to implement a detailed Environmental & Sustainability Policy. In addition, the Energy Saving Opportunity Scheme ("ESOS") audit results are being reviewed and the opportunities highlighted in the report to reduce the Groups environmental impact are being acted upon which will flow into the Group's The One Planet Strategy. This will continue to focus on the following areas:

- Energy consumption
- Waste
- Travel
- Sustainable materials

In addition to ESOS, 2015 has seen regular audits carried out to create baseline data with Key Performance Indicators and SMART targets implemented which continue to demonstrate the Group's ongoing positive environmental commitment.

IS027001

PeoplePlus has achieved this very demanding accreditation for the security of our IT systems, which represents a very important certification when dealing with the personal details of so many people.



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 covered by the legislation, are recruited and supplied to the standards required by the Gangmaster Licensing Authority ("GLA"). 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. We are an active member and supporter of the Stronger Together initiative to help prevent exploitation and trafficking of workers.

Investing for growth

Our five year strategic growth plan, aimed at broadening our market reach and increasing the scale of all of our divisions, is now moving into its fourth year and we are on track to achieve our ambition of growing revenues to £1 billion by 2017. As part of this growth plan, in the past three years, we have invested significant sums in both new divisions and new contracts. We are already seeing the fruits of these investments and we are confident that the new divisions will continue to develop in the coming years and contribute to driving both revenue and profit growth.

As part of our strategic plans we have continued to invest in our bespoke customer relationship management ("CRM") system, Infinity+, which will further improve our operating efficiency alongside investment in mobile technology which seeks to simplify how we interact with our customers and clients. We have also invested in excess of £560,000 in our technical infrastructure which has greatly improved our business continuity capability and are confident that this is now industry leading.

Over the next 12 months, we plan to upgrade our payroll and billing system alongside the development of a new data warehouse. These upgrades will provide better analytics on which to forecast and refine our product offerings, allowing us to provide ever more added value to our customers.

Current trading

Nearly one month into the new financial year, we have started well, buoyed by additional contracts from existing customers 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.

As we have reported before, the number of available HGV qualified drivers remains very low and to improve the situation for our clients we have extended our comprehensive training scheme, 'Warehouse to Wheels' in which we fund the training of suitably experienced contractors and client staff to enable them to become fully qualified HGV drivers. We believe initiatives such as these will set us apart from other recruiters in the sector in the years ahead.

We remain responsive and focused on adapting to new regulations and government change. An example of this is the introduction of the apprenticeship levy which will be a further opportunity for us to differentiate ourselves from our competition as we are developing a number of products which will allow our clients to derive significant value for their businesses from this change.

Our Employability division, PeoplePlus, is now fully integrated and making good progress and we expect the enlarged business to have a significant impact financially and operationally in 2016 and beyond.

In addition to driving organic growth, we continue to look for further bolt-on acquisitions primarily within our core Staffing business and remain in discussions with a number of companies.

Outlook

The outlook for Staffline remains positive. Having made significant progress in 2015, we are well placed to deliver ongoing growth in the coming year. We are confident that our strategic initiatives, our track record of successful delivery for our clients and our ability to take advantage of industry trends will support our momentum and enable us to achieve strong returns for our shareholders.

As an expression of our confidence in the Group's prospects, the Directors propose to increase the final dividend by 47% from 8.5p to 12.5p. This dividend will be payable on 5 July 2016 to shareholders on the register at 3 June 2016. The ex-dividend date is 2 June 2016. This will give a total dividend for the 2015 year of 20p, an increase of 48%.

John Crabtree OBE	Andy Hogarth
Non-Executive Chairman	**Chief Executive**
2016	2016

Strategic Report

Finance Director's statement

for the year ended 31 December 2015

Phil Ledgard
Finance Director

Financial highlights

2015 was a very strong year of growth with total revenue for the year increasing by 40% to £702.2m (2014: £503.2m). The financial result includes the effect of a number of acquisitions, including the full year effect of the acquisition of Avanta Enterprise Limited in 2014, and three further acquisitions in 2015 including A4e Limited in early May, Milestone Operations Limited in late September, and Diamond Recruitment Group in early October. In addition, organic revenue growth strengthened considerably, up 16.6% compared to up 10.2% in 2014. The underlying Staffing business also grew strongly in 2015 with a total of 70 additional OnSites and increased demand from our existing customer base and the full benefits of this performance will come through in 2016.

The A4e and Avanta acquisitions combined with organic growth have given rise to a significant change in the segmental balance of the business over recent years, with the renamed PeoplePlus division now representing 21% of annual revenue, 46% of annual gross margin and 54% of underlying PBT. As intended, this enhances the profit margin performance for the Group.

Our overall gross profit has increased by 33.7% to £86.8m with gross profit margins remaining strong at 12.4% (2014: 12.9%). Within this result is the movement in gross margin % for the Staffing division which has decreased in 2015 to 8.5% (2014: 8.8%) reflecting two trading trends. Firstly, the increasing National Minimum Wage has the effect of increasing revenue but not changing actual gross margin, meaning that the gross margin % reduces. This factor has become a regular feature of our Staffing gross margin profile and will quicken with the introduction of the mandatory Living Wage from April 2016. Secondly, the Staffing division has invested in resources to support the

mobilisation of the high number of OnSite wins during the year. This is a short term effect and these additional costs will reverse in 2016.

One of the key performance indicators that the Board of Directors monitors during the year is profit before taxation, share based payment charges (SBPC) and amortisation of acquired intangible assets (Underlying PBT). In addition, we have excluded from Underlying PBT the one-off costs of acquisition relating to A4e and the exceptional restructuring costs of forming the PeoplePlus division, as they are non-recurring and material in the context of our trading performance during the year. Underlying PBT grew in line with expectations by over 52% to £28.3m (2014: £18.6m) and Underlying PBT as a percentage of revenue grew to 4.0% (2014: 3.7%).

Earnings per share

Removing non-cash charges for SBPC, goodwill amortisation and the exceptional costs of acquisition and reorganisation (and their respective taxation impacts) results in an adjusted basic earnings per share increase of 54.7% to 92.8p (2014: 60.0p) and an adjusted diluted earnings per share increase of 54.8% to 92.4p (2014: 59.7p).

Statutory basic earnings per share decreased to 12.4p (2014: 28.6p) and the diluted earnings per share decreased to 12.3p (2014: 28.5p) due to the increased costs of SBPC, goodwill amortisation and the exceptional costs of acquiring and integrating A4e.

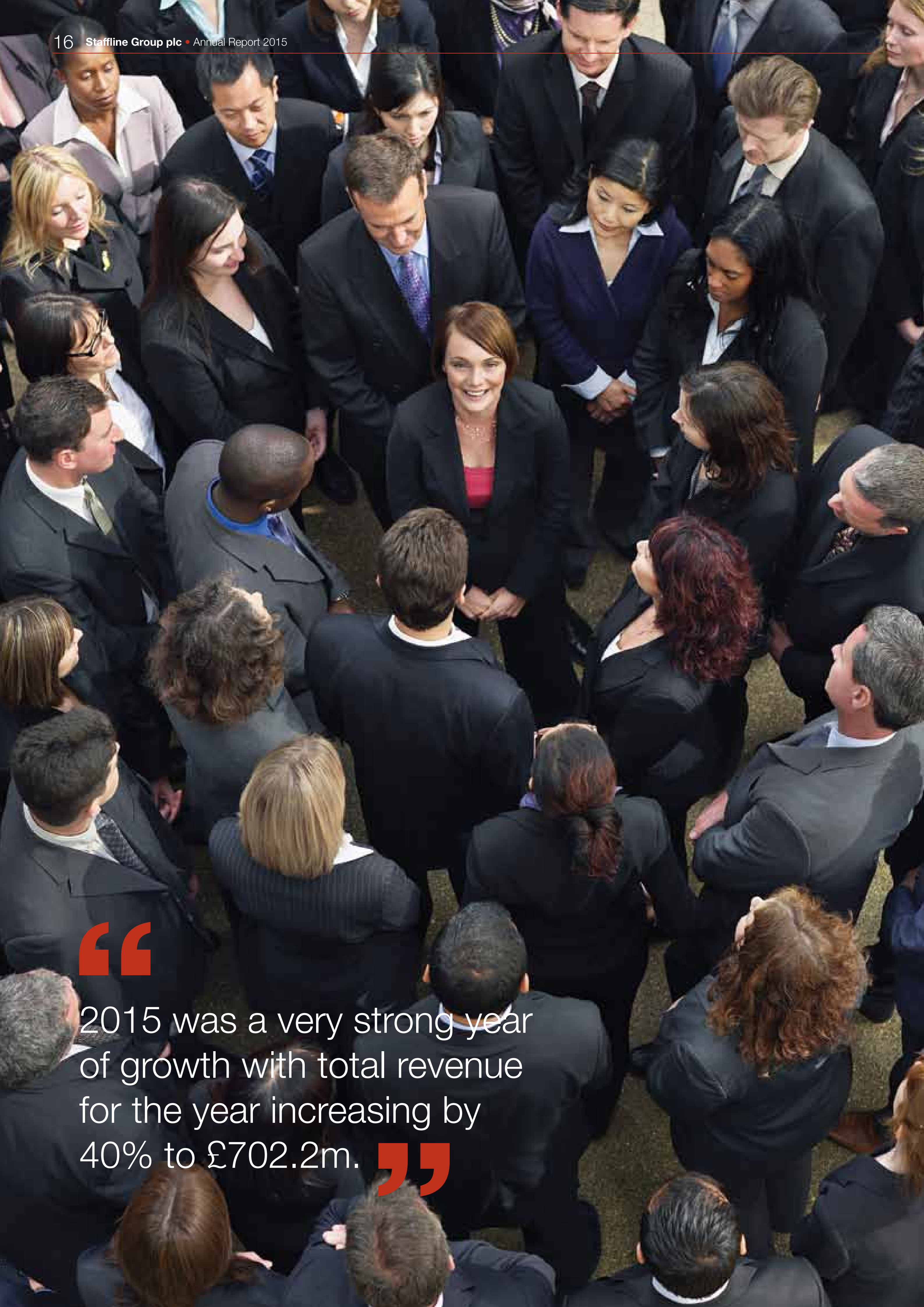
Balance sheet, cash generation and financing

The Group balance sheet has materially changed during the year in particular as a result of the acquisition of A4e. Total group assets have increased by £81.5m to £263.2m (2014: £181.7m). Of this increase, £45.2m results from the increase in goodwill and other intangible assets arising from the acquisitions in 2015. Property, plant and equipment has increased, partly due to the acquisitions, but also due to the continuing investment made in our IT infrastructure and that required to support roll out of our new Transforming Rehabilitation probation services contract win in Warwickshire and West Mercia (our Community Rehabilitation Company).

Post tax cash generation during the year has been strong and excellent credit control performance has succeeded in limiting our working capital to 2.1% of revenue, on average. DSO within Staffing Services remains low at 29 days (2014: 28.5 days).

Total Group liabilities have increased by £72.8m to £190m. This includes a restructuring of the Group's banking facilities following our investment in the acquisitions in 2015 and provides secured working capital facilities until July 2019. Total borrowings (see note 16) have increased to £68.1m from £35.8m in 2014. To facilitate the future growth of the Group, after the year end we have agreed an increase in the Group's banking facilities under the revolving credit facilities of £7.5m, taking total available facilities from £85.0m to £92.5m.

Headroom on our working capital facilities as at 31 December 2015 was £20.0m.



“2015 was a very strong year of growth with total revenue for the year increasing by 40% to £702.2m.”

Finance Director's statement continued...

Following the changes made, at the date of this report, Group banking facilities are summarised as follows:

Facility type	Headline amount (£m)	Net borrowing as at 31 December 2015 (£m)
Term Loan (drawn in May 2015)	£35.0m	£33.7m
Loan notes fallings due in 2016	£9.0m	£9.0m
Revolving credit facility (including overdraft facility)	£48.5m	£26.0m
Unamortised debt issue costs	-	(£0.6m)
TOTAL FACILITIES	**£92.5m**	**£68.1m**
Less cash held		**£5.0m**
NET DEBT		**£63.1m**

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. Total finance charges, including the interest costs of the term loan and loan notes, (reflecting the additional cost of funding the acquisitions over the last two years) were £1.8m for the year (2014: £0.6m).

At 31 December 2015 the Group net debt peaked at £63.7m (2014: £17.8m), comprising cash of £5.0m (2014: £18.4m) and borrowings of £68.7m (excluding unamortised debt issues costs) (2014: £36.2m).
Our free cash flow levels will support the swift reduction in net debt in the coming periods.

Key performance indicators

The Group monitors a number of performance indicators both financial and non-financial:

	2015	2014
Revenue (£m)	£702.2m	£503.2m
Year on year total revenue growth (%)	39.6%	20.9%
Organic revenue growth (%)	16.6%	10.2%
Gross margin as a % of revenue (%)	12.4%	12.9%
Underlying PBT (£m)	£28.3m	£18.6m
Underlying PBT as a % of revenue (%)	4.0%	3.7%
Net (Debt) (£m)	(63.7)	(17.8)
Staffing Services DSO (days)	29.1	28.5
Highest number of temporary contractors	45,001	34,636
Number of OnSites	305	235

These indicators are discussed above and in the combined Chairman's and CEO report.

Strategic Report

Principal risks and uncertainties

for the year ended 31 December 2015

The Group is exposed to a variety of potential risks and uncertainties which require on-going monitoring and management in order to mitigate against any adverse impact on long-term performance.

The Board recognises that effective risk management is a critical part of achieving our strategic objectives. It employs a variety of systems and policies to respond effectively to these risks and uncertainties to protect the continued strategic success of the Group. Risk management is co-ordinated at its headquarters in close cooperation with the Board of Directors.

The Board reviews risks and uncertainties under three principle types:

- **Strategic and market related risks and uncertainties**
- **Operational and compliance risks and uncertainties**
- **Financial risks and uncertainties**

The most significant risks to which, in the opinion of the Directors, the Group is exposed are described opposite. Our responses to these risks are given in *italic font*.

