For Immediate Release 25 January 2017

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

AUDITED FULL YEAR RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016

Staffline, the Staffing and Employability organisation, today announces its audited Full Year Results for the twelve months ended 31 December 2016.

Financial highlights:

- Revenues up 26% to £882.4m (2015: £702.2m)
- Group gross profit up 24% to £124.9m (2015: £100.9m)
- Underlying profit before tax* up 30% to £36.7m (2015: £28.3m)
- Reported profit before tax up by 244% to £18.9m (2015: £5.5m)
- Underlying diluted Earnings Per Share* up 23% to 114.0 pence (2015: 92.4 pence)
- Reported diluted Earnings Per Share up 378% to 58.8 pence (2015: 12.3 pence)
- Net debt** significantly reduced from £63.1m at the end of FY 2015 to £36.7m at the end of FY 2016, equal to 0.8 x 2016 underlying EBITDA of £44.9m
- Final dividend of 15.3 pence; total dividend for the year of 25.8 pence, an increase of 29% (2015: 20.0 pence)

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

** Net debt including unamortised transaction costs

Operational highlights:

- Record year within Staffing division:
  - OnSites grew by 52 locations; total locations now 357 (2015: 305) – making Staffline the clear market leader
  - Further success with one more white-collar OnSites established
  - Newer divisions, Driving Plus, Ireland and Agriculture, each had an excellent year
  - Continuing strong pipeline of further opportunities
- PeoplePlus (previously Employability) achieved significant improvements as fully integrated business:
  - Contract performance now in top quartile
  - 22 other contracts won or extended within Employability division
  - Only provider to secure inclusion on framework for all of the Government's new welfare to work contracts
- Positive outlook for 2017 and on track to achieve ambitious five-year £1 billion revenue target

Commenting on the results and prospects for 2017, Andy Hogarth, Chief Executive, said:

"These strong results are testament to the hard work and determination of all those involved in our business. In what has been a competitive environment, we are delighted to report such strong organic growth and, with the decision to leave the EU having had no negative impact on trading to date, Staffline has continued to perform well. Our reputation for reliability has not only led to new contract wins but also existing customers extending their work with us, meaning Staffline is now increasing its market share more than ever.

We look forward to 2017 with great confidence and remain on track to achieve our ambitious five year target to grow revenues to over £1 billion in 2017."

<u>A presentation for analysts will be held at 9.30am on Wednesday 25 January 2017 at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN.</u>

<u>A presentation for private and retail investors will be held at 12.00pm on Wednesday 25 January 2017 at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. Admittance is strictly limited to those who register their wish to attend in advance with Buchanan.</u>

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About Staffline

Staffline is a leading outsourcing organisation providing services, mainly in the UK, to both Government and commercial customers. The Staffing division supplies up to 51,000 workers per day to more than 1,500 clients. Using the skills we have developed and learned within Staffing we have developed a second division, PeoplePlus, and have become a leading provider to both Central and Local Government, offering a wide range of services to help and support in the Employability (Welfare to Work), Communities and Skills arenas.

<u>Staffing Services</u>

Specialising in providing complete labour solutions in agriculture, food processing, manufacturing, e-retail, driving and the logistics sectors, the recruitment business operates from over 350 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, operated entirely on a franchised basis by independent business owners
- 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 horticulture sectors

PeoplePlus (previously Employability)

Trading under the PeoplePlus brand, Government contracts include:

- Work Programme, prime contractor in nine regions and sub-contractor in three regions in England
- Steps to Success, prime contractor in Northern Ireland
- Youth Guarantee (MyGo Centre), supporting youth employment in the Ipswich area
- Building Employment through Education, working in Schools in Northern Ireland

Training services:
- Skillspoint, a procurement consultancy specialising in helping employers benefit from government-funded, work-based training
- Prime contractor to the Skills Funding Agency delivering Apprenticeships and Classroom Based Learning across the UK.

Community services:

- 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
- Independent Living Services, supporting 3,000 disabled people lead independent lives
- Visitor Centers for the Northern Ireland Prison Service
- Careers Hubs in Stoke and Staffordshire

Market Abuse Regulation
As with previous financial announcements, the information communicated in this announcement includes inside information. Staffline Group plc has included this statement in this announcement in order to comply with the Market Abuse Regulation, which came into effect on 3 July 2016.

Combined Chairman's and Chief Executives Statement

Trading in 2016 continued to be very strong, in particular with our Staffing division achieving further significant organic growth and another record in total *OnSites*. Our PeoplePlus division meanwhile has made good progress as a fully integrated business now rebranded following the acquisition of A4e in April 2015.

2016 was the fourth year into our five year plan to 'Burst the Billion', aiming to grow Group revenues to over £1 billion by 2017, and the financial performance this year means that we remain on track to achieve this. Total sales in 2016 grew 26% to £882.4m (2015: £702.2m), with about half of this growth being organic, derived from winning new business from both new and existing customers. Underlying profit before tax, amortisation of intangible assets arising on business combinations, acquisition and exceptional re-organisation costs in PeoplePlus and the non-cash credit/charge for share based payment costs ("SBPC") increased by 30% to £36.7m (2015: £28.3m). Reported profit before tax increased by 244% to £18.9m (2015: £5.5m).

Our Staffing business has continued to go from strength to strength, achieving considerable organic growth and ending the year with a record 357 *OnSites* (December 2015: 305). This performance was underpinned by our investment in a number of start-up opportunities in the past few years as well as in our existing divisions to expand our operational reach and bring in new talent, extending our highly scalable platform.

Our PeoplePlus division, which underwent a significant expansion following the acquisition of A4e in April 2015, is the largest provider to the Department for Work and Pensions of Work Programme contracts in the UK. Whilst 2016 was a relatively quiet year for new contracts being tendered, we continued to focus on operational and management changes. PeoplePlus has now started to outperform most of our competitors on the Work Programme and seven of our nine prime contracts have achieved top quartile performance during the period. Our efforts in this regard were recognised recently when PeoplePlus was confirmed as having qualified for the bidding process in every region for the new welfare to work programme, the only provider to achieve such qualification. Whilst the positive economic backdrop has continued to negatively impact referral levels across our Work Programme contracts (since there are very nearly 1m less unemployed people than when the current contracts started), we have continued to reduce overheads related to these contracts through 2016 to ensure they maintain their expected profitability.

