17 September 2019

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Staffline, the recruitment and training organisation, announces its unaudited interim results for the six months ended 30 June 2019.

Financial highlights:

	Statutory			*Underlying		
	2019	**2018**	Change	**2019**	**2018**	Change
	£'m	**£'m**	%	**£'m**	**£'m**	%
Revenue	**534.6**	**481.0**	+11.1	**534.6**	**481.0**	+11.1
Recruitment	*493.2*	*429.6*	*+14.8*	*493.2*	*429.6*	*+14.8*
PeoplePlus	*41.4*	*51.4*	*(19.5)*	*41.4*	*51.4*	*(19.5)*
(Loss)/profit before tax	**(7.7)**	**10.5**	(173.3)	**1.5**	**15.0**	(90.0)
Recruitment	*(6.7)*	*6.3*	*(206.3)*	*2.4*	*7.9*	*(69.6)*
PeoplePlus	*(1.0)*	*4.2*	*(123.8)*	*(0.9)*	*7.1*	*(112.7)*
% (Loss)/profit margin	**(1.4%)**	**2.2%**		**0.3%**	**3.1%**	
Recruitment	(1.4%)	1.5%		0.5%	1.8%	
PeoplePlus	(2.4%)	8.2%		(2.2%)	13.8%	
	Pence	**Pence**	%	**Pence**	**Pence**	%
Diluted earnings per share ("EPS")	**(22.4)**	**32.8**	(168.3)	**5.6**	**47.2**	(88.1)
Interim dividend per share	**-**	**11.3**		**-**	**11.3**	
	£'m	**£'m**	£'m	**£'m**	**£'m**	£'m
Net debt**	**89.2**	**36.9**	52.3 increase	**89.2**	**36.9**	52.3 increase

* Underlying profit before tax excludes amortisation charges on intangible assets arising on business combinations, acquisition and exceptional reorganisation costs, exceptional National Minimum Wage ("NMW") remediation and financial penalties, revised audit scope and increased audit fees and the non-cash charge/credit for share-based payment costs ("SBPC").
** Net debt including unamortised transaction costs.

The table below reconciles the statutory profit before tax with the underlying profit before tax:

£ million	**H1 2019**	**FY 2018**	**H1 2018**
Statutory (loss)/profit before tax	**(7.7)**	**(9.6)**	**10.5**
Amortisation of intangible assets arising on business combinations	6.2	11.8	4.9
NMW remediation and financial penalties	-	15.1	-
Reorganisation costs	2.2	10.6	-
Others - see note 3 for further detail	0.8	8.1	(0.4)
Underlying profit before tax	**1.5**	**36.0**	**15.0**

Operational highlights:

Recruitment

- Performance benefitted from the acquisitions made in 2018, which are now fully integrated. However, activity levels were lower in the Food, Logistics and Automotive divisions.
- The Driving division profit performance was ahead of last year, although at a lower margin.
- Gross margin was slightly lower than last year, although the Food division was +0.2% higher with price increases being successfully negotiated as a result of service differentiation and technology improvements.
- New business wins included: Oak Furniture Land and M and M Direct with additional sites won at existing clients: Argos, Laleham Health and Beauty and Go Outdoors.
- As previously flagged, there has been a slowdown in new contract momentum in the current financial year, which the Company largely attributes to the impact of the delay in publication of the 2018 full year results.
- Customer and staff engagement metrics are showing significant improvements compared to a year ago, with Net Promoter Score of 35.7 (June 2018: 23.4), Client Happiness 80.0% (June 2018: 74.9%) and Staff Happiness 80.6% (June 2018: 73.7%).

PeoplePlus

- Successful transition from a Work Programme provider to the UK's leading skills and training business is now complete.
- Prison Education contracts secured are worth a total of £104.6 million over a four-year period, doubling Staffline's share of the Prison Education market to c. 20%.
- Contracts worth a total of over £35 million over a 27-month period secured in the latest round of the Education and Skills Funding Agency's European Social Fund competition.

Outlook

- Trading remains challenging and the Board now expects the Group to deliver full year adjusted operating profit (being profits before interest, tax and non-underlying charges) of approximately £20m. Since the publication of the 2018 Full Year results, weak consumer confidence has weighed on our end customers, particularly in food and retail, which has had a direct impact on demand for Staffline's services.
- The Board expects net debt to be c2x EBITDA at the year-end benefiting from the proceeds of the equity capital raise and trading in the second half of the year.
- While the Group's near term trading outlook will remain subject to variances in consumer confidence caused by the unprecedented levels of uncertainty associated with Brexit, the Board remains confident in Staffline's medium and long-term growth prospects.

Chris Pullen, Chief Executive Officer, commented:

"The first six months of 2019 presented a number of unforeseen challenges for Staffline. The delay in the publication of the 2018 final results created uncertainty, which has been compounded by a challenging trading environment. As a consequence of this and the transformation of PeoplePlus, this year's result will be more heavily weighted than usual towards the final quarter. Brexit has become the source of unprecedented uncertainty for our end customers and is increasingly weighing on consumer confidence. The performance of our end customers in food and retail has a direct impact on the demand for our services. Despite this, we remain convinced that the challenges the Group is currently facing are short-term and that the business is sufficiently differentiated in its service proposition to return to future growth. We have developed an excellent platform as a result of the strategies we have put in place, and look forward to continuing to further enhance the leading positions we have in each of our core markets."

Analyst meeting and audio webcast:

A presentation for analysts will be held at 9.30am today at the offices of Liberum, 25 Ropemaker Street, London, EC2Y 9LY.

Following the meeting, an audio webcast will be available via the following link:
https://webcasting.brrmedia.co.uk/broadcast/5d77b8f71e79456d8fcc41ae

More information on the Group can be found at https://www.stafflinegroupplc.co.uk/.

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Market Abuse Regulation
This announcement is released by Staffline Group plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Staffline Group plc was Mike Watts, Group Chief Financial Officer.

About Staffline – *Recruitment, Training and Support*

Enabling the Future of Work™

Staffline is the UK's market leading Recruitment and Training group. It has two divisions:

Recruitment Division

Staffline is the UK's leading provider of flexible blue-collar workers, supplying over 60,000 staff per day to c. 1,600 private sector clients, across a wide range of industries including agriculture, drinks, driving, food processing, logistics and manufacturing. It operates from over c. 460 locations in UK, Republic of Ireland and Poland. Its world leading Customer Experience platform provides optimised customer-based staffing management solutions whilst providing market-leading levels of job satisfaction for workers.

PeoplePlus Division

Staffline is the leading adult skills and training provider in the UK, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the country.

Skills and Training – market leading provider of Apprenticeships (both Levy and non-Levy), learning and development, adult education and health and well-being programmes to the Private and Public sector.

Justice and Community – largest independent provider of education and training services for prisoners and ex-offenders, as well as individual support services for carers and people with disabilities, both at home and in the work place.

Employability – market leading provider of programmes providing back-to-work education, skills support services to the unemployed and enterprise advice to individuals wanting to start their own business.

Operational review

Introduction

The first six months of 2019 presented a number of unforeseen challenges for Staffline. This uncertainty was primarily borne out of the delay in the publication of the 2018 final results. The associated extended audit procedures lasted until June 2019 (as described in the 2018 Annual Report) and impacted the perceptions surrounding the Group. All of the issues identified, and concerns raised during this process, have now been rectified and Staffline is able to move forward with complete confidence in the procedures that the Group has in place.

Group sales in the first half of 2019 grew 11.1% to £534.6m (H1 2018: £481.0m), driven by the acquisitions made during 2018. Group organic revenue for the period declined by 12.4%, with Recruitment falling by 10.3% and PeoplePlus falling by 29.5%. This reflected the trading headwinds in both divisions, and the transition of the PeoplePlus division to a skills and training business, as described above. Underlying profit before tax* fell by 90% to £1.5m (H1 2018: £15.0m). With the business mix increasingly weighted towards the more seasonal recruitment business, profits are more heavily weighted towards the second half of the year.

* Underlying profit before tax excludes amortisation charges on intangible assets arising on business combinations, acquisition and exceptional reorganisation costs, exceptional NMW remediation and financial penalties, revised audit scope and increased audit fees and the non-cash charge/credit for share-based payment costs ("SBPC").

In July 2019, the Group completed an equity capital raise to reduce the indebtedness of the Group. We recognise that the consequent level of dilution was disappointing for existing shareholders. However, the equity capital raise delivered net proceeds of £37m, meaning that the financial position of the Group is now stronger, reducing expected year-end leverage to c2x EBITDA.

Market overview

On 17 May 2019, the Group issued a Trading Update referencing headwinds being faced across both its Recruitment and PeoplePlus divisions. Brexit uncertainty has been impacting the UK labour market and has led to a number of customers transferring a significant volume of their temporary workforce into permanent employment to mitigate the risk of a skills shortage, as the labour market continues to tighten. Typically, this reaction to uncertainty reverses over time, but we expect it will continue to impact temporary worker demand throughout the current year.

More recently, further customer uncertainty has developed as a direct consequence of the government's more hard-line approach to Brexit negotiations and the real risk of a no deal Brexit. Customers are increasingly taking defensive actions and reducing their exposure to temporary labour, which they perceive to be at risk from a hard Brexit. This is frustrating as Staffline is extremely well prepared for a tightening labour market, with well-developed strategies that will ensure that we continue to be in a position to supply all our customers' flexible labour requirements. These strategies include:

- Utilising our industry-leading worker engagement strategy, which is reducing year-on-year workforce attrition by over 20%;
- Promoting our candidate sourcing platform, which is attracting record numbers of workers into our candidate pools; and
- Leveraging our scale as the largest temporary worker provider in the UK.

However, as the UK economy weakens and consumer confidence remains low, we are continuing to see negative impacts on demand. We remain convinced that the challenges the Group is currently facing are short-term and that the business is sufficiently differentiated in its service proposition. It has an excellent platform for future growth.

Growth strategy

The Group remains committed to delivering its five-year growth strategy, which we initiated in 2018. We do not believe the issues and distractions of H1 2019 have caused any permanent damage to the business, but that we have simply lost time in the development of the Group. Our management teams are more eager than ever to deliver the significant potential that we know exists within the two core operating divisions. We delivered transformational change in 2018 and have market-leading positions in both of our key operating sectors. With the distractions of H1 2019 behind us, it is now time to re-focus on delivering the exciting future prospects for the Group.

