

Tax strategy: 25 January 2018



Scope

Staffline Group plc (“the Company”, “the Group”) is incorporated as a limited company, registered in England and Wales, under the Companies Act 2006. This strategy applies to the Company and to the group of companies headed by Staffline Group plc in accordance with paragraphs 19 and 25 of Schedule 19 (“the schedule”) to the Finance Act 2016. A list of the entities to which it applies is set out below as Appendix One. In this strategy, references to “the Group” are to all these entities. The strategy has been published in accordance with paragraph 16(4) of the Schedule by being included on the Company’s public website www.stafflinegroupplc.co.uk. This strategy applies from the date of publication until it is superseded. References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Corporation Tax, PAYE, NIC and VAT. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the Company has legal responsibilities.

Aim

Staffline Group plc is committed to full compliance with all statutory obligations and full disclosure to tax authorities. The Company’s tax affairs are managed in a way which takes into account the Company’s wider corporate reputation in line with the Company’s overall high standards of governance.

Governance in relation to UK taxation

Ultimate responsibility for the Company’s tax strategy and compliance rests with the Board of Staffline Group plc. Executive management of the Group is delegated by the Board to the Executive Directors, namely the Chief Executive Officer and the Chief Financial Officer (being the Senior Accounting Officer).

The Audit and Risk Committee’s requirement to monitor the integrity of the Group’s financial reporting system, internal controls and risk management framework, expressly includes those elements relating to taxation.

The Chief Financial Officer (‘CFO’) is the board member with executive responsibility for tax matters. Day-to-day management of the Company’s tax affairs is delegated to the two divisional Finance Directors (Recruitment and PeoplePlus) and the central Group Finance team, each of whom reports directly to the CFO. Each of these individuals are appropriately qualified. KPMG are retained as the Company’s tax advisors and are widely consulted and engaged on all tax related matters.

Governance in relation to UK taxation (continued)

The Board and Executive Directors ensure that the Company's tax strategy is one of the factors considered in all investments and significant business decisions taken. The CFO reports to the Audit and Risk Committee (twice a year) and the Board on Staffline Group plc tax affairs and risks during the year, including changes in legislation such as CountryByCountry Reporting requirements and the recently introduced Corporate Criminal Offence.

Each part of our business and each of our employees are responsible for ensuring that our Tax Strategy and Tax Principles are complied with. This is further reviewed as part of the Senior Accounting Officer ("SAO") reporting to HMRC by the Chief Financial Officer to ensure the control mechanisms and procedures the Group has in place are in accordance with the Tax Strategy and Tax Principles .

Risk Management

Staffline Group plc operates a system of tax risk assessment and controls as a component of the overall internal control framework applicable to the Company's financial reporting system.

The Company seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.

Processes relating to different taxes are allocated to appropriate process owners, who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required.

Attitude towards tax planning and level of risk

Staffline Group plc manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax. The Company's attitude towards tax planning is consistent with the 'Tax Principles' adopted and which are set out below. When entering into commercial transactions, the Company seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. The Company does not undertake tax planning unrelated to such commercial transactions.

The level of risk which the Company accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the Company's tax affairs. At all times the Company seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and or determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

Relationship with HMRC

Staffline Group plc seeks to have a transparent and constructive relationship with HMRC through regular meetings and communication in respect of developments in the Group's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes.

The Company ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage. When submitting tax computations and returns to HMRC, Staffline Group plc discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

In all of the Group's dealings with HMRC, our approach is to be open, to co-operate fully with their enquiries in a timely manner and to be proactive in raising any significant issues or uncertainties. The Group has been allocated a Customer Relationship Manager and the Company ensures that regular dialogue takes place between the two parties.

Tax Principles

Staffline Group plc's UK Tax Principles are a written codification, for internal use, of the Company's UK approach to taxation and dealing with taxation authorities.

Legal and ethical

1. We act lawfully and with integrity and expect the same from our people, our customers, tax authorities and other parties with whom we interact.
2. We respect the needs of our people and the communities in which we operate.
3. We will take into account our view of prevailing public interest considerations and of any potential reputational risk to the Company.
4. We shall not act in such a way as to undermine the structure of the tax system.
5. We shall not entertain arrangements that evade tax or that rely, to any extent, in the authorities inability to collect it.
6. We shall not exploit social policy legislation (for example, tax reliefs for charities).
7. We will interpret legislation in a purposive way in line with the courts. We will not enter into transactions with the main purpose of securing a tax advantage clearly contrary to the intention of Parliament in enacting the relevant legislation.
8. We will not endorse the use of Umbrella companies in relation to the employment of contractors, except where transitional arrangements necessitate their temporary use.

Transparency

1. We support a relationship with tax authorities, based upon mutual trust and respect which will enable constructive dialogue and responsiveness by all parties in order to fulfil our responsibilities.
2. We shall comply with all our disclosure requirements. We shall disclose to the authorities, and not conceal, disguise or misrepresent, all material facts.

Fair Tax Mark

In line with the Group's vision and values regarding integrity and doing things the right way for the right reason, the Staffline Group plc Board wholeheartedly believes in the Group paying its fair share of taxes. Indeed, the previous Chief Executive Officer (now non-executive director), Andy Hogarth, has repeatedly lobbied both the government and HMRC to close unethical and unfair tax practices that currently operate within the recruitment industry.

In light of the above statements, in 2015, the Board decided to embark on a process to improve the transparency and communication of the Group's tax affairs. In order to achieve this, the Group worked closely with the Fair Tax Mark, who proposed a number of suggestions as to how the Group could improve both the quantity and quality of the Group's tax disclosures. Following the implementation of those recommendations, the Group was awarded the Fair Tax Mark in May 2015, the first company quoted on the London Stock Exchange's AIM Market to do so.