Strategic and market-related risks and uncertainties

Exposure to significant changes in the UK economy	The UK economic health can impact the Group in both positive and negative ways. Due to the industries in which the Group's Staffing division specialises, the Directors consider the Group to be relatively less affected than others in the recruitment sector during a general economic cycle (downturn or upturn). However, this sector is subject to great change and consolidation as the buying power of major retailers continues to drive the need for rationalisation and greater economies of scale. We are at risk if our clients lose business in this process. *We continue to mitigate this risk by diversifying our service range and expanding our client base. We can expect to gain as much business as we lose if we have a wide enough spread of clients. A recovery may provide some opportunities if clients seek to use temporary staff in lieu of replacing permanent employees.* As unemployment rates fall, so the referral numbers to the Work Programme also fall. *We therefore employ a strategy of scalable operational platforms which can be flexibly increased or decreased to meet demand over time. The on-going UK economic recovery also provides new opportunities, oriented towards skills development for the UK economy and towards young people which will enable us to leverage our division's capabilities into the future.*
Highly competitive market places	The Group operates in the recruitment services sector where there are a significant number of competitors and barriers to entry are relatively low. The Group is therefore exposed to high levels of competition in securing new or retaining existing business. *To counter the threat of competitors seeking to win business from us, the Group builds strong long term relationships with its customers through excellent service levels and through its rigorous selection and checking procedures. These ensure that all contractors provided by the Group are fully compliant with the legal requirements* *In addition, the Group's strategy of an increasing diverse range of Staffing services further reduces the impact of any particular area of competition faced.*
Acquiring and integrating businesses	The Group has made a number of acquisitions over recent years. There is a risk, post-acquisition, that an issue with a customer, contract or staff member may impact the value of the acquisition. *Significant legal, commercial and financial due diligence is undertaken on each acquisition before completion in line with its size and complexity. Post-acquisition, the integration into the Staffline procedures and systems is managed by an appropriate acquisition team.*
Concentration on limited number of significant customers	Dependence on key customers can lead to over reliance on a small portion of the portfolio and vulnerability should a major customer cease to buy from the Group. *Our PeoplePlus division essentially has only one customer, being the UK Government. However, this is mitigated by the fact that this division now has a number of different government contracts with several central government departments. Our Staffing division continues to add important new customers to its portfolio every year, and this increasingly reduces the proportional scale of any one customer. The top 10 customers in Staffing account for 59.1% of group revenue, up from 54% last year.*
Change in UK governmental and related central governmental policies	The general election result in 2015 has given rise to little change to the Group. However, there is always a risk that a change in UK central governmental policies could lead to reduced commercial opportunity for our services. *Experience shows that a change in Government policy (and therefore contract terms) would not necessarily have an adverse impact and there are only a limited number of providers who meet the criteria to secure these contracts.*
Long term contracts and commercial terms	Long term contracts within our PeoplePlus sector provide strong revenue visibility and yet it is important to ensure that related commercial and operational terms and commitments are profitable and viable for long periods of time. *Authorisation practices for bids are well established in the Group ensuring that all material aspects of pricing and other commercial terms are reviewed by the Board or other senior management teams as appropriate. Contractual variations during the life of a contract are similarly subject to appropriate Board level reviews.*

Principal risks and uncertainties continued...

Operational and compliance risks and uncertainties

Fulfilling our PeoplePlus contractual commitments	Within our PeoplePlus segment, our key risk is that we will be unable to find jobs for jobseekers and /or having found jobs we are unable to keep those workers in place. *Our other business segment, Staffing services, makes us ideally placed to find suitable jobs. This, coupled with our unique tailored approach to help unemployed people back into sustainable employment, through a combination of intensive job search support, comprehensive vacancy matching services, real work experience, skills development and in-work support, acts as an effective mitigating action.*
Ensuring compliance with legislative and regulatory requirements	The Group faces the risk that one of our members of staff may deliberately by-pass the procedures set up which ensure we fully comply with our industry legislative requirements and related best practice standards. There is a reputational and financial risk to the business should someone deliberately choose to do this. *We have put robust checks and audit procedures in place to detect and quickly respond to such acts. These are operated by our in-house compliance team. In addition, we work closely with the Gangmaster Licensing Authority (GLA) and recruitment governing bodies, such as the Recruitment and Employment Confederation (REC) and the Association of Labour Providers (ALP) to ensure that the business is up-to-date on these issues.*
Major failure of IT systems	As with all large scale businesses, including those in the market sectors we operate in, we are reliant on our IT systems to support and operate our business. *The Group has a robust Disaster Recovery plan in place in the event of a major internal failure of our IT systems. However, as our business grows, we become ever more reliant on third party telecommunication and other providers. We have put back-up and alternative solutions in place.*
Breach of data security policies and procedures	The Group holds personal data in respect of Staffing temporary workers, participants of our various PeoplePlus sector contracts, and our own staff. This requires robust data security measures across the Group. *Strong controls over data access are employed in the business coupled with appropriate training of those entrusted with such data. Suitable group policies and procedures are enforced and ISO27001 is maintained within the group under the stewardship of a Data Protection Officer.*
Market demand changes arising from changes in regulations	Onerous changes in the regulatory framework, driven by potential European or UK legislation, could lead to greatly increased employment costs which might lead to a reduction in demand for our temporary workers. *We actively engage and participate with principle industry bodies for our market sectors to stay abreast of all potential developments and remain confident that our strategy allows us to respond to any such threats quickly and effectively.*

Financial risks and uncertainties

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. As we allow credit to our clients, we are at risk if one of them runs into financial difficulties and is unable to pay their outstanding debt.

The Group has adopted a policy of carefully monitoring all customers, in particular those who lack an appropriate credit history. We have procedures to check the creditworthiness of new clients with external agencies and we check current customers periodically. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. To date these actions have been successful and the total bad debt charge to the Group in the last three years, excluding VAT, has been £1.1 million on sales of £1.6 billion, equating to 0.07% of sales.

Liquidity risk

The Group requires adequate and appropriate financing facilities to be in place at all times to fund working capital requirements, expansion and to allow for potential further acquisitions.

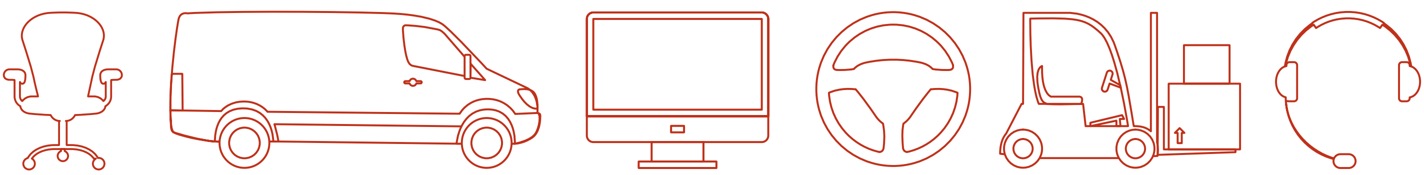
The Group seeks to manage financial risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Facilities are described in note 16 on page 51 and are secured until July 2019. We hold regular discussions to ensure we have our Bank's backing to support strategic plans.

Interest rate risk

All financial liabilities of the Group owed to the Group's bankers are subject to floating interest rates which are subject to increase.

Competitive rates have been negotiated with the Group's bankers. The rate paid on bank loans and overdrafts is linked to our leverage ratio in the Group although has been 1.35% above base rate since the facilities were refreshed and forecasts indicate it will remain so for the foreseeable future. The Board consider that the cost of swapping this floating rate basis into a fixed rate is not commercially warranted at this time, but will be kept under review.

Phil Ledgard
Finance Director
2016



Governance

Corporate governance statement

for the year ended 31 December 2015

Statement by the Directors on compliance with certain of the provisions of the UK Corporate Governance Code (the Code)

As a company listed on the Alternative Investment Market of the London Stock Exchange, Staffline Group plc is not required to comply with the full requirements of the UK Corporate Governance Code (the Code). However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the Code we consider relevant to the company. The number of Non-Executive Directors equals the number of executive Directors. The Group supports the concept of an effective Board leading and controlling the Group and a brief outline of the role of the Board and its Committees, together with the Group's systems of internal financial control which the Board will continue to keep under review, is on page 23.

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive, the Group Managing Director, the Finance Director and two Non-Executive Directors. Biographies of the Directors appear below including who sits on which committee (A = Audit Committee, R = Remuneration Committee, N = Nominations Committee). The Non-Executive Directors are considered by the Board to be independent.

Ed Barker
Non-Executive Director (A, R, N)

Ed Barker has over 12 years of experience in the retail sector working across a number of senior financial and operational functions including; Group Reporting, Financial Planning & Analysis, Tax, Pensions, Group Financial Controller and Retail & Logistics Finance. Prior to working in industry, he achieved professional ACA qualification with PwC in 1998, and was made an FCA in 2013. Following his appointment to the board in November 2014, Ed is chairman of the Audit Committee as well as becoming a member of the Remuneration and Nomination committees.

Dame Christine Braddock
Non-Executive Director (A, R, N)

Dame Christine Braddock has over thirty years' experience in Senior Leadership of Further Education organisations and has worked within the Probation Service, Home Office and Private Sector Colleges.

Christine was awarded a CBE for service to Further Education and a DBE for services to the business and education community in the 2013 New Years' Honours list. Christine was the first public sector person appointed to be the President of the Greater Birmingham Chamber of Commerce and was the first woman to be appointed to the Greater Birmingham and Solihull LEP Board. She has held a number of appointments at local Regional and National Level including; Chair of the Education and Skills Engineering UK and Director of the Quality Improvement Agency and has been a West Midlands council member of the CBI and Aston University for the last ten years. Dame Christine currently holds the position of Chairman of Birmingham Children's Hospital and joined the board in July 2014. Dame Christine is chair of the Remuneration and Nomination committees.

John Crabtree OBE
Non-Executive Chairman (A, R, N)

John Crabtree joined the Board on 1 March 2005 as a Non-Executive Director. He was appointed Chairman in 2011. John was the senior partner of Wragge & Co, the Birmingham based corporate law firm and whilst in this role John was responsible for the firm's evolution into a leading national and international practice. John has a number of business interests, including being Non-Executive Chairman of Real Estate Investors plc, SLR Holdings Limited, Birmingham Hippodrome Theatre Trust, and the charity Sense.

Andy Hogarth
Chief Executive (N)

Andy has held senior roles in a wide range of businesses including retail, support services, healthcare, hospitality and construction. As Finance Director he led the MBO and subsequent trade sale in 2002 of Pipeline Constructors Group, a £100m utility services business. He is currently CEO of Staffline Group plc, sits on the board of an elderly care charity and is a non-executive Director of the Birmingham Hippodrome. He is a Director of Hogarths Hotels, two boutique hotels in Solihull and Kidderminster. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) as well as a Master Practitioner of Neuro-Linguistic Programming (NLP) and a Certified NLP coach. He joined Staffline in 2002 as Finance Director, becoming Managing Director in 2005 and was appointed Chief Executive in 2009.

Diane Martyn
Group Managing Director

Diane Martyn was, until 2011, CEO of Randstad Staffing in the UK, part of one of the leading human resources services providers in the world, where she was responsible for the merger of Select Appointments plc and Randstad in 2008. She has over 20 years of experience in the staffing industry where she has held senior management roles, including Chief Executive Officer of Select Appointments plc and Managing Director of Blue Arrow. Diane joined the Board of Staffline on 13 February 2012 as a Non-Executive Director and was appointed Group Managing Director on 25 February 2013.

Phil Ledgard
Finance Director (N)

Phil Ledgard FCA joined Staffline as Group Finance Director in October 2013. 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, has a BA in Accounting and Financial Analysis from Warwick Business School and is a Trustee Director of Ex Cathedra in Birmingham.

Corporate Governance statement continued...

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting is used to communicate with all investors and they are encouraged to participate. The Directors are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a formal resolution to approve the Annual Report and Accounts.

Internal control

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

The Remuneration Committee, chaired by Dame Christine Braddock has met twice during the year. It is responsible for determining the level of remuneration to be paid to the Executive Directors. A separate report on remuneration follows.

The Nominations Committee is responsible for ensuring that the balance of the Board is appropriate to control and direct the business. It has not been required to meet during 2015.

The Audit Committee, chaired by Ed Barker, has met three times during the year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems. Auditor independence is also maintained through regular meetings with the Audit Committee with management excluded. The Audit Committee is responsible for identifying and commissioning specific internal control reviews as required, and for the appointment of the Group's external auditors.

The Group has several mechanisms for ensuring internal controls are operating effectively. There is an independent compliance audit team responsible for checking legality to work and compliance with relevant standards (e.g. GLA and REC). Within the payroll team we maintain appropriate levels of on-going training to ensure compliance with relevant legislation and procedures. From a financial point of view authority levels are in place and there is regular review of financial information at all management levels right up to the Board.

In addition, the group has an internal assurance function. Its current role is primarily focused at monitoring compliance with industry standards and requirements of the PeoplePlus division. This has developed further in 2015 providing a group capability for checking compliance with wider internal control policies across the group, enhancing our internal information security standards, and assisting the Board with risk management practices across the Group. Each of the PeoplePlus and Staffing divisions now has an Audit and Risk Committee which reviews the material business risks faced by each division and the actions taken to mitigate those risks.

The Group tailors its approach to ensuring internal controls are operating effectively over new acquisitions – in the majority of cases the acquired business is integrated into Staffline systems from the outset. Operational responsibility is assigned from day one and the results form part of the usual regular management reporting. In special circumstances, such as when they are large scale, acquisitions continue to be run on separate systems and this is the case for the acquisition of A4e Limited this year.

The Directors keep a register of risks faced by the business, rating these risks on a scale of 1 to 5 for both probability and impact. These risks have been mitigated to the extent considered practical and are reviewed regularly. The principal risks and uncertainties facing the Group are included in the Strategic Report on page 18.

Going concern

At the end of October 2015, as a consequence of the on-going growth of the group through increased business and a number of acquisitions, the group experienced some pressure in relation to the available working capital headroom provided by the banking facilities and went above its agreed bank facility limits for four days. The company received the full support of its lenders throughout and subsequently agreed an increase in the group facilities, which, in the view of the Directors, provides suitable headroom for the business for the foreseeable future.