Recruitment

The Recruitment division remains uniquely differentiated from its competitors through two key strategies:

- *Experience Management:* we have developed a unique methodology, supported by a leading experience management platform, that enables us to systematically improve worker engagement. Better engaged workers stay longer and are more productive. The definitive and measurable benefits of this are now being realised and we believe that we have found the long sought-after solution to the previously unanswered question of how to improve the engagement of a large blue-collar workforce. Our proprietary solution has significant applications beyond just the scope of our existing recruitment business.
- *Digital candidate attraction*: a comprehensive digital upgrade to our candidate attraction systems means that Staffline will win the race to find workers in a tight labour market.

As a consequence of this, we believe that we are best placed to fulfil our reason for existing which is "to help make our customers more successful." In a tight labour market with record low unemployment we are perfectly positioned to take advantage of these challenges. Furthermore, we believe that better commercial terms will be available for the Group in the future as a result of providing a far higher quality and differentiated service.

PeoplePlus

In PeoplePlus, we have created the UK's leading adult skills and training provider with market leading positions in a number of sectors. This is an entirely new operating model that has been created following the termination of the government's Work Programme. We will continue to build-out and develop this division by:

- Ensuring Staffline holds market leading positions in selected skills and training markets;
- Building a portfolio of service contracts with multiple run off dates;
- Shifting reliance away from central government funding to being roughly split evenly between central government, local and devolved government, and the private sector; and
- Significantly enhancing our digital learning and engagement capabilities across all services, both existing and new.

The Group is characterised by its strong market leadership positions in each of its markets. With strong platforms put in place during 2018, there is clear opportunity for significant growth.

The Group is committed to returning as quickly as possible to high free cash conversion and will continue to benefit from low operational gearing, low capital expenditure requirements, and a focus on managing receivables.

Employment rights legislation

On 16 July 2019, the Government announced a consultation on plans to introduce a new Single Enforcement Body for employment rights. This will replace seven separate existing bodies that have varying powers and degrees of authority.

Staffline is committed to leading the industry as exemplars in compliance and ethical standards. However, as recognised in the Government's latest announcement, the playing field is far from level, with significant deviance by companies within the recruitment sector from proper compliance and ethical standards. There are two key areas that the government plans to address:

- Umbrella companies: these are widely used within the industry in order to avoid paying proper tax, thereby allowing agencies to achieve commercial advantage. Such schemes, whilst legal, are wholly unethical. The Government plans to close the relevant loopholes that allow this
- Holiday pay: the underpayment of holiday pay is widespread within the industry. There is currently no enforcement regime against this and again agencies are able to achieve competitive advantage by underpaying workers' holiday pay. The government plans to introduce proper enforcement against this practice

These important changes will undoubtedly take some time for the government to introduce, however, this will lead to a much-needed levelling of the playfield within the sector. We expect significant commercial benefit in due course as a consequence.

Board changes

As noted in the 2018 Annual Report, the Company announced that John Crabtree, Chairman intended to step down as a director of Staffline. John will leave the Board today and we are pleased to announce that Tracy Lewis will assume the role of Non-Executive Chairman with immediate effect. Tracy has been Non-Executive Director of Staffline since 2016 and has a deep understanding of our business and we believe she is well placed to help drive the Company through its next stage of development. We would like to record our thanks to John for his outstanding service to the Company over the last 14 years.

The Company is also pleased to announce the appointment of Richard Thomson as Non-Executive Director with effect from 17 September 2019. Richard brings with him a wealth of commercial and financial experience, and we look forward to benefitting from the complementary expertise he will bring to Staffline.

In addition, the Board has held constructive discussions with HRnet Group since they announced a 29.9% interest in the Company. It is the Board's intention to appoint Adeline Sim as a Non-Executive Director of the Company, as a representative of HRnet Group. Shareholders will be updated on this appointment in due course.

Finally, Ed Barker, Non-Executive Director and Chair of the Audit Committee has notified the Board of his intention to step down as a director and a process has been initiated to find a successor. Ed has been on the Board for five years and the Board would like to thank Ed for his contribution.

Current trading and outlook

Trading remains challenging and the Board now expects the Group to deliver full year adjusted operating profit (being profits before interest, tax and non-underlying charges) of approximately £20m. Since the publication of the 2018 Full Year results, weak consumer confidence has weighed on our end customers, particularly in food and retail, which has had a direct impact on demand for Staffline's services.

The Board expects net debt to be c2x EBITDA at the year-end benefiting from the proceeds of the equity capital raise and trading in the second half of the year.

In the uncertain political climate, we remain responsive and focused on adapting to new regulations and government change. Despite the potential changes which the UK's exit from the EU may bring over time, our scale and capabilities mean that organisations increasingly look to Staffline's market leading position to ensure their access to a flexible and efficient workforce.

There has also been a slow-down in new contract momentum in the current financial year, which the Company largely attributes to the impact of the delay in publication of the 2018 Full Year results. Notwithstanding these current headwinds, the Recruitment division is beginning to see the definitive benefits of the Company's market-leading approach to worker engagement and digitally enabled candidate attraction. Management expects this strategy to result in increasing differentiation and to support future growth.

In PeoplePlus, with over 60% of 2020 revenues already contracted, the Group maintains a positive outlook in 2020 under its new operating model. However, performance in 2019 will be affected by continued delays in apprenticeship new starts. This is partially as a result of the slow take-up of the Apprenticeship Levy scheme nationally, but also a reflection of the current economic uncertainty. We remain confident that this market is attractive. In addition, the other elements of PeoplePlus, which are expected to contribute c.85% of PeoplePlus revenue in 2020, continue to develop well.

The Board expects a greater weighting towards the second half of the year than normal due to the transformation in PeoplePlus and the difficulties the Recruitment business has faced in the first half of the year. As always, but more so this year, the Christmas peak trading period will be important in contributing to the Group's results for the full year.

Looking to the future, the Board believes that the Group has laid strong foundations for growth, having built market-leading positions in both of our core markets. This has also given the Group a certain amount of resilience to the aforementioned headwinds that we expect Staffline to continue to weather in the short-term.

I look forward to providing further updates as we get back to focusing on our growth strategy and looking to deliver value for all our key stakeholders.

Chris Pullen
Chief Executive Officer

16 September 2019

Financial review

Profitability

Group sales in the period grew by 11.1% to £534.6m (H1 2018: £481.0m). Group organic revenue, excluding business acquisitions in the past twelve months, declined by 12.4%, with Recruitment falling by 10.3% and PeoplePlus falling by 29.5%.

Gross profit decreased by £8.6m, or 16.0%, to £45.0m (H1 2018: £53.6m). A change in the sales mix between the two divisions has had an impact on the Group's gross profit margin, with a reduction from 11.1% in H1 2018 to 8.4% in H1 2019. Recruitment, at a gross profit margin of 7.2% (H1 2018: 7.8%), represented 92.3% of sales this year (89.3% H1 2018), whereas sales fell at our higher margin PeoplePlus division (H1 2019 margin: 22.5%, H1 2018: 39.5%). Gross profit in our Recruitment division grew by £2.4m (7.2%), which was more than offset by the reduced activity in PeoplePlus where revenues decreased by 19.5% and gross profit decreased by £11.0m to £9.3m. Underlying overhead costs were higher at £41.3m (H1 2018: £37.3m), due to the full period effect of acquisitions made during 2018.

Underlying profit* reduced by 90% to £1.5m (H1 2018: £15.0m). On this basis, underlying diluted Earnings Per Share from continuing operations also fell, by 88%, to 5.6p (H1 2018: 47.2p). Statutory declared loss before tax decreased by 173% to £7.7m (H1 2018: profit before tax of £10.5m), due to the trading headwinds in both divisions, and the transition of the PeoplePlus division to a skills and training business, as described above.

* Underlying profit before tax excludes amortisation charges on intangible assets arising on business combinations, acquisition and exceptional reorganisation costs, exceptional NMW remediation and financial penalties, revised audit scope and increased audit fees and the non-cash charge/credit for share-based payment costs ("SBPC").

Taxation

The tax charge on underlying profits before taxation was £nil, an effective tax rate of nil%, which is below the average actual composite UK corporation tax rate of 19.0% due to the availability and utilisation of tax losses brought forward.

Balance sheet

Net assets decreased by £6.7m to £84.3m during the period (31 December 2018: £91.0m), attributable to the loss after tax for the period and the impact on the brought forward profit and loss account balance of the transition to IFRS 16 Leases. The main balance sheet movements during the six months also related to the transition to IFRS 16, as well as working capital movements and increased borrowings. Total assets fell by £13.2m (3.8%) whilst total liabilities fell by £6.5m (2.6%).

Cash flows

Net cash outflow from operating activities for the period was £13.2m, below the £5.6m inflow reported in the comparative period in 2018. A £13.5m decrease in underlying profit before tax for the Group together with increased working capital requirements (H1 2019: working capital outflow of £16.6m during the six months, compared to an outflow of £13.0m in H1 2018) were responsible for this movement. The Recruitment division's debtor days at 30 June 2019 are 28.8 days (30 June 2018: 25.5 days). This increase in debtor days is attributable to the 2018 acquisitions and the impact on cash collection of integrating these businesses into the division's pre-existing credit control processes and systems.

Net debt

The Group's net debt position, including unamortised transaction fees, of £89.2m increased from the 2018 year-end position of £63.0m. This increase has been primarily driven by the payment of deferred consideration on 2018 acquisitions, a reduction in VAT and payroll tax liabilities (timing issue) and the settlement of certain non-underlying costs provided for as at 31 December 2018. The Board expects net debt to be c2x EBITDA at the year-end benefitting from the equity capital raise and trading in the second half.

