For Immediate Release 28 January 2015

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

FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

Staffline, the Staffing services, outsourcing, training and Employability organisation, providing people and operational expertise to industry, today announces its full year results for the year ended 31 December 2014.

Financial highlights:

- Revenues up 20.9% to £503.2 million (2013: £416.2 million)
- Adjusted group operating profit up 50.8% to £19.4 million (2013: £12.8 million)
- Adjusted profit before tax up 48.8% to £18.6 million (2013: £12.5 million)
- Reported profit before tax up 22.1% to £10.5 million (2013: £8.6 million)
- Adjusted earnings per share up 30.2% to 60.0p (2013: 46.1p)
- Basic earnings per share down 5.1% to 31.6p (2013: 33.3p)
- Final dividend of 8.5p; total dividend of 13.5p (2013: 10.0p); increase of 35%

Operational highlights:

- On track to meet five year growth ambition of £1bn in sales
- Revenue growth achieved across all Staffing businesses, reflecting improving economy and new customer wins
- Continued organic growth of the ***OnSite*** platform
    - Increased by 41 sites during the reporting period to 235 (2013: 194)
- Acquisition of Avanta in June 2014 for a net consideration of £45m
    - Successful integration with existing Welfare to Work business, Eos, to create our Employability division
- Three major contract wins for Employability division:
    - Ministry of Justice West Mercia and Warwickshire Transforming rehabilitation contract
    - Steps to Success contract in Northern Ireland
    - Suffolk County Council MyGo three year pilot
    - All existing Work Programme contracts extended by one year
- Strong start to trading in 2015, new start-up divisions performing well and additional contract wins underpinning growth

Commenting on the results and prospects for 2015, Andy Hogarth, Chief Executive, said:

"2014 was a period of significant progress for our business. Important strategic steps in both our Staffing services and Employability divisions have delivered positive momentum for the Group and we start 2015 with a stronger and more profitable business than ever before.

We remain on track to meet our ambition to reach £1billion of revenues by 2017 and are focused on delivering growth organically and through strategic acquisitions in 2015 and beyond."

<u>A presentation for analysts and investors will be held at 9.30am on 28 January 2015 at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN</u>

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About Staffline

Staffline is a leading outsourcing organisation providing Staffing services to industry, supplying up to 35,000 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 Welfare to Work and Skills arena.

The business comprises two key areas:

<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 well over 250 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 growing sectors

Employability

Comprising the Avanta and EOS brands, Government contracts include:

- Work Programme, prime contractor in four regions in England, recently extended by 12 months
- Steps to Success, prime contractor in Northern Ireland
- Youth Guarantee (MyGo Centre), helping young people find work in the greater Ipswich area
- Ministry of Justice Transforming Rehabilitation in Warwickshire and West Mercia, helping to transform rehabilitation and probation services through EOS.

The Group also provides training services through:

- 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

Chief Executive and Chairman's Combined Report

The Group has continued to achieve a great deal of operational and financial progress in 2014. The second year of our five year growth strategy, which is targeted to grow Group revenues to over £1 billion, has now cemented our plans to achieve this. Total sales in 2014 grew 20.9% to £503.2m, achieved both via organic growth, particularly in our Staffing division, and via our largest acquisition to date of Avanta Enterpise Ltd ("Avanta") in our Employability (previously Welfare to Work) division in June 2014. This acquisition added 8.8% to Group sales in the seven months post acquisition.

We have continued to invest in a number of recent start-ups as well as our existing divisions to expand our operational reach and bring in new talent, creating a highly scalable platform. We have seen a substantial number of new customer wins in our Staffing division, with the number of ***OnSite*** locations increasing by 41 to 235, which will support further growth in the new financial year***.***

Our Employability division has seen significant growth, including the seven month contribution from Avanta, and has also made good organic progress, securing three new Government funded contracts during the second half of the year; Steps to Success in Northern Ireland, Transforming Rehabilitation for the Ministry of Justice and MyGo in Suffolk.

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

Financial Review

Sales in 2014 grew by 20.9% to £503.2m (2013: £416.2m) with gross profit increasing by £22.8m, or 54.3% to £64.8m (2013: £42.0m). This increase has come from a mixture of strong organic growth and the part year effect of Avanta joining the Group. Net profit before tax, amortisation, acquisition costs and the non-cash charge for share based payment costs (SBPC) increased by 48.8%, from £12.5m to £18.6m. On this basis adjusted fully diluted EPS rose from 45.8p to 59.7p.