It is now six months since the citizens of the UK voted to leave the EU. In that period we have not seen a reduction in demand for our services or the availability of contractors. Whilst it is too early to tell what the long-term impact of Brexit may be, as the market-leading provider of blue collar temporary workers, our scale and capability has enabled us to manage a period of gradual tightening of the labour market and gives us confidence that we will continue to do so. Staffline benefits from a reliable workforce of over 292,000 contractors on our database. Furthermore, any tightening in the labour market is also likely to help the Employability side of our business as this may make our Work Programme candidates easier to place.

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

Financial Review

Sales in 2016 grew by 26% to £882.4m (2015: £702.2m) with gross profit increasing by £24.0m, or 24% to £124.9m (2015: £100.9m). This increase has come from a mixture of strong organic revenue growth (up 12%) and the full-year contribution of the A4e, Diamond Recruitment and Milestone Operations acquisitions in 2015. The Group's gross profit margin, at 14.2%, was 0.2% lower than last year (2015: 14.4%), primarily due to the impact of the National Living Wage ("NLW") in our Staffing division where pricing is on a price per hour basis, not percentage of wages. Underlying profit before tax, excluding amortisation of intangible assets arising on business combinations, acquisition and exceptional re-organisation costs in PeoplePlus and the non-cash credit/charge for Share Based Payment Charges, increased by 30%, from £28.3m in 2015 to £36.7m. On this basis, adjusted diluted earnings per share rose by 23% to 114.0p (2015: 92.4p). Reported profit before tax from continuing operations increased by 244% to £18.9m (2015: £5.5m) and reported diluted earnings per share from continuing operations rose by 378% to 58.8p (2015: 12.3p).

As previously indicated, as a result of the high levels of organic growth and a full year benefit from acquisitions in 2015, we were able to pay down net debt (including unamortised transaction costs) significantly by the year end to £36.7m, 42% lower than the £63.1m at the 2015 year end. With improving free cash flow levels, debt is expected to continue to fall quickly in the coming year, with a net cash position expected by the end of 2017.

Our robust financial position and strong cash generation support both our Staffing and PeoplePlus activities. Not only do they underpin our Staffing clients' confidence in our ability to supply their temporary workers, who are essential to ensuring continued production, but financial strength is also a key criterion in the contract bidding processes for employability sector contracts.

Following on from 2015, when we were the first company quoted on AIM and the first recruitment company to be awarded the Fair Tax Mark, recognising that we are open and honest in ensuring we pay the amount of tax due on our profits, this accreditation has since been reconfirmed and renewed. As set out in note 5, our tax charge for the year is £3.9m (2015: £2.4m), an effective rate of 20.6% (2015: 43.8%) of our reported profit before taxation, not significantly different to the UK corporation tax rate of 20.0%.

Operational Review

Staffing Services
All of our onsite Staffing businesses saw growth during 2016 despite some uncertainty in the macro-economic backdrop. Sales rose by 34% to £740.8m (2015: £554.5m), driven by organic growth of 21% and the full year benefit from the acquisitions in late 2015 of both Diamond Recruitment in Northern Ireland and Milestone Operations. Our gross profit margin has marginally declined by 0.2% to 8.3% (2015: 8.5%), driven by the on-boarding costs of such a significant number of new *OnSite* locations together with the impact of the rise in National Living Wage ("NLW") which increased our sales but had no impact on our gross profit (thus reducing the % gross profit margin). The segmental underlying operating profit rose by 42% to £18.8m (2015: £13.2m). Reported operating profit totalled £19.7m (2015: £3.5m).

We continue to build market share in our core business, underpinned by our reputation in the industry for being reliable and ethical. This is despite the marketplace for many of our clients remaining competitive, especially in the food processing and production sectors, and therefore for our business. The recruitment industry continues to consolidate and as a leading provider of temporary workers, we are able to leverage our scale and capabilities to support an increase in the net number of *OnSites* from which we operate by a record total of 52, ending the year with a total of 357 locations. This increase has resulted from a number of new clients choosing Staffline as well as extensions to current contracts. Our newer white-collar *OnSites* business won a further location in 2016 (making a total of 3 currently), the customer being a large international bank. This is an encouraging development, although somewhat later than we had originally hoped, and the growth of this division is a priority for 2017 and beyond.

We have also expanded our presence in sectors including Manufacturing, Logistics and 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 divisions made a positive contribution during the year.

We have continued to see the strengthening of the UK economy lead to a tightening of the labour market, with shortages particularly pronounced in driving and other skilled areas but also in the unskilled sector in certain parts of the UK. We have been able to fulfil all of our customer requirements in 2016 and we have plans in place to ensure that we continue to do so in 2017. However the tightening labour market is likely to lead to greater wage inflation, supporting further demand for our flexible labour services.

The introduction of the NLW, increasing the minimum wage from £6.70 to £7.20 in April 2016, is likely to have encouraged more people to enter the labour market. Further increases are due to be introduced in the period until 2020 when the NLW is due to be at least £9 per hour. Whilst this significant increase in UK wages may encourage an increase in migration from Europe (while workers are still able to), it is also likely to further widen the supply pool of indigenous labour, thus helping Staffline to continue to grow.

PeoplePlus (previously Employability)
The completion of the A4e acquisition in April 2015 significantly enhanced our position in the employability arena. The combined PeoplePlus division benefits from significant scale within the Work Programme, the main contract for Department of Work and Pensions ("DWP"). With nine prime contracts and five sub-contracts, PeoplePlus is the largest provider by both the number of contracts and referrals. Our performance in the nine prime contracts improved hugely during 2016 and our current performance puts all of them in the top half of the league tables.

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, and Independent Living Services, all of which are performing well.

The Transforming Rehabilitation contract, awarded by the Ministry of Justice, is also showing positive results, having successfully commenced in the first half of 2015. The only published metrics to date show that we received the highest user satisfaction rating of all the 21 providers and we are in the top quartile for reducing re-offending.

We have made good progress in developing our new Apprenticeship Levy offering ahead of its launch in April 2017. In 2016, we have been appointed by a number of customers to support the delivery of bespoke apprenticeship programmes, helping customers to implement new schemes whilst achieving cost savings through operational efficiencies. 2017 will see even more opportunities to help our clients in this way, with a number of further customer opportunities already in the pipeline.

Revenues in the PeoplePlus division fell by 4% to £141.6m (2015: £147.7m). Due to the improving economy and employment landscape, referrals (and consequently revenues) were lower in the year, more than offsetting the full year effect on revenue of the A4e acquisition (acquired in April 2015) and a number of new contract wins. Having said this, profitability of the enlarged PeoplePlus division has been in line with our initial expectations, supported by our continued focus on delivering operational efficiencies. Gross profit increased by 18% to £63.6m (2015: £54.0m). Underlying segmental operating profitability rose by 24% to £21.2m (2015: £17.1m). Reported operating profits totalled £2.5m (2015: £4.0m).