In considering the on-going funding requirements of the Group, the Directors have prepared cash flow forecasts extending to December 2018. These indicate that the Group expects to be able to continue to operate within its amended bank facilities and meet all of their related financial covenant tests for the foreseeable future. The Board regularly reviewed and discussed the group's bank facilities during 2015 to ensure they are kept appropriate for Group requirements. The Group benefits from strong working relationships with its banks and had net cash headroom versus its working capital facilities of £20.0m at 31 December 2015.

Strong financial performance for the year ended 31 December 2015 and a strong start to 2016 the Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis.

Governance

Report on remuneration

for the year ended 31 December 2015

Remuneration Committee

The Company has a Remuneration Committee comprising Dame Christine Braddock, who is the Chairperson, and Ed Barker. Except as shareholders and Directors none of the members has any personal financial interest in the Group. The Group's current remuneration policies are set out below.

Policy on Executive Directors' remuneration

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

The performance management of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No Director plays a part in any decision about his or her own remuneration. Executive Directors are permitted to accept appointments outside the Group subject to prior Board approval. The remuneration packages for Andy Hogarth, Phil Ledgard and Diane Martyn are comprised of a basic salary and a performance related bonus as well as share-based payment schemes as described below.

The remuneration of the Directors, which was all paid by the Group, is detailed in note 7 of the notes to the financial statements.

Basic salary

An individual's basic salary is reviewed by the Remuneration Committee each year and when an individual changes position or responsibility. In deciding appropriate levels the Committee takes into account objective research on comparable companies and general market conditions.

Annual bonus

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

A total bonus of £115,000 (2014: £115,000) has been accrued in respect of the Executive Directors in recognition of group profitability meeting budget, in line with the Executive Bonus Scheme approved by the Remuneration Committee.

Directors' share options

In March 2013, share options were issued to Diane Martyn. The options vest in March 2016 on a sliding scale dependent upon the performance of adjusted diluted earnings per share over the three years ended 31 December 2015; as of 31 December 2015, the maximum criteria has been met and accordingly the full amount of shares are expected to vest.

Joint Share Ownership Plan

In 2010, the Company established a Joint Share Ownership Plan (JSOP) to provide additional incentives to senior executives.

That JSOP interest ran from the date of the award until 30 June 2015. During this period the right to sell the JSOP award shares was not at the discretion of the Directors but instead at the discretion of the Employee Benefit Trust. On disposal of the shares, the amount received by the Directors was calculated based on certain business performance conditions. The payment to the Directors took into account fully diluted EPS adjusted for amortisation of intangibles and a share based payment charge in any financial year up to 2014 (from a minimum of 24p to a maximum of 42p) and the share price at the date of disposal.

In 2013, the Company established a further JSOP on a similar basis to the 2010 issue, but with a range of adjusted EPS of between 56p and 93.5p and 50% of the award is subject to an additional condition that total shareholder return exceeds the increase in the FTSE AIM All Share Total Return Index over the period. The JSOP runs until 30 June 2018.

The interests that the Directors acquired in the shares jointly with the Staffline Group plc Employee Benefit Trust are contained within note 7 of the notes to the financial statements.

Policy on Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is determined by the Board and based upon independent surveys of fees paid to Non-Executive Directors of similar companies. The Non-Executive Directors do not receive any benefits apart from their basic salaries or fees.

Service contracts

Andy Hogarth, Phil Ledgard and Diane Martyn have rolling service contracts requiring notice from either party of one year. John Crabtree, Dame Christine Braddock and Ed Barker each have contracts terminable on six months' notice given by either party.

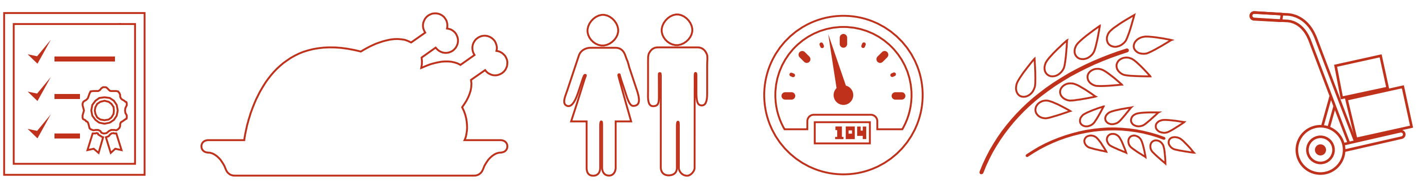
There are no contractual termination payments other than as a result of the contractual notice period.

Pension arrangements

The Group has a defined contribution pension scheme with Scottish Widows for all permanent employees. Executive Directors are entitled to receive a contribution from the Group equivalent to 10% of their basic salary into this or another scheme of their choice.

Benefits in kind

The Group provides private medical insurance for Andy Hogarth, Phil Ledgard and Diane Martyn. No other benefits in kind are provided to Directors.



Governance

Report of the Directors

for the year ended 31 December 2015

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

A detailed review of the activities of the Group, including financial and non-financial key performance indicators, can be found in the Strategic Report.

An interim dividend of £1,901,000 (7.5p per share) was paid during the year (2014: £1,227,500, 5p per share). The Directors have proposed a final dividend of £3,169,874 (12.5p per share) (2014: £2,358,542, 8.5p per share) to be paid on 5 July 2016, to shareholders registered on 30 June 2016. This has not been included within creditors as it was not formally approved before the year end.

Directors

The Directors who held office during the year were as follows:

A Hogarth

D Martyn

Dame C Braddock

E Barker

J Crabtree OBE

P Ledgard

Employee involvement

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's strategic objectives, vision, values and principles are communicated in an open and regular manner. Employees are kept aware of progress versus these objectives and key developments within the Group by regular briefings and these include communications published on the group's intranet and presentations by group and subsidiary management at conferences, roadshows and at routine office and site briefings. Senior staff participate in various bonus scheme arrangements linked to financial performance.

Disabled persons

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

Substantial shareholdings

The interests in excess of 3% of the issued ordinary share capital of the Company which have been notified as at 31 December 2015 were as follows:

	Ordinary shares of 10p each	Percentage of ordinary shares %
Octopus Investments	3,033,775	10.9
Fidelity Worldwide Investment	2,662,385	9.6
Standard Life Investments	2,148,675	7.7
River and Mercantile Asset Management	1,697,000	6.1
Directors of the company	1,624,129	5.9
Hargreave Hale – Stockbrokers	1,480,756	5.3
Legal and General Investment	1,300,610	4.7
Invesco Perpetual	920,452	3.3
JPMorgan Asset Management	868,959	3.1
Investec Asset Management	852,357	3.1
Schroder Investment Management	845,780	3.1

The shareholding for A J Hogarth excludes shares held under the Company's Joint Share Ownership Plan (JSOP) in which he is a beneficial co-owner of shares. Details of such shareholdings are given in the Report on Directors' remuneration.

Auditors

During the year the directors appointed PricewaterhouseCoopers LLP as auditors, replacing Grant Thornton UK LLP, and a resolution will be proposed for their re-appointment at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Phil Ledgard
Company Secretary
2016

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors confirm that:

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

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

Governance

Independent auditor's report to the members of Staffline Group plc

for the year ended 31 December 2015

Report on the group financial statements

Our opinion

In our opinion, Staffline Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated statement of financial position as at 31 December 2015;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters

We have reported separately on the company financial statements of Staffline Group plc for the year ended 31 December 2015.

Steven Kentish
Senior Statutory Auditor
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 26 January 2016

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 Underlying £'000	2015 Non underlying* £'000	2015 Total £'000	2014 Underlying £'000	2014 Non underlying* (restated) £'000	2014 Total (restated) £'000
Continuing operations							
Sales revenue	4	702,206	-	702,206	503,167	-	503,167
Cost of sales		(615,456)	-	(615,456)	(438,320)	-	(438,320)
Gross profit		**86,750**	**-**	**86,750**	**64,847**	**-**	**64,847**
Administrative expenses	5, 29	(56,439)	(22,814)	(79,253)	(45,478)	(8,137)	(53,615)
Operating profit		**30,311**	**(22,814)**	**7,497**	**19,369**	**(8,137)**	**11,232**
Finance costs	6	(2,021)	-	(2,021)	(779)	-	(779)
Profit for the period before taxation		**28,290**	**(22,814)**	**5,476**	**18,590**	**(8,137)**	**10,453**
Tax expense	8	(5,188)	2,791	(2,397)	(4,342)	687	(3,655)
Profit from continuing operations		**23,102**	**(20,023)**	**3,079**	**14,248**	**(7,450)**	**6,798**
Loss after tax on discontinued operations				(712)			-
Profit for the period				**2,367**			**6,798**
Items that will not be reclassified to the profit and loss account - actuarial gains				563			-
Items that may be reclassified to the profit and loss account – cumulative translation loss				(84)			-
Net profit and total comprehensive income for the period				**2,846**			**6,798**

Earnings per ordinary share	9						
Continuing operations:							
Basic				12.4p			28.6p
Diluted				12.3p			28.5p
Discontinued operations:							
Basic				(2.9p)			-
Diluted				(2.8p)			-

*the non-underlying result includes the share based payment charge, amortisation of acquired intangible assets, acquisition costs and exceptional reorganisation costs.

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

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2015	**2,775**	**(9,776)**	**39,930**	**61**	**31,470**	**64,460**
Dividends	-	-	-	-	(3,989)	(3,989)
Issue of new shares to JSOP	-	742	-	-	9,089	9,831
Share options issued in equity settled share based payments	-	-	-	30	-	30
Issue of new shares	-	-	2	-	-	2
Transactions with owners	**-**	**742**	**2**	**30**	**5,100**	**5,874**
Profit for the period	-	-	-	-	2,367	2,367
Actuarial gains	-	-	-	-	563	563
Cumulative translation adjustments	-	-	-	-	(84)	(84)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,846**	**2,846**
At 31 December 2015	**2,775**	**(9,034)**	**39,932**	**91**	**39,416**	**73,180**

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2014 as previously stated	2,569	(9,211)	24,195	31	28,166	45,750
Prior year adjustment (note 3)	-	-	-	-	(744)	(744)
At 1 January 2014	**2,569**	**(9,211)**	**24,195**	**31**	**27,422**	**45,006**
Dividends	-	-	-	-	(2,750)	(2,750)
Issue of new shares to JSOP	6	(565)	559	-	-	-
Share options issued in equity settled share based payments	-	-	-	30	-	30
Issue of new shares	200	-	15,800	-	-	16,000
Share issue costs	-	-	(624)	-	-	(624)
Transactions with owners	**206**	**(565)**	**15,735**	**30**	**(2,750)**	**12,656**
Profit for the period (restated)	-	-	-	-	6,798	6,798
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**6,798**	**6,798**
Balance at 31 December 2014 (restated)	**2,775**	**(9,776)**	**39,930**	**61**	**31,470**	**64,460**

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

Consolidated statement of financial position

for the year ended 31 December 2015

	Note	2015 £'000	2014 (restated) £'000
Assets			
Non-current assets			
Goodwill	10	89,306	69,733
Other intangible assets	11	36,714	12,014
Property, plant & equipment	12	9,338	4,885
Deferred tax asset	18	940	327
		136,298	**86,959**
Current			
Trade & other receivables	13	117,776	76,414
Retirement benefit asset	28	2,437	-
Current assets held for sale	27	1,687	-
Cash and cash equivalents	14	5,026	18,364
		126,926	**94,778**
Total assets		**263,224**	**181,737**
Liabilities			
Current			
Trade and other payables	15	102,506	69,466
Borrowings	16	20,702	13,363
Current liabilities held for sale	27	2,540	-
Other current liabilities	17	2,967	5,489
Current tax liabilities		233	2,335
		128,948	**90,653**
Non-current			
Borrowings	16	47,447	22,401
Other non-current liabilities	17	7,576	2,044
Deferred tax liabilities	18	6,073	2,179
		61,096	**26,624**
Total liabilities		**190,044**	**117,277**
Equity			
Share capital	19	2,775	2,775
Own shares		(9,034)	(9,776)
Share premium		39,932	39,930
Share based payment reserve		91	61
Profit & loss account		39,416	31,470
Total equity		**73,180**	**64,460**
Total equity & liabilities		**263,224**	**181,737**

The financial statements were approved by the Board of Directors on 26 January 2016.

A Hogarth
Director

P Ledgard
Director

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

Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 £'000	2014 (restated) £'000
Cash flow from operating activities	25	**14,431**	**17,599**
Taxes paid		(5,016)	(2,495)
Net cash inflow from operating activities		**9,415**	**15,104**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,935)	(2,707)
Sale of property, plant and equipment		-	14
Purchase of intangible assets		(500)	-
Acquisition of businesses - cash paid, net of cash acquired		(20,073)	(26,614)
Net cash used in investing activities		**(24,508)**	**(29,307)**
Cash flows from financing activities:			
New loans (net of transaction fees)		53,141	9,575
Loan repayments		(35,335)	(1,352)
Acquisition of businesses - deferred consideration for prior acquisitions		(11,000)	(165)
Lease repayments		(28)	-
Interest paid		(1,773)	(602)
Dividends paid		(3,989)	(2,750)
Proceeds from sale of JSOP shares		9,832	-
Settlement of JSOP liability		(9,088)	-
Proceeds from the issue of share capital		-	15,376
Net cash flows from financing activities		**1,760**	**20,082**
Net change in cash and cash equivalents		**(13,333)**	**5,879**
Cash and cash equivalents at beginning of period		**18,359**	**12,480**
Cash and cash equivalents at end of period	14	**5,026**	**18,359**

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

Notes to the consolidated financial statements

for the year ended 31 December 2015

1. Nature of operations

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

2. General information and statement of compliance

Staffline Group plc, 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 and its subsidiary companies is disclosed on the company details page to these financial statements. The company registration number is 05268636.

The financial statements for the year ended 31 December 2015 (including the comparatives for the year ended 31 December 2014) were approved and authorised for issue by the board of Directors on 26th January 2016.

The Group does not have an ultimate controlling related party.