Since then, the Group's tax policy, set out below, has been extended to cover the operations of companies subsequently acquired.

In July 2016 and July 2017, the Group's Tax Mark was renewed in respect of the December 2015 and December 2016 Annual Report's respectively. Our December 2017 Annual Report will include additional disclosures to provide even more transparency in our tax affairs. When the final Annual Report is published in April, we anticipate being re-assessed with a view to the Group being awarded a Tax Mark for 2017/18.

In April 2017, the Group's consolidated 2016 financial statements were made publicly available on the Group's website (www.stafflinegroupplc.co.uk). Included within those financial statements are additional tax disclosures, above and beyond the relevant accounting standards requirements, clearly setting out how much corporation tax the Group pays and providing easy to understand narrative on any reconciling items. We plan to upload the 2017 Annual Report in April 2018.

In addition to the above, in order to be transparent about where the Group makes its profits, included below as Appendix Two is a breakdown of the geographical split of the Group's revenues, profits, tangible assets, employee numbers and tax charges.

Appendix one:

Full list of subsidiaries covered by this tax strategy

As of 31 December 2017, the full list of subsidiaries (each wholly owned, unless otherwise stated) within the Group are listed below, along with their country of incorporation and a brief description of each company's main trading activity.

This is included within the Group's list of subsidiary companies in the 2017 annual financial statements (to be published in April 2018).

Name	Company registration number	Country of incorporation	Nature of trade
Staffline Group plc	05268636	England and Wales	Parent company
Staffline Holdings Limited	09033366	England and Wales	Intermediary holding company
Broomco (4198) Limited	07029342	England and Wales	Intermediary holding company
Eos Works Group Limited	06526478	England and Wales	Intermediary holding company
Staffline Recruitment Limited	03996086	England and Wales	Recruitment
Staffline Recruitment Ltd (Republic of Ireland)	0525953	Republic of Ireland	Recruitment
Staffline Appointments Limited	02101263	England and Wales	Recruitment
Brightwork Limited	SC296104	Scotland	Recruitment
Driver & Labour Recruit Limited	413883	Republic of Ireland	Recruitment
Go New sp zoo	n/a	Poland	Recruitment
Staffline Polska sp zoo	n/a	Poland	Recruitment
Staffline Recruitment Gliwice sp zoo	n/a	Poland	Recruitment
PeoplePlus Group Limited	05722765	England and Wales	Welfare to Work
A4E Limited	02631340	England and Wales	Welfare to Work
Warwickshire and West Mercia Community Rehabilitation Company Limited	08802535	England and Wales	Welfare to Work
Mercia Community Action CIC	08555598	England and Wales	Welfare to Work
Learning Plus System Limited	07619952	England and Wales	Training
PeoplePlus (Works) NI Limited	NI626755	Northern Ireland	Training
Softmist Limited	05947721	England and Wales	Training
Paragon Training (NI) Limited	NI046962	Northern Ireland	Training
A La Carte Recruitment Limited	02814848	England and Wales	Dormant
Action for Employment Trustees Limited	04387441	England and Wales	Dormant
A4e Deutschland GmbH	n/a	Germany	Dormant
A4e Enterprise Limited	07657928	England and Wales	Dormant
A4e Israel Limited	n/a	Israel	Dormant
A4e Wales Limited	05241508	England and Wales	Dormant
A4e Worldwide Limited	07639140	England and Wales	Dormant

Name (continued)	Company registration number	Country of incorporation	Nature of trade
Agency Plus Limited	06762590	England and Wales	Dormant
Amin (A4e – Aman) Limited	n/a	Israel	Dormant
Brightwork Specialist Recruitment Limited	SC338872	Scotland	Dormant
Driving Plus Limited	02436612	England and Wales	Dormant
Eos Services Limited	02942368	England and Wales	Dormant
Eos Works Limited	06601702	England and Wales	Dormant
JFDI Group Limited	07081331	England and Wales	Dormant
Network Projects Limited	01736673	England and Wales	Dormant
Onsite Partnership Limited	03875182	England and Wales	Dormant
PeoplePlus Scotland Limited	SC304778	Scotland	Dormant
Skillspoint Limited	09042575	England and Wales	Dormant
Staff-line Trustees Limited	04346051	England and Wales	Dormant
Staffline Limited	06982768	England and Wales	Dormant
Techsearch Technology Limited	03494598	England and Wales	Dormant

Appendix two:

Country by country reporting

It is increasingly important to various stakeholders and users of the accounts that it is clear a) in which countries the Group's revenues and profits are derived and b) in which countries the Group has significant operations.

Accordingly, the table below reflects the relevant analysis for the financial year to 31 December 2017, showing that more than 96% of turnover, pre-tax profit and gross tangible assets currently arise in the UK:

Country	Turnover £m	Profit before tax £m	Reported tax charge £m	Gross tangible assets £m **	Average no. of permanent employees	Average no. of temporary employees
UK*	942.8	23.2	5.7	113.4	2,330	42,600
Republic of Ireland	13.8	0.8	0.1	3.2	19	686
Poland	1.2	0.1	-	0.6	8	129
Germany	-	-	-	-	-	-
Total as per consolidated financial statements	957.8	24.1	5.8	117.2	2,357	43,415
2016	882.4	18.9	3.9	113.2	2,793	40,894

* includes consolidation adjustments

** financial year end assets - excludes cash