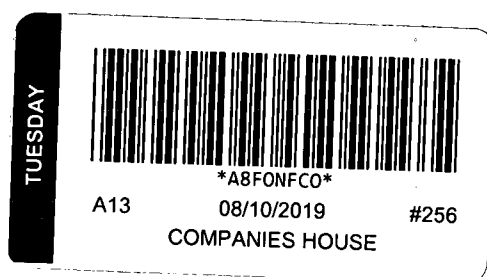


Company Registration No. 05801688 (England and Wales)

THE STAFFING GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MAY 2019



THE STAFFING GROUP LIMITED

COMPANY INFORMATION

Directors	Mr S P Price Mrs C M Price Mr J C McGrail Mr N Cooksey Mr N Gregory-Jones Mr N R Bodfish
Secretary	Mrs C M Price
Company number	05801688
Registered office	Forster House Hatherton Road Walsall West Midlands WS1 1XZ
Auditor	Baldwins Audit Services International House 20 Hatherton Street Walsall WS4 2LA

THE STAFFING GROUP LIMITED

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THE STAFFING GROUP LIMITED

STRATEGIC REPORT

FOR THE 6 MONTHS ENDED 31 MAY 2019

The directors present the strategic report for the 6 months ended 31 May 2019.

Fair review of the business

Business Model & Objectives

The Group remains focused on growing its market share within the UK blue collar labour recruitment sector.

More progressively, it will look at other market segments that will add longer term value to the Group, in particular all areas of staff training and retention.

The Group operates a very agile approach in all of its core operations and remains totally committed to delivering service excellence for its blue chip client base. Our sustained growth over the past 5 years is testament to this.

Business Performance Indicators

The directors use a combination of financial and qualitative indicators throughout the business to ensure that the business is operating effectively. In particular the following key ratios are applied;

- Turnover, including turnover growth through new client acquisition
- Gross profit margin
- Overhead in absolute terms and in proportion to gross margin earned
- Profit before taxation
- Profit after taxation

Trading Review

The accounting reference date has been changed to May to align financial statements with internal operational reporting.

The trading period between December and May does not have the seasonal peak associated with the blue collar agency market, seen typically in September to November. The operating profit achieved in the period of £488k was in line with expectation, and compares very favourably with the operating profit of £58k for the same period last year.

Trading levels within all subsidiary companies were in line with expectation, with gross margin levels showing a small improvement also year on year. Whilst Brexit continues to create some level of uncertainty within our markets, our outlook for the near to medium term remains positive.

Cash flows remained strong in the period, with net cash inflows of £16m, reducing net borrowings at November 2018 of £50m, to £34m at the end of May 2019.

THE STAFFING GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

Principal risks and uncertainties

The key business risks affecting the group at present are:

Competitive Risks

The group is reliant on certain customers for contracts which are subject to periodic review. Renewal of these contracts is uncertain and based on our performance and financial criteria. The overall market landscape remains very competitive.

Legislative Risks

In order to operate in its chosen market, the group must comply with various UK legislation and laws. Compliance imposes costs and failure to comply with the standards could materially affect the group's ability to operate. The group continues to ensure that it has an appropriate compliance structure to enable it to understand and operate within the legislative landscape for the industry.

Credit Risk

The group's trade and other debtors are actively monitored to avoid significant concentrations of credit risk, and a robust process is in place to review all new customers, especially those without an extensive credit history. Additionally, the group pays for commercial debtor insurance.

Brexit

The UK's decision to leave the EU continues to create uncertainty regarding its overall impact on the UK economy and its impact on the free movement of labour between the EU and the UK.

Other information and explanations

People

Our agile operational model is underpinned by our high performing culture and we constantly review our talent within the business and our succession plans to ensure that we have the right people in place to deliver growth. The high performing culture in turn has enabled the group to operate a lean operating model, which is imperative within the sector it operates.

Gender Pay Gap Reporting

The Group has completed its obligations in respect of its reporting requirements to 5 April 2018.