3. Accounting policies

Basis of preparation

The consolidated financial statements are prepared for the 52 weeks ended 3 January 2016. The consolidated financial statements of the Group have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance with International 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.

Separate financial statements of Staffline Group plc ('the Company') have been prepared, on pages 60 onwards, under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 below.

Prior year adjustment

Following a review of the carrying value of the Group's deferred tax assets, a prior year adjustment has been made in the 2014 comparatives to reduce the deferred tax asset on the share based payment reserve as at 31 December 2014 from £1,514,000 to £58,000. The prior year tax charge has accordingly increased from £2,943,000 to £3,655,000 with £744,000 posted to the 2013 closing profit and loss reserve. Earnings per share has also been restated. The impact on the prior year net assets is a reduction of £1,456,000.

The dilapidation provision in the prior year has been reclassified from accruals to other liabilities to more accurately reflect the nature of the cost. There is no impact on net assets. In the consolidated statement of cash flows, deferred consideration paid on acquisition of businesses is now classified within financing activities, rather than investing activities.

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at 31 December 2015 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 subsidiaries have a reporting date of 31 December, with all subsidiary accounts prepared for the 52 weeks ended 3 January 2016. 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.

Acquired subsidiaries and businesses are subject to the application of the acquisition accounting method. This involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary or business prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at these fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests of the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Segment reporting

The Group has two material operating segments: the provision of temporary staff to customers, "Staffing Services" and the provision of welfare to work and other training services, together "PeoplePlus". Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

The placement of permanent staff with customers, training and the provision of outsourced logistics services all contribute less than 10% of the Group's total revenue, profit and assets. Under the definitions contained in IFRS 8, the only material geographic area that the Group operates in is the United Kingdom.

Revenue recognition

Staffing Services

Income from the provision of temporary contractors is recognised at the end of the completed working week based on hours worked multiplied by the contracted rate, net of rebates. Income from permanent placements is recognised when the candidates start work. Income from training provision is recognised evenly across the period of the training. In each case, revenue is only recognised when the labour or service has been provided and the Group is contractually entitled to the revenue.

Provisions for rebates are accounted for in the same period the related sales are recorded, and are calculated in accordance with the contractual arrangements in place.

The Staffing business has a limited number of second tier arrangements whereby another recruitment company will provide contractors to the Group to enable the Group to fulfil a customer's requirement. Where this arrangement constitutes an agency relationship rather than principal, no sale or cost of sale is recognised in the income statement. The value of agency sales in the year is £5.2m (2014: £2.3m).

Employability

Income from the provision of welfare to work services is recognised at the point the company earns the right to consideration for services performed in agreement with contracts and contractual obligations. Under the terms of the contract with the DWP, the welfare to work segment receives income when certain contractual milestones are met as each customer passes through the programme. The segment recognises revenue in the financial statements in line with when services are provided and when the milestone outcome can be assessed with reasonable certainty. The majority of income is received based upon performance against set criteria. Where income is received in advance this is initially held in the statement of financial position as deferred income and released to the statement of comprehensive income as services are provided. Accrued income is recognised where services have been provided in advance of receipt of income and based on all available evidence, the company expects to receive payment in accordance with the contract. In spreading revenue over the period services are provided, the basis of revenue recognition considers historical experience and future expectations in terms of success rates, and takes into account the anticipated length of period over which the services are ultimately provided.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Goodwill

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

Intangible assets

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. An independent valuation is undertaken in order to assess the fair value of intangible assets acquired in a business combination. The fair value is then amortised over the economic life of the asset as detailed below. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Customer contracts, customer lists and licences

The fair value of acquired customer contracts, customer lists and licences is capitalised and, subject to impairment reviews, amortised over their estimated lives (estimated to be 2-5 years). The amortisation is calculated so as to write off their fair value less their estimated residual values over their estimated lives. An impairment review is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Property, plant and equipment

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

The useful lives of property, plant and equipment can be summarised as follows:

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

Impairment

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

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

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

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

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

In December 2007, the Group completed the purchase, sale and leaseback of a new headquarters building for a purchase price of £1,455,000 and a sale price of £1,727,000, less costs of £101,000, which is considered by management to be above fair value. In accordance with IAS 17 the excess of proceeds over fair value was deferred and is being amortised over the remaining lease term (10 years). The subsequent leasing agreement, which has been considered separately for the land and buildings element, is treated in accordance with the Group's existing operating lease accounting policy as detailed above.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated

Notes to the consolidated financial statements (continued)

according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

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

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

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

Pensions

Pensions to employees are provided through defined contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Financial assets

The Group's financial assets include cash, trade receivables and other receivables.

All financial assets are initially recognised at fair value, plus transaction costs. They are subsequently included at amortised cost using the effective interest rate method.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and in hand, overdrafts and short term highly liquid investments such as bank deposits less advances from banks repayable within three months from the date of advance.

Financial liabilities

The Group's financial liabilities include bank loans, loan notes, an overdraft facility, trade and other payables, including liabilities for share-based payments, and other liabilities, which include deferred and contingent consideration payable in respect of business acquisitions.

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

Bank loans are raised for support of long term funding of the Group's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Dividend distributions to shareholders are included in 'other short term financial liabilities' when the dividends are approved by the shareholders' meeting.

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

Other provisions and contingent liabilities

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

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

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

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated statement of financial position.

Equity

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

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

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

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

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

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

Share based employee remuneration

All share based payment arrangements are recognised in the consolidated financial statements. The Group operates equity settled and cash settled share based remuneration plans for remuneration of its employees.

Equity settled share based remuneration

All employee services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share based remuneration is ultimately recognised as an expense in profit or loss in the statement of comprehensive income with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

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

Cash settled share based remuneration

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

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are as follows:

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value-in-use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 10.

Contingent consideration

As part of the acquisition process, a forecast is prepared which projects the financial performance of the business over the expected earn-out period. These forecasts are reviewed and updated based on actual performance. Part of the cost of the acquisition is dependent on the trading performance of the acquired business following the transaction. The contingent consideration is based on these estimates of the future performance of the acquired business. The contingent consideration is classified as a financial liability, measured at fair value with any changes in estimated value recognised in profit and loss in the statement of comprehensive income.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognised in profit or loss in the statement of comprehensive income in the subsequent period.

Critical judgments in applying the Group's accounting policies

The Directors consider that the only critical judgements in applying the accounting policies which are described above are

- The fair value adjustments included in note 10 relating to the acquisitions in the year;
- The assumptions used in the impairment review, assessing the carrying value of goodwill versus underlying value-in-use. More details are included in note 10; and
- The estimation of the probability of the vesting conditions, attached to the JSOP, being met.

Adoption of new or amended IFRS

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective, based on EU mandatory effective dates, for periods commencing on 1st January 2016. The Group has commenced its assessment of the impact of these standards but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)*;
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)*;
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)*;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)*
- Clarification of Acceptable methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016);
- Annual improvement to IFRSs 2012-2014 Cycle (effective 1 January 2016)*;
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)*;
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)*;
- Sale or Contribution of Assets between an Investor and it Associate or Joint Ventures – Amendments to IFRS 10 and IAS 28 (deferred indefinitely)*.
- Amendments to IFRS10 and IAS 28: Application of consolidation exception (effective 1 January 2016)
- Amendments to IFRS 12: Application of consolidation exception (effective 1 January 2016)
- Amendments to IAS1: Disclosure Initiative (effective 1 January 2016)

*not adopted by the EU (as at 6 January 2016)

4. Segmental reporting

Management currently identifies two operating segments: the provision of recruitment and outsourced human resource services to industry ('Staffing Services') and the provision of welfare to work services, skills training and, as of February 2015, 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.

Notes to the consolidated financial statements (continued)

4. Segmental Reporting (continued)

Segment information for the reporting period is as follows:	Staffing Services 2015 £'000	PeoplePlus 2015 £'000	Total Group 2015 £'000	Staffing Services 2014 £'000	PeoplePlus 2014 £'000	Total Group 2014 £'000
Segment continuing operations:						
Sales revenue from external customers	554,489	147,717	702,206	437,452	65,715	503,167
Cost of sales	(507,610)	(107,846)	(615,456)	(398,836)	(39,484)	(438,320)
Segment gross profit	**46,879**	**39,871**	**86,750**	**38,616**	**26,231**	**64,847**
Administrative expenses	(33,124)	(19,692)	(52,816)	(26,549)	(16,953)	(43,502)
Depreciation	(557)	(3,066)	(3,623)	(499)	(1,477)	(1,976)
Segment operating profit before amortisation of intangibles, transaction costs and share based payment charge	**13,198**	**17,113**	**30,311**	**11,568**	**7,801**	**19,369**
Administrative expenses – share based payment charge	(8,948)	-	(8,948)	(3,665)	-	(3,665)
Administrative expenses – reorganisation costs	-	(3,200)	(3,200)	-	-	-
Administrative expenses – transaction costs	(167)	(687)	(854)	(23)	(637)	(660)
Amortisation of intangibles	(616)	(9,196)	(9,812)	(530)	(3,282)	(3,812)
Segment profit from operations	**3,467**	**4,030**	**7,497**	**7,350**	**3,882**	**11,232**
Total non-current assets	36,439	99,859	136,298	28,773	58,186	86,959
Total current assets	92,757	34,169	126,926	75,763	19,015	94,778
Total liabilities	148,982	41,062	190,044	99,467	17,810	117,277
Capital expenditure	608	3,327	3,935	681	2,026	2,707

During 2015, one customer in the Staffing Services segment contributed greater than 10% of the Group's revenues being 15.1% (£83m) of that segment's revenues (2014: one customer being 18.5%, £81m); the amount receivable from this customer at 31 December 2015 is £11.0m (2014: £9.6m). The PeoplePlus segment has one customer contributing more than 10% of the Group's revenue, being 66% of that segment's revenues (2014: none); the amount receivable from this customer at 31 December 2015 is £0.9m (2014 £nil).

5. Administrative expenses

	2015 £'000	2014 £'000
Employee benefits expenses (note 7)	33,331	31,185
Depreciation	3,623	1,976
Operating lease expenses	2,643	1,849
Other expenses	16,842	10,468
Total	**56,439**	**45,478**

Auditors' remuneration in their capacity as auditors of the parent company is £13,750 (2014: £13,750) and in their capacity as auditor of subsidiary companies is £254,250 (2014: £120,000). Non-audit remuneration in respect of tax compliance services totalled £40,000 (2014: £15,000) and in respect of other advice totalled £nil (2014: £123,000); the other advice in the prior year relates to tax advice on the setting up of the JSOP and acquisition advice. The prior year fees are all in relation to the Group's previous auditors.

Operating lease expenses of £3,520,000 (2014: £nil) relating to the PeoplePlus segment is included in cost of sales and therefore not reflected above.

6. Finance costs

	2015 £'000	2014 £'000
Interest payable on term loan, loan notes and overdraft	1,773	602
Unwinding of loan note discount	124	115
Amortisation of debt issue costs	124	62
Total	**2,021**	**779**

7. Directors and employees remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below:

	2015 £'000	2014 £'000
Wages and salaries	84,214	35,849
Social security costs	7,593	3,244
Other pension costs - defined contribution plans	2,084	606
Share option charge - cash settled	8,918	3,635
Share option charge - equity settled	30	30
Total	**102,839**	**43,364**

	Number	Number
The average number of persons (including Directors) employed by the Group during the year was:		
Sales and administrative	**3,768**	**1,611**

Of the £102,839,000 (2014: £43,364,000) total employee benefits cost above, £60,560,000 (2014: £12,180,000) relating to the PeoplePlus segment is included in cost of sales and therefore not reflected in administrative expenses in note 5 above.

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

	2015 £'000	2014 £'000
Wages and salaries	431,342	369,443
Social security costs	25,048	23,106
Total	**456,390**	**392,549**

	Number	Number
The average number of temporary workers contracted by the Group during the year was:	35,869	28,240

Directors' remuneration

The remuneration of the Directors, which was all paid by Staffline Recruitment Limited, the Company's wholly owned subsidiary undertaking, was as follows:

	A Hogarth	P Ledgard	D Martyn	J Crabtree	E Barker	C Braddock	Total
2015	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Salary and fees	232	152	212	63	30	35	724
Bonus	55	10	50	-	-	-	115
Benefits in kind	2	1	1	-	-	-	4
Subtotal	**289**	**163**	**263**	**63**	**30**	**35**	**843**
Pension contributions	22	14	20	-	-	-	56
Total	**311**	**177**	**283**	**63**	**30**	**35**	**899**

The Group incurred an income statement charge of £4.6m in relation to cash and equity settled share options held by the directors. The total is split as follows: A Hogarth (£3,142,000, 2014: £857,000), D Martyn (£1,050,000, 2014: £205,000) and P Ledgard (£406,000, 2014: £53,000).

Notes to the consolidated financial statements (continued)

7. Directors and employees remuneration (continued)

2014	A Hogarth £'000	P Ledgard £'000	D Martyn £'000	N Keegan £'000	J Crabtree £'000	E Barker £'000	C Braddock £'000	Total £'000
Salary and fees	232	152	212	32	63	5	20	716
Bonus	55	10	50	-	-	-	-	115
Benefits in kind	2	1	1	-	-	-	-	4
Subtotal	**289**	**163**	**263**	**32**	**63**	**5**	**20**	**835**
Pension contributions	22	14	20	-	-	-	-	56
Total	**311**	**177**	**283**	**32**	**63**	**5**	**20**	**891**

Share based employee remuneration

Approved Employee Share Option Plan

At 31 December 2015 the Group operates a share based payment scheme (EMI scheme) for certain employees. However as the number of employees now exceeds 250 the qualification criteria for an EMI scheme are no longer met so no further share options can be issued under the scheme.

The share option scheme was available to all full time members of staff, with the exception of the Directors, subject to the rules of the scheme, the key points of which are as follows;

- only staff with in excess of six months service are eligible;
- the number of options granted is a factor of length of service and current salary;
- options are exercisable between two and seven years of being granted;
- except in certain limited circumstances all options lapse if an employee leaves the Group; and
- exercise of options is not subject to any specific performance criteria.

