



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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Staffline, the national outsourcing organisation providing people and operational expertise to industry, today announces its interim results for the six months ended 30 June 2011.

Financial highlights:

- Revenues up 45% to £120.9 million (H1 2010: £83.4 million)
- Gross margins up to 11.8% (H1 2010: 11.2%), the effect of the move in to Welfare to Work
- Profit before tax up 38% to £2.9 million (H1 2010: £2.1 million)
- Fully diluted EPS up 39% to 9.2p (H1 2010: 6.6p)
- Interim dividend increased by 21% to 2.9p (H1 2010: 2.4p)
- Net cash of £2.4m (H1 2010: net debt of £4.8m)

Operational highlights:

- Continued expansion of the **OnSite** platform driving growth
 - Increased by 6 sites during the reporting period to 141 (FY2010: 135)
- Recent Fourstar acquisition (now rebranded EOS) performing well and broadens the Group's activities into the Welfare to Work arena
- Appointment of new Non-Executive Chairman, John Crabtree, in May 2011
- On track to meet full year market expectations

Commenting on the outlook Andy Hogarth, Chief Executive of Staffline, said:

"The Group continues to trade well, broadly driven by a combination of bolt-on acquisitions and our OnSite model generating strong organic revenue opportunities. We continue to see robust levels of new business enquiries for our services and more importantly, our customer acquisition and retention levels remain strong.

The integration of the newly acquired EOS business continues as planned and we remain excited about the long-term prospects of this business as the Welfare to Work arena continues to be at the heart of government policy.

We have made an encouraging start to 2011 and believe the Group remains well placed to report another year of solid progress."

For further information, please contact:

www.staffline.co.uk

STAFFLINE GROUP PLC

Andy Hogarth, Chief Executive
Tim Jackson, Finance Director

+44 (0)115 950 0885
07931 175775
07720 458626

Liberum

Chris Bowman / Richard Bootle

+44 (0)20 3100 2000

Buchanan

Jeremy Garcia / James Strong / Gabriella Clinkard

+44 (0)20 7466 5000

About Staffline

Staffline Group plc is a recruitment organisation specialising in food processing, manufacturing, e-retail and logistics. Staffline provides and manages industrial workforces and uses training and business improvement techniques to ensure increased levels of efficiency to give their clients a significant commercial advantage. Staffline operates from 150 locations in the UK, supplying in excess of 22,500 blue collar workers each day. Brands include Staffline Express, the High Street branch operation, OnSite based on clients' premises, Peter Rowley a national training and consultancy organisation, OSP a specialist volume recruitment call centre, and EOS a Welfare to Work Provider.

***Print resolution images are available for the media to view and download from
www.vismedia.co.uk***

Chairman's Statement

I was appointed Chairman of the Staffline Group on 19 May 2011 so it is with great pleasure that I write my first statement.

The Group has continued to thrive in what remains a challenging environment, one which has seen mixed trading conditions for a number of our customers. Although growth in this period has slowed compared to the previous period, our performance continues to outstrip many of our peers with revenues for the six months up by 45% to £120.9 million and profit before tax up 38% to £2.9 million. This performance continues to highlight the stable nature of our business and the long term confidence many of our customers have in our services.

The shape and size of the Group continues to evolve with the number of **OnSites** growing by 6 to 141 during the six month period and the acquisition of EOS taking us into the Welfare to Work arena where we believe good long term growth is achievable.

I fully expect us to have further opportunities to expand our business through both organic growth and additional selective bolt-on acquisitions. We remain keen to explore possible initiatives that complement our **OnSite** model and will continue to evaluate additional opportunities that exist in training and Welfare to Work programmes.

I am delighted with the progress of the Group, which continues to benefit from opportunities that exist around our outsourced model. We continue to develop strong relationships across our customer base, providing both service continuity and excellent revenue visibility. We look forward to the remainder of the current financial year with confidence.

John Crabtree
Chairman
5 September 2011

Chief Executive's Statement

Introduction

The Group has traded well in the first six months of the current financial year despite the worsening economic climate faced by a number of our customers. We have however been able to counter this trend through further organic growth and selective acquisitions. This success is clearly visible in the strong revenue and profit growth most of which we attribute to the take up of our **OnSite** model.

The continued strength of our business allowed the Board to increase the full year dividend by 100% during 2010. We intend to support our progressive dividend policy by proposing an interim dividend (payable on 11 November 2011) of 2.9p per share (H1 2010: 2.4p), a rise of 21%.