Refinancing: Amendments to Credit Facilities

Following discussions with the lenders of the existing £120m revolving credit facility ("RCF"), the Company and the lenders agreed on 26 June 2019 to certain amendments to the RCF. In summary:

	Previous arrangement	Current arrangement
Revolving credit facility ("RCF")	£95m	£95m
Overdraft (carved out from RCF)	£25m	£25m
Accordion	£30m	-
Total facility	**£150m**	**£120m**
Expiry date	June 2022	June 2022
Option to extend by one year	Yes	No longer available

The lenders have agreed to a waiver of all quarterly financial covenant tests for the period ending 30 June 2019. The key revised terms to the RCF are:

i) Relaxation of the September and December 2019 leverage covenants followed by a gradual reduction of the leverage covenant to net debt of less than 2x EBITDA by 31 December 2020;
ii) Restrictions on new material share, business and asset acquisitions until January 2021;
iii) No dividends to be declared by the Company for the 2019 and 2020 financial years;
iv) Repayment and cancellation of revolving facility commitments by £10m on both 15 November 2019 and 15 November 2020;
v) Net proceeds of the July 2019 share issue in excess of £30m are to be used to reduce, and cancel, the Credit Facilities available.

In consideration of the aforementioned amendments, an amendment fee has been paid to the lenders and certain other changes are being made to the Credit Facility (including the removal of the accordion option and the ability to request the lenders to extend the Credit Facility for an additional 12 months beyond July 2022). The expiry date for the Credit Facility remains in July 2022. The Company has agreed to pay the lenders an exit fee based on a percentage of the outstanding commitments when the Credit Facility expires or, if sooner, refinanced.

Restatement of June 2018 Financial Position

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 Other Intangible assets of £2.3m being created in the consolidated statement of financial position as at 30 June 2018. During the year ended 31 December 2018, the Directors undertook a review of the provisional fair values, with adjustments being reflected within the carrying value of Other Intangible assets as at the acquisition date. Net adjustments of £0.7m were made during the year (increase in the holiday pay provision), increasing the Other Intangible assets relating to OneCall Recruitment by £0.7m to £3.0m, shown as a prior year restatement of the June 2018 Consolidated Statement of Financial Position. The gross carrying amount of consolidated "Customer Contracts and Brands" as at 30 June 2018 was increased by £0.7m, from £65.6m (previously reported) to £66.3m (as restated). Net assets as at 30 June 2018 are unaffected by these adjustments, as the £0.7m increase in Other Intangible assets is offset by a similar increase in holiday pay provisions.

Issue of new shares

On 27 June 2019, Staffline announced a proposed £34m Placing of ordinary 10p shares to institutional shareholders (to raise c. £30m net of expenses) and an Open Offer to qualifying shareholders of £7m.

On 15 July 2019, an Extraordinary General Meeting of the Company was held to vote on these proposals. All resolutions were passed by shareholders.

On 15 July 2019, a total of 40,986,097 ordinary 10p shares were issued by the Company, resulting in a total of 68,930,486 ordinary 10p shares now being in issue.

After deducting related expenses of £4.2m, a net £36.8m was raised by the Company, to be used to reduce its borrowings.

Events after the balance sheet date

During July 2019, the Group lost a historical legal claim involving share incentives payable to an ex-employee. The final cost of £1.4m will be taken as a non-underlying charge in the second half of 2019. Other than the issue of new shares noted above, there were no events between the balance sheet date of 30 June 2019 and the approval of these condensed financial statements accounts on 16 September 2019 that are required to be bought to the attention of the shareholders.

Related party transactions

Related party transactions are disclosed in note 16 to the condensed set of financial statements.

Transition to IFRS16 Leases

IFRS 16 Leases is effective for accounting periods beginning on or after 1 January 2019. Therefore these interim financial statements cover the first period to which the transition to IFRS 16 is applicable. The Group has adopted the modified retrospective approach to transition, meaning that the cumulative transitional adjustments to assets, liabilities and equity have been recognised on 1 January 2019 and no comparative figures have been restated. For the rest of the six-month period to 30 June 2019, and as at this date, all leasing arrangements that are covered by the provisions of IFRS 16 have been accounted for in-line with this new accounting standard. Details regarding the transition, including the relevant balances and the transitional adjustments themselves, are presented in note 17 to the condensed set of financial statements.

Going concern

As noted earlier in this statement, Staffline finalised a renegotiation of its banking facilities on 26 June 2019. In addition, an additional £36.8m of net funds were raised on 15 July 2019 through the issue of new ordinary 10p shares. The Directors have reviewed likely outcomes for both trading and cash generation, based on the updated profit expectation of approximately £20m confirmed today, and are satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future, and a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Should a further downside occur the Board will reassess this position.

Dividend

The Group has suffered a number of trading headwinds during the first half of 2019, together with significant one-off exceptional costs recognised in 2018, which were higher than previously estimated. Consequently, cash headroom is forecast to be limited during 2019 and 2020. Whilst this remains the case, the Company cannot pay a dividend. This situation will be kept under constant review and at such time as the Board believes that it is appropriate to reinstate the payment of a dividend, we intend to revert to the pre-existing dividend policy of maintaining a dividend cover ratio of between 4.0 and 4.5 times underlying EPS if in a net debt position.

Mike Watts
Chief Financial Officer

16 September 2019

Responsibility statement

The Directors are responsible for preparing the Half Yearly Financial Report, in accordance with applicable laws and regulations. The Directors confirm that to the best of their knowledge:

1. This condensed set of financial statements, which should be read in conjunction with the Annual Report for the year ended 31 December 2018, has been prepared in accordance with AIM Rules for Companies – Part One, Section 18 "Half-yearly reports";

2. The Interim Management Report includes a fair review of the indication of important events during the first six months; and

3. This condensed set of financial statements includes a description of principal risks and uncertainties for the remaining six months of the year and disclosure of related parties' transactions and changes therein.

By order of the Board

Chris Pullen	**Mike Watts**
Chief Executive Officer	Chief Financial Officer

16 September 2019

Consolidated statement of comprehensive income

For the six months ended 30 June 2019

	Note	Six-month period ended 30 June 2019 Underlying Unaudited £'m	Six- month period ended 30 June 2019 Non-underlying Unaudited £'m	Six- month period ended 30 June 2019 Total Unaudited £'m	Six-month period ended 30 June 2018 Unaudited £'m	Year ended 31 December 2018 Audited £'m
Continuing operations						
Revenue	2	534.6	-	534.6	481.0	1,127.5
Cost of sales		(489.6)	-	(489.6)	(427.4)	(1,005.6)
Gross profit		**45.0**	-	**45.0**	**53.6**	**121.9**
Administrative expenses (underlying)		(41.3)	-	(41.3)	(37.3)	(82.8)
Underlying operating profit, before non-underlying administrative expenses		**3.7**	-	**3.7**	**16.3**	**39.1**
Administrative expenses (non-underlying)*	3	-	(9.2)	(9.2)	(4.5)	(45.6)
Operating profit/(loss)	2	**3.7**	**(9.2)**	**(5.5)**	**11.8**	**(6.5)**
Finance costs		(2.2)	-	(2.2)	(1.3)	(3.1)
Profit/(loss) for the period before taxation		**1.5**	**(9.2)**	**(7.7)**	**10.5**	**(9.6)**
Underlying				*1.5*	*15.0*	*36.0*
Non-underlying*	3			*(9.2)*	*(4.5)*	*(45.6)*
Tax expense	4	-	1.7	1.7	(2.0)	1.1
Profit/(loss) from continuing operations		**1.5**	**(7.5)**	**(6.0)**	**8.5**	**(8.5)**
Underlying				*1.5*	*12.2*	*28.8*
Non-underlying*	3			*(7.5)*	*(3.7)*	*(37.3)*
Items that will not be reclassified to the statement of comprehensive income - actuarial gains and losses, net of deferred tax				(0.3)	-	(0.5)
Items that may be reclassified to the statement of comprehensive income – cumulative translation loss				-	-	-
Net profit/(loss) and total comprehensive income for the period				**(6.3)**	**8.5**	**(9.0)**
Earnings per ordinary share	5					
Continuing operations: Basic				(22.4p)	14.3p	(32.5p)
Diluted				(22.4p)	14.2p	(32.5p)

*the non-underlying result includes amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, exceptional NMW remediation and financial penalties, enhanced audit scope fees and the non-cash charge/credit for share based payment costs.

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 30 June 2019

Unaudited

	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 2019 (reported)	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.5**	**91.0**
Transition to IFRS 16: Leases (notes 1, 17)	-	-	-	-	(0.4)	(0.4)
At 1 January 2019 (restated)	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.1**	**90.6**
Dividends (note 5)	-	-	-	-	-	-
Vesting of Joint Share Ownership Plan ("JSOP") shares	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-
Transactions with owners	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.1**	**90.6**
(Loss) for the period	-	-	-	-	(6.0)	(6.0)
Actuarial (losses) (note 9)	-	-	-	-	(0.3)	(0.3)
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**(6.3)**	**(6.3)**
At 30 June 2019 (unaudited)	**2.8**	**(4.8)**	**41.2**	**0.3**	**44.8**	**84.3**

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 30 June 2018

Unaudited

	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 2018 (audited)	**2.8**	**(8.9)**	**40.3**	**0.1**	**61.5**	**95.8**
Transition to IFRS15: Revenue Recognition	-	-	-	-	(1.0)	(1.0)
At 1 January 2018 (restated)	**2.8**	**(8.9)**	**40.3**	**0.1**	**60.5**	**94.8**
Dividends (note 5)	-	-	-	-	(4.0)	(4.0)
Vesting of Joint Share Ownership Plan ("JSOP") shares	-	-	-	-	-	-
Issue of new shares (note 13)	-	(0.9)	0.9	-	-	-
Transactions with owners	**-**	**(0.9)**	**0.9**	**-**	**(4.0)**	**(4.0)**
Profit for the period	-	-	-	-	8.5	8.5
Actuarial gains and losses (note 9)	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**8.5**	**8.5**
At 30 June 2018 (unaudited)	**2.8**	**(9.8)**	**41.2**	**0.1**	**65.0**	**99.3**