The number of referrals we receive on the Work Programme has steadily declined over the last two years and revenues for the remaining three months of the contract and the follow-on 24 months' run-off will be lower than originally expected. The segment has continued to be successful in making claims and receiving monies for prior year work performed, but not previously recognised. In addition we expect that the operational efficiencies gained from the integration of our three brands will maintain the profitability of the business. Significant reductions in both headcount and the number of properties occupied, in the second half of 2016, will ensure a much smaller and more efficient cost base in 2017. Reorganisation costs of £8.0m (2015: £3.2m) were incurred during the year in relation to the headcount and property reductions, and were treated as non-underlying expenses.

We are also pleased to confirm that we won or extended 22 contracts during the year, all working for either local or central government. Whilst all were of relatively small value, the largest being £4m over 18 months, we are confident that the delay caused by the EU Referendum will be resolved during 2017 and that these wins demonstrate our unique positioning in the market which should lead to further opportunities becoming available to us.

In addition, we are delighted to confirm that we have successfully tendered for the Umbrella Agreement for Employment and Health Related Services ("UAEHRS"), the next iteration of the DWP's welfare to work programme (previously referred to as the Work and Health Programme). This enables us to bid for all contracts that are put out to tender in all six geographic areas of England and Wales so far awarded, the only provider to achieve this.

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

Our organisation has grown significantly over the last decade, both organically and through acquisition. To ensure that we maintain control over our processes we have introduced both ISO 9001, a certified management system, and IIP, to ensure that we continue to motivate and develop our staff. In addition PeoplePlus has achieved the very demanding accreditation ISO 27001 for the security of our IT systems, which represents a very important certification given that we deal with the personal details of many hundreds of thousands of people.

People

We continue with our focus on enhancing and growing the capabilities of our people, driving a high-performance culture whilst harnessing talent which enables us to be more agile. Even though the Group continues to grow its revenues and profitability, the number of employees in our Staffing business has remained stable, but, by merging three businesses together to form PeoplePlus in 2016, with the consequent consolidation of headcount of that business, the Group's total workforce at 31 December 2016 of 2,485 (full time equivalents) has seen a reduction of 809 on the 3,294 reported at the end of December 2015.

Developing our people is key to us as an organisation and we have many ways of encouraging this. Our ethos supports nurturing talent within the business at all levels and encourages self-development which in turn aids succession planning, supporting the strategic growth of the Group. We continue to place great emphasis on the training and development of our people, and we review our training needs on an ongoing basis in line with our vision, values and ambition to be an employer of choice.

Our key residential management development programme, The Leadership Camp, has now been delivered to nearly 150 delegates across the Staffline Group since its launch in 2012 and continues to be further enhanced through continued one to one Coaching sessions for all delegates.

An additional suite of management workshops has been delivered across the Group and 145 staff attended this year, incorporating;

- Self-Awareness together with Coaching and Motivating a Winning Team
- Driving Sales through Customer Care
- How to Delight your Customer
- Effective Time Management
- Managing for Success
- Advanced Communication
- Commercial Awareness & Strategic Planning
- Getting the Best from your Team
- Finance for Non-Financial Managers

People Management Workshops have been delivered across the entire business in various formats and these have been complemented with the launch of Management Toolkits covering all areas of People Management. Over 300 managers have attended these sessions during 2016.

Our Staffing division continues to champion Recruitment and Employment Confederation ("REC") accreditations, 17 team members having completed level two and a further 47 having completed level three, and we continue to explore how we might enhance our offering across the business with other qualifications.

Our PeoplePlus division has launched a new Performance and Development Review Process to support team members' development and put in place managers to create and lead high performing teams. All 1,800 team members have been involved in this during 2016.

We believe that Apprenticeships will play a key part in enhancing the skills and development of our teams across the Group and are working closely with our Skills division of PeoplePlus to ensure we offer appropriate apprenticeships to the various divisions of the business, in line with the introduction of the Apprenticeship Levy. During 2016 we had over 50 employees completing Apprenticeships and expect this to increase to over 200 during 2017.

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 and Safety Team has been awarded Fellowship status within the International Institute of Risk and Safety Management, in addition to his Chartered Member of the Institute of Occupational Safety and Health membership, further supporting the development of a culture of Health and Safety across all business units.

Staffline actively monitors all aspects of Health and 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 and Safety action plans with Senior Management involvement throughout.

Following a review of the Group's Health and Safety management systems during 2015, a number of updated policies and procedures have been implemented during 2016. The Health and Safety management systems continue to allow the Group to demonstrate that its corporate responsibilities are being appropriately discharged. As Staffline has grown, the Health and Safety Team has also increased in size to provide information, advice and guidance.

The Group continues to implement a detailed Environmental and 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 Group's 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 saw regular audits carried out to create baseline data with Key Performance Indicators and SMART targets implemented. 2016 has seen our environmental impact being reported against these targets, continuing to demonstrate the Group's ongoing positive environmental commitment.

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 they are working in areas covered by the legislation, are recruited and supplied to the standards required by the Gangmaster Licensing Abuse Authority ("GLAA"). 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 fifth and final 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 four 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 newer 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 continued to invest in our technical infrastructure, which has greatly improved our business continuity capability, and are confident that this is now industry leading, and leaves the Group well placed going forward.

Over the next 12 months, we plan to upgrade our payroll and billing system alongside the development of a new data warehouse. These upgrades are scheduled to start to go live during quarter two of 2017, with project completion anticipated by the end of quarter three. 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, largely from existing Staffing 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. Meanwhile our PeoplePlus division is well placed to benefit as new contract opportunities come through this year, both in welfare to work, thanks to our success in tendering for UAEHRS, and as a consequence of the Apprenticeship Levy. In addition to driving organic growth, we continue to look for further bolt-on acquisitions primarily within our core Staffing division and remain in discussions with a number of companies.

Outlook

The outlook for Staffline remains positive. Having made significant progress in 2016, we are well placed to deliver ongoing growth in the coming year. In Staffing, we will continue to leverage our industry-leading reputation and capabilities to help our clients manage their workforce as effectively as possible, together with further opportunities across a number of strategic initiatives and the potential for bolt-on acquisitions. In PeoplePlus, we remain focused on combining strong operational performance and efficiency to cement the improvements made in 2016. This will support our ability to secure new contracts as and when the opportunities arise. Therefore, we remain on track with current market expectations and are confident of continued growth in shareholder value.