Performance Related Share Option Plan

In 2013, a maximum of 100,000 performance-related share options were issued to a director, Diane Martyn. The options vest in March 2016 on a sliding scale dependent upon the performance of adjusted diluted earnings per share over the three years ended 31 December 2015; as of 31 December 2015, the maximum criteria has been met and accordingly the full amount of shares are expected to vest:

	Date of grant	At 1 Jan 2015	Granted	Exercised	At 31 Dec 2015	Exercise price
D Martyn	8 March 2013	100,000	100,000	-	100,000	348.6p

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

Share options and the weighted average exercise price are as follows for the reporting periods presented:

	Number	Weighted average exercise price (pence) 2015	Number	Weighted average exercise price (pence) 2014
Outstanding at start of period	**107,261**	**330**	**109,116**	**327**
Granted	-	-	-	-
Lapsed	(995)	-	(1,855)	(162)
Exercised	(1,838)	92	-	-
Outstanding at end of period	**104,428**	**336**	**107,261**	**330**

The Group has the following outstanding share options and exercise prices:

	Number	Weighted average exercise price (pence) 2015	Weighted average contractual life (months) 2015	Number	Weighted average exercise price (pence) 2014	Weighted average contractual life (months) 2014
Date exercisable and (option life):						
2010 (up to 2015)	-	-	-	2,833	92	-
2011 (up to 2016)	**4,428**	**54**	-	4,428	54	-
2013 (up to 2016)	-	-	-	-	-	-
2016 (up to 2021)	**100,000**	**349**	**15**	100,000	349	15

Share options have exercise prices between 54p and 348.6p. The weighted average share price during the year was 1,215p (2014: 815p).

The number of share options exercisable at the end of the year was 4,428 (2014: 7,261). The weighted average price of the options exercisable at the end of the year was 54p (2014: 69p).

Joint Share Ownership Plan

In September 2010 and July 2013 the Company established two Joint Share Ownership Plans (JSOP) to provide additional incentives to senior executives. During 2015, the September 2010 JSOP scheme vested and no interests remain.

The directors and senior executives participating in the JSOP acquired an interest in the shares jointly with the Staffline Group plc Employee Benefit Trust. The directors' interests are detailed below:

	Award date	Participation price	Interest over (number of shares)	Date on which exercisable
A Hogarth	4 Jul 2013	411.5p	350,000	30/06/2018
D Martyn	4 Jul 2013	411.5p	350,000	30/06/2018
P Ledgard	2 Dec 2013	563p	170,000	30/06/2018

The JSOP shares are held jointly between the director and the Staffline Group plc Employee Benefit Trust. Under the terms of the JSOP rules the directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the director and the Staffline Group plc Employee Benefit Trust. For the July 2013 award, the shares vest at the minimum number when the diluted EPS pre amortisation exceeds 56p in any full year up to 2017. The shares vest at the maximum number when a) the diluted EPS pre amortisation equals 93.5p and b) the increase in total shareholder return exceeds the increase in the FTSE AIM All Share Total Return Index. If diluted EPS pre amortisation does not equal 56p in any full year up to 2017, the directors' interest in the shares lapses.

Diluted EPS adjusted for amortisation of intangibles is disclosed in note 9.

The JSOP is settled in cash and therefore accounted for as a cash settled scheme.

The fair value of the liability was determined using the Binomial valuation model as at 31 December 2015. Significant inputs into the calculations were:

- share price at date of grant;
- exercise prices as detailed above;
- an average of 35% (2014: 32.5%) volatility based on expected and historical share price;
- risk free interest rate of 0.98% (2014: 0.6% and 1.22%);
- the disposal of shares and settlement of scheme on 30 June 2015 and 30 June 2018 respectively; and
- 46% forfeiture rate on the 2013 JSOPs (2014: 46%) and 33% on the 2010 JSOP (2014: 33%) to account for employees that leave before the vesting date.

Notes to the consolidated financial statements (continued)

7. Directors and employees remuneration (continued)

Share based employee remuneration

In total £8,948,000 of employee remuneration expense has been included in the consolidated statement of comprehensive income for the year ended 31 December 2015 (2014: £3,665,000) which increased the share based payment reserve by £30,000 (2014: £30,000) in respect of equity settled schemes and increased the liability by £8,918,000 in respect of cash settled schemes.

Key management personnel

The key management are considered to be the Board of Directors of Staffline Group plc, whose remuneration can be seen above, and the divisional directors who participate in the JSOP. The aggregate remuneration for the divisional directors for the year is £1,310,000 (2014: £1,381,000). Disclosures in accordance with IAS 24 are included in note 20.

8. Tax expense

The relationship between the expected tax expense and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	2015 £'000	2015 %	2014 £'000	2014 %
Result for the year before tax	**5,476**		**10,453**	
Tax rate		20.25%		21.5%
Expected tax expense	**1,109**		**2,247**	
Other non-deductible expenses	1,784		1,378	
Adjustment in respect of prior year	(496)		63	
Overseas profits not subject to UK tax	-		(33)	
Actual tax expense	**2,397**	**43.8%**	**3,655**	34.9%

Tax expense comprises:

	2015 £'000	2014 £'000
Current tax expense	**5,207**	**4,016**
Deferred tax (income)/expense		
- fixed asset timing differences	(803)	271
- intangible asset permanent difference	(1,857)	(632)
- share based payment temporary difference	(150)	-
Tax expense	**2,397**	**3,655**

During 2015, the Board decided to embark on a process to enhance the transparency and communication of the Group's tax affairs, which resulted in the Group issuing a tax policy and achieving the Fair Tax Mark. A copy of the Group's policy is available at www.staffline.co.uk/investors/group-tax-policy. The following disclosures are given to comply with the commitments made in that policy.

	Note	2015 £'000
UK corporation tax on profits for the year		5,703
Adjustment in respect of prior years		(496)
UK current tax charge		**5,207**
Deferred tax		
Timing differences arising in the year		(2,810)
UK deferred tax charge		**(2,810)**
Total UK tax charge for the year		**2,397**
Tax reconciliation:		
Profit before tax		5,476
Tax due if paid at UK corporation tax rate (20.25%)		1,109
Adjusting items:		
Depreciation in excess of capital allowances	(i)	803
Expenses not deductible	(ii)	3,791
Adjustment to tax charge in prior period		(496)
Current tax charge for the year		**5,207**
Adjustments relating to deferred taxation:		
Depreciation in excess of capital allowances	(i)	(803)
Permanent difference on consolidated intangible asset amortisation	(ii)	(1,857)
Short term timing difference on share based payment reserve	(ii)	(150)
Total deferred taxation credit for the year		**(2,810)**
Total UK tax charge for the year		**2,397**
Effective current tax rate for the year	(iii)	21.2%
Effective total tax rate for the year	(iv)	18.3%

(i) capital allowances are tax relief provided in law for the expenditure the Group makes on fixed assets. In 2015, the rate at which fixed assets have been depreciated in the profit and loss account is in excess of the capital allowances claimed, giving rise to an additional current tax charge. Conversely, this treatment results in an increase in the tax written down value of the assets and a corresponding deferred tax asset is both recognised and increased. This deferred tax asset will be recovered in the future when capital allowances claimed exceed the depreciation charge.

(ii} certain transaction costs relating to the acquisitions during the year, the amortisation charge relating to consolidated intangible assets and the JSOP profit and loss charge are not deductible under UK corporation tax and are therefore added back to taxable profits. A deferred tax liability is recognised for consolidated intangible assets which is amortised to the profit and loss account in line with the amortisation charge – this gives rise to a deferred tax credit each year. No deferred tax is recognised on the JSOP charges.

(iii) the effective current tax rate for the year is calculated as the current tax expense on underlying profit before taxation i.e. excluding the non-underlying charges as described in note 5. These charges are not included in the underlying effective tax rate as they are not routine trading charges.

(iv) the effective total tax rate is less than the UK corporation tax rate of 20.25% for the year due to the tax credit relating to the prior year of £496,000.

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

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. There is no material impact on deferred tax.

Notes to the consolidated financial statements (continued)

9. Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any 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 2015	Basic* 2014	**Diluted 2015**	Diluted* 2014
Earnings on continuing operations (£'000)	**3,079**	6,798	**3,079**	6,798
Earnings on discontinued operations (£'000)	**(712)**	-	**(712)**	-
Weighted average number of shares	**24,882,807**	23,750,562	**24,989,777**	23,857,420
Earnings per share (pence):				
Continuing	**12.4p**	28.6p	**12.3p**	28.5p
Discontinued	**(2.9p)**	-	**(2.8p)**	-
Underlying earnings per share (pence)**	**92.8p**	60.0p	**92.4p**	59.7p

*Prior year earnings per share restated as a result of the prior year adjustment referred to in note 3.

**Earnings after adjusting for amortisation of acquired intangibles, share based payment charge, transaction costs and reorganisation costs including the tax effect.

The weighted average number of shares has been increased by 1,132,245 (2014: 1,507,628) shares to take account of the full year effect of the two million shares issued during the prior year and the effect of the eight hundred thousand shares exercised under the 2010 JSOP.

Dividends

During the year, Staffline Group plc paid interim dividends of £1,901,000 (2014: £1,227,500) to its equity shareholders. This represents a payment of 7.5p (2014: 5p) per share. A final dividend of £3,169,874 has been proposed (2014: £2,358,542) but has not been accrued within these financial statements. This represents a payment of 12.5p (2014: 8.5p) per share. The final dividend for 2014 of £2,358,542 was declared and paid in 2015.

10. Goodwill

Gross carrying amount	Total £'000
At 1 January 2014	30,971
Additions	38,762
At 31 December 2014	**69,733**
Additions	19,573
At 31 December 2015	**89,306**

Additions

a) A4e Limited

On 27th April 2015 the Group announced the purchase of A4e Limited ('A4e'). The Group paid £22.4m for the entire issued share capital and assumed A4e's net debt of £11.0m, which, including other deal related costs, results in an effective consideration therefore of £34.5m.

A4e is a leading provider of Welfare to Work and skills training services in the UK. Following the acquisition, the Group has become one of the largest Work Programme providers in the UK in terms of the number of job seekers supported and contract regions serviced, with a Work Programme presence in nine regions as a prime contractor and six further regions as a sub-contractor. This is a key long term growth initiative for the Group.

The purchase consideration was funded by a £35m term loan. Directly attributable acquisition costs of £687,000 were included within administrative expenses and £354,000 of debt issue costs were capitalised in the balance sheet against the term loan and are being amortised to the income statement over the term of the loan.

In accordance with IFRS 3 Business Combinations, the directors have 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. Any revisions to the provisional fair values within 12 months of the acquisition date will be reflected within the carrying value of goodwill as at the acquisition date.

	Provisional fair value £'000
Goodwill	-
Property, plant and equipment	8,868
Trade and other receivables	20,517
Cash	9,503
Pension asset	1,874
Trade and other payables	(33,289)
Corporation tax	2,008
Deferred tax liability	(580)
Borrowings	(19,768)
Deferred tax liability on acquired intangibles	(4,424)
Net liabilities acquired	**(15,291)**
Intangible assets identified – customer contracts (see note 11)	22,118
Goodwill	15,583
Subtotal	**22,410**

The cross selling opportunities and increased scale of the Group's Welfare to Work trade (part of the PeoplePlus segment) give rise to consolidated goodwill of £15.6m, which is not separately identifiable as other intangible assets. No goodwill is deductible for corporation tax.

At the time of the acquisition, there were several revenue streams that were approaching the end of their contracts and which were subsequently deemed to be onerous contracts. The above fair values include provisions for these contracts. The other fair value adjustments in the table above relate to elimination of acquired goodwill, dilapidation provisions, pre-acquisition costs not provided for and write offs of irrecoverable receivables.

For the period from 28 April to 31 December 2015, A4E had revenues of £58.9 million and profit after tax of £0.8 million. If the acquisition had occurred on 1 January 2015, the Group's revenues and profit after tax for the year ended 31 December 2015 would have been £749 million and £3.7 million respectively.

b) Milestone Operations Limited

On 28th September 2015 the Group announced the acquisition of Milestone Operations Limited ("Milestone"), a recruitment business specialising in temporary and permanent jobs for professional drivers, warehouse staff and industry experts within the transport, distribution, industrial and utilities sectors.

Milestone services client sites throughout the UK with dedicated teams based at six operating centres, with a focus on LGV/HGV jobs as well as forklift, warehouse, office and technician jobs. Milestone manages recruitment with a unique Driver Performance Management System and Reward Scheme, designed to help improve driver performance through training, serving to improve efficiencies for clients and reward drivers for their loyalty and good performance.

As previously indicated, the Group continues to see strong levels of demand for HGV drivers, combined with an ongoing systemic shortage of available HGV drivers in the UK. The acquisition therefore represents an attractive strategic fit with Staffline's existing driving division, Driving Plus, strengthening the Group's geographic reach across the UK, as well as bringing a blue chip client base.

c) Diamond Recruitment Group

On 12th October 2015 the Group announced the acquisition of the trade and assets of Diamond Recruitment Group ("Diamond"), a leading recruitment agency based in Northern Ireland. Diamond specialises in temporary and permanent recruitment solutions and has expertise in a number of Staffline's core business sectors. Diamond brings a number of large blue-chip clients based in Northern Ireland as well as knowledge of the local area and an excellent reputation with clients.

The combined acquired assets and liabilities of Milestone and Diamond are immaterial to the Group and accordingly the table below shows the combined fair value of the assets and liabilities acquired.

Notes to the consolidated financial statements (continued)

10. Goodwill (continued)

	Provisional fair value £'000
Property, plant and equipment	188
Trade and other receivables	13,088
Cash	177
Trade and other payables	(7,908)
Corporation tax debtor	226
Borrowings	(5,567)
Deferred tax liability	(952)
Net assets acquired	**(748)**
Intangible assets identified – customer contracts (see note 11)	7,649
Goodwill	3,990
Subtotal	**10,891**

Consideration for the acquisitions included cash on completion of £7.9m and deferred consideration of £3m. The acquisitions increase the Group's geographic presence in the Driving and Northern Ireland temporary labour markets respectively. This gives rise to consolidated goodwill of £4m, which is not separately identifiable of other intangible assets. No goodwill is deductible for corporation tax.