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018

Audited

	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 2018 (audited)	**2.8**	**(8.9)**	**40.3**	**0.1**	**61.5**	**95.8**
Transition to IFRS15: Revenue Recognition	-	-	-	-	(1.0)	(1.0)
At 1 January 2018 (restated)	**2.8**	**(8.9)**	**40.3**	**0.1**	**60.5**	**94.8**
Dividends (note 5)	-	-	-	-	(7.1)	(7.1)
Issue of 2018 Joint Share Ownership Plan ("JSOP") shares	-	(0.9)	0.9	-	-	-
Settlement of 2013 JSOP shares	-	5.0	-	-	7.1	12.1
Save as you earn ("SAYE") share scheme – equity settled	-	-	-	0.2	-	0.2
Transactions with owners	**-**	**4.1**	**0.9**	**0.2**	**-**	**5.2**
(Loss) for the year	-	-	-	-	(8.5)	(8.5)
Actuarial (losses) (note 9)	-	-	-	-	(0.5)	(0.5)
Cumulative translation adjustments	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**(9.0)**	**(9.0)**
At 31 December 2018	**2.8**	**(4.8)**	**41.2**	**0.3**	**51.5**	**91.0**

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Consolidated statement of financial position

As at 30 June 2019

	Note	**30 June 2019 Unaudited £'m**	30 June 2018 Unaudited (as restated) £'m	31 December 2018 Audited £'m
Assets				
Non-current assets				
Goodwill	6	116.3	101.9	116.3
Other intangible assets	7	38.3	33.0	42.9
Property, plant and equipment	8	17.1	8.2	8.6
Retirement benefit asset	9	0.5	1.4	0.8
Deferred tax asset	4	1.0	0.6	0.9
		173.2	**145.1**	**169.5**
Current				
Trade and other receivables		148.8	121.6	156.4
Corporation tax recoverable		3.2	-	1.3
Cash and cash equivalents	10	5.0	6.7	16.2
		157.0	**128.3**	**173.9**
Total assets		**330.2**	**273.4**	**343.4**
Liabilities				
Current				
Trade and other payables		114.4	110.4	136.1
Other current liabilities	11	2.3	10.0	7.8
Borrowings	12	-	8.6	-
Lease liabilities	17	2.4	-	-
Corporation tax payable	4	-	3.0	-
		119.1	**132.0**	**143.9**
Non-current				
Borrowings (net of unamortised debt costs)	12	94.2	35.0	79.2
Other non-current liabilities inc. provisions		20.2	2.4	22.6
Lease liabilities	17	6.8	-	-
Deferred tax liabilities	4	5.6	4.7	6.7
		126.8	**42.1**	**108.5**
Total liabilities		**245.9**	**174.1**	**252.4**
Equity				
Share capital	13	2.8	2.8	2.8
Own shares		(4.8)	(9.8)	(4.8)
Share premium		41.2	41.2	41.2
Share based payment reserve		0.3	0.1	0.3
Profit and loss account		44.8	65.0	51.5
Total equity		**84.3**	**99.3**	**91.0**
Total equity and liabilities		**330.2**	**273.4**	**343.4**

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Consolidated statement of cash flows

For the six-month period to 30 June 2019

	Note	Six-month period to 30 June 2019 Unaudited £'m	Six-month period to 30 June 2018 Unaudited £'m	Year ended 31 December 2018 Audited £'m
Cash flows from operating activities	14	**(13.2)**	**5.6**	**13.1**
Taxation paid (net)	4	(1.3)	(3.3)	(6.4)
Net cash (outflow)/inflow from operating activities		**(14.5)**	**2.3**	**6.7**
Cash flows from investing activities - trading				
Purchase of intangible assets – software	7	(2.1)	(1.3)	(2.7)
Purchases of property, plant and equipment	8	(1.9)	(1.6)	(3.7)
Proceeds on sale of property, plant and equipment		0.6	-	-
		(3.4)	**(2.9)**	**(6.4)**
Free cash (absorbed by)/generated from operations		**(17.9)**	**(0.6)**	**0.3**
Cash flows from investing activities - acquisitions				
Acquisition of businesses - cash paid, net of cash acquired		-	(17.4)	(34.4)
Acquisition of businesses – deferred consideration for prior period acquisitions (June 2018 reanalysed – was previously reported under “financing activities)		(5.3)	(1.0)	(1.6)
		(5.3)	**(18.4)**	**(36.0)**
Cash flows from financing activities:				
New loans (net of transaction fees)		24.9	-	36.3
Repayments of loans in acquired entities		(10.0)	-	(13.6)
Loan repayments		-	(4.4)	(4.4)
Finance lease principal repayments		(0.9)	-	-
Interest paid		(2.0)	(1.2)	(2.7)
Dividends paid		-	-	(7.1)
Proceeds from sale of Joint Share Ownership Plan shares		-	-	12.1
Proceeds from the issue of share capital		-	-	-
Net cash flows from/(used in) financing activities		**12.0**	**(5.6)**	**20.6**
Net change in cash and cash equivalents		**(11.2)**	**(24.6)**	**(15.1)**
Cash and cash equivalents at beginning of period		**16.2**	**31.3**	31.3
Cash and cash equivalents at end of period	10	**5.0**	**6.7**	16.2
Underlying operating profit		**3.7**	**16.3**	**39.1**
% free cash conversion of underlying operating profit*		**(384%)**	**(4%)**	**19%**

* Free cash conversion of underlying profit excludes one-off JSOP settlement costs in full year 2018 of £7.1m.

The accompanying notes on pages 19 to 41 form an integral part of these financial statements.

Notes to the summary financial statements

For the half year ended 30 June 2019

1 Interim accounts and accounting policies

Staffline Group plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The unaudited condensed interim Group financial statements for the six-month period ended 30 June 2019 (including the comparatives for the six-month period ended 30 June 2018 and the year ended 31 December 2018) were approved and authorised for issue by the Board of Directors on 16 September 2019.

It should be noted that accounting estimates and assumptions are used in the preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events, actual results may ultimately differ from those estimates. The unaudited interim Group financial statements have been prepared using the accounting policies as described in the December 2018 audited year-end Annual Report and have been consistently applied. In addition, IFRS 16 ("Leases") has been implemented from 1 January 2019.

The interim Group financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006, section 434. The full accounts for the year ended 31 December 2018 received an unqualified report from the auditors and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, but did include an Emphasis of Matter on the impact of non-compliance of National Minimum Wage legislation which is more fully described on page 63 of the 2018 Annual Report. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies.

Basis of preparation

The unaudited interim Group financial statements, which should be read in conjunction with the audited Annual Report for the year ended 31 December 2018, have been prepared in accordance with AIM Rules for Companies – Part One, Section 18 "Half-yearly reports".

The interim Group financial statements consolidate those of the parent company and all its subsidiaries as at 30 June 2019. Subsidiaries are all entities to which the Group is exposed, or has rights, to variable returns and has the ability to affect those returns through power over the subsidiary. All Recruitment division subsidiary interim accounts are prepared to the nearest Sunday to 30 June, so 2019 accounts are for the 26 weeks ended 30 June 2019, 2018 accounts being for the 26 weeks ended 1 July 2018. All PeoplePlus subsidiaries have an interim reporting date of 30 June 2019 (2018: 30 June 2018).

The consolidated Group financial statements have been prepared on a going concern basis using the significant accounting policies and measurement bases summarised in the December 2018 audited year-end Annual Report, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Companies Act 2006 as applicable to companies reporting under IFRS. 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.

Going concern

As noted earlier in this statement, Staffline finalised a renegotiation of its banking facilities on 26 June 2019. In addition, an additional £36.8m of net funds were raised on 15 July 2019 through the issue of new ordinary 10p shares. The Directors have reviewed likely outcomes for both trading and cash generation, based on the updated profit expectation of approximately £20m confirmed today, and are satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future, and a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Should a further downside occur the Board will reassess this position.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

1 Interim accounts and accounting policies (continued)

Adoption of new or amended IFRS: IFRS 16 Leases

The Group has applied IFRS 16 Leases for the first time for its interim reporting period commencing 1 January 2019. The Group had to change its accounting policy following the adoption of IFRS 16.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group is not party to any material leases where it acts as a lessor, but the Group does have a large number of material property and equipment leases, under which it is a lessee.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as those with annual lease charges of less than £1,000). For these leases, subject to recognition exemption, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right of use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right of use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 is 2%.

The impact of the transition to IFRS 16 at 1 January 2019, as well as the impact on the Group's Consolidated Statement of Comprehensive Income for the six-month period to 30 June 2019 is disclosed in note 17.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

1 Interim accounts and accounting policies (continued)

Prior year adjustment: June 2018 Consolidated Statement of Financial Position (see note 7)

During the year end 31 December 2018, the Group acquired the entire share capital of One Call Recruitment Limited (June 2018).

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 Other Intangible assets of £2.3m being created in the consolidated statement of financial position as at 30 June 2018.

During the year ended 31 December 2018, the Directors undertook a review of the provisional fair values, with adjustments being reflected within the carrying value of Other Intangible assets as at the acquisition date. Net adjustments of £0.7m were made during the year (increase in the holiday pay provision), increasing the Other Intangible assets relating to OneCall Recruitment by £0.7m to £3.0m, shown as a prior year restatement of the June 2018 Consolidated Statement of Financial Position. The gross carrying amount of consolidated “Customer Contracts and Brands” as at 30 June 2018 was increased by £0.7m, from £65.6m (previously reported) to £66.3m (as restated).