Our financial strength is both a major attraction and benefit for our larger ***OnSite*** clients 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 Avanta, where it is a key criterion in the contract bidding processes.

The acquisition of Avanta for a consideration of £45.6m (net of cash acquired), was funded via a combination of additional financing and a successful placing of 2 million ordinary shares at £8.00 per share to raise £16m. Following the acquisition of Avanta net debt increased to £17.8m (2013: net cash of £4.9m) comprising a £10m four year term loan and £20m bank guaranteed vendor loan notes, due to be repaid over the next 19 months. The term loan and loan notes are expected to be repaid from the cash flow of Avanta over the next four years and therefore net debt is expected to fall quickly over coming periods.

We ended the year with outstanding debtor days standing at 28.5, a reduction of 2.5 days from last year.

Operational Review

Staffing Services

All of our Staffing businesses saw growth during 2014 in a generally improving economy. Sales rose by 11.1% to £437.5m, driven entirely by organic growth from new customer wins. Our gross profit margin has marginally improved, by 0.2% to 8.8%. The segmental operating profit rose by 17.9% to £11.6m. The broader UK economy remains a highly competitive environment for many of our clients in the food processing and production sectors and therefore for our business. Despite this, we continue to generate significant opportunities for the Group to build market share in our core business. In particular, 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 41, ending the period with a total of 235 locations. This increase has resulted from a number of new clients choosing Staffline as well as extensions to current contracts across new and existing sectors including Manufacturing, Logistics & Distribution, Food Processing, Agriculture and Driving Plus.

Our investment in new start-up divisions has, as expected, subdued profitability within the Staffing services segment in 2014. The Group opened a number of new divisions within Staffing Services during 2013 in line with our five year growth strategy, including Driving Plus, Ireland and Agriculture, and we continued to invest during the period under review. Investment in new divisions reduced profitability by approximately £0.7m for the year (equating to £1.9m across 2013 and 2014).

We remain confident that all of the new divisions will make a positive impact on profitability in 2015. Our investment in Driving Plus is already seeing positive financial results. With demand for HGV operators now increasing strongly, fuelled by changes to driver education regulations, we anticipate resource will become even scarcer in this area. We believe significant opportunities exist within the driving recruitment sector and we will continue to support this growing division.

The Select Appointments franchise division has had a successful year, with a number of new franchisees opening in and around London and Glasgow. Three existing franchisees are also planning to open additional locations this year.

We continued to assess a number of acquisition opportunities during the year. Our strategy remains to target bolt-on acquisitions to support growth, however we did not identify any that met our strict operating and financial criteria for the recruitment division.

We have seen the strengthening 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 parts of the UK. This has been exacerbated with an increased demand for labour in mainland Europe, in particular Germany, where pay rates are significantly higher, which makes that country a destination of choice for migrant labour. We have been able to fulfil all of our customer requirements in 2014 and we have contingent plans to ensure that we continue to do so in 2015. However the tightening labour market is likely to lead to greater wage inflation and hence a greater cost of recruitment in 2015. Nevertheless, we are confident that our business model and new start-up divisions will maintain Staffline as a leader in our field.

Employability

The completion of the acquisition of Avanta for a net consideration of £45.6m in June 2014 significantly enhanced our position in the Employability arena. Since it has only contributed for seven months during the year, we will see the full benefits of this transaction in 2015 and beyond. Sales in the division grew by 190.8% to £65.7m, largely due to the acquisition, with gross profit increasing by 227% to £26.2m. Segmental profitability rose by 157.6% to £7.8m.

Avanta is our largest acquisition to date and was underpinned by strong strategic rationale. In particular, the transaction created the UK's third largest Welfare to Work provider, greatly enhancing our strength in bidding for future contracts and providing cross selling opportunities to our existing Onsite operations, with the aim of accelerating the Group's strategic goal of becoming the UK's leading Welfare to Work provider. The acquisition has the added benefits of balancing the revenue contribution more evenly between Welfare to Work activities and Staffline's broader Staffing services and enhancing overall Group profit margins.

As planned, we have successfully integrated our existing Work Programme and other Department of Work and Pensions contracts held within Eos into Avanta creating a larger, scaled business.