Fair value adjustments relating to the write off of irrecoverable prepayments and recognition of liabilities for post-acquisition invoices that relate to the pre-acquisition period were included in the provisional fair values of the net liabilities acquired.

For the period from acquisition to 31 December 2015, the acquired entities above had revenues of £24.8 million and profit after tax of £0.5 million. If the acquisition had occurred on 1 January 2015, the Group's revenues and profit after tax for the year ended 31 December 2015 would have been £770.4 million and £3.6 million respectively.

d) The Warwickshire & West Mercia Community Rehabilitation Company Limited

In November 2014 the Group was awarded the probation and rehabilitation contract for Warwickshire and West Mercia by the Ministry of Justice. In January 2015 the acquisition of the related limited company was legally completed. Both the consideration and acquired net assets are immaterial and accordingly no further disclosures are included in the financial statements.

Impairment review

The breakdown of Goodwill by entity is listed below:

	Date of acquisition	Carrying value £'000
Staffline Recruitment Limited	8 December 2004	22,326
Onsite Partnership Limited*	16 March 2007	1,855
Peter Rowley Limited*	1 December 2009	764
A La Carte Recruitment Limited*	17 May 2010	744
Qubic Recruitment Solutions Limited*	5 November 2010	745
Ethos Recruitment Limited*	14 March 2011	76
Eos Works Group Limited	21 April 2011	1,585
Taskforce Recruitment Limited*	12 September 2011	1,937
Go New Recruitment Limited*	14 September 2012	939
PeoplePlus Group Limited (formerly Avanta Enterprise Limited)	6 June 2014	37,670
Softmist Limited	2 July 2014	1,092
A4e Limited	27 April 2015	15,208
Milestone Operations Limited*	29 September 2015	3,027
Diamond Recruitment Group*	13 October 2015	963

Following their acquisition, the businesses asterisked above were fully integrated into the core Staffing division. A4e along with Eos Works, Avanta and Softmist make up the trade of the People Plus division. Therefore, management consider there to be two cash generating units (in line with the business segments defined in note 4 and have tested these two cash generating units for impairment.

	2015 £'000	2014 £'000
Staffing Services	33,376	29,386
Employability	55,555	40,347
Goodwill as at 31 December	**88,931**	**69,733**

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 9.8% (2014: 11%) based on weighted average cost of capital. The organic Staffing Services growth rates for the three year forecasts are between 7% and 10% and are based on the continuation of historic organic growth achieved by the business over the past 3 years. This has been achieved by sales growth with both existing and new customers and acquisitions. The growth rate for Staffing Services 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 2016-2018. Beyond the three year forecast, no growth has been included in the calculation on the grounds of prudence. The People Plus growth rate is assumed to be nil due to the uncertainty around the constitution of the Work Programme 2 contracts, which begin in 2017. It is however expected that the Group will be awarded, at worst, the same number of contracts and at similar rates to existing contracts. The assumption around the granting of the new awards is based on the current level of (publicly known) performance of both the Avanta and A4E contracts in comparison to competitors.

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.

There have been no amendments to the fair values recognised on the prior year acquisitions.

Notes to the consolidated financial statements (continued)

11. Other intangible assets

The Group's other intangible assets include the customer contracts and lists obtained through the acquisition of the companies in note 10 above plus the acquisition of a software licence obtained in 2013. There are no intangible assets with restricted title.

There are four individually material intangible assets:

- customer contracts in A4E Limited. The carrying value of the asset is £18,353,000 which is being amortised over the remaining life of the main contract, 39 months;
- customer contracts in Diamond Recruitment Group. The carrying value of the asset is £2,743,000 which is being amortised over 5 years;
- customer contracts in Milestone Operations Limited. The carrying value of the asset is £4,523,000 which is being amortised over 5 years;
- customer contracts in PeoplePlus Group Limited. The carrying value of the asset is £5,373,000 (2014: £9,672,000) which is being amortised over 3 years.

	Software £'000	Licenses £'000	Customer contracts £'000	Customer lists £'000	Total £'000
Gross carrying amount					
At 1 January 2014	**-**	**2,040**	**3,776**	**5,417**	**11,233**
Additions through business combinations	-	-	11,821	-	11,821
At 31 December 2014	**-**	**2,040**	**15,597**	**5,417**	**23,054**
Additions	500	-	-	-	500
Additions through business combinations	-	-	29,767	-	29,767
Transfer from property, plant and equipment	5,153	-	-	-	5,153
At 31 December 2015	**5,653**	**2,040**	**45,364**	**5,417**	**58,474**
Amortisation					
At 1 January 2014	**-**	**170**	**1,943**	**5,115**	**7,228**
Provided in year	-	680	2,855	277	3,812
At 31 December 2014	**-**	**850**	**4,798**	**5,392**	**11,040**
Provided in year	-	680	9,132	-	9,812
Transfer from property, plant and equipment	908	-	-	-	908
At 31 December 2015	**908**	**1,530**	**13,930**	**5,392**	**21,760**
Net book amount at 31 December 2015	**4,745**	**510**	**31,434**	**25**	**36,714**
Net book amount at 31 December 2014	-	1,190	10,799	25	12,014

12. Property, plant and equipment

	Land and buildings £'000	Computer equipment £'000	Assets in course of construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Gross carrying amount						
At 1 January 2014	**2,069**	**2,172**	**-**	**495**	**48**	**4,784**
Additions	121	1,076	-	1,498	12	2,707
Additions - business combinations	-	582	-	1,518	-	2,100
Disposals	-	(23)	-	(138)	(30)	(191)
Transfer	-	-	-	(17)	17	-
At 31 December 2014	**2,190**	**3,807**	**-**	**3,356**	**47**	**9,400**
Additions	893	1,594	700	747	1	3,935
Additions - business combinations	1,298	7,404	-	347	83	9,132
Disposals	(230)	(619)	-	(540)	(7)	(1,396)
Reclassifications*	(614)	(69)	-	(36)	-	(719)
Transfer to other intangible assets	-	(5,153)	-	-	-	(5,153)
Currency translation differences	(4)	(62)	-	(39)	(7)	(112)
At 31 December 2015	**3,533**	**6,902**	**700**	**3,835**	**117**	**15,087**
Depreciation						
At 1 January 2014	**1,019**	**1,321**	**-**	**345**	**31**	**2,716**
Provided in year	281	815	-	865	15	1,976
Disposals	-	(22)	-	(127)	(28)	(177)
At 31 December 2014	**1,300**	**2,114**	**-**	**1,083**	**18**	**4,515**
Provided in year	261	2,376	-	937	49	3,623
Disposals	(230)	(613)	-	(536)	(3)	(1,382)
Transfer to other intangible assets	-	(908)	-	-	-	(908)
Currency translation differences	(1)	(58)	-	(35)	(5)	(99)
At 31 December 2015	**1,330**	**2,911**	**-**	**1,449**	**59**	**5,749**
Net book value						
At 31 December 2015	**2,203**	**3,991**	**700**	**2,386**	**58**	**9,338**
At 31 December 2014	**890**	**1,693**	**-**	**2,273**	**29**	**4,885**

* as described in note 27, the assets of A4E Australia have been reclassified as current assets held for sale in accordance with IFRS 5.

Notes to the consolidated financial statements (continued)

13. Trade and other receivables

	2015 £'000	2014 £'000
Trade and other receivables	99,358	68,795
Accrued income	18,418	7,619
	117,776	**76,414**

Trade and other receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. The Group does not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognised represent a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

There is no bad debt provision due to the cash collection history. Some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired, is as follows:

	2015 £'000	2014 £'000
Not more than three months	10,264	10,461
More than three months but no more than six months	786	328
	11,050	**10,789**

14. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents	5,026	18,364
Bank overdraft (see note 16)	-	(5)
Cash and cash equivalents per cash flow statement	**5,026**	**18,359**

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year-end £4,989,000 (2014: £18,364,000) of cash on hand and balances with banks were held by subsidiary undertakings however this balance is available for use by the Company. £1,275,000 of the year-end cash balance was held outside of the group overdraft facility with Lloyds.

15. Trade and other payables

	2015 £'000	2014 £'000
Trade and other payables	16,786	7,911
Accruals	46,242	29,885
Other taxation and social security	39,478	31,670
	102,506	**69,466**

The fair value of trade and other payables has not been separately disclosed as, due to their short duration, the Directors consider the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

16. Borrowings

Borrowings are repayable as follows:

	2015 £'000	2014 £'000
In one year or less or on demand	20,868	13,468
In more than one year but not more than two years	8,750	11,409
In more than two years but not more than five years	39,125	11,250
Unamortised transaction costs	(594)	(363)
	68,149	**35,764**

	2015 £'000	2014 £'000
Split:		
Current liabilities:		
Term loan	11,875	2,500
Discounted loan notes	8,993	10,964
Unamortised transaction costs	(166)	(106)
Overdraft	-	5
	20,702	**13,363**
Non-current liabilities:		
Revolving credit facility	26,000	7,500
Term loan	21,875	6,250
Discounted loan notes	-	8,909
Unamortised transaction costs	(428)	(258)
	47,447	**22,401**
Total borrowings	**68,149**	**35,764**
Total borrowings excluding unamortised transaction costs	(68,742)	(36,128)
Cash (note 14)	5,026	18,364
Net debt as disclosed in consolidated statement of cash flows	**(63,716)**	**(17,764)**

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 as part of the A4e acquisition. The loan is repayable quarterly and matures in 2019. Interest accrues on the loan at between 1.4% and 2.4% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

As part of the Avanta acquisition in 2014, there was £20m of deferred consideration due to the vendors, £11m which was paid in 2015 and £9m due to be paid in 2016. The deferred consideration is in the form of bank guaranteed, coupon-bearing loan notes. The two loan notes have been discounted back to the book values disclosed above. Interest on the bank guarantees is charged at 1.4%.

The revolving credit facility is repayable in 2019 and interest accrues at the same rate as the term loan. Subsequent to the year end the group has secured a further £7.5m of working capital facility.

Notes to the consolidated financial statements (continued)

17. Other liabilities

	2015 £'000	2014 £'000
Due within one year		
Deferred income	17	17
Deferred consideration	2,950	-
Cash settled JSOP liability	-	5,472
	2,967	**5,489**
Due after more than one year		
Deferred income	17	33
Dilapidation provision	1,379	1,131
Cash settled JSOP liability	6,180	880
	7,576	**2,044**

The deferred income relates to the current head office building for the Group which was subject to a sale and lease back transaction in December 2007, with a sales price above fair value. The excess of proceeds over fair value has been deferred and is being amortised over the remaining lease term. The subsequent leasing agreement is treated as an operating lease. See note 21 for further information relating to details on the Group's operating lease agreements.

The dilapidation provision in the prior year has been reclassified from accruals to other liabilities to more accurately reflect the nature of the cost.

18. Deferred tax (restated)

Deferred tax assets/(liabilities)	1 January (as originally stated) 2015 £'000	Prior year adjustment 2015 £'000	1 January (restated) 2015 £'000	Recognised in profit and loss £'000	Recognised on acquisition £'000	Assets held for sale £'000	31 December 2015 £'000
Property, plant and equipment temporary timing differences	269	-	269	803	(205)	(135)	**732**
Acquired intangible assets	(2,179)	-	(2,179)	1,857	(5,376)	-	**(5,698)**
Retirement benefit asset	-	-	-	-	(375)	-	**(375)**
Share based payment liability	1,514	(1,456)	58	150	-	-	**208**
	(396)	(1,456)	(1,852)	2,810	(5,956)	(135)	**(5,133)**
Recognised as:							
Deferred tax asset	1,783	(1,456)	327	953	(205)	(135)	**940**
Deferred tax liability	(2,179)	-	(2,179)	1,857	(5,751)	-	**(6,073)**

There are no material deferred tax assets that have not been recognised (2014: nil). As described in note 27, the assets of A4E Australia have been reclassified as current assets held for sale in accordance with IFRS 5; accordingly the A4E Australia deferred tax asset is reclassified in the above table.

19. Share capital

	2015 £'000	2014 £'000
Authorised		
30,000,000 (2014: 30,000,000) ordinary 10p shares	**3,000**	3,000
Allotted and issued		
27,749,389 (2014: 27,747,551) ordinary 10p shares	**2,775**	2,775

	Year ended 31 December 2015	Year ended 31 December 2014
Shares issued and fully paid at the beginning of the period	**27,747,551**	**25,687,551**
Shares issued during the year	1,838	2,060,000
Shares issued and fully paid	**27,749,389**	**27,747,551**
Shares authorised but unissued	2,250,611	2,252,449
Total equity shares issued at end of period	**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 2,390,400 shares held by the EBT where the right to dividends has been waived.

20. Related party transactions

The only related parties are the Group's Directors and Group undertakings. Transactions with wholly owned Group entities are exempt from disclosure.

Transactions with Group Directors

The Group Directors' personal remuneration includes the following expenses:

	2015 £'000	2014 £'000
Short-term employee benefits:		
Salaries and fees	724	716
Bonus – unpaid at year-end	115	115
Benefits in kind	4	4
Social security costs	99	115
Pension contributions	56	56
Share based employee remuneration	4,598	1,114
	5,596	**2,120**

In addition to the above, the Group spent £28,484 (2014: £30,585) in accommodation expenses at Hogarth's Hotel, which is owned by the Chief Executive. £2,647 remains outstanding at year-end (2014: £2,558).

During the year, a director loaned £2m to the company. This attracted no interest charges and was repaid in full prior to 31 December 2015.

Notes to the consolidated financial statements (continued)

21. Operating leases

The Group's aggregate minimum operating lease payments for the full remaining lives of the leases are as follows:

	2015 Land and buildings £'000	2014 Land and buildings £'000
In one year or less	6,017	285
Between one and five years	7,250	3,392
In five years or more	2,661	220
	15,928	**3,897**

Lease payments recognised as an expense during the year ended 31 December 2015 amounted to £6,163,000 (2014: £1,849,000). Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, future leasing or additional debt. No sub-lease income is due as all assets held under lease agreements are used exclusively by the Group.