Net assets as at 30 June 2018 are unaffected by these adjustments, as the £0.7m increase in Other Intangible assets is being offset by a similar increase in holiday pay provisions.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

2 Segmental reporting

Management currently identifies two operating segments: the provision of workforce recruitment and management to industry (called Recruitment) and the provision of skills training and probationary services (called PeoplePlus). These operating segments are monitored by the Chief Operating Decision Maker, the Group's Board, and strategic decisions are made on the basis of segment operating results. Segment information for the reporting half year is as follows:

	Recruitment Six months ended 30 June 2019 Unaudited £'m	PeoplePlus Six months ended 30 June 2019 Unaudited £'m	Total Group Six months ended 30 June 2019 Unaudited £'m	Recruitment Six months ended 30 June 2018 Unaudited £'m	PeoplePlus Six months ended 30 June 2018 Unaudited £'m	Total Group Six months ended 30 June 2018 Unaudited £'m
Segment continuing operations:						
Revenue from external customers	493.2	41.4	534.6	429.6	51.4	481.0
Cost of sales	(457.5)	(32.1)	(489.6)	(396.3)	(31.1)	(427.4)
Segment gross profit	**35.7**	**9.3**	**45.0**	**33.3**	**20.3**	**53.6**
Administrative expenses (underlying)	(29.7)	(8.6)	(38.3)	(23.7)	(11.3)	(35.0)
Depreciation and software amortisation (underlying)	(1.4)	(1.6)	(3.0)	(0.4)	(1.9)	(2.3)
Segment underlying operating profit*	**4.6**	**(0.9)**	**3.7**	**9.2**	**7.1**	**16.3**
Administrative expenses - share based payment credit/(charge)	0.3	(0.1)	0.2	0.4	-	0.4
Amortisation of intangible assets arising on business combinations	(6.2)	-	(6.2)	(2.0)	(2.9)	(4.9)
Administrative expenses – exceptional reorganisation costs	(3.2)	-	(3.2)	-	-	-
Segment operating (loss)/profit	**(4.5)**	**(1.0)**	**(5.5)**	**7.6**	**4.2**	**11.8**
Finance costs	(2.2)	-	(2.2)	(1.3)	-	(1.3)
(Loss)/profit for the period before taxation	**(6.7)**	**(1.0)**	**(7.7)**	**6.3**	**4.2**	**10.5**
Tax expense	1.3	0.4	1.7	(1.1)	(0.9)	(2.0)
Net (loss)/profit for the period	**(5.4)**	**(0.6)**	**(6.0)**	**5.2**	**3.3**	**8.5**
Total non-current assets	103.8	69.4	173.2	97.9	47.2	145.1
Total current assets	141.1	15.9	157.0	112.3	16.0	128.3
Total assets	244.9	85.3	330.2	210.2	63.2	273.4
Total liabilities	223.8	22.1	245.9	155.6	18.5	174.1
Capital expenditure inc software	3.7	0.3	4.0	1.8	1.1	2.9

* Segment underlying operating profit before amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, exceptional NMW remediation and financial penalties, enhanced audit scope fees and the non-cash charge/credit for share based payment costs.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

2 Segmental reporting (continued)

Segment information for the year ended 31 December 2018 is as follows:

	Recruitment Year ended 31 December 2018 Audited £'m	PeoplePlus Year ended 31 December 2018 Audited £'m	Total Group Year ended 31 December 2018 Audited £’m
Segment continuing operations:			
Sales revenue from external customers	1,020.0	107.5	1,127.5
Cost of sales	(938.5)	(67.1)	(1,005.6)
Segment gross profit	**81.5**	**40.4**	**121.9**
Administrative expenses (underlying)	(56.6)	(21.6)	(78.2)
Depreciation and software amortisation (underlying)	(0.8)	(3.8)	(4.6)
Segment underlying operating profit*	**24.1**	**15.0**	**39.1**
Administrative expenses - share based payment charge	(1.0)	(0.2)	(1.2)
NMW remediation and financial penalties	(15.1)	-	(15.1)
Administrative expenses – reorganisation costs and other exceptional items	(1.8)	(13.8)	(15.6)
Administrative expenses – transaction costs	(1.1)	(0.8)	(1.9)
Amortisation of intangible assets arising on business combinations	(6.1)	(5.7)	(11.8)
Segment operating (loss)	**(1.0)**	**(5.5)**	**(6.5)**
Finance costs	(3.1)	-	(3.1)
Segment (loss) before taxation	**(4.1)**	**(5.5)**	**(9.6)**
Tax expense	-	1.1	1.1
Segment (loss) from continuing operations	**(4.1)**	**(4.4)**	**(8.5)**
Total non-current assets	103.2	66.3	169.5
Total current assets	152.5	21.4	173.9
Total assets	255.7	87.7	343.4
Total liabilities	226.1	26.3	252.4
Capital expenditure inc software	4.2	2.2	6.4

All head office costs are allocated to the Recruitment division in the above results. This results from the historical nature of the Group and reflects where the costs are predominantly incurred.

During the six-month period to 30 June 2019, no customers in the Recruitment segment nor the PeoplePlus segment contributed to greater than 10% of the Group's revenue of £534.6m, (six months to 30 June 2018: none).

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

3 Administrative expenses (non-underlying)

	Six months ended 30 June 2019 Unaudited £'m	Six months ended 30 June 2018 Unaudited £'m	Year ended 31 December 2018 Audited £'m
Included within administrative expenses are the following non-underlying costs:			
Reorganisation costs	2.2	-	10.6
Impairment of intangible fixed assets (reorganisation related)	-	-	2.5
Impairment of tangible fixed assets (reorganisation related)	-	-	0.7
NMW remediation and financial penalties	-	-	15.1
Professional fees	1.0	-	1.8
Transaction costs - business acquisitions	-	-	1.9
Non-recurring expenses	**3.2**	**-**	**32.6**
Amortisation of intangible assets arising on business combinations (licences and customer contracts)	6.2	4.9	11.8
Share based payment charges/(credits)	(0.2)	(0.4)	1.2
	9.2	**4.5**	**45.6**
Tax credit on above non-underlying costs (note 4)	(1.7)	(0.8)	(8.3)
Post taxation effect on above non-underlying costs	**7.5**	**3.7**	**37.3**

Reorganisation costs of £2.2m during the current period relate to a fundamental restructuring of the Recruitment division and represents staff redundancy and property closure costs.

Professional fees of £1.0m during the current period represent the legal and professional fees incurred in conducting the independent legal investigation into the allegations made on 29 January 2019. This is more thoroughly covered on pages 19 and 20 within the Chief Executive Officers' section of the 2018 Annual Report.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

4 Taxation

	Six months ended 30 June 2019 Unaudited £'m	Six months ended 30 June 2018 Unaudited £'m	Year ended 31 December 2018 Audited £'m
The tax charge for the period consists of:			
UK corporation tax/(credit) at 19.0%	(0.6)	2.9	1.3
Adjustments in respect of prior years	-	-	(0.1)
UK current tax (credit)/charge	**(0.6)**	**2.9**	**1.2**
Deferred tax			
Timing differences arising in the year – intangible fixed asset amortisation	(1.1)	(0.8)	(2.5)
Timing differences arising in the year – others	-	(0.1)	-
Adjustments in respect of prior years	-	-	0.2
UK deferred tax (credit)	**(1.1)**	**(0.9)**	**(2.3)**
Total UK tax (credit)/charge for the period	**(1.7)**	**2.0**	**(1.1)**
Recruitment division	(1.3)	1.1	-
PeoplePlus division	(0.4)	0.9	(1.1)
Total UK tax (credit)/charge for the period	**(1.7)**	**2.0**	**(1.1)**
Underlying trading	-	2.8	7.2
Non-underlying trading	(1.7)	(0.8)	(8.3)
Total UK tax (credit)/charge for the period	**(1.7)**	**2.0**	**(1.1)**

The current tax charge for the period, as recognised in the statement of comprehensive income, is higher than the standard rate of UK corporation tax of 19.0%. The differences are explained below:

Profit/(loss) for the period before taxation	(7.7)	10.5	(9.6)
Standard UK tax rate – composite	19.0%	19.0%	19.0%
Tax on profit/(loss) for the period at the standard rate	(1.5)	2.0	(1.8)
Effect of:			
Depreciation charge in excess of capital allowances	-	0.1	0.3
Amortisation of intangible assets arising on business combinations	1.2	0.8	2.2
Expenses not allowable	-	-	0.6
Tax losses available	(0.2)	-	(0.2)
Adjustments in respect of prior years		-	(0.1)
Others (net)	(0.1)	-	0.2
Actual UK current tax expense/(credit)	**(0.6)**	**2.9**	**1.2**
Underlying pre-tax profit for the period	1.5	15.0	36.0
Effective % underlying current tax rate	-	19.3%	19.4%
Effective % underlying total tax charge	-	18.7%	20.0%

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

4 Taxation (continued)

The effective % underlying current tax rate, at nil %, is below the standard UK corporation tax rate of 19.0% due to the availability and utilisation of tax losses brought forward.

	Six months ended 30 June 2019 Unaudited £'m	Six months ended 30 June 2018 Unaudited £'m	Year ended 31 December 2018 Audited £'m
The current tax liability at the end of the period and movements during the period can be analysed as follows:			
(Asset)/liability at the beginning of the period	(1.3)	3.4	3.4
(Credit)/charge on profits for the period	(0.6)	2.9	1.2
Paid in the period (net of repayments)	(1.3)	(3.3)	(6.4)
Liabilities on business acquisitions / others	-	-	0.5
(Asset)/liability at the end of the period	**(3.2)**	**3.0**	**(1.3)**
Balance of 2019 liabilities/(assets)	(0.6)	-	-
Balance of 2018 liabilities/(assets)	(2.6)	2.9	(1.3)
Balance of 2017 liabilities	0.1	0.1	0.1
Balance of 2016 liabilities/(assets)	(0.1)	-	(0.1)
(Asset)/liability at the end of the period	**(3.2)**	**3.0**	**(1.3)**
Deferred tax asset and liability balances at the period end can be analysed as follows:			
Assets			
Capital allowances	0.9	0.6	0.9
IFRS 16 Leases transition	0.1	-	-
Share based payment liability	-	-	-
	1.0	**0.6**	**0.9**
Liabilities			
Acquired intangible assets	5.5	4.5	6.6
Retirement benefits	0.1	0.2	0.1
	5.6	**4.7**	**6.7**

IFRS 16 Leases has been applied by the Group for the first time. The date of initial application of IFRS 16 for the Group is 1 January 2019. There has been minimal effect on either the taxation charges and credits for the six months to June 2019 as the addition depreciation charge of £1.0m (see note 8) is deductible for corporation tax purposes as is the lease interest charge, the combined charges being substantially in line with the IAS 17 operating lease charge.