We have retained the Eos brand for contracts delivered outside of the DWP remit and intend to continue to retain both brands. Eos was successful in winning three major contracts during the second half:

1. The Ministry of Justice West Mercia and Warwickshire Transforming Rehabilitation contract. This is a seven year contract with a possible three year extension. Under the contract we will deliver Probation services to the courts and will target reducing the rates of re-offending. We are delighted to have been awarded a contract with a probation team which is one of the best performing in the country and greatly look forward to welcoming them to the Staffline Group on 1 February.
2. The Steps to Success contract awarded by the Department of Employment and Learning for the Foyle area of Northern Ireland. This contract is similar to the Work Programme, working with the long term unemployed and helping them in to sustained employment.
3. The Suffolk County Council MyGo innovative three year contract, working with under-25 year olds helping prepare them to move in to sustained employment with additional training and support.

Our original training business, Elpis, has traded successfully and Learning Plus, our electronic learning platform (now 100% owned following the buy-out of our JV partner in 2013) has also developed a significant number of new training courses during the period, leading to increased profitability.

In July, we also completed the acquisition of Skillspoint, a Leicester based skills training brokerage business, which further strengthens our position in the Skills Funding Agency funded training sector, a key strategic growth area for the Group. Skillspoint offers a wide range of innovative solutions for employers, holds its own Skills Funding Agency contract and has an OFSTED level two accreditation.

This allows the company to deliver traineeships, making it one of few private training providers to be able to do so. The Group is now in the top 10 of private SFA funded providers in the UK.

We continue to see significant opportunity to grow our market share within both the Government and private training industry.

Board Appointments

In July, we were delighted to announce the appointment of Dame Christine Braddock as a Non-Executive member of the Board. Until recently Christine was CEO of Birmingham Metropolitan College, a position she held for the past 17 years. In that time she oversaw its growth from a single campus on Bristol Street in Birmingham to 27 locations covering the West Midlands. Christine's experience in both this area and in her earlier career in the Prison Service will help Staffline in our aim to continue to grow our Skills and Training business.

Ed Barker joined the Group as Non-Executive Director in October, following the retirement of Nick Keegan, who had been a Non-Executive Director of the Group since we joined the AIM market 10 years ago. Ed has many years' experience in senior financial roles in the retail sector, and is currently Director of Group Finance at Sainsbury's, having qualified as a Chartered Accountant with PWC in 1998.

ISO 9001 and Investors in People ("IIP")

Staffline successfully concluded the external assessment for continued accreditation demonstrating its robust process and procedures. Formal assessments are currently underway to renew our 10 year IIP accreditation.

In addition to the above, we are working towards the Recruitment and Employment Confederation's accreditation for the Group for 2015 and continue to be Patrons of the Institute of Employment Professionals.

People

With the Group further expanding, we have seen an increase to 609 employees in our Staffing business and shared services with an additional 964 people employed by the combined EOS/Avanta businesses, bringing the Group's total workforce to 1,573. The Transforming Rehabilitation contract which commences on 1 February 2015 will see a further 250 people transferring to Group employment under the TUPE provisions. During the year the number of contractors paid each week grew steadily peaking at 34,636 in the lead up to Christmas.

Our residential management development programme has been delivered to 47 delegates through the Leadership Camp 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, Commercial Awareness & Strategic Planning with additional programmes planned for 2015.

In addition to our Management development offering, a number of eLearning training solutions have been developed and rolled out towards the latter part of 2014, of which 123 have been completed. A wider Group launch commences in January 2015 across the Group offering a full complement of solutions hosted by the Group's Learning Plus solution.

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.

Health, Safety and Environment

We take a very proactive approach to the Health, Safety and Welfare of our employees and contractors with a strong commitment to Health and Safety from Senior Management which is cascaded to all levels of the business.

Staffline has recently appointed a Chartered Member of the Institute of Occupational Safety & Health ensuring that we create an environment which allows outstanding personal safety to be delivered.

Staffline actively monitors all aspects of Health & Safety using a "closed loop 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.

During 2014 a full review of the Group's' Health & Safety Management systems was carried out which resulted in updated policies and procedures being implemented. The new management systems will allow the Group to demonstrate that its corporate responsibilities are being appropriately discharged.

Health and Safety data is collated and reported monthly to the Executive Board to ensure the volume of accidents, and incidences of unsafe practice, are addressed immediately. Root cause analysis is extensively undertaken to ensure improvement activity is always ongoing.