As an expression of our confidence in the Group's prospects, the Directors propose to increase the final dividend by 22% from 12.5 pence to 15.3 pence. This dividend will be payable on Tuesday 4 July 2017 to shareholders on the register at Friday 2 June 2017. The ex-dividend date is Thursday 1 June 2017. This will give a total dividend for the 2016 financial year of 25.8 pence, an increase of 29% (2015: 20.0 pence).

John Crabtree OBE Chairman	Andy Hogarth Chief Executive

24 January 2017

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 Underlying £'m	2016 Non underlying* £'m	2016 Total £'m	2015 Underlying (restated – see note 2) £'m	2015 Non underlying* £'m	2015 Total (restated – see note 2) £'m
Continuing operations							
Revenue	3	882.4	-	882.4	702.2	-	702.2
Cost of sales	4	(757.5)	-	(757.5)	(601.3)	-	(601.3)
Gross profit		**124.9**	**-**	**124.9**	**100.9**	**-**	**100.9**
Administrative expenses	4	(84.9)	(17.8)	(102.7)	(70.6)	(22.8)	(93.4)
Operating profit		**40.0**	**(17.8)**	**22.2**	**30.3**	**(22.8)**	**7.5**
Finance costs		(3.3)	-	(3.3)	(2.0)	-	(2.0)
Profit for the year before taxation		**36.7**	**(17.8)**	**18.9**	**28.3**	**(22.8)**	**5.5**
Tax expense	5	(7.6)	3.7	(3.9)	(5.2)	2.8	(2.4)
Profit from continuing operations		**29.1**	**(14.1)**	**15.0**	**23.1**	**(20.0)**	**3.1**
Profit/ (loss) after tax on discontinued operations	6			0.8			**(0.7)**
Profit for the year				**15.8**			**2.4**
Items that will not be reclassified to the profit and loss account - actuarial (losses) and gains, net of deferred tax				(1.1)			**0.5**
Items that may be reclassified to the profit and loss account – cumulative translation loss, net of tax				-			**(0.1)**
Net profit and total comprehensive income for the year				**14.7**			**2.8**
Earnings per ordinary share	7						
Continuing operations:							
Basic				59.1 pence			12.4 pence
Diluted				58.8 pence			12.3 pence
Discontinued operations:							
Basic				3.2 pence			(2.9 pence)
Diluted				3.1 pence			(2.8 pence)
Underlying:							
Basic				114.7 pence			92.8 pence
Diluted				114.0 pence			92.4 pence

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

The accompanying notes on pages 16 to 32 form an integral part of these summary financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2016	**2.8**	**(9.0)**	**39.9**	**0.1**	**39.4**	**73.2**
Dividends (note 7)	-	-	-	-	(5.8)	(5.8)
Sale of Joint Share Ownership Plan ("JSOP") shares no longer required	-	0.1	-	-	1.4	1.5
Share options issued in equity settled share based payments	-	-	-	0.1	-	0.1
Share options vested in the year				(0.1)	0.1	-
Transactions with owners	**-**	**0.1**	**-**	**-**	**(4.3)**	**(4.2)**
Profit for the year	-	-	-	-	15.8	15.8
Actuarial losses	-	-	-	-	(1.1)	(1.1)
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**14.7**	**14.7**
At 31 December 2016	**2.8**	**(8.9)**	**39.9**	**0.1**	**49.8**	**83.7**

The accompanying notes on pages 16 to 32 form an integral part of these summary financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £'m	Own shares JSOP £'m	Share premium £'m	Share based payment reserve £'m	Profit and loss account £'m	Total equity £'m
At 1 January 2015	**2.8**	**(9.8)**	**39.9**	**0.1**	**31.5**	**64.5**
Dividends (note 7)	-	-	-	-	(4.0)	(4.0)
Vesting of JSOP shares	-	0.8	-	-	9.1	9.9
Share options issued in equity settled share based payments	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-
Transactions with owners	**-**	**0.8**	**-**	**-**	**5.1**	**5.9**
Profit for the year	-	-	-	-	2.4	2.4
Actuarial gains	-	-	-	-	0.5	0.5
Cumulative translation adjustments	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**2.8**	**2.8**
At 31 December 2015	**2.8**	**(9.0)**	**39.9**	**0.1**	**39.4**	**73.2**

The accompanying notes on pages 16 to 32 form an integral part of these summary financial statements

Consolidated statement of financial position

As at 31 December 2016

	Note	2016 £'m	2015 Restated – see note 2 £'m
Assets			
Non-current assets			
Goodwill	8	91.6	91.5
Other intangible assets	9	25.8	36.7
Property, plant and equipment	10	8.0	9.3
Deferred tax asset		0.9	0.9
		126.3	**138.4**
Current			
Trade and other receivables		103.1	116.8
Retirement benefit asset		1.2	2.4
Current assets held for sale		-	1.7
Cash and cash equivalents	11	19.7	5.0
		124.0	**125.9**
Total assets		**250.3**	**264.3**
Liabilities			
Current			
Trade and other payables		97.5	101.3
Borrowings	12	8.6	20.7
Current liabilities held for sale		-	2.5
Other current liabilities		0.5	3.0
Current tax liabilities		2.5	0.4
		109.1	**127.9**
Non-current			
Borrowings	12	47.8	47.4
Other non-current liabilities		6.2	9.7
Deferred tax liabilities		3.5	6.1
		57.5	**63.2**
Total liabilities		**166.6**	**191.1**
Equity			
Share capital	13	2.8	2.8
Own shares		(8.9)	(9.0)
Share premium		39.9	39.9
Share based payment reserve		0.1	0.1
Profit and loss account		49.8	39.4
Total equity		**83.7**	**73.2**
Total equity and liabilities		**250.3**	**264.3**

The accompanying notes on pages 16 to 32 form an integral part of these summary financial statements

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 £'m	2015 £'m
Cash flows from operating activities	14	**46.9**	**14.4**
Taxation paid		(5.6)	(5.0)
Taxation received		1.6	-
Net cash inflow from operating activities		**42.9**	**9.4**
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(3.6)	(3.9)
Proceeds on sale of property, plant and equipment		-	-
Purchase of intangible assets - software	9	(3.3)	(0.5)
Acquisition of businesses - cash paid, net of cash acquired		-	(20.1)
Net cash used in investing activities		**(6.9)**	**(24.5)**
Cash flows from financing activities:			
New loans (net of transaction fees)		8.9	53.1
Loan repayments		(11.9)	(35.3)
Acquisition of businesses - deferred consideration for prior year acquisitions		(10.9)	(11.0)
Interest paid		(3.1)	(1.8)
Dividends paid	7	(5.8)	(4.0)
Proceeds from sale of Joint Share Ownership Plan shares		1.5	9.8
Settlement of Joint Share Ownership Plan liability		-	(9.1)
Proceeds from the issue of share capital		-	-
Net cash flows (used in)/generated from financing activities		**(21.3)**	**1.7**
Net change in cash and cash equivalents		**14.7**	**(13.4)**
Cash and cash equivalents at beginning of year		**5.0**	**18.4**
Cash and cash equivalents at end of year	11	**19.7**	**5.0**

The accompanying notes on pages 16 to 32 form an integral part of these summary financial statements.