Except for the establishment of a £0.1m deferred tax asset as at 1 January 2019, being the effect of differences between IAS 17 operating lease charges and IFRS 16 depreciation and interest charges, there has been no effect on either deferred tax assets or liabilities.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

5 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 period, after deducting any shares held in the Joint Share Ownership Plan or "JSOP" – "own shares" (1,140,000 shares at 30 June 2019, 1,140,000 shares at 31 December 2018, 2,315,400 shares at 30 June 2018). The calculation of the diluted earnings per share is based on the basic earnings per share as adjusted to further take into account the expected issue of ordinary shares resulting from any share options granted to Directors and share options granted to employees in 2017 and 2018 under the SAYE scheme. Details of the earnings and weighted average number of shares used in the calculations are set out below:

	Basic six-month period ended 30 June 2019 Unaudited	Basic six-month period ended 30 June 2018 Unaudited	Basic Year ended 31 December 2018 Audited	**Diluted six- month period ended 30 June 2019 Unaudited**	Diluted six-month period ended 30 June 2018 Unaudited	Diluted Year ended 31 December 2018 Audited
Earnings from continuing operations (£'m)	**(6.0)**	8.5	(8.5)	**(6.0)**	8.5	(8.5)
Weighted daily average number of shares 000	**26,804**	25,629	26,167	**26,804**	25,877	26,167
Earnings per share (pence):						
Continuing operations	**(22.4p)**	33.2p	(32.5p)	**(22.4p)**	32.8p	(32.5p)
Underlying Earnings from continuing operations (£'m)*	**1.5**	12.2	28.8	**1.5**	12.2	28.8
Underlying earnings per share (pence)*	**5.6p**	47.6p	110.1p	**5.6p**	47.2p	110.1p

*Underlying earnings after adjusting for amortisation of intangible assets arising on business combinations, business acquisition costs, exceptional reorganisation costs, exceptional NMW remediation and financial penalties, enhanced audit scope fees and the non-cash charge/credit for share-based payment costs.

The weighted daily average number of shares on a basic (undiluted) basis has been increased by 637,000 shares, since 31 December 2018, reflecting the full year effect of the 1,175,000 shares sold by the 2013 JSOP scheme in July 2018 to satisfy its requirements on the vesting of that scheme on 30 June 2018.

Dividends

During the 6-month period to 30 June 2019, Staffline Group plc paid no dividends to its equity shareholders (H1 2018: £nil).

No interim dividend for 2019 is proposed (2018: £3.0m, 11.3p per share, paid in November 2018).

Dividends totalling £7.1m or 27.0p per share were paid during the year ended 31 December 2018. No final dividend in respect of the 2018 financial year (2018: £4.1m, being the final 2017 dividend of 15.7p per share, paid in July 2018) was declared.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

6 Goodwill

Gross carrying amount	Division	Total £'m
At 1 July 2018 as reported		**101.9**
Fair value adjustment – Endeavour Group Limited	Recruitment	0.4
Additions – Grafton Recruitment Limited	Recruitment	4.5
Additions – Passionate About People Limited	Recruitment	9.5
At 31 December 2018		**116.3**
Additions		-
At 30 June 2019		**116.3**

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

	30 June 2019	30 June 2018	31 December 2018
	£'m	£'m	£'m
Recruitment division	59.3	44.9	59.3
PeoplePlus division	57.0	57.0	57.0
Total	**116.3**	**101.9**	**116.3**

Management consider there to be two cash-generating units, being Recruitment – a group of companies headed up by Staffline Recruitment Limited – and PeoplePlus – a group of companies headed up by PeoplePlus Group Limited (in line with the business segments defined in note 2).

Based on the closing share price of £1.18 per share as at 30 June 2019, the Company's market value was £33.0m, significantly lower than the carrying value of net assets of £86.8m. This constitutes an indicator for impairment.

We have therefore tested these two cash-generating units for impairment. For both segments, the recoverable amount of goodwill was determined based on a value-in-use calculation, covering a detailed forecast for 2019 and 2020, followed by an extrapolation of expected cash flows over the next three years with a pre-tax discount rate of 11.0% (31 December 2018: 11.0%) based on the Group's weighted average cost of capital.

The results of the impairment review performed showed significant headroom in both cash-generating units and accordingly no impairment is noted. The Directors do not believe that any reasonably possible changes in the assumptions used in calculating the value-in-use would result in the recoverable amount of Goodwill falling below the carrying value and impairment becoming necessary. The review also indicates that no provision is required to write down the carrying value of other intangible assets and tangible fixed assets (31 December 2018: £nil).

In making our assessment of the recoverability of assets within each cash-generating unit ("CGU") a number of judgements and assumptions were required. These were disclosed in detail in the Group's 2018 Annual Report and the same judgements and assumptions have been applied in the impairment assessment performed as at 30 June 2019.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

7 Other Intangible assets

The Group's other intangible assets include the customer contracts and lists obtained through the acquisition of businesses plus acquired software and licences. There are no intangible assets with restricted title.

	Software £'m	Licenses £'m	Customer contracts and brands £'m	Customer lists £'m	Total £'m
Gross carrying amount					
At 1 July 2018 as reported	**11.5**	**2.0**	**65.6**	**5.5**	**84.6**
Restatement – see note 1	-	-	0.7	-	0.7
At 1 July 2018 as restated	**11.5**	**2.0**	**66.3**	**5.5**	**85.3**
Additions	1.4	-	-	-	1.4
Additions through business combinations	-	-	18.8	-	18.8
At 1 January 2019	**12.9**	**2.0**	**85.1**	**5.5**	**105.5**
Additions	2.1	-	-	-	2.1
At 30 June 2019	**15.0**	**2.0**	**85.1**	**5.5**	**107.6**
Amortisation and impairment					
At 1 July 2018	**5.3**	**2.0**	**39.5**	**5.5**	**52.3**
Charged in the period – operating	0.9	-	6.9	-	7.8
Charged in the period - impairment	2.5	-	-	-	2.5
At 1 January 2019	**8.7**	**2.0**	**46.4**	**5.5**	**62.6**
Charged in the period - operating	0.5	-	6.2	-	6.7
At 30 June 2019	**9.2**	**2.0**	**52.6**	**5.5**	**69.3**
Net book value					
At 30 June 2019	**5.8**	**-**	**32.5**	**-**	**38.3**
At 31 December 2018	**4.2**	**-**	**38.7**	**-**	**42.9**
At 30 June 2018 as restated	**6.2**	**-**	**26.8**	**-**	**33.0**

As at 30 June 2019, there are six individually material other intangible assets:

	Software £'m	Customer contracts, brands £'m	Total £'m
Customer contracts/brands in Passionate About People Group	-	9.6	9.6
Customer contracts in Endeavour Group	-	9.4	9.4
Customer contracts in Grafton Recruitment	-	5.3	5.3
Customer contracts in One Call Recruitment	-	2.3	2.3
Customer contracts in Brightwork	-	2.0	2.0
Payroll and Credit Control software developed for Recruitment division	5.2	-	5.2
Others	0.6	3.9	4.5
Net book value at 30 June 2019	**5.8**	**32.5**	**38.3**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

8 Property, plant and equipment

	Land and buildings £'m	Computer equipment £'m	Fixtures and fittings £'m	Motor vehicles £'m	Right of use assets £'m	Total £'m
Gross carrying amount						
At 1 July 2018	**5.3**	**8.8**	**2.2**	**0.1**	**-**	**16.4**
Additions	0.3	1.7	0.1	-	-	2.1
Acquired on business combinations	-	0.1	0.2	0.1	-	0.4
At 31 December 2018 (reported)	**5.6**	**10.6**	**2.5**	**0.2**	**-**	**18.9**
Transition to IFRS 16: Leases (notes 1, 17)	-	-	-	-	16.8	16.8
At 1 January 2019	**5.6**	**10.6**	**2.5**	**0.2**	**16.8**	**35.7**
Additions	0.1	1.3	0.2	-	0.3	1.9
Disposals	(0.6)	-	(0.1)	-	-	(0.7)
At 30 June 2019	**5.1**	**11.9**	**2.6**	**0.2**	**17.1**	**36.9**
Depreciation						
At 1 July 2018	**2.4**	**5.0**	**0.7**	**0.1**	**-**	**8.2**
Charged for the period – operating	0.2	0.7	0.4	0.1	-	1.4
Charged for the period – impairment	0.5	0.2	-	-	-	0.7
At 1 January 2019	**3.1**	**5.9**	**1.1**	**0.2**	**-**	**10.3**
Transition to IFRS 16: Leases (notes 1, 17)	-	-	-	-	7.2	7.2
At 1 January 2019	**3.1**	**5.9**	**1.1**	**0.2**	**7.2**	**17.5**
Charged for the period - operating	-	1.1	0.2	-	1.2	2.5
Disposals	(0.1)	-	(0.1)	-	-	(0.2)
At 30 June 2019	**3.0**	**7.0**	**1.2**	**0.2**	**8.4**	**19.8**
Net book value						
At 30 June 2019	**2.1**	**4.9**	**1.4**	**-**	**8.7**	**17.1**
At 31 December 2018	**2.5**	**4.7**	**1.4**	**-**	**-**	**8.6**
At 30 June 2018	**2.9**	**3.8**	**1.5**	**-**	**-**	**8.2**

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 1 January 2019.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

8 Property, plant and equipment (continued)

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of these leases the Group previously treated as operating leases, the Group has elected to measure its right of use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Right of use assets, principally property related assets, comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

9 Retirement benefit asset

One of the Group's subsidiaries operates a defined benefit pension scheme for its staff. The scheme is closed to new entrants. The last actuarial valuation of the scheme was at 31 July 2016.