The Group has implemented a detailed Environmental & Sustainability Policy. In addition, work has now commenced with the development of a detailed strategy, entitled The One Planet Strategy. This will focus on the following areas to allow the Group to implement appropriate systems in order to reduce our overall carbon footprint:

- Energy Consumption
- Waste
- Travel
- Sustainable Materials

Regular audits are carried out in order to source baseline data with Key Performance Indicators and SMART targets implemented which will demonstrate the Group's ongoing environmental commitments.

IS027001

Avanta 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. 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

With our five year strategic growth plan, aimed at broadening our market reach and increasing the scale of all of our divisions now firmly in place, 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 two years, we have invested significant sums in both new divisions and new contracts. We are confident that these divisions will develop in the coming years and contribute to driving both revenue and profit growth.

As part of our strategic plans we have continued to invest in our bespoke management information system, Infinity+, which will further improve our operating efficiency. We have also invested in excess of £400,000 in our disaster recovery system and are confident that this is now industry leading. These systems will help ensure that we have established a scalable platform able to support our growth ambitions.

Current Trading

Although only 28 days into 2015 we have started the year well, buoyed by additional contracts from existing customers which are due to start by the end of quarter one. The macro economic recovery is an opportunity for the business but will also increase challenges to find workers. Demand for our services tends to follow a seasonal dip in the first quarter and so we are finding it easier to recruit contractors at the moment but fully expect the blue collar employment market to tighten later in the year. As we have reported before, the number of available HGV qualified drivers remains very low and to try to improve the situation for our clients we have recently introduced a 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.

The integration of Avanta with our Employability division continues to progress well and we expect the Avanta business to have a significant impact financially and operationally in 2015 and beyond.

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

Staffline remains well positioned for continued growth. We remain confident that, with our robust business model, the success in both our key Staffing and Employability divisions during 2014 and the improving economic environment, we will be able to generate further substantial returns for our shareholders.

As an expression of our confidence in the Group's prospects, the Directors propose to increase the final dividend by 37% from 6.2p to 8.5p, this dividend will be payable on 6 July 2015 to shareholders on the register at 5 June 2015. The ex-dividend date is 4 June 2015. This will give a total dividend for the year of 13.5p, an increase of 35.0%.

Andy Hogarth	John Crabtree
Chief Executive	Chairman

28 January 2015

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 Before amortisation, transaction costs and share based payment charge £'000	2014 Amortisation, transaction costs and share based payment charge £'000	2014 Total £'000	2013 Total £'000
Continuing operations					
Sales revenue		503,167	-	503,167	416,193
Cost of sales		(438,320)	-	(438,320)	(374,171)
Gross profit		**64,847**	**-**	**64,847**	**42,022**
Administrative expenses		(45,478)	-	(45,478)	(29,178)
Operating profit before amortisation of intangibles, deal costs and share based payment charge		**19,369**	**-**	**19,369**	**12,844**
Administrative expenses - Share based payment charge		-	(3,665)	(3,665)	(2,154)
Administrative expenses – Transaction costs		-	(660)	(660)	-
Administrative expenses - Amortisation of intangibles		-	(3,812)	(3,812)	(1,766)
Profit from operations		**19,369**	**(8,137)**	**11,232**	**8,924**
Finance costs		(779)	-	(779)	(360)
Profit for the period before taxation		**18,590**	**(8,137)**	**10,453**	**8,564**
Tax expense		(4,342)	1,399	(2,943)	(1,165)
Net profit and total comprehensive income for the period		**14,248**	**(6,738)**	**7,510**	**7,399**
Total comprehensive income attributable to:					
Non-controlling interest				-	-
Owners of the parent				7,510	7,399
Earnings per ordinary share					
Basic	3			31.6p	33.3p
Diluted	3			31.5p	33.1p