Notes to the summary financial statements

For the year ended 31 December 2016

1 Nature of operations, general information and statement of compliance

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

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

The financial statements for the year ended 31 December 2016 (including the comparatives for the year ended 31 December 2015) were approved and authorised for issue by the board of Directors on 24th January 2017.

The Company does not have an ultimate controlling related party.

2 Accounting policies

Basis of preparation

The consolidated financial statements are prepared for the year ended 31 December 2016. The consolidated financial statements of the Group and these summary financial statements have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised below, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are prepared under the historical cost convention except for contingent consideration and cash settled share options which are measured at fair value.

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

The principal accounting policies of the Group are set out within the full financial statements for the Group and have been consistently applied.

Consolidation of subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at 31 December 2016 in accordance with IFRS 10. Subsidiaries are all entities to which the Group is exposed or has rights to variable returns and the ability to affect those returns through power over the subsidiary. All PeoplePlus subsidiaries have a reporting date of 31 December 2016 (2015: 31 December 2015), with all Staffing subsidiary accounts prepared for the 52 weeks ended 1 January 2017 (2015: 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.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

Accounting policies (continued)

Prior year adjustment: December 2015 Consolidated Statement of Comprehensive Income

Reclassification of PeoplePlus costs between cost of sales and administrative expenses
Following the completion of the integration of the trades of A4e and Avanta Enterprise businesses into the PeoplePlus division, and standardisation of reporting, a more appropriate split of costs between cost of sales and administrative expenses has now been identified. To reflect this new split, the December 2015 financial year costs have been restated, with £14.1m now being shown as administrative expenses whereby they were originally reported under cost of sales.

In respect of the December 2015 year end results, the gross profit of the PeoplePlus division, and therefore the group, has increased by £14.1m. The December 2015 financial year gross profit margin of the PeoplePlus division has increased from the previously reported 27.0% to the restated 36.6%, with the group gross profit margin increasing from the previously reported 12.4% to the restated 14.4%.

There is no impact on total costs or operating profit.

Prior year adjustment: December 2015 Consolidated Statement of Financial Position

Finalisation of fair value adjustments in respect of 2015 acquisitions
During the year end 31 December 2015, the Group acquired the entire share capital of A4e Limited in April 2015 and Milestone Operations Limited in September 2015. In accordance with IFRS 3 Business Combinations, the directors made an initial assessment of the fair values of the acquired assets and liabilities, resulting in Goodwill assets of £15.6m and £3.0m respectively being created in the consolidated statement of financial position. During April 2016 and September 2016 respectively (i.e. within 12 months of the acquisition date), the Directors undertook a review of the provisional fair values, with adjustments being reflected within the carrying value of Goodwill as at the acquisition date.

Net adjustments of £0.9m for A4e Limited and £1.3m for Milestone Operations Limited were made this year, increasing the respective Goodwill assets, shown as a prior year restatement of the Consolidated Statement of Financial Position. Principally this related to the non-recoverability of trade debtors and adjustments to the provision for onerous property leases and other liabilities.

Net assets are unaffected by this adjustment, remaining at the £73.2m as previously reported.

Reclassification of dilapidation provisions
As at 31 December 2015, provisions for property dilapidation charges were reported within both Accruals (£2.1m) and Other Non-Current Liabilities (£1.4m). During the current financial year, this was corrected as a prior year adjustment, with Other Non-Current Liabilities in respect of property dilapidation charges as at 31 December 2015 being restated to £3.5m, with a corresponding reduction in Accruals.

There is no effect on either total liabilities or net assets.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

Accounting policies (continued)

Underlying profit – non GAAP measures of performance

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

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

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

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

3 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 probationary services - collectively this segment is called 'PeoplePlus' (previously 'Employability'). These operating segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions made on the basis of segment operating results.

Segment information for the reporting year is as follows:

	Staffing Services 2016 £'m	PeoplePlus 2016 £'m	Total Group 2016 £'m	Staffing Services (restated – see note 2) 2015 £'m	PeoplePlus (restated – see note 2) 2015 £'m	Total Group (restated – see note 2) 2015 £'m
Segment continuing operations:						
Revenue from external customers	740.8	141.6	882.4	554.5	147.7	702.2
Cost of sales	(679.5)	(78.0)	(757.5)	(507.6)	(93.7)	(601.3)
Segment gross profit	**61.3**	**63.6**	**124.9**	**46.9**	**54.0**	**100.9**
Administrative expenses	(41.8)	(38.2)	(80.0)	(33.2)	(33.8)	(67.0)
Depreciation, software amortisation	(0.7)	(4.2)	(4.9)	(0.5)	(3.1)	(3.6)
Segment underlying operating profit *	**18.8**	**21.2**	**40.0**	**13.2**	**17.1**	**30.3**
Administrative expenses - share based payment credit/(charge)	2.9	-	2.9	(8.9)	-	(8.9)
Administrative expenses – reorganisation costs	(0.2)	(8.0)	(8.2)	-	(3.2)	(3.2)
Administrative expenses – transaction costs	(0.1)	-	(0.1)	(0.2)	(0.7)	(0.9)
Amortisation of intangibles arising on business combinations	(1.7)	(10.7)	(12.4)	(0.6)	(9.2)	(9.8)
Segment profit from operations	**19.7**	**2.5**	**22.2**	**3.5**	**4.0**	**7.5**