The amounts recognised in the Statement of financial position are determined as follows:

	30 June 2019 £'m	**30 June 2018 £'m**	31 December 2018 £'m
Fair value of plan assets (see below)	9.7	9.6	9.2
Present value of funded obligations (see below)	(9.2)	(8.2)	(8.4)
Asset in the Statement of financial position	**0.5**	**1.4**	**0.8**
% funding ratio	105%	117%	110%
Net actuarial gain/(loss) for the period	**(0.3)**	**-**	**(0.5)**
Bonds (69% of assets as at 30 June 2019)	6.7	6.5	6.6
Equities (30% of assets as at 30 June 2019)	2.9	3.0	2.5
Cash (1% of assets as at 30 June 2019)	0.1	0.1	0.1
Fair value of plan assets	**9.7**	**9.6**	**9.2**
At beginning of the period	8.4	8.4	8.4
Interest cost on liabilities	0.1	0.1	0.2
Service cost – current accrual cost	0.1	0.1	0.3
Actuarial (gain)/loss on change in assumptions	0.6	(0.4)	(0.3)
Benefits paid – net of members contributions	-	-	(0.2)
Present value of funded obligations	**9.2**	**8.2**	**8.4**
Membership numbers: active	16	25	21
Membership numbers: total	264	274	266
The principal assumptions used in the valuations above are as follows:			
Price inflation (RPI)	3.15%	3.0%	3.15%
Price inflation (CPI)	2.15%	2.0%	2.15%
Pensionable salary increases	3.15%	3.0%	3.15%
Future pension increases for leavers (RPI)	3.15%	3.0%	3.15%
Discount rate (derived from AA rated corporate bonds yield curve) and expected rate of return	2.25%	2.7%	2.80%

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

9 Retirement benefit asset (continued)

IAS 19, together with IFRIC 14 ("The limit on a defined pension asset"), only allows a surplus to be recognised as an asset in the balance sheet to the extent that it can be recovered through reduced contributions in the future or through refunds from the scheme. The "Rules of The A4E Retirement Benefit Scheme" dated 24 September 2012 states in section 4.1 paragraph 2 that: *If a valuation discloses that a value of The Scheme assets exceeds the value of its liabilities the Trustees may reduce this surplus by paying it to the Employer (less tax) to the extent permitted by section 37 of the 1995 Pensions Act (payment of surplus to employer).* The Directors are therefore satisfied that the full surplus be so recognised.

10 Cash and cash equivalents

	30 June 2019 £'m	30 June 2018 £'m	31 December 2018 £'m
Cash and cash equivalents	5.0	6.7	16.2
Bank overdraft	-	-	-
Cash and cash equivalents per cash flow statement	**5.0**	**6.7**	**16.2**

Cash and cash equivalents consist of cash on hand and balances with banks only. At 30 June 2019, £5.0m (30 June 2018: £6.7m, 31 December 2018: £16.2m) of cash on hand and balances with banks were held by subsidiary undertakings but these balances are available for use by Staffline Group plc. £1.2m (30 June 2018: £1.6m, 31 December 2018: £3.8m) of the half year-end cash balance was held with HSBC Holdings plc, Royal Bank of Scotland plc (includes Ulster Bank and NatWest Bank) and Bank of Ireland Group plc, outside of the group overdraft facility with Lloyds Banking Group plc.

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

	Fitch	Standard & Poors	Moody's
Lloyds Banking Group plc	A+	BBB+	A3
Bank of Ireland Group plc	BBB	BBB-	Baa3
HSBC Holdings plc	AA-	A	A2
Royal Bank of Scotland plc	A	BBB	Baa2

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

	30 June 2019 £'m	**30 June 2018 £'m**	**31 December 2018 £'m**
Cash and cash equivalents	5.0	6.7	16.2
Less: held outside of Group overdraft facility	(1.2)	(1.6)	(3.8)
Overdraft facility	25.0	15.0	25.0
Committed revolving credit facility unutilised	0.1	**7.5**	**15.0**
Bank guarantee	-	-	-
Banking Facility Headroom	**28.9**	**27.6**	**52.4**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

11 Other current liabilities

	30 June 2019 £'m	30 June 2018 £'m	31 December 2018 £'m
Dividends payable	-	4.0	-
Deferred consideration	2.3	-	7.8
Joint Share Ownership Plan current liability	-	6.0	-
	2.3	**10.0**	**7.8**

12 Borrowings

	30 June 2019 £'m	30 June 2018 £'m	31 December 2018 £'m
Current liabilities:			
Term loan	-	8.8	-
Unamortised transaction costs	-	(0.2)	-
	-	**8.6**	**-**
Non-current liabilities:			
Revolving credit facility	94.9	35.0	80.0
Term loan		-	-
Unamortised transaction costs	(0.7)	-	(0.8)
	94.2	**35.0**	**79.2**
Total borrowings	**94.2**	**43.6**	**79.2**
Total borrowings excluding unamortised transaction costs	94.9	43.8	80.0
Less: Cash and cash equivalents (note 10)	5.0	6.7	16.2
Net debt as disclosed in consolidated statement of cash flows (note 14)	**89.9**	**37.1**	**63.8**

The revolving credit facility ("RCF") are secured by a debenture over all the assets of the Group.

Interest accrues on the RCF at between 1.4% and 2.0% plus LIBOR, depending upon the level of leverage as defined in the banking covenants. The RCF is drawn down each month.

On 26 June 2019 the Group re-financed its outstanding borrowings. A new Facility Agreement was entered into, providing the Group with a £120m committed RCF with a £25m overdraft facility carved out from the £120.0m committed RCF. Further details are set out in the Interim Financial Review on page 10.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

13 Share capital

	30 June 2019 Unaudited £'m	30 June 2018 Unaudited £'m	31 December 2018 Audited £'m
Allotted and issued			
27,944,389 (June and December 2018: 27,944,389) ordinary 10p shares	**2.794**	2.794	2.794

	Six months ended 30 June 2019 000	Six months ended 30 June 2018 000	Year ended 31 December 2018 000
Shares issued and fully paid at the beginning of the period	**27,944**	27,849	27,849
Shares issued during the period	-	95	95
Shares issued and fully paid at end of period	**27,944**	27,944	27,944

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 1,140,400 shares (31 December 2018: 1,140,400 shares; 30 June 2018: 2,315,400 shares) held by the Employee Benefit Trust where the right to dividends has been waived.

Subsequent to 30 June 2019, a further 40,986,097 ordinary 10p shares were issued by the Company on 15 July 2019 at a price of 100p per share, resulting in the issued share capital increasing to 68,930,486 ordinary shares of 10p each.

On the adoption of new Articles of Association in May 2014, the Company removed the limit on authorised share capital.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

14 Cash flows from operating activities

	Six-month period ended 30 June 2019 Unaudited £'m	**Six-month period ended 30 June 2018 Unaudited £'m**	Year ended 31 December 2018 Audited £'m
Profit/(loss) before taxation	(7.7)	10.5	(9.6)
Adjustments for:			
Finance costs	2.2	1.3	3.1
Depreciation, loss on disposal and amortisation - underlying	2.9	2.3	4.6
Depreciation, loss on disposal and amortisation - non-underlying	6.2	4.9	15.0
Operating profit before changes in working capital and share options	**3.6**	**19.0**	**13.1**
Change in trade and other receivables	7.6	(2.1)	(10.7)
Change in trade, other payables and provisions	(24.2)	(10.9)	16.6
Impact of foreign exchange loss on operating activities	-	-	-
Cash generated from operations	**(13.0)**	**6.0**	**19.0**
Employee cash settled share options (non-cash charge/(credit))	(0.2)	(0.4)	1.0
Employee equity settled share options	-	-	0.2
Settlement of cash settled JSOP liabilities	-	-	(7.1)
Net cash inflow from operating activities	**(13.2)**	**5.6**	**13.1**

Movement in net debt	**£'m**	£'m	£'m
Net debt at beginning of the period (excluding transaction fees)	(63.8)	(16.8)	(16.8)
Unwinding of discount on loan notes	-	(0.1)	-
Loan repayments	10.0	4.4	4.4
New loans, including RCF drawdown	(24.9)	-	(36.3)
Change in cash and cash equivalents	(11.2)	(24.6)	(15.1)
Net debt at end of period (excluding transaction fees)	**(89.9)**	**(37.1)**	**(63.8)**

Represented by:	**£'m**	£'m	£'m
Cash and cash equivalents (note 10)	5.0	6.7	16.2
Current borrowings (note 12)	-	(8.6)	-
Non-current borrowings (note 12)	(94.2)	(35.0)	(79.2)
Net debt including transaction fees	(89.2)	**(36.9)**	**(63.0)**
Transaction fees	(0.7)	(0.2)	(0.8)
Net debt at end of period (excluding transaction fees)	**(89.9)**	**(37.1)**	**(63.8)**

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 half year ended 30 June 2019

15 Principal risks and uncertainties

The UK Listing Authority's Disclosure and Transparency Rules requires a description of the principal risks and uncertainties for the remaining six months of the year.

The Staffline Group plc Board of Directors has completed a robust and detailed assessment of the Group's risk management processes and the Group's risk register. The Group is exposed to a variety of potential risks and uncertainties which require on-going monitoring and management in order to mitigate against any adverse impact on long-term performance. The Board recognises that effective risk management is a critical part of achieving our strategic objectives. It employs a variety of systems and policies to respond effectively to these risks and uncertainties to protect the continued strategic success of the Group. Risk registers are maintained within both divisions of the Group, which are consolidated twice a year, with the output formally reviewed by the Audit and Risk Committee. The Board reviews risks and uncertainties under four principal types, Strategic and market related, Operational and compliance, Reputational and Financial.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2018. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 40 to 44 of the 2018 Annual Report which is available at www.stafflinegroupplc.co.uk/investor-relations/.

i. **National Minimum Wage compliance** (operational, reputational):
The payment of the National Minimum Wage ("NMW") is a legal requirement which must cover all working time including preparation time, security checks and the provision of personal protective equipment. The payment of the NMW is regulated by HMRC who are tasked with enforcing compliance with the regulations. This can include site audits to check compliance. Failure to fully comply can lead to remediation payments and fines being levied by HMRC. A provision of £15.1m was made during 2018 to settle all historic liabilities and negotiations are still to be finalised.

ii. **Shortage of staffing resource** (strategic):
Candidate attraction remains challenging. With UK unemployment rates remaining at around 4%, record employment rates and continued uncertainties around Brexit and foreign labour leading to a reduction in net migration, there is a risk that our Recruitment division will not be able to obtain sufficient resource to fulfil its contractual obligations.

iii. **Business interruption - information security breach or cyber-attack** (operational, reputational):
There are two issues the Group focuses on with regard to this risk, being
Major IT failure: As with all large-scale businesses, including those in the market sectors in which we operate, we are reliant on our IT systems to support and operate our business.
Business Interruption – Breach of security (Cyber-Crime): The Group holds sensitive personal information in respect of temporary workers, participants of our various PeoplePlus contracts, and our own staff. There is increased evidence of cyber-crime. Breaches or attacks could lead to potential reputational damage with a potential resultant loss of revenue, financial penalties for the Group and diversion of management time.

iv. **PeoplePlus development strategy** (strategic):
During 2018 the PeoplePlus division underwent a fundamental transformation, from being Work Programme centric to be the UK's leading Skills and Training provider. With the reliance on a long-term contract gone, and a change in strategic direction, new contracts are required to support this change and replace the Work Programme revenues and profits.