General Data Protection Regulation

The group complies with applicable legislation, as a data processor and works closely with other external stakeholders as appropriate.

On behalf of the board



Mr S P Price

Director

01/10/19

THE STAFFING GROUP LIMITED

DIRECTORS' REPORT

FOR THE 6 MONTHS ENDED 31 MAY 2019

The directors present their annual report and financial statements for the 6 months ended 31 May 2019.

Principal activities

The principal activity of the company continued to be that of a staff recruitment agency and a holding company.

The principal activity of the group is that of providing both temporary and permanent staff to business users.

Directors

The directors who held office during the 6 months and up to the date of signature of the financial statements were as follows:

Mr S P Price
Mrs C M Price
Mr J C McGrail
Mr N Cooksey
Mr N Gregory-Jones
Mr N R Bodfish

Results and dividends

The results for the 6 months are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Market value of land and buildings

In the opinion of the directors the current market value of the company's interests in land and buildings exceeds the book value.

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The company's policy is to consult and discuss with employees, via one to one and group meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that the current year will show a further growth in sales.

Auditor

The auditor, Baldwins Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

THE STAFFING GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going Concern

The Group had net current liabilities of £3,663,557 (2018 - £3,331,887). The Group has the ongoing support of its bankers HSBC who provide working capital to the business through invoice discounting and remain positive with the Group's current and future financial projections.

On behalf of the board



.....
Mr S P Price
Director

Date: 01/10/19

THE STAFFING GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE 6 MONTHS ENDED 31 MAY 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE STAFFING GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STAFFING GROUP LIMITED

Opinion

We have audited the financial statements of The Staffing Group Limited (the 'parent company') and its subsidiaries (the 'group') for the 6 months ended 31 May 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2019 and of the group's profit for the 6 months then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE STAFFING GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE STAFFING GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial 6 months for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


Mr S N Southall FCCA
for and on behalf of Baldwins Audit Services

01/10/19

Senior Statutory Auditor

International House
20 Hatherton Street
Walsall
WS4 2LA

THE STAFFING GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE 6 MONTHS ENDED 31 MAY 2019

	Notes	6 months ended 31 May 2019 £	Year ended 30 November 2018 £
Turnover	3	155,097,796	367,249,332
Cost of sales		(143,185,850)	(348,686,106)
Gross profit		11,911,946	18,563,226
Administrative expenses		(11,499,786)	(25,365,955)
Other operating income		75,888	153,719
Exceptional item	4	-	(1,108,774)
Operating profit/(loss)	5	488,048	(7,757,784)
Interest receivable and similar income	9	2,241	605
Interest payable and similar expenses	10	(369,066)	(754,811)
Profit/(loss) before taxation		121,223	(8,511,990)
Tax on profit/(loss)	11	(110,299)	1,238,189
Profit/(loss) for the financial 6 months		10,924	(7,273,801)

Profit/(loss) for the financial 6 months is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

THE STAFFING GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 31 MAY 2019

	6 Months ended 31 May 2019 £	Year ended 30 November 2018 £
Profit/(loss) for the 6 months	10,924	(7,273,801)
Other comprehensive income	-	-
Total comprehensive income for the 6 months	<u>10,924</u>	<u>(7,273,801)</u>

Total comprehensive income for the 6 months is all attributable to the owners of the parent company.

THE STAFFING GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12	4,122,978		4,410,212	
Tangible assets	13	2,304,163		2,564,262	
		<u>6,427,141</u>		<u>6,974,474</u>	
Current assets					
Debtors	17	57,569,795		86,567,906	
Cash at bank and in hand		858,268		922,542	
		<u>58,428,063</u>		<u>87,490,448</u>	
Creditors: amounts falling due within one year	18	<u>(62,091,620)</u>		<u>(90,822,335)</u>	
Net current liabilities			<u>(3,663,557)</u>		<u>(3,331,887)</u>
Total assets less current liabilities			<u>2,763,584</u>		<u>3,642,587</u>
Creditors: amounts falling due after more than one year	19		<u>(1,125,126)</u>		<u>(906,279)</u>
Provisions for liabilities	22		-		<u>(1,108,774)</u>
Net assets			<u><u>1,638,458</u></u>		<u><u>1,627,534</u></u>
Capital and reserves					
Called up share capital	25	9,001,000		9,001,000	
Profit and loss reserves		<u>(7,362,542)</u>		<u>(7,373,466)</u>	
Total equity			<u><u>1,638,458</u></u>		<u><u>1,627,534</u></u>