Our established strategy now underpins Staffline's successful track record since flotation: a strong focus on organic growth complemented by bolt-on acquisitions. We intend to continue to pursue both of these strategies and believe this approach will continue to deliver opportunities to expand our offering whilst creating further value for our shareholders.

Acquisitions

In April 2011 the Group completed the acquisition of Eos Works Ltd (previously Fourstar Employment and Training Ltd), in some ways our most significant transaction to date. Eos is one of three organisations with a Department of Work and Pensions awarded Work Programme contract for the Solihull, Birmingham and Black Country area of the West Midlands. This contract has an expected value of £90 million over a five year period and is the first of a new type of Welfare to Work contract let by the Coalition Government. Payment is largely made upon successful outcomes rather than on initial service provision. This suits the culture of Staffline given our strong growth over the past few years on the back of results orientated outcomes for clients.

The Group completed two bolt-on acquisitions during the period, of Kelburn Industrial based in the North East and Ethos Recruitment based in Northamptonshire.

The Group also announced the acquisition of certain assets and commercial relationships from Arnashade Recruitment Limited ("Arnashade"), following the company's administration on July 15 2011. Arnashade, based in Luton, Bedfordshire, specialises in industrial recruitment servicing a number of corporate customers in the Hertfordshire and Bedfordshire area.

Market Overview

PAYE and Travel and Subsistence Schemes:

As previously stated we are continuing to see more schemes being introduced by umbrella companies and labour providers where contractors are deemed to be self-employed, directors of their own Limited Companies, employed through various offshore jurisdictions or employed through 'Pay Day by Pay Day' models. Most of these methods have been the subject of briefs issued by HMRC this year describing them as non-compliant. Despite operators of these schemes having a considerable financial advantage

over Staffline, a large number of potential customers are starting to realise that 'Pay Day by Pay Day' models do not necessarily deliver a credible legally compliant staffing solution. Staffline remains, in many cases, the staffing provider of choice.

Gangmaster Licencing Authority (GLA):

We continue to fully support the GLA in its efforts to eliminate the unfair exploitation of workers and have lobbied at the highest levels in Government to ensure that the organisation is as far as possible unaffected by cutbacks in Government expenditure.

Health and Safety Systems, ISO 9002 and Investors in People:

Despite an increase this year of over 42% more working hours than H1 2010, Staffline are very pleased to report a reduction on the mid-year accident frequency rate to 0.25.

This is as a result of Staffline's continuous commitment to Health, Safety and the well being of all our workers by continuing to ensure effective training and thorough auditing of our procedures.

Agency Worker Regulations (AWR):

AWR are being introduced on 1 October and require amongst other things that our contractors enjoy broadly the same employment benefits as permanent employees including basic pay, holiday pay and other benefits. This is changing the way we employ people. However we remain confident that AWR provides us with an opportunity to extend the level of service we offer our clients and will enable us to continue to grow organically.

Current Trading

Staffline continues to grow, albeit at a slower pace than last year. Trading conditions look set to toughen for the remainder of 2011 with margins remaining under pressure, however our business continues to perform in-line with our expectations. We have spent considerable time building a business of scale and flexibility, which offers a 'reassurance of quality' under a recognised brand to our customers.

Whilst the broader economic trends are not as strong as the previous year, our track record remains intact and we believe that our business has never been in better shape.

The Board is therefore confident that the Group remains well placed to meet market expectations for the full year.

Andy Hogarth
Chief Executive Officer
5 September 2011

Finance Director's Statement

Financial Results

Sales revenues have grown by 45% to £120.9m (H1 2010: £83.4m) reflecting the impact of strong demand from existing customers, new business wins in 2010 and 2011 and also the impact of acquisitions. The charge for amortisation of intangible assets has increased by £555,000 to £823,000 during the half year.

Gross margin has increased to 11.8% (H1 2010: 11.2%) due to the change in the business mix. Pre-tax profit has increased by 38% to £2.9m (H1 2010: £2.1m). Post tax profit has improved 40% to £2.1m (H1 2010: £1.5m).

Earnings per share

Basic earnings per share have increased by 39% to 9.7p (H1 2010: 7.0p). The diluted earnings per share also improved to 9.2p (H1 2010: 6.6p) and the diluted earnings per share before amortisation increased by 64% to 12.6p (H1 2010: 7.7p).