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital £'000	Own shares JSOP £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total attributable to owners of parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2014	**2,569**	**(9,211)**	**24,195**	**31**	**28,166**	**45,750**	**-**	**45,750**
Dividends	-	-	-	-	(2,750)	(2,750)	-	(2,750)
Issue of new shares to JSOP	6	(565)	559	-	-	-	-	-
Share options issued in equity settled share based payments	-	-	-	30	-	30	-	30
Issue of new shares	200	-	15,800	-	-	16,000	-	16,000
Share issue costs	-	-	(624)	-	-	(624)	-	(624)
Transactions with owners	**206**	**(565)**	**15,735**	**30**	**(2,750)**	**12,656**	**-**	**12,656**
Profit for the period	-	-	-	-	7,510	7,510	-	7,510
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**7,510**	**7,510**	**-**	**7,510**
At 31 December 2014	**2,775**	**(9,776)**	**39,930**	**61**	**32,926**	**65,916**	**-**	**65,916**

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2014

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

Consolidated statement of financial position

As at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Goodwill		**69,733**	30,971
Other intangible assets		**12,014**	4,005
Property, plant & equipment		**4,885**	2,068
Deferred tax asset		**1,783**	802
		88,415	**37,846**
Current			
Trade & other receivables		**76,414**	63,090
Cash and cash equivalents		**18,364**	12,485
		94,778	**75,575**
Total assets		**183,193**	**113,421**
Liabilities			
Current			
Trade and other payables		**70,432**	55,987
Borrowings	6	**13,363**	62
Other current liabilities		**5,489**	593
Current tax liabilities		**2,335**	351
		91,619	**56,993**
Non-current			
Borrowings	6	**22,401**	7,500
Other non-current liabilities		**1,078**	2,767
Deferred tax liabilities		**2,179**	411
Total liabilities		**117,277**	**67,671**
Equity			
Share capital	7	**2,775**	2,569
Own shares		**(9,776)**	(9,211)
Share premium		**39,930**	24,195
Share based payment reserve		**61**	31
Profit & loss account		**32,926**	28,166
Total equity		**65,916**	**45,750**
Total equity & liabilities		**183,193**	**113,421**

Consolidated statement of cash flows

For the year ended 31 December 2014

	Note	**2014** **£'000**	2013 £'000
Net cash inflow from operating activities	8	**15,104**	**17,005**
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,707)	(737)
Purchase of intangibles		-	(2,040)
Sale of property, plant and equipment		14	-
Acquisition of businesses - deferred consideration for prior acquisitions		(165)	(2,511)
Acquisition of businesses - cash paid, net of cash acquired		(26,614)	(326)
Net cash used in investing activities		**(29,472)**	**(5,614)**
Cash flows from financing activities:			
New loans (net of transaction fees)		9,575	-
Loan repayments		(1,352)	(645)
Interest paid		(602)	(360)
Dividends paid		(2,750)	(1,976)
Proceeds from the issue of share capital		15,376	452
Net cash flows from financing activities		**20,247**	**(2,529)**
Net change in cash and cash equivalents		**5,879**	**8,862**
Cash and cash equivalents at beginning of period		**12,480**	**3,618**
Cash and cash equivalents at end of period		**18,359**	**12,480**
Net funds/(debt) at beginning of year		**4,923**	**(4,584)**
Net change in cash and cash equivalents		**5,879**	**8,862**
(Increase)/decrease in loans		**(28,566)**	**645**
Net (debt)/funds at end of period		**(17,764)**	**4,923**

1 Accounting policies

Basis of preparation

The consolidated financial statements are prepared for the 53 weeks ended 4 January 2015.

The consolidated financial statements of the Group have been prepared using the significant accounting policies and measurement bases summarised within those financial statements, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are prepared under the historical cost convention except for contingent consideration and cash settled share options which are measured at fair value.

Functional and presentation currency

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

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

2 Segmental reporting

Management currently identifies two operating segments: the provision of recruitment and outsourced human resource services to industry ('Staffing Services') and the provision of welfare to work services, skills training and, as of February 2015, probationary services - collectively this segment is called 'Employability'. These operating segments are monitored by the Group's Board and strategic decisions made on the basis of segment operating results.