22. Contingencies

A cross guarantee exists between all companies in the Group for all amounts payable to Lloyds. The Group amount owing to Lloyds at year-end is £56.0m.

The Group has no other contingent assets or liabilities at 31 December 2015 or 31 December 2014.

23. Capital commitments

The Group had no material capital commitments at either 31 December 2015 or 31 December 2014.

24. Risk management objectives and policies

The Group is exposed to a variety of financial risks through its use of financial instruments which result from both its operating and investing activities. The Group's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Credit risk

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2015 Loans and receivables and balance sheet totals £'000	2014 Loans and receivables and balance sheet totals £'000
Trade and other receivables (note 13)	99,358	68,795
Cash and cash equivalents (note 14)	5,026	18,364
Accrued income (note 13)	18,418	7,619
	122,802	**94,778**

Credit risk is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. Details in respect of trade receivables at 31 December 2015 are provided in note 13.

The Group has adopted a policy of carefully monitoring all customers, especially those who lack an appropriate credit history.

Liquidity risk

The Group seeks to manage financial risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of a bank overdraft facility up to £15,000,000. Subsequent to the year end the group has secured a further £7,500,000 of working capital facility.

Interest rate risk

All financial liabilities of the Group are subject to floating interest rates. Competitive rates have been renegotiated with the Group's bankers and the rate paid on both the term loan and RCF has been set at 1.4% above LIBOR. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- one percentage point with effect from the beginning of the year.

	2015	**2015**	2014	2014
	+1%	-1%	+1%	-1%
(Decrease)/increase in net result and equity £'000	(933)	933	(221)	221

Foreign currency sensitivity

Most of the Group's transactions are carried out in sterling. Exposure to currency exchange rates arises from the Group's overseas sales and purchases which are predominantly denominated in Polish zloty and the Euro (Republic of Ireland). These sales and purchases are immaterial to the Group's total sales and purchases. Due to the highly immaterial nature of these foreign currency transactions the Group has not entered into any foreign currency risk mitigation strategies to date. This will be kept under review as overseas business continues to grow.

Financial liabilities

The Group's liabilities are classified as follows:

	2015 Financial liabilities at fair value through profit or loss £'000	**2015 Other financial liabilities at amortised cost £'000**	**2015 Liabilities not within the scope of IAS 39 £'000**	**2015 Balance sheet total £'000**
Term loan and loan notes	-	42,743	-	42,743
RCF	-	26,000	-	26,000
Trade and other payables	-	16,786	-	16,786
Taxation and social security	-	39,478	-	39,478
Accruals	-	46,242	-	46,242
Deferred consideration	-	-	2,950	2,950
Dilapidation provision	-	-	1,379	1,379
Deferred income	-	-	34	34
Other liabilities -JSOP	-	-	6,180	6,180
Corporation tax	-	-	233	233
Total	**-**	**171,249**	**10,776**	**182,025**

It is considered that the fair value of the Group's financial assets and liabilities equal the book value.

Notes to the consolidated financial statements (continued)

24. Risk Management objectives and policies (continued)

	2014 Financial liabilities at fair value through profit or loss £'000	2014 Other financial liabilities at amortised cost £'000	2014 Liabilities not within the scope of IAS 39 £'000	2014 Balance sheet total £'000
Term loan and loan notes	-	28,623	-	28,623
RCF	-	7,500	-	7,500
Overdraft	-	5	-	5
Trade and other payables	-	39,581	-	39,581
Accruals	-	29,885	-	29,885
Dilapidation provision	-	-	1,131	1,131
Deferred income	-	-	50	50
Other liabilities	-	-	6,352	6,352
Deferred tax	-	-	2,179	2,179
Corporation tax	-	-	2,335	2,335
Total	**-**	**105,594**	**12,047**	**117,641**

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis.

Financial assets and financial liabilities measured at fair value are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- level 1 - quoted prices in active markets for identical assets and liabilities
- level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
- level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group has no financial assets or liabilities in any classification.

Maturity of financial liabilities

The analysis of the maturity of financial liabilities within the scope of IAS 39 at 31 December 2015 is as follows:

	2015 Less than one year £'000	2015 Two to five years £'000	2015 More than five years £'000	2015 Total £'000	2014 Less than one year £'000	2014 Two to five years £'000	2014 More than five years £'000	2014 Total £'000
Term loan	11,875	21,875	-	33,750	2,500	6,250	-	8,750
RCF	-	26,000	-	26,000	-	7,500	-	7,500
Loan notes	8,993	-	-	8,993	10,964	8,909	-	19,873
Overdraft	-	-	-	-	5	-	-	5
Trade and other payables	14,786	-	-	14,786	7,911	-	-	7,911
Taxation and social security	39,478	-	-	39,478	31,670	-	-	31,670
Accruals	48,242	-	-	48,242	29,885	-	-	29,885
Total	**123,374**	**47,875**	**-**	**171,249**	**82,935**	**22,659**	**-**	**105,594**

The analysis of the maturity of contractual undiscounted financial liabilities at 31 December 2015 is as follows:

	2015 Less than one year £'000	2015 Two to five years £'000	2015 More than five years £'000	2015 Total £'000	2014 Less than one year £'000	2014 Two to five years £'000	2014 More than five years £'000	2014 Total £'000
Term loan	12,383	22,364	-	34,747	2,637	6,390	-	9,027
RCF	481	27,243	-	27,724	139	7,720	-	7,859
Loan notes	9,028	-	-	9,028	11,234	9,028	-	20,262
Trade and other payables	14,786	-	-	14,786	7,911	-	-	7,911
Taxation and social security	39,478	-	-	39,478	31,670	-	-	31,670
Accruals	48,242	-	-	48,242	29,885	-	-	29,885
Total	**124,398**	**49,607**	**-**	**174,005**	**83,476**	**23,138**	**-**	**106,614**

25. Cash flows from operating activities

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit before taxation	5,476	10,453
Adjustments for:		
Loss on discontinued operations	(712)	-
Finance costs	2,021	779
Depreciation, loss on disposal and amortisation	13,449	5,789
Operating profit before changes in working capital and share options	**20,234**	**17,021**
Change in trade and other receivables	(7,140)	(6,282)
Change in trade and other payables	(6,861)	3,195
Cash generated from operations	**6,233**	**13,934**
Additional pension contributions	(750)	-
Employee cash settled share options	8,918	3,635
Employee equity settled share options	30	30
Net cash inflow from operating activities	**14,431**	**17,599**

Movement in net debt	**£'000**
Net debt at 1 January 2015 (excluding transaction fees)	(17,764)
Acquired debt	(25,335)
New loans (excluding transaction fees)	(53,495)
Unwinding of discount on loan notes	(124)
Loan repayments	46,335
Change in cash and cash equivalents	(13,333)
Net debt at 31 December 2015	**(63,716)**

Notes to the consolidated financial statements (continued)

26. Capital management policies and procedures

The Board's current priorities for the Group's free cash flow are to fund Group development, maintain the strength of the balance sheet and to support a sustainable dividend policy. The Group's overall strategy remains unchanged from last year in that it manages its capital to ensure that the Group will be able to continue as a going concern through the economic cycle.

The capital structure of the Group consists of net debt, which is represented by cash and cash equivalents (note 14), bank loans, overdrafts and revolving credit facilities (note 16) and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The only restrictions on the Group's capital relates to the covenants attached to the debt facilities.

27. Assets held for sale

During the year, the Board decided to dispose of A4E Australia and its related subsidiaries. In accordance with 'IFRS 5 Non-current assets held for sale and discontinued operations', the post- acquisition results of A4E Australia are disclosed in the income statement as discontinued operations – breakdown included below in the table.

The total assets and total liabilities of A4E Australia are held as current assets held for sale and current liabilities held for sale respectively. A sale is expected within 12 months of the balance sheet date at a value higher than the carrying value of the net current liabilities held for sale. The cash flows of A4E Australia are consistent with the operating results.

	Year ended 31 December 2015 £'000
Sales	2,275
Cost of sales	(2,411)
Gross loss	**(136)**
Administrative expenses	(579)
Operating loss	**(715)**
Interest receivable	3
Loss before and after taxation	**(712)**
Property, plant and equipment	719
Trade and other receivables	833
Deferred taxation asset	135
Current assets held for sale	**1,687**
Trade and other payables	(2,540)
Current liabilities held for sale	**(2,540)**

28. Retirement benefit asset

One of the Group's subsidiaries operates a defined benefit pension scheme for its staff. The scheme is closed to new entrants.

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

	Year ended 31 December 2015 £'000
Present value of funded obligations	(5,878)
Fair value of plan assets	8,315
Asset in the balance sheet	**2,437**

The movement in the defined benefit obligation over the year is as follows:

	2015 £'000
Balance at 1 January 2015	-
Acquired obligation	6,644
Interest cost	169
Service cost	191
Benefits paid	(243)
Actuarial gain	(883)
Asset in the balance sheet	**5,878**

The movement in the fair value of the plan assets over the year is as follows:

	2015 £'000
Balance at 1 January 2015	-
Acquired assets	8,518
Expected return	169
Contributions	191
Benefits paid	(243)
Actuarial loss	(320)
Asset in the balance sheet	**8,315**

A charge of £191,000 is included within the income statement within administrative expenses; a net actuarial gain of £563,000 is included within other comprehensive income.

29. Non-underlying administrative expenses

	2015 £'000	2014 £'000
Included within administrative expenses are the following non underlying costs		
Amortisation of acquired intangible assets	9,812	3,812
Share based payment charges	8,948	3,665
Transaction costs	854	660
Reorganisation costs	3,200	-
	22,814	**8,137**

Reorganisation costs are the exceptional restructuring costs of forming the PeoplePlus division.

Company statutory financial statements

for the year ended 31 December 2015. Company number 05268636

Independent auditor's report to the members of Staffline Group plc

for the year ended 31 December 2015

Report on the company financial statements

Our opinion

In our opinion, Staffline Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the company statement of financial position as at 31 December 2015;
- the company statement of cash flows for the year then ended;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to
any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Staffline Group plc for the year ended 31 December 2015.

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 26th January 2016

Company statement of changes in equity

for the year ended 31 December 2015

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2015	**2,775**	**(9,776)**	**39,930**	**8,207**	**41,136**
Dividends	-	-	-	(3,989)	(3,989)
Vesting of JSOP shares	-	742	-	9,089	9,831
Issue of new shares	-	-	2	-	2
Transactions with owners	**-**	**742**	**2**	**5,100**	**5,844**
Profit for the period	-	-	-	4,441	4,441
Total comprehensive income for the period	**-**	**-**	**-**	**4,441**	**4,441**
At 31 December 2015	**2,775**	**(9,034)**	**39,932**	**17,748**	**51,421**

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2014	**2,569**	**(9,211)**	**24,195**	**9,633**	**27,186**
Dividends	-	-	-	(2,750)	(2,750)
Issue of new shares to JSOP	6	(565)	559	-	-
Issue of new shares	200	-	15,800	-	16,000
Share issue costs	-	-	(624)	-	(624)
Transactions with owners	**206**	**(565)**	**15,735**	**(2,750)**	**12,626**
Profit for the period as previously reported	-	-	-	1,224	1,224
Profit impact on transition to IFRS (note 31)	-	-	-	100	100
Total comprehensive income for the period	**-**	**-**	**-**	**1,324**	**1,324**
Balance at 31 December 2014	**2,775**	**(9,776)**	**39,930**	**8,207**	**41,136**

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

Company statement of financial position

at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Other intangible assets	34	500	1,166
Investments	33	58,011	26,684
		58,511	**27,850**
Current			
Trade & other receivables	35	41,343	47,904
Cash and cash equivalents		36	65
		41,379	**47,969**
Total assets		**99,890**	**75,819**
Liabilities			
Current			
Trade and other payables	36	141	72
Borrowings	37	20,702	13,358
Other current liabilities	38	-	5,472
		20,843	**18,902**
Non-current			
Borrowings	37	21,446	14,901
Other non-current liabilities	38	6,180	880
		27,626	**15,781**
Total liabilities		**48,469**	**34,683**
Equity			
Share capital	39	2,775	2,775
Own shares		(9,034)	(9,776)
Share premium		39,932	39,930
Profit & loss account		17,748	8,207
Total equity		**51,421**	**41,136**
Total equity & liabilities		**99,890**	**75,819**

The financial statements were approved by the Board of Directors on 26 January 2016.

A Hogarth
Director

P Ledgard
Director

Company statement of cash flows

at 31 December 2015

	Note	2015 £'000	Unaudited 2014 £'000
Net cash inflow/(outflow) from operating activities	41	**8,757**	**(23,250)**
Cash flows from investing activities			
Acquisition of businesses - cash paid, net of cash acquired		(22,410)	-
Dividends received		3,989	2,750
Net cash used in investing activities		**(18,421)**	**2,750**
Cash flows from financing activities:			
New loans (net of transaction fees)		34,646	9,575
Loan repayments		(10,000)	(1,250)
Acquisition of businesses - deferred consideration for prior acquisitions		(11,000)	-
Interest paid		(766)	(386)
Dividends paid		(3,989)	(2,750)
Proceeds from the issue of share capital		744	15,376
Net cash flows from financing activities		**9,635**	**20,565**
Net change in cash and cash equivalents		**(29)**	**65**
Cash and cash equivalents at beginning of year		**65**	**-**
Cash and cash equivalents at end of year		**36**	**65**
Net debt at beginning of year		**(28,558)**	**-**
Net change in cash and cash equivalents		**(29)**	**65**
Repayment of loans		**21,000**	**-**
New loans net of transaction fees		**(34,646)**	**(28,623)**
Unwinding of loan notes and transaction fees		**(474)**	**-**
Net debt at end of year	37	**(42,707)**	**(28,558)**

The comparative statement of cash flows is unaudited due to the transition to IFRS.

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

Notes to the company financial statements

For the year ended 31 December 2015

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The transition to International Financial Reporting Standards has been made in accordance with International Financial Reporting Standard 1 "First-time adoption of International Financial Reporting Standards".

The transition to International Financial Reporting Standards ('IFRS') reporting has resulted in a number of changes in the reported financial statements, notes thereto and accounting principles compared to the previous annual report. Note 30 provides further details on the transition from UK GAAP to IFRS.