Balance sheet and cash flow

The Group's balance sheet has strengthened considerably during the first half although net current assets have fallen by £1.8m to £0.6m (H1 2010: £2.4m) due to the impact of the acquisitions and deferred consideration. The significant growth in trade receivables is due entirely to the growth in sales, with the average number of debtor days remaining steady. The increase in trade payables is due to the growth of the business and the impact of the estimated deferred consideration of acquisitions. The goodwill has increased by £818,000 and intangible assets by £2,815,000 as a result of the acquisitions during the period. The property, plant and equipment increased by £1,148,000 due mainly to assets acquired with Fourstar Group Ltd (now Eos).

Due to timing of payments net debt has been eliminated at the period end, with the group having a net £2.4m of cash compared to December 2010 when we had £2.3m net debt.

The Group generated £3.9m cash from operations before working capital movement in the first half (H1 2010: £2.5m). Of this amount £2.0m (H1 2010: £0.5m) was used in working capital to fund the growth and £3.4m (H1 2010: £1.3m) was invested in acquisitions which had £8.3m of net cash. In addition corporation tax accounted for £1.2m (H1 2010: £0.4m), interest payments £43,000 (H1 2010: £62,000) and capital expenditure £0.2m (H1 2010: £0.1m).

Financing

The Group has financing facilities in place to support the future growth of the business. The current facilities include a term loan of £2.2m, repayable in quarterly instalments up to 2013, and an overdraft facility of £10m.

At 30 June 2011 the overdraft was undrawn. The average daily bank balance during the first half was a positive cash balance of £1,797,000 compared to an average overdraft of £161,000 last year. The overdraft facility was renewed in March 2011 for a period of 12 months.

Employees

The average number of employees has increased by 128 to 397 compared to the same period in 2010. Around half of the increase is due to the acquisitions in the first half.

We are continuing to invest significant sums in both internal and external training courses for our staff and always promote from within wherever possible. A further 28 members of staff passed their Certificate in Recruitment Practice during the period.

Tim Jackson
Finance Director
5 September 2011

Consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Note	Six month period ended 30 June 2011 Unaudited £'000	Six month period ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Continuing Operations				
Sales revenue		120,939	83,358	206,158
Cost of sales		(106,641)	(73,993)	(183,017)
Gross profit		14,298	9,365	23,141
Administrative expenses		(10,517)	(6,951)	(15,311)
Amortisation of intangibles		(823)	(268)	(721)
Profit from operations		2,958	2,146	7,109
Finance costs		(43)	(62)	(126)
Profit for the period before taxation		2,915	2,084	6,983
Tax expense	4	(832)	(600)	(1,935)
Net profit and total comprehensive income for the period		2,083	1,484	5,048
Total comprehensive income attributable to:				
Non-Controlling interest		(37)	0	(18)
Owners of the parent		2,119	1,484	5,066
Earnings per ordinary share				
	5			
Basic		9.7p	7.0p	23.7p
Diluted		9.2p	6.6p	22.6p

Consolidated statement of financial position
At 30 June 2011

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
Assets			
Non current			
Goodwill	26,980	25,938	26,162
Other intangible assets	4,111	1,175	1,296
Property, plant and equipment	2,264	757	1,116
	33,354	27,870	28,574
Current			
Trade and other receivables	34,375	26,660	30,633
Cash and cash equivalents	4,590	1,178	1,871
	38,965	27,838	32,504
Total assets	72,319	55,708	61,078
Liabilities			
Current			
Trade and other payables	(33,554)	(18,976)	(23,328)
Borrowings	(1,054)	(3,747)	(2,395)
Other current liabilities	(1,010)	(1,833)	(1,544)
Current tax liabilities	(2,723)	(860)	(1,330)
	(38,341)	(25,416)	(28,597)
Non current			
Borrowings	(1,182)	(2,195)	(1,740)
Other non-current liabilities	(94)	(462)	(207)
Total liabilities	(39,617)	(28,073)	(30,544)
Equity			
Share capital	(2,268)	(2,123)	(2,264)
Own shares	1,157	-	1,157
Share premium	(15,778)	(14,525)	(15,735)
Share based payment reserve	(237)	(185)	(198)
Profit and loss account	(15,631)	(10,802)	(13,512)
	(32,757)	(27,635)	(30,552)
Non-controlling interest	55	-	18
Total equity	(32,702)	(27,635)	(30,534)
Total equity and liabilities	(72,319)	(55,708)	(61,078)

Consolidated statement of changes in equity
For the six months ended 30 June 2011