2 Segmental reporting (continued)

Segment information for the reporting period is as follows:

	Staffing Services 2014 £'000	Employability 2014 £'000	Total Group 2014 £'000	Staffing Services 2013 £'000	Employability 2013 £'000	Total Group 2013 £'000
Segment continuing operations:						
Sales revenue from external customers	437,452	65,715	503,167	393,597	22,596	416,193
Cost of sales	(398,836)	(39,484)	(438,320)	(359,563)	(14,608)	(374,171)
Segment gross profit	**38,616**	**26,231**	**64,847**	**34,034**	**7,988**	**42,022**
Administrative expenses	(26,549)	(16,953)	(43,502)	(23,727)	(4,420)	(28,147)
Depreciation	(499)	(1,477)	(1,976)	(491)	(540)	(1,031)
Segment operating profit before amortisation of intangibles, transaction costs and share based payment charge	**11,568**	**7,801**	**19,369**	**9,816**	**3,028**	**12,844**
Administrative expenses - share based payment charge	(3,665)	-	(3,665)	(2,154)	-	(2,154)
Administrative expenses – transaction costs	(23)	(637)	(660)	-	-	-
Amortisation of intangibles	(530)	(3,282)	(3,812)	(1,313)	(453)	(1,766)
Segment profit from operations	**7,350**	**3,882**	**11,232**	**6,349**	**2,575**	**8,924**
Segment assets	**108,904**	**74,289**	**183,193**	**99,938**	**13,483**	**113,421**

During 2014, 1 customer in the Staffing Services segment contributed greater than 10% of the Group's revenues being 18.5% (£81m) of that segment's revenues (2013: two customers greater than 10%); the amount receivable from this customer at 31 December 2014 is £9.6m (2013: £8.9m). The Employability segment's main customer is the Department for Work and Pensions ('DWP'); sales to the DWP do not represent more than 10% of the Group's revenue and therefore no further disclosures are required.

3 Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, after deducting any own shares (JSOP). The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

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

	Basic 2014	Basic 2013	**Diluted 2014**	Diluted 2013
Earnings (£'000)	**7,510**	7,399	**7,510**	7,399
Weighted average number of shares	**23,750,562**	22,242,934	**23,857,420**	22,351,311
Earnings per share (pence)	**31.6p**	33.3p	**31.5p**	33.1p
Adjusted earnings per share (pence)*	**60.0p**	46.1p	**59.7p**	45.8p

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

The weighted average number of shares has been increased by 1,507,628 (2013: 628,820) shares to take account of the two million shares issued during the year as part of the equity raise.

4 Dividends

During the year, Staffline Group plc paid interim dividends of £1,227,500 (2013: £856,541) to its equity shareholders. This represents a payment of 5p (2013: 3.8p) per share. A final dividend of £2,358,542 has been proposed (2013: £1,522,000) but has not been accrued within these financial statements. This represents a payment of 8.5p (2013: 6.2p) per share. The final dividend for 2013 of £1,522,000 was declared and paid in 2014.

5 Acquisitions

On 15 May 2014, the Group conditionally acquired 100% of the ordinary share capital of Avanta Enterprise Limited ("Avanta"), subject to ratification by the Department for Work and Pensions; on 6 June 2014 the acquisition became unconditional.

Avanta is a leading provider of Welfare to Work and skills training services in the UK. The addition of Avanta's three Welfare to Work contracts to the Group's existing West Midlands contract has resulted in the creation of the UK's third largest Welfare to Work provider, further enhancing the Group's position in bidding for future DWP contracts. In addition, the increased number of contracts, which sit within the Employability division as discussed in note 2, will provide complimentary scale and cross selling opportunities to the Group's existing Staffing division. The acquisition accelerates the Group's strategic goal of being the UK's leading Welfare to Work provider.

The purchase consideration of £65.2m consisted of £28m cash (funded by a term loan of £10m, £15.38m raised via an equity placement net of fees and £2.6m of cash reserves), £19.76m of deferred loan notes, £15m of cash received by way of dividend from Avanta and £2.45m of repaid intercompany balances. Total cash consideration in the year was £43m.

5 Acquisitions (continued)

Directly attributable acquisition costs of £637,000 were included within administrative expenses, £624,000 of equity placing fees charged against share premium and £425,000 of debt issue costs capitalised in the balance sheet against the term loan and 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 of the acquisition date.

As part of the transaction, the Group also acquired 100% of the ordinary share capital of Broomco 4198 Limited, which prior to the acquisition owned 21.2% of Avanta, the other 88.8% being owned by the vendors and their related parties. The net assets of Broomco were immaterial and accordingly the fair values below are for the combined Avanta and Broomco consolidated position.