The financial statements were approved by the board of directors and authorised for issue on 01/10/19 and are signed on its behalf by:



Mr S P Price
Director

THE STAFFING GROUP LIMITED

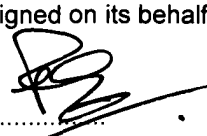
COMPANY BALANCE SHEET

AS AT 31 MAY 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Goodwill	12		972,473		1,038,618
Tangible assets	13		978,172		1,036,483
Investments	14		20,100,000		20,100,000
			<u>22,050,645</u>		<u>22,175,101</u>
Current assets					
Debtors	17	24,049,876		23,868,957	
Cash at bank and in hand		706,354		703,597	
		<u>24,756,230</u>		<u>24,572,554</u>	
Creditors: amounts falling due within one year	18	(27,793,301)		(25,585,000)	
Net current liabilities			<u>(3,037,071)</u>		<u>(1,012,446)</u>
Total assets less current liabilities			19,013,574		21,162,655
Creditors: amounts falling due after more than one year	19		(1,026,322)		(758,654)
Provisions for liabilities	22		<u>(1,702,544)</u>		<u>(2,979,093)</u>
Net assets			<u>16,284,708</u>		<u>17,424,908</u>
Capital and reserves					
Called up share capital	25		9,001,000		9,001,000
Revaluation reserve			8,998,469		8,998,469
Profit and loss reserves			<u>(1,714,761)</u>		<u>(574,561)</u>
Total equity			<u>16,284,708</u>		<u>17,424,908</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,140,200 (2018 - £1,287,901 loss).

The financial statements were approved by the board of directors and authorised for issue on 01/10/19 and are signed on its behalf by:


Mr S P Price
Director

Company Registration No. 05801688

THE STAFFING GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 31 MAY 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 December 2017		9,001,000	(99,665)	8,901,335
Period ended 30 November 2018:				
Loss and total comprehensive income for the period		-	(7,273,801)	(7,273,801)
Issue of share capital	25	340	-	340
Other movements		(340)	-	(340)
Balance at 30 November 2018		9,001,000	(7,373,466)	1,627,534
Period ended 31 May 2019:				
Profit and total comprehensive income for the period		-	10,924	10,924
Balance at 31 May 2019		9,001,000	(7,362,542)	1,638,458

THE STAFFING GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 31 MAY 2019

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 December 2017		9,001,000	4,765,469	713,340	14,479,809
Period ended 30 November 2018:					
Loss for the period		-	-	(1,287,901)	(1,287,901)
Other comprehensive income:					
Adjustments to fair value of financial assets		-	5,100,000	-	5,100,000
Tax relating to other comprehensive income		-	(867,000)	-	(867,000)
Total comprehensive income for the period		-	4,233,000	(1,287,901)	2,945,099
Issue of share capital	25	340	-	-	340
Other movements		(340)	-	-	(340)
Balance at 30 November 2018		9,001,000	8,998,469	(574,561)	17,424,908
Period ended 31 May 2019:					
Loss and total comprehensive income for the period		-	-	(1,140,200)	(1,140,200)
Balance at 31 May 2019		9,001,000	8,998,469	(1,714,761)	16,284,708