	Share capital £'000	Own shares £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total attributable to owners of parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2011 (audited)	2,264	(1,157)	15,735	198	13,512	30,552	(18)	30,534
Share options issued	4	-	43	39	-	86		86
Transactions with owners	2,264	(1,157)	15,778	237	13,512	30,638	(18)	30,620
Profit for the period	-	-	-	-	2,119	2,119	(37)	2,083
Total comprehensive income for the period	-	-	-	-	2,119	2,119	(37)	2,083
Balance at 30 June 2011	2,268	(1,157)	15,778	237	15,631	32,757	(55)	32,702

	Share capital £'000	Own shares £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total attributable to owners of parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2010 (audited)	2,123	-	14,525	170	9,318	26,136	-	26,136
Share options issued	-	-	-	15	-	15	-	15
Transactions with owners	2,123	-	14,525	185	9,318	26,151	-	26,151
Profit for the period	-	-	-	-	1,484	1,484	-	1,484
Total comprehensive income for the period	-	-	-	-	1,484	1,484	-	1,484
Balance at 30 June 2010	2,123	-	14,525	185	10,802	27,635	-	27,635

Consolidated statement of changes in equity
For the six months ended 30 June 2011

	Share capital £'000	Own shares £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total attributable to owners of parent £'000	Non- controlling interest £'000	Total equity £'000
At 1 January 2010 (audited)	2,123	-	14,525	170	9,318	26,136	-	26,136
Dividends	-	-	-	-	(872)	(872)	-	(872)
Share options issued	-	-	-	28	-	28	-	28
Share options exercised	15	-	179	-	-	194	-	194
Issue of new shares to Joint Share Ownership Plan	126	(1,157)	1,031	-	-	-	-	-
Transactions with owners	2,264	(1,157)	15,735	198	8,446	25,486	-	25,486
Profit for the period	-	-	-	-	5,066	5,066	(18)	5,048
Total comprehensive income for the period	-	-	-	-	5,066	5,066	(18)	5,048
Balance at 31 December 2010	2,264	(1,157)	15,735	198	13,512	30,552	(18)	30,534

Consolidated statement of cash flows
For the six months ended 30 June 2011

	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
Note	Unaudited £'000	Unaudited £'000	Audited £'000
Cash flows from operating activities			
Profit before taxation	2,915	2,084	6,983
Adjustments for:			
Finance costs	43	62	126
Depreciation and amortisation of property, plant and equipment and intangible assets	903	387	871
Operating profit before changes in working capital and provisions	3,861	2,533	7,980
Change in trade and other receivables	(1,333)	(6,312)	(7,820)
Change in trade and other payables	(677)	5,864	9,203
Cash generated from operations	1,851	2,085	9,363
Employee cash settled share options	-	-	15
Employee equity settled share options	39	-	28
Taxes paid	(1,169)	(430)	(1,222)
Net cash inflow from operating activities	721	1,655	8,184
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	4,915	(1,268)	(3,000)
Sale of property, plant and equipment	-	-	68
Acquisitions of businesses - deferred consideration paid	(55)	-	(693)
Acquisitions of businesses deferred consideration for prior acquisitions	(804)	-	(592)
Purchases of property, plant and equipment	(163)	(121)	(471)
Net cash used in investing activities	3,893	(1,389)	(4,688)
Cash flows from financing activities			
Decrease in loans	(448)	(456)	(899)
Interest paid	(43)	(62)	(126)
Dividends paid	-	-	(872)
Proceeds from the issue of share capital	46	-	194
Net cash flows from financing activities	(445)	(518)	(1,703)
Net change in cash and cash equivalents	4,169	(252)	1,793
Cash and cash equivalents at beginning of period	397	(1,396)	(1,396)

Cash and cash equivalents at end of period	4,566	(1,648)	397
--	-------	---------	-----

**Notes to the interim report
For the six months ended 30 June 2011**

1 BASIS OF PREPARATION

Staffline Group plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom. The interim financial statements for the period ended 30 June 2011 (including the comparatives for the period ended 30 June 2010 and the year ended 31 December 2010) were approved by the board of directors on September 5th 2011. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are set out in note 3 to the interim financial information.

The interim financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006. The full accounts for the year ended 31 December 2010 received an unqualified report from the auditors and did not contain a statement under Section 498 of the Companies Act 2006.