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

3 Segmental reporting (continued)

	Staffing Services 2016 £'m	PeoplePlus 2016 £'m	Total Group 2016 £'m	Staffing Services (restated - see not 2) 2015 £'m	PeoplePlus (restated – see note 2) 2015 £'m	Total Group (restated – see note 2) 2015 £'m
Segment profit from operations	**19.7**	**2.5**	**22.2**	**3.5**	**4.0**	**7.5**
Finance costs	(3.1)	(0.2)	(3.3)	(1.8)	(0.2)	(2.0)
Segment profit before taxation	**16.6**	**2.3**	**18.9**	**1.7**	**3.8**	**5.5**
Tax expense	(2.8)	(1.1)	(3.9)	(2.1)	(0.3)	(2.4)
Segment profit from continuing operations	**13.8**	**1.2**	**15.0**	**(0.4)**	**3.5**	**3.1**
Total non-current assets	68.7	57.6	126.3	37.6	100.8	138.4
Total current assets	95.9	28.1	124.0	92.3	33.6	125.9
Total assets	164.6	85.7	250.3	129.9	134.4	264.3
Total liabilities	139.6	27.0	166.6	149.7	41.4	191.1
Capital expenditure inc software	1.4	5.5	6.9	0.6	3.8	4.4

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

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

During 2016, one customer in the Staffing Services segment contributed greater than 10% of the Group's revenue, representing £93m or 12.6% of that segment's revenues (2015: one customer representing £83m or 15.1%); the amount receivable from this customer at 31 December 2016 is £13.6m (2015: £11.0m). The PeoplePlus segment has no customer contributing more than 10% of the Group's revenue during 2016 (2015: one customer, representing £98m or 66% of that segment's revenues; the amount receivable from this customer at 31 December 2015 was £0.9m).

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

4 Expenses by nature

Expenses by nature are as follows

Underlying expenses

	2016 £'m	2015 Restated – see note 2 £'m
Employee benefits expenses – cost of sales	684.2	517.0
Employee benefits expenses – administrative expenses	39.2	33.5
Depreciation and software amortisation	4.9	3.6
Operating lease expenses	7.6	6.2
Other expenses	106.5	111.6
	842.4	**671.9**
Disclosed as:		
Cost of sales	757.5	601.3
Administrative expenses - underlying	84.9	70.6
	842.4	**671.9**

Auditors' remuneration in their capacity as auditors of the parent company is £13,750 (2015: £13,750) and in their capacity as auditor of subsidiary companies is £181,250 (2015: £254,250). Non-audit remuneration in respect of tax compliance services totalled £27,000 (2015: £40,000) and in respect of other advice totalled £44,000 (2015: £nil); the other advice this year relates to a review of the Group's responses to the Financial Reporting Council enquiries, certification of year end covenant reporting and assistance in the liquidation of dormant companies.

Non-underlying administrative expenses

	2016 £'m	2015 £'m
Amortisation of intangible assets arising on business combinations (licences, customer contracts)	12.4	9.8
Share based payment (credit)/charges	(2.9)	8.9
Transaction costs	0.1	0.9
Reorganisation costs	6.6	3.2
Impairment of tangible fixed assets (reorganisation related)	1.6	-
	17.8	**22.8**
Tax credit on above non underlying expenses	(3.7)	(2.8)
Post taxation effect on above non underlying costs	**14.1**	**20.0**

The reorganisation costs noted above relate to the integration of the acquisition of EOS, Avanta and A4e into the newly formed PeoplePlus division. This process was started in 2015 and continued in 2016 – principally being due to the reduction in headcount and the exiting of properties no longer required. The share based payment credit arose due to both the reduction in share price during the year and the lapsing of interests on the resignation of certain executives.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

5 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:

	2016 £'m	2016 %	2015 £'m	2015 %
Profit for the year before tax	**18.9**		**5.5**	
UK tax rate		20.0%		20.2%
Expected tax expense	**3.8**		**1.1**	
Other non-deductible expenses (net)	(0.2)		1.8	
Adjustments in respect of prior years	0.3		(0.5)	
Actual tax expense (and % effective rate)	**3.9**	20.6%	**2.4**	43.8%

Actual tax expense comprises:		
Current tax expense	**6.3**	**5.2**
Deferred tax (income)/expense		
- fixed asset timing differences	0.1	(0.8)
- intangible fixed asset permanent difference	(2.4)	(1.9)
- other temporary timing differences	(0.1)	(0.1)
Tax expense	**3.9**	**2.4**

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

6. Assets held for sale and discontinued operations

During the prior year, the Board decided to dispose of its interests in PeoplePlus Enterprises Pty Limited (formerly A4e Pty Limited - "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 in the table below.

The total assets and total liabilities of A4e Australia were held as current assets held for sale and current liabilities held for sale respectively as at 31 December 2015. The sale was completed in April 2016 for net proceeds of £nil. In addition to the £0.8m of net liabilities reported as held for resale as at 31 December 2015, operating losses of £0.2m were incurred this financial year to the date of disposal. Thus a net profit of £1.0m was reported this year on disposal of the A4e Australia (£nil proceeds, £1.0m net liabilities at date of disposal). The cash flows of A4E Australia are consistent with the operating results.

	Year ended 31 December 2016 £'m	**Year ended 31 December 2015 £'m**
Sales	1.7	2.3
Cost of sales	(1.7)	(2.4)
Gross result/(loss)	-	**(0.1)**
Administrative expenses	(0.2)	(0.6)
Operating loss	**(0.2)**	**(0.7)**
Profit on disposal of subsidiary	1.0	-
Profit/(Loss) before and after taxation – discontinued operations	**0.8**	**(0.7)**
Property, plant and equipment	-	0.7
Trade and other receivables	-	0.9
Deferred taxation asset	-	0.1
Current assets held for sale	-	**1.7**
Trade and other payables	-	(2.5)
Current liabilities held for sale	-	**(2.5)**

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

7 Earnings per share and dividends

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares". The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to take into account the potential issue of ordinary shares resulting from share options granted to certain senior management.

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

	Basic 2016	Basic 2015	Diluted 2016	Diluted 2015
Earnings from continuing operations (£'m)	**15.0**	3.1	**15.0**	3.1
Earnings from discontinued operations (£'m)	**0.8**	(0.7)	**0.8**	(0.7)
Weighted average number of shares (000)	**25,367**	24,883	**25,520**	24,990
Earnings per share (pence):				
Continuing	**59.1p**	12.4p	**58.8p**	12.3p
Discontinued	**3.2p**	(2.9p)	**3.1p**	(2.8p)
Underlying earnings per share (pence)*	**114.7p**	92.8p	**114.0p**	92.4p

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

The weighted average number of shares (basic) has been increased by 484,000 (2015: 1,132,000) shares to take account of the full year effect of the 807,000 shares exercised under the 2010 JSOP during the prior year and the effect of the 170,000 shares sold by the 2010 JSOP scheme this year as no longer required.