THE STAFFING GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	31	18,028,464		1,951,490	
Interest paid		(369,066)		(754,811)	
Income taxes (paid)/refunded		(754,546)		197,091	
Net cash inflow from operating activities		16,904,852		1,393,770	
Investing activities					
Purchase of tangible fixed assets		(217,539)		(637,453)	
Proceeds on disposal of tangible fixed assets		60,223		285,396	
Payment of deferred consideration		(129,418)		(281,641)	
Proceeds from other investments and loans		(239,000)		(1,581,732)	
Interest received		2,241		605	
Net cash used in investing activities		(523,493)		(2,214,825)	
Financing activities					
Repayment of bank loans		(250,000)		(458,333)	
Payment of finance leases obligations		(160,629)		(395,462)	
Net cash used in financing activities		(410,629)		(853,795)	
Net increase/(decrease) in cash and cash equivalents		15,970,730		(1,674,850)	
Cash and cash equivalents at beginning of 6 months		(50,452,802)		(48,777,952)	
Cash and cash equivalents at end of 6 months		(34,482,072)		(50,452,802)	
Relating to:					
Cash at bank and in hand		858,268		922,542	
Bank overdrafts included in creditors payable within one year		(35,340,340)		(51,375,344)	

THE STAFFING GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	32	1,785,482		3,439,968	
Interest paid		(30,219)		(34,553)	
Income taxes paid		(916,864)		-	
Net cash inflow from operating activities		838,399		3,405,415	
Investing activities					
Purchase of tangible fixed assets		(202,831)		(394,059)	
Proceeds on disposal of tangible fixed assets		13,737		73,662	
Purchase of fixed asset investments		(129,418)		(281,641)	
Proceeds from other investments and loans		(239,000)		(1,581,732)	
Net cash used in investing activities		(557,512)		(2,183,770)	
Financing activities					
Repayment of bank loans		(250,000)		(458,333)	
Payment of finance leases obligations		(28,130)		(65,331)	
Net cash used in financing activities		(278,130)		(523,664)	
Net increase in cash and cash equivalents		2,757		697,981	
Cash and cash equivalents at beginning of 6 months		703,597		5,616	
Cash and cash equivalents at end of 6 months		706,354		703,597	

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

Company information

The Staffing Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Forster House, Hatherton Road, Walsall, West Midlands, WS1 1XZ.

The group consists of The Staffing Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at fair value.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of The Staffing Group Limited and all of its subsidiaries. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 May 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

(Continued)

1.3 Going concern

The Group had net current liabilities of £3,663,557 (2018 - Net current assets £3,331,887). The Group has the ongoing support of its bankers HSBC who provide working capital to the business through invoice discounting and remain positive with the Group's current and future financial projections.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Reporting period

The company has shortened its accounting reference date from 30 November 2019 to 31 May 2019 and therefore these financial statements are prepared for the 6 months period commencing 1st December 2018 and ending on 31 May 2019. The comparative period shows results for the 12 months ended 30 November 2018 and are not therefore entirely comparable. The main reason for changing the accounting reference date was for operational purposes.

1.5 Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

Revenue Recognition

Income from the provision of temporary contractors is recognised at the end of the completed working week based on hours worked multiplied by the contracted rate, net of rebates. Income from permanent placements is recognised when the candidates start work.

Provisions for rebates are accounted for in the same period the related sales are recorded, and are calculated in accordance with the contractual arrangements in place.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

Goodwill arising on the excess of the costs over the fair value of assets acquired in a group re-organisation in 2006 are being amortised over the directors estimate of a useful life of 20 years.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	Nil
Fixtures, fittings & equipment	25% per annum of cost
Computer equipment	25% per annum of cost
Motor vehicles	25% per annum reducing balance

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

In the opinion of the Directors, the residual value of the freehold land and buildings exceeds that of the carrying value. Therefore no depreciation has been charged.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Transaction costs are expensed to profit or loss as incurred. Material changes in fair value are recognised in other comprehensive income.

1.9 Impairment of fixed assets

The Group assesses at each reporting date whether fixed assets are impaired.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement of financial instruments

Investment in subsidiary companies are measured at fair value.

To determine fair value, a valuation technique has been used which compares the PE ratio of a number of publicly listed companies in the same industry sector and applies a discount factor of 40%.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

The company also makes contributions to a self-administered scheme for the benefits of Mr S P Price and Mrs C M Price. The assets