	Opening balance sheet	Fair value adjustments	Provisional fair value
	£'000	£'000	£'000
Investments	2,055	(2,055)	-
Property, plant and equipment	2,098	-	2,098
Trade and other receivables	12,767	(951)	11,816
Cash	17,219	-	17,219
Trade and other payables	(11,517)	(1,397)	(12,914)
Corporation tax creditor	(947)	483	(464)
Deferred tax asset	622	-	622
Borrowings	(176)	-	(176)
Deferred tax liability	**-**	**(2,482)**	**(2,482)**
Net assets acquired	**22,121**	**(6,402)**	**15,719**

Intangible assets identified – customer contracts	11,821
Goodwill	37,670
Subtotal	**65,210**

The cross selling opportunities and increased scale of the Group's Welfare to Work trade (part of the Employability segment) give rise to consolidated goodwill of £37.6m, which is not separately identifiable of other intangible assets. No goodwill is deductible for corporation tax.

5 Acquisitions (continued)

On 13 November 2014, the Group agreed one year extensions to the four Welfare to Work contracts held after the acquisition of Avanta. In addition to these contract extensions were contractual amendments to the validation system and the performance metric to ensure that programme and provider performance is more accurately captured going forward and that financial controls are further improved to mutual benefit. There was an associated settlement of historical revenue claims between the Department for Work and Pensions and the Group, and other revenue receipts connected with these amendments, some of which relate to financial periods prior to the acquisition of Avanta and are therefore included within the fair value adjustments above, amounting to £0.6m within trade and other payables.

The other fair value adjustments in the table above relate to estimated bad debt provisions against trade receivables, post acquisition costs relating to pre acquisition periods, elimination of investments and a true-up of the estimated corporation tax creditor.

6 Borrowings

Borrowings are repayable as follows:

	2014 £'000	2013 £'000
In one year or less or on demand	13,468	62
In more than one year but not more than two years	11,409	7,500
In more than two years but not more than five years	11,250	-
Unamortised transaction costs	(363)	-
	35,764	**7,562**

6 Borrowings (continued)

	2014 £'000	2013 £'000
Split:		
Current liabilities:		
Term loan	2,500	57
Discounted loan notes	10,964	-
Unamortised transaction costs	(106)	-
Overdraft	5	5
	13,363	**62**
Non-current liabilities:		
Revolving credit facility	7,500	7,500
Term loan	6,250	-
Discounted loan notes	8,909	-
Unamortised transaction costs	(258)	-
	22,401	**7,500**
Total borrowings	**35,764**	**7,562**
Total borrowings excluding unamortised transaction costs	(36,128)	(7,562)
Cash	18,364	12,485
Net debt, as disclosed in the consolidated statement of cashflows	**17,764**	**4,923**

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 £10m was drawn down in June as part of the Avanta acquisition. The loan is repayable quarterly over 16 periods and matures in 2018. 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 relevant covenants have all been comfortably satisfied in 2014 and are forecast to be met comfortably in 2015.

Also as part of the Avanta acquisition, there is £20m of deferred consideration due to the vendors, £11m falling due in 2015 and £9m 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 2018 and interest accrues at the same rate as the term loan.

7 Share capital

	2014 £'000	2013 £'000
Authorised		
30,000,000 ordinary 10p shares	**3,000**	3,000
Allotted and issued		
27,747,551 (2013: 25,687,551) ordinary 10p shares	**2,775**	2,569

	Year ended 31 December 2014	Year ended 31 December 2013
Shares issued and fully paid at the beginning of the period	**25,687,551**	**22,888,578**
Shares issued during the year	2,060,000	2,798,973
Shares issued and fully paid	**27,747,551**	**25,687,551**
Shares authorised but unissued	2,252,449	4,312,449
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 3,197,263 shares held by the EBT where the right to dividends has been waived.

8 Cash flows from operating activities

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit before taxation	10,453	8,564
Adjustments for:		
Finance costs	779	360
Depreciation, loss on disposal and amortisation	5,789	2,805
Operating profit before changes in working capital and share options	**17,021**	**11,729**
Change in trade and other receivables	(6,282)	(3,491)
Change in trade and other payables	3,195	9,691
Cash generated from operations	**13,934**	**17,929**
Employee cash settled share options	3,635	2,128
Employee equity settled share options	30	26
Taxes paid	(2,495)	(3,078)
Net cash inflow from operating activities	**15,104**	**17,005**

9 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 summarised income statement, the consolidated summarised statement of changes in equity, the consolidated summarised balance sheet and the consolidated summarised cash flow statement and associated notes have been extracted from the Group's 2014 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.