Dividends

During the year, Staffline Group plc paid dividends of £5.8m (2015: £4.0m) to its equity shareholders:

	2016 £m	2015 £m	2016 per share (pence)	2015 per share (pence)
Interim 2016 paid November 2016 (2015: paid November 2015)	2.7	1.9	10.5p	7.5p
Final 2015 paid July 2016 (2014: paid July 2015)	3.1	2.1	12.5p	8.5p
Total paid during the year	**5.8**	4.0	**23.0p**	16.0p

A final dividend for 2016 of £3.9m has been proposed (2015: £3.1m – paid July 2016) but has not been accrued within these financial statements. This represents a payment of 15.3 pence (2015: 12.5 pence) per share. The final dividend for 2016 is proposed for payment in July 2017.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

8 Goodwill

Gross carrying amount	Total Restated – see note 2 £'m
At 1 January 2015	**69.7**
Additions – A4E Limited £15.6m, Milestone Operations Limited £3.0m, Diamond Recruitment Group £1.0m	19.6
At 31 December 2015 as reported	**89.3**
Adjustments – A4E Limited £0.9m, Milestone Operations Limited £1.3m	2.2
At 31 December 2015 as restated	**91.5**
Additions – Paragon Training (NI) Limited	0.1
At 31 December 2016	**91.6**

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

	Date of acquisition	31 December 2016 £'m	31 December 2015 £'m
Staffline Recruitment Limited	8 December 2004	22.4	22.4
Onsite Partnership Limited*	16 March 2007	1.9	1.9
Peter Rowley Limited*	1 December 2009	0.8	0.8
A La Carte Recruitment Limited*	17 May 2010	0.7	0.7
Qubic Recruitment Solutions Limited*	5 November 2010	0.7	0.7
Ethos Recruitment Limited*	14 March 2011	0.1	0.1
Taskforce Recruitment Limited*	12 September 2011	1.9	1.9
Go New Recruitment Limited*	14 September 2012	0.9	0.9
Milestone Operations Limited*	29 September 2015	4.3	4.3
Diamond Recruitment Group*	13 October 2015	1.0	1.0
Staffing Services division		**34.7**	**34.7**
Eos Works Group Limited	21 April 2011	1.6	1.6
PeoplePlus Group Limited (formerly Avanta Enterprise Limited)	6 June 2014	37.6	37.6
Softmist Limited	2 July 2014	1.1	1.1
A4e Limited	27 April 2015	16.5	16.5
Paragon Training (NI) Limited	15 February 2016	0.1	-
PeoplePlus division		**56.9**	**56.8**
Total		**91.6**	**91.5**

Following their acquisition, the businesses asterisked above were fully integrated into the core Staffing Services 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 3) and have tested these two cash generating units for impairment. Significant headroom arose on the testing and consequently no impairment charges have been made.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

9 Other Intangible assets

The Group's other intangible assets include the customer contracts and lists obtained through the acquisition of the companies in note 8 above plus the acquisition of a software licence obtained in 2013 and acquired software in 2015 and 2016. There are no intangible assets with restricted title.

As at 31 December 2016, there are five individually material other intangible assets:

i. Customer contracts in A4E Limited. The carrying value of the asset is £12.7m (2015: £18.4m) which is being amortised over the remaining life of the main contract, 27 months.
ii. Customer contracts in Milestone Operations Limited. The carrying value of the asset is £3.6m (2015: £4.5m) which is being amortised over 5 years.
iii. Software developed for the Ministry of Justice contract. The carrying value of the asset is £2.9m (2015: £0.5m) which is being amortised over 5 years.
iv. Software developed for the Work Programme contract. The carrying value of the asset is £2.4m (2015: £4.0m) which is being amortised over 4 years.
v. Customer contracts in Diamond Recruitment Group. The carrying value of the asset is £2.2m (2015: £2.7m) which is being amortised over 5 years.

	Software £'m	Licenses £'m	Customer contracts £'m	Customer lists £'m	Total £'m
Gross carrying amount					
At 1 January 2015	**-**	**2.0**	**15.6**	**5.5**	**23.1**
Additions	0.5	-	-	-	0.5
Additions through business combinations	-	-	29.8	-	29.8
Transfer from property, plant and equipment	5.1	-	-	-	5.1
At 31 December 2015	**5.6**	**2.0**	**45.4**	**5.5**	**58.5**
Additions	3.3	-	-	-	3.3
At 31 December 2016	**8.9**	**2.0**	**45.4**	**5.5**	**61.8**
Amortisation					
At 1 January 2015	**-**	**0.8**	**4.8**	**5.5**	**11.1**
Charged in the year	-	0.7	9.1	-	9.8
Transfer from property, plant and equipment	0.9	-	-	-	0.9
At 31 December 2015	**0.9**	**1.5**	**13.9**	**5.5**	**21.8**
Charged in the year	1.8	0.5	11.9	-	14.2
At 31 December 2016	**2.7**	**2.0**	**25.8**	**5.5**	**36.0**
Net book amount at 31 December 2016	**6.2**	**-**	**19.6**	**-**	**25.8**
Net book amount at 31 December 2015	4.7	0.5	31.5	-	36.7

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

10 Property, plant and equipment

	Land and buildings £'m	Computer equipment £'m	Assets in course of construction £'m	Fixtures and fittings £'m	Motor vehicles £'m	Total £m
Gross carrying amount						
At 1 January 2015	**2.2**	**3.8**	-	**3.4**	**-**	**9.4**
Additions	0.9	1.6	0.7	0.7	-	3.9
Additions - business combinations	1.3	7.4	-	0.3	0.1	9.1
Disposals	(0.2)	(0.6)	-	(0.6)	-	(1.4)
Reclassification – assets for resale*	(0.6)	(0.1)	-	-	-	(0.7)
Transfer to other intangible assets**	-	(5.1)	-	-	-	(5.1)
Currency translation differences	-	(0.1)	-	-	-	(0.1)
At 31 December 2015	**3.6**	**6.9**	**0.7**	**3.8**	**0.1**	**15.1**
Additions	2.6	1.7	(0.7)	-	-	3.6
Reclassification	(0.8)	-	-	0.8	-	-
Disposals	(0.2)	-	-	-	-	(0.2)
At 31 December 2016	**5.2**	**8.6**	**-**	**4.6**	**0.1**	**18.5**
Depreciation						
At 1 January 2015	**1.3**	**2.1**	**-**	**1.0**	**0.1**	**4.5**
Charged in the year	0.3	2.3	-	1.0	-	3.6
Disposals	(0.3)	(0.5)	-	(0.6)	-	(1.4)
Transfer to other intangible assets**	-	(0.9)	-	-	-	(0.9)
Currency translation differences	-	-	-	-	-	-
At 31 December 2015	**1.3**	**3.0**	**-**	**1.4**	**0.1**	**5.8**
Charged in the year - operating	0.4	1.7	-	1.0	-	3.1
Charged in the year - impairment	-	1.3	-	0.3	-	1.6
Disposals	-	-	-	-	-	-
At 31 December 2016	**1.7**	**6.0**	**-**	**2.7**	**0.1**	**10.5**
Net book value						
At 31 December 2016	**3.5**	**2.6**	**-**	**1.9**	**-**	**8.0**
At 31 December 2015	**2.3**	**3.9**	**0.7**	**2.4**	**-**	**9.3**