2 ACCOUNTING POLICIES

The interim financial report has been prepared under the historical cost convention and in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The principal accounting policies and methods of computation adopted to prepare the interim financial information are consistent with those detailed in the 2010 financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and assumptions

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

Impairment of goodwill

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

Notes to the interim report
For the six months ended 30 June 2011

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Deferred consideration

As part of the acquisition process a forecast is prepared which projects the financial performance of the business over the expected earn out period. These forecasts are reviewed and updated based on actual performance. Part of the cost of the acquisition is dependent on the trading performance of the acquired business following the transaction. The deferred contingent consideration is based on these estimates of the future performance of the acquired business.

Critical judgments in applying the Group's accounting policies

The Directors do not consider they have had to make any critical judgments in applying the accounting policies which have been adopted.

4 TAX EXPENSE

The relationship between the expected tax expense at 27% and the tax expense actually recognised in the income statement can be reconciled as follows:

	Six month period ended 30 June 2011 Unaudited £'000 %		Six month period ended 30 June 2010 Unaudited £'000 %		Year ended 31 December 2010 Audited £'000 %	
Profit for the period before taxation	2,915		2,084		6,983	
Expected tax expense	787	27.0	584	28.0	1,955	28.0
Adjustment for non-deductible expenses relating to short term timing differences	(31)	(1.1)	(7)	(0.3)	26	
Other non-deductible expenses	16	0.5	23	1.1	44	
Adjustment in respect of previous year	60	2.1	-		(90)	
	832	28.5	600	28.8	1,935	27.7
Comprising:						
Current tax expense	832		600		1,935	

There is no tax expense or credit in relation to the share based payment reserve credited to equity.

**Notes to the interim report
For the six months ended 30 June 2011**

5 EARNINGS PER SHARE

The calculation of the 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. The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

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

	Basic			Diluted		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Earnings (£'000)	2,083	1,484	5,048	2,083	1,484	5,048
Weighted average number of shares	21,497,596	21,229,081	21,254,988	22,513,438	22,611,454	22,369,807
Earnings per share (pence)	9.7p	7.0p	23.7p	9.2p	6.6p	22.6p

The weighted average number of shares used for the diluted earnings per share calculation has increased by 1,169,887 (period ended 30 June 2010: 1,382,373 and 31 December 2010: 1,114,819) shares to take account of all dilutive potential ordinary shares that could be issued under the share option scheme.

6 DIVIDENDS

Staffline Group plc paid a final dividend of £812,612 as proposed in the annual report for the year ended 31 December 2010 on 7 July 2011. An interim dividend of £621,409 (2010: £509,498) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.9p pence (2010: 2.4 pence) per share and will be paid on 11 November 2011.

7 ACQUISITIONS

On 4 January 2011 the Company acquired the trade and assets of Kelburn Industrial Limited, based in Newcastle and on 14 March 2011 the Company acquired Ethos Recruitment Limited, based in Daventry. Each of these organisations has a great reputation in their local markets and are well-established, professionally run businesses. They will add, in aggregate, around £6m in a full year to the Group's revenues and are expected to make a positive contribution to profitability in 2011. They have been acquired with small upfront payments and profit related payments over the next 18 months.

On 21 April 2011 the Company acquired Fourstar Group Limited from the Dutch company Lern Holding B.V, a company registered in the Netherlands, for £3m in cash, plus a deferred payment of £0.3m, satisfied from the Group's existing cash resources. Fourstar was an incumbent provider of the Flexible New Deal Programme and has secured the Work Programme contract for the West Midlands. Fourstar is paid for finding work for those claiming Job Seeker Allowance and Incapacity Benefit and keeping them in work. Staffline is well placed to utilise its database of jobs to place people back into work. The acquisition will also bring a strong relationship with the Department for Work and Pensions and provide access to potential new work streams. The acquisition is expected to generate circa £90m of revenue over the next five years, be earnings neutral in the first full year of ownership and earnings enhancing thereafter. On 20 June 2011 Fourstar changed its name to EOS Works Limited.

On 22 July 2011 certain trade and assets of Arnashade Recruitment Limited were acquired from the receivers for a cash payment.

Company details

Bankers:

Bank of Scotland
15 Queen Street,
Nottingham
NG1 2BL

Solicitors:

Browne Jacobson LLP
44 Castle Gate
Nottingham
NG1 7BJ

Auditors:

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

Financial and Trade PR:

Buchanan
107 Cheapside
London
EC2V 6DN

Nominated Adviser and Broker:

Liberum Capital
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY

Registrars

Computershare Investor Services plc
PO Box 859
The Pavilions
Bridgewater Road
Bristol
BS99 1XZ