Investments

Investments in the subsidiaries are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 612 of the Companies Act 2006 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Deferred taxation

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases.

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

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

Intangible assets

Other intangible assets relate to the fair value of acquired intellectual property rights of a software product which is subject to impairment reviews and is being amortised over 3 years, the expected useful life. The amortisation is calculated so as to write off the fair value less the estimated residual values over the estimated useful life. An impairment review is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Share based payment

The Company has issued cash settled share based payment in respect of services provided by key employees of one of its subsidiaries. The share based payment is measured at the fair value of the liability at the grant date and re-measured at the fair value of the liability at each subsequent balance sheet date. A liability is recognised for the fair value of the share based payments with the corresponding entry recognised as an increase in the investment held in the subsidiary.

Financial assets

The Company's financial assets include cash and amounts due from group companies.

All financial assets are initially recognised at fair value, plus transaction costs. They are subsequently included at amortised cost using the effective interest rate method.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and in hand, overdrafts and short term highly liquid investments such as bank deposits less advances from banks repayable within three months from the date of advance.

Financial liabilities

The Company's financial liabilities include bank loans and loan notes.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "Finance Cost" in the statement of comprehensive income.

Bank loans are raised for support of long term funding of the Company's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Dividend distributions to shareholders are included in 'other short term financial liabilities' when the dividends are approved by the shareholders' meeting.

Notes to the company financial statements (continued)

30. Transition to international financial reporting standards

The transition from previous UK GAAP to IFRS has been made in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". The Company's financial statements for the year ended 31 December 2015 and the comparatives presented for the period ended 31 December 2014 comply with all presentation, recognition and measurement requirements of IFRS applicable for accounting periods commencing on or after 1 January 2014.

The following reconciliations and explanatory notes thereto describe the effects of the transition for the financial year 2014. All explanations should be read in conjunction with the IFRS accounting policies of Staffline Group plc.

Statutory profit and loss account for the year ended 31 December 2014 and balance sheet at 31 December 2014

The re-measurement of balance sheet items as at 31 December 2014 may be summarised as follows:

Reconciliation as at 31 December 2014

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Goodwill	1,700	100	1,800
Profit and loss account	8,107	100	8,207
Total adjustment to equity	8,107	100	8,207

The reconciliation of the Group's equity reported under previous GAAP to its equity under IFRS as at 31 December 2014 may be summarised as follows:

Reconciliation as at 31 December 2014	£'000
Retained earnings - UK GAAP	8,107
Reversal of goodwill amortisation – prior year	100
Retained earnings - IFRS	8,207

Profit and loss reported under UK GAAP for the year ended 31 December 2014 is reconciled to IFRS as follows:

Reconciliation as at 31 December 2014

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Sales revenue	-	-	-
Cost of sales	(-)	-	(-)
Gross profit	-	-	-
Administrative expenses	(978)	-	(978)
Operating result	(978)	-	(978)
Amortisation of goodwill	(100)	100	-
Dividends income	2,750	-	2,750
Finance costs	(447)	-	(447)
Result for the period before taxation	1,225	100	1,325
Tax income	-	-	-
Net result for the period	1,225	100	1,325

The Company has modified its former balance sheet and income statement structure on transition to IFRS. The main changes may be summarised as follows:

- to eliminate the amortisation of goodwill
- goodwill reclassified to investments

Following the transition to IFRS, investments that have previously been hived down into a fellow group company and previously recognised as goodwill, have been reclassified to Investments.

31. Profit for the financial year

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 £4,441,000 (2014: £1,324,000). Auditors remuneration incurred by the Company during the year for audit services totalled £13,750 (2014: £13,750).

32. Directors and employees remuneration

As in previous years all Group Directors are remunerated by Staffline Recruitment Limited. Details of directors' remuneration is disclosed within the Report on Remuneration on page 25.

The average number of persons (including Directors) employed by the Company during the year was 6 (2014: 6).

33. Fixed asset investments

	Investment in group undertakings £'000
Cost and net book amount at 31 December 2014 as previously stated	24,884
Impact on transition to IFRS (note 30)	1,800
Cost and net book amount at 31 December 2014	26,684
Additions	31,327
Cost and net book amount at 31 December 2015	**58,011**

The Company holds interests in the following companies:

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Staffline Recruitment Limited	100%	England and Wales	Recruitment
Elpis Limited*	100%	England and Wales	Dormant
A La Carte Recruitment Limited*	100%	England and Wales	Dormant
Staffline Polska Sp. zoo*	100%	Poland	Recruitment
Staffline Gliwice Sp. zoo*	100%	Poland	Recruitment
Go New Sp. Zoo *	100%	Poland	Recruitment
House of Logistics Limited*	100%	England and Wales	Dormant
Staffline Recruitment Ireland Limited	100%	Republic of Ireland	Recruitment
Eos Works Group Limited	100%	England and Wales	Dormant
Eos Works Limited*	100%	England and Wales	Welfare to Work
Ethos Recruitment Limited*	100%	England and Wales	Dormant
Taskforce Recruitment Limited*	100%	England and Wales	Dormant
Go New Recruitment Holdings Limited*	100%	England and Wales	Dormant
Go New Recruitment Limited*	100%	England and Wales	Dormant
Go New Recruitment (Glos.) Limited*	100%	England and Wales	Dormant
Select Appointments Limited*	100%	England and Wales	Recruitment
Learning Plus System Limited	100%	England and Wales	Training
Staffline Holdings Limited	90%	England and Wales	Intermediary holding
PeoplePlus Group Limited*	100%	England and Wales	Welfare to Work
Softmist Limited*	100%	England and Wales	Training

Notes to the company financial statements (continued)

33. Fixed asset investments (continued)

Subsidiaries	Proportion of ordinary share capital held	Country of incorporation	Nature of business
Staffline Recruitment Limited	100%	England and Wales	Recruitment
Elpis Limited*	100%	England and Wales	Dormant
A La Carte Recruitment Limited*	100%	England and Wales	Dormant
Staffline Polska Sp. zoo*	100%	Poland	Recruitment
Staffline Gliwice Sp. zoo*	100%	Poland	Recruitment
Go New Sp. Zoo *	100%	Poland	Recruitment
House of Logistics Limited*	100%	England and Wales	Dormant
Staffline Recruitment Ireland Limited	100%	Republic of Ireland	Recruitment
Eos Works Group Limited	100%	England and Wales	Dormant
Eos Works Limited*	100%	England and Wales	Welfare to Work
Ethos Recruitment Limited*	100%	England and Wales	Dormant
Taskforce Recruitment Limited*	100%	England and Wales	Dormant
Go New Recruitment Holdings Limited*	100%	England and Wales	Dormant
Go New Recruitment Limited*	100%	England and Wales	Dormant
Go New Recruitment (Glos.) Limited*	100%	England and Wales	Dormant
Select Appointments Limited*	100%	England and Wales	Recruitment
Learning Plus System Limited	100%	England and Wales	Training
Staffline Holdings Limited	90%	England and Wales	Intermediary holding
PeoplePlus Group Limited*	100%	England and Wales	Welfare to Work
Softmist Limited*	100%	England and Wales	Training

*These companies are owned indirectly through other group companies.

34. Intangible assets

The Intangible asset related to a software license which has a remaining useful economic life of two years.

	Total £'000
Net book value at 31 December 2014	1,166
Amortisation provided in year	(666)
Net book value at 31 December 2015	**500**

35. Trade and other receivables

	2015 £'000	2014 £'000
Other debtors	**1,484**	-
Amounts due from Group undertakings	**39,859**	47,904
	41,343	**47,904**

The amounts due from Group undertakings are no-interest bearing, unsecured and repayable on demand

36. Trade and other payables

	2015 £'000	2014 £'000
Accruals	141	72
	141	**72**

37. Borrowings

Borrowings are repayable as follows:

	2015 £'000	2014 £'000
In one year or less or on demand	20,868	13,464
In more than one year but not more than two years	8,750	11,409
In more than two years but not more than five years	13,125	3,750
Unamortised transaction costs	(595)	(364)
	42,148	**28,259**
Split:		
Current liabilities:		
Term loan	11,875	2,500
Discounted loan notes	8,993	10,964
Unamortised transaction costs	(166)	(106)
	20,702	**13,358**
Non-current liabilities:		
Term loan	21,875	6,250
Discounted loan notes	-	8,909
Unamortised transaction costs	(429)	(258)
	21,446	**14,901**
Total borrowings	**42,148**	**28,259**

Total borrowings excluding unamortised transaction costs	(42,743)	(28,623)
Cash	36	65
Net debt as disclosed in consolidated statement of cash flows	**(42,707)**	**(28,558)**

The term loan and discounted loan notes are secured by a debenture over all the assets of the Group.

A term loan of £35m was drawn down in June as part of the A4E acquisition. The loan is repayable quarterly and matures in 2019. Interest accrues on the loan at between 1.4% and 2.4% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

As part of the Avanta acquisition in 2014, there was £20m of deferred consideration due to the vendors, £11m which was paid in 2015 and £9m due to be paid in 2016. The deferred consideration is in the form of bank guaranteed, coupon-bearing loan notes. The two loan notes have been discounted back to the book values disclosed above. Interest on the bank guarantees is charged at 1.4%.

Notes to the company financial statements (continued)

38. Other liabilities

	2015 £'000	2014 £'000
Due within one year		
Cash settled JSOP liability	-	5,472
	-	**5,472**
Due after more than one year		
Cash settled JSOP liability	6,180	880
	6,180	**880**

39. Share Capital

Authorised	**2015 £'000**	2014 £'000
30,000,000 (2014: 30,000,000) ordinary 10p shares	**3,000**	3,000

Due after more than one year	**2015 £'000**	2014 £'000
27,749,389 (2014: 27,747,551) ordinary 10p shares	**2,775**	2,775

For full details of share options and the share based payment charge calculation see note 7.

40. Risk management objectives and policies

The Company is exposed to a variety of financial risks through its use of financial instruments which result from both its operating and investing activities. The Company's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors.

The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

Credit risk

Generally, the Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2015 Loans and receivables and balance sheet totals £'000	2014 Loans and receivables and balance sheet totals £'000
Amounts due from group companies	39,859	47,904
Cash and cash equivalents	36	65
Other debtors	1,484	-
	41,379	**47,969**

Credit risk is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

Liquidity risk

The Company seeks to manage financial risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

All financial liabilities of the Company are subject to floating interest rates. Competitive rates have been renegotiated with the Company's bankers and the rate paid on the term has been set at 1.4% above LIBOR. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- one percentage point with effect from the beginning of the year.

	2015	**2015**	2014	2014
	+1%	-1%	+1%	-1%
(Decrease)/increase in net result and equity £'000	(743)	743	(221)	221

Foreign currency sensitivity

The Company's transactions are all carried out in sterling.

Financial liabilities

The Company's liabilities are classified as follows:

	2015 Financial liabilities at fair value through £'000	**2015 Other financial liabilities at £'000**	**2015 Liabilities not within the scope £'000**	**2015 Balance sheet total £'000**
Term loan and loan notes	-	42,743	-	42,743
Accruals	-	141	-	141
Other liabilities - JSOP	-	-	6,180	6,180
Total	**-**	**42,884**	**6,180**	**49,064**

The Company consider that the fair value of the Company's financial assets and liabilities equal the book value.

	2014 Financial liabilities at fair value through £'000	**2014 Other financial liabilities at £'000**	**2014 Liabilities not within the scope £'000**	**2014 Balance sheet total £'000**
Term loan and loan notes	-	28,623	-	28,623
Accruals	-	72	-	72
Other liabilities - JSOP	-	-	6,352	6,352
Total	**-**	**28,695**	**6,352**	**35,047**

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis.

Financial assets and financial liabilities measured at fair value are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- level 1 - quoted prices in active markets for identical assets and liabilities
- level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
- level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group has no financial assets or liabilities in any classification.

Notes to the company financial statements (continued)

40. Risk management objectives and policies (continued)

Maturity of financial liabilities

The analysis of the maturity of financial liabilities at 31 December 2015 is as follows:

	2015 Less than one year £'000	2015 Two to five years £'000	2015 More than five years £'000	2015 Total £'000	2014 Less than one year £'000	2014 Two to five years £'000	2014 More than five years £'000	2014 Total £'000
Term loan	11,875	21,875	-	33,750	2,500	6,250	-	8,750
Loan notes	8,993	-	-	8,993	10,964	8,909	-	19,873
Accruals	141	-	-	141	72	-	-	72
Total	**21,009**	**21,875**	**-**	**42,884**	**13,536**	**15,159**	**-**	**28,695**

The analysis of the maturity of contractual undiscounted financial liabilities at 31 December 2015 is as follows:

	2015 Less than one year £'000	2015 Two to five years £'000	2015 More than five years £'000	2015 Total £'000	2014 Less than one year £'000	2014 Two to five years £'000	2014 More than five years £'000	2014 Total £'000
Term loan	12,383	22,364	-	34,747	2,637	6,390	-	9,027
Loan notes	9,028	-	-	9,028	11,234	9,028	-	20,262
Accruals	141	-	-	141	72	-	-	72
Total	**21,552**	**22,364**	**-**	**43,916**	**13,943**	**15,418**	**-**	**29,361**

41. Cash flows from operating activities

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit before taxation	4,441	1,324
Adjustments for:		
Finance costs	1,014	447
Depreciation, loss on disposal and amortisation	667	667
Dividend income	(3,989)	(2,750)
Operating profit before changes in working capital and share options	**2,133**	**(312)**
Change in trade and other receivables	6,561	(42,883)
Change in trade and other payables	63	19,945
Net cash inflow/(outflow) from operating activities	**8,757**	**(23,250)**

42. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to Lloyds. The Group amount owing to Lloyds at year-end is £56.0m.

43. Capital commitments

There were no capital commitments at 31 December 2015 or at 31 December 2014.

44. Related parties

The company has taken the IAS 24 exemption to not disclose transactions with wholly owned subsidiary undertakings. Details of related party transactions are given in note 20 to the consolidated financial statements.

Notes:

Staffline
Group plc
People Skills Jobs

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