* The assets of A4E Australia were reclassified during 2015 as current assets held for sale in accordance with IFRS 5.

**Acquired Software assets previously disclosed as Computer Equipment were reclassified as Intangible Software assets during 2015.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

11 Cash and cash equivalents

	2016 £'m	2015 £'m
Cash and cash equivalents	19.7	5.0
Bank overdraft	-	-
Cash and cash equivalents per cash flow statement	**19.7**	**5.0**

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year-end £19.7m (2015: £5.0m) of cash on hand and balances with banks were held by subsidiary undertakings but these balances are available for use by the Company, Staffline Group plc. £0.9m (2015: £1.3m) of the year-end cash balance was held at the Bank of Ireland, outside of the group overdraft facility with Lloyds Banking Group and HSBC Bank.

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

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

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

	2016 £'m	2015 £'m
Cash and cash equivalents	19.7	5.0
Overdraft facility	15.0	15.0
Additional Revolving Credit Facility	7.5	-
Bank guarantee	(0.4)	-
Banking Facility Headroom	**41.8**	**20.0**

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

12 Borrowings

	2016 £'m	2015 £'m
Current liabilities:		
Term loan	8.8	11.9
Discounted loan notes (repaid during 2016)	-	9.0
Unamortised transaction costs	(0.2)	(0.2)
Bank overdraft	-	-
	8.6	**20.7**
Non-current liabilities:		
Revolving credit facility	35.0	26.0
Term loan	13.1	21.8
Unamortised transaction costs	(0.3)	(0.4)
	47.8	**47.4**
Total borrowings	**56.4**	**68.1**
Total borrowings excluding unamortised transaction costs	56.9	68.7
Less: Cash and cash equivalents (note 11)	19.7	5.0
Net debt as disclosed in consolidated statement of cash flows (note 14)	**37.2**	**63.7**

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 £35.0m was drawn down in June 2015 as part of the A4e acquisition. The loan is repayable quarterly and matures in 2019. Interest accrues on the loan at between 1.4% and 2.4% plus LIBOR, depending upon the level of adjusted leverage as defined in the banking covenants.

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

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

13 Share capital

	2016 £'m	2015 £'m
Authorised		
30,000,000 (2015: 30,000,000) ordinary 10p shares	**3.0**	3.0
Allotted and issued		
27,749,389 (2015: 27,749,389) ordinary 10p shares	**2.8**	2.8

	Year ended 31 December 2016	Year ended 31 December 2015
Shares issued and fully paid at the beginning of the year	**27,749,389**	**27,747,551**
Shares issued during the year	-	1,838
Shares issued and fully paid	**27,749,389**	**27,749,389**
Shares authorised but unissued	2,250,611	2,250,611
Total equity shares authorised at end of year	**30,000,000**	**30,000,000**

All ordinary shares have the same rights and there are no restrictions on the distribution of dividends or repayment of capital with the exception of the 2,220,400 shares (31 December 2015: 2,390,400 shares) held at 31 December 2016 by the Employee Benefit Trust where the right to dividends has been waived.

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

14 Cash flows from operating activities

	Year ended 31 December 2016 £'m	Year ended 31 December 2015 £'m
Profit before taxation	18.9	5.5
Adjustments for:		
Operating loss on discontinued operations (note 6)	(0.2)	(0.7)
Finance costs	3.3	2.0
Depreciation, loss on disposal and amortisation - underlying	5.1	3.6
Depreciation, loss on disposal and amortisation – non underlying	14.0	9.8
Operating profit before changes in working capital and share options	**41.1**	**20.2**
Change in trade and other receivables	13.2	(7.1)
Change in trade, other payables and provisions	(4.5)	(6.9)
Cash generated from operations	**49.8**	**6.2**
Additional pension contributions	-	(0.7)
Employee cash settled share options (non-cash (credit)/charge)	(2.9)	8.9
Employee equity settled share options	-	-
Net cash inflow from operating activities	**46.9**	**14.4**

Movement in net debt	**£'m**	**£'m**
Net debt at 1 January 2016 (excluding transaction fees)	(63.7)	(17.8)
Acquired debt	-	(25.3)
New loans (excluding transaction fees)	-	(53.5)
Unwinding of discount on loan notes	(0.1)	(0.1)
Loan repayments	11.9	46.3
Change in cash and cash equivalents	14.7	(13.3)
Net debt at 31 December 2016 (excluding transaction fees)	**(37.2)**	**(63.7)**

Represented by:	**£'m**	**£'m**
Cash and cash equivalents (note 11)	19.7	5.0
Current borrowings (note 12)	(8.6)	(20.7)
Non-current borrowings (note 12)	(47.8)	(47.4)
Net debt including transaction fees	**(36.7)**	**(63.1)**
Transaction fees	(0.5)	(0.6)
Net debt at 31 December 2016 (excluding transaction fees)	**(37.2)**	**(63.7)**

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

Notes to the summary financial statements (continued)

For the year ended 31 December 2016

15 Directors' responsibilities statement

In preparing the Management Report on pages 1 to 10 (including the Combined Chairman's and Chief Executive's Statement) and the consolidated summary financial statements, the directors have considered their responsibilities for preparing 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.

16 Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated statement of comprehensive income statement, the consolidated statement of changes in equity, the consolidated statement of financial position balance sheet, the consolidated statement of cash flows and associated notes have been extracted from the Group's 2016 statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006. Those financial statements have not yet been delivered to the Registrar of Companies. The Group's 2016 statutory audited financial statements will be published on the Staffline Group plc website during May 2017: *www.staffline.co.uk/investors/company-reports/*