15 Principal risks and uncertainties (continued)

v. **Ofsted grade 2 rating not maintained** (reputational)
PeoplePlus is regulated by Ofsted for the quality of provision of teaching across a number of contracts, including the apprenticeship levy. Ofsted grades the quality of the teaching from 1 (Outstanding) to 4 (Inadequate). A rating of 4 can result in a loss of government funding and removal from the register of apprenticeship training providers ("RoATP").

vi. **Brexit** (strategic):
Following the outcome of the UK referendum to leave the EU, there are a number of related uncertainties, being economic uncertainty and a potential further tightening of the labour market with the uncertainty over the final Brexit outcome leading to a reduction in the number of EU citizens coming to the UK for employment. These uncertainties are dependent upon the nature of the finalised withdrawal agreement, the associated transition period, and future immigration policy.

vii. **Loss of Gangmasters Labour Abuse Authority ("GLAA") licence** (reputational):
The Group is licensed with the GLAA and works closely with the Authority to maintain high standards of compliance controls. Regulation within the Recruitment sector has increased year-on-year and we have seen the powers and resources at the GLAA and other regulatory bodies increase. We face the risk that one of our members of staff may deliberately by-pass the procedures set up which ensure we fully comply with our industry legislative requirements and related best practice standards.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

16 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no material transactions with Directors of the Company during the period, except for those relating to remuneration. There were no share transactions with any Director during the six-month period.

Excluding their interests in share options and Joint Share Ownership Plans, which are unchanged and are fully disclosed in the 2018 Annual Report, the beneficial holdings of the Directors as at 30 June 2019 in the Company's issued share capital at 30 June 2019 are as follows:

	Ordinary shares of 10p each	% of total in issue
Ed Barker	1,104	-
John Crabtree	25,305	0.1%
Chris Pullen	20,659	0.1%
	47,068	**0.2%**

Subsequent to the half year end, on 16 July 2019, the Directors participated in a Placing of new ordinary shares of 10p at £1.00 each as follows:

	Ordinary shares of 10p each
Ed Barker	10,000
John Crabtree	25,000
Tracy Lewis	100,000
Chris Pullen	100,000
Mike Watts	18,000
	253,000

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

17 IFRS 16 Transition note

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets, and lease liabilities, as summarised below:

Balance sheet (extract)	31 Dec 2018 As previously reported £'m	Impact of IFRS 16 £'m	**1 Jan 2019 Restated £'m**
Non-current assets			
Property, plant and equipment	8.6	9.6	**18.2**
Deferred tax asset	0.9	0.1	**1.0**
Total impact on assets	**9.5**	**9.7**	**19.2**
Current liabilities			
Lease liabilities	-	2.1	**2.1**
Non-current liabilities			
Lease liabilities	-	8.0	**8.0**
Total impact on liabilities	**-**	**10.1**	**10.1**
Total impact on net assets		**(0.4)**	
Equity			
Profit and loss account	51.5	(0.4)	**51.1**
Total impact on equity	**51.5**	**(0.4)**	**51.1**

In terms of the income statement, the application of IFRS 16 resulted in a decrease in operating lease rental charges and an increase in depreciation and interest expense compared to IAS 17. During the six months ended 30 June 2019, the impact of IFRS 16 on the Consolidated Statement of Comprehensive Income is summarised below:

Statement of comprehensive income (extract) 6 months to June 2019	Pre-IFRS 16 £'m	Operating lease rentals £'m	Depreciation £'m	Interest £'m	**Post-IFRS 16 £'m**
Revenue	534.6				**534.6**
Cost of sales	(489.6)				**(489.6)**
Gross profit	**45.0**	-	-	-	**45.0**
Administrative expenses	(50.6)	1.3	(1.2)	-	**(50.5)**
Operating (loss)/profit	**(5.6)**	**1.3**	**(1.2)**	**-**	**(5.5)**
Finance cost	(2.1)			(0.1)	**(2.2)**
(Loss)/Profit before income tax	**(7.7)**	**1.3**	**(1.2)**	**(0.1)**	**(7.7)**

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

17 IFRS 16 Transition note (continued)

Of the total right-of-use assets of £9.6m recognised at 1 January 2019, £9.5m related to leases of property and £0.1m to leases of plant and equipment.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£'m
Operating lease commitments disclosed under IAS 17 at 31 December 2018	**15.2**
Short-term and low value lease commitments straight-line expensed under IFRS 16	(4.0)
Effect of discounting	(1.1)
Payments due in periods covered by extension options that are included in the lease term	-
Finance lease liabilities recognised under IAS 17 at 31 December 2018	-
Lease liabilities recognised at 1 January 2019	**10.1**

18 Note on the unaudited interim accounts

The unaudited interim accounts are prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents and advisers accept and assume no liability to any person in respect of this trading update save as would arise under English law. Statements contained in this trading update are based on the knowledge and information available to the Group's Directors at the date it was prepared and therefore facts stated, and views expressed, may change after that date.

Forward looking statements

This document and any materials distributed in connection with it may include forward-looking statements, beliefs, opinions or statements concerning risks and uncertainties, including statements with respect to the Group's business, financial condition and results of operations. Those statements and statements which contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect the Group's Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and which may cause results and developments to differ materially from those expressed or implied by those statements and forecasts. No representation is made that any of those statements or forecasts will come to pass or that any forecast results will be achieved. You are cautioned not to place any reliance on such statements or forecasts. Those forward-looking and other statements speak only as at the date of this trading update. The Group undertakes no obligation to release any update of, or revisions to, any forward-looking statements, opinions (which are subject to change without notice) or any other information or statement contained in this trading update. Furthermore, past performance of the Group cannot be relied on as a guide to future performance.

Notes to the summary financial statements (continued)

For the half year ended 30 June 2019

18 Note on the unaudited interim accounts (continued)

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Staffline Group plc share for the current or future financial years would necessarily match or exceed the historical published earnings per Staffline Group plc share.

Nothing in this document is intended to constitute an invitation or inducement to engage in investment activity. This document does not constitute or form part of any offer for sale or subscription of, or any solicitation of, any offer to purchase or subscribe for, any Securities. Nor shall it, or any part of it, or the fact of its distribution form the basis of, or be relied on in connection with, any contract, commitment or investment decision in relation thereto. This document does not constitute a recommendation regarding any securities.

Staffline Group plc

Group five-year summary (unaudited)

Financial reporting half years ended 30 June £'m (prior years as restated)					
	2019	**2018**	**2017**	**2016**	**2015**
<u>Comprehensive income (6 months)</u>					
Turnover	534.6	481.0	427.8	414.7	297.2
Underlying operating profit	3.7	16.3	17.5	16.7	10.9
% margin	0.7%	3.4%	4.1%	4.0%	3.7%
Reported operating profit	(5.5)	11.8	7.7	12.9	1.6
Reported profit/(loss) after taxation	(6.0)	8.5	3.7	10.1	(0.6)
Underlying diluted earnings per share (diluted)	5.6p	47.2p	50.1p	48.5p	32.2p
Declared dividend per share	n/a	11.3p	11.0p	10.5p	7.5p
Dividend cover v underlying diluted EPS	n/a	4.2x	4.6x	4.6x	4.3x
<u>Financial position (half year end)</u>					
Goodwill	116.3	101.9	94.2	91.5	89.5
Intangible assets	38.3	33.0	25.2	30.4	14.1
Property, plant and equipment	17.1	8.2	7.4	11.2	16.2
Trade and other receivables	148.8	121.6	105.1	100.9	97.4
Cash and cash equivalents	5.0	6.7	20.0	17.0	20.1
Trade and other payables	(114.4)	(110.4)	(97.1)	(95.1)	(88.4)
Lease liabilities	(9.2)	-	-	-	-
Borrowings (exc deal fees)	(94.9)	(43.8)	(52.5)	(61.2)	(69.9)
Deferred tax net (liability)/asset	(4.6)	(4.1)	(2.7)	(3.5)	(1.7)
Other (net liabilities)	(18.1)	(13.8)	(15.8)	(10.8)	(13.1)
Net assets	**84.3**	**99.3**	**83.8**	**80.4**	**64.2**
Net (debt)/cash (exc deal fees)	(89.9)	(37.1)	(32.5)	(44.2)	(49.8)
Goodwill, intangibles	154.6	134.2	119.4	121.9	103.6
Other net assets	19.6	2.2	(3.1)	2.7	10.4
<u>Cash flows (6 months)</u>					
Underlying operating profit	3.7	16.3	17.5	16.7	10.9
Non–underlying cash costs	(3.2)	-	-	-	(0.4)
Depreciation, amortisation - operating	2.9	2.3	2.2	2.4	1.8
Working capital movements	(16.6)	(13.0)	(2.2)	7.1	(4.4)
Capital expenditure, inc software (net of disposal proceeds)	(3.4)	(2.9)	(1.5)	(4.2)	(1.1)
Taxation paid (net)	(1.3)	(3.3)	(3.1)	-	(3.2)
Free cash from operations	**(17.9)**	**(0.6)**	**12.9**	**22.0**	**3.6**
Interest paid	(2.0)	(1.2)	(1.3)	(1.3)	(0.6)
Business acquisitions inc debt acquired	(5.3)	(18.4)	(7.2)	(1.1)	(35.1)
Issue of share capital	-	-	0.3	-	-
Finance lease liabilities	(0.9)	(0.1)	-	(0.1)	-
Others	-	(0.1)	-	(0.1)	-
(Increase)/reduction in net debt	**(26.1)**	**(20.3)**	**4.7**	**19.5**	**(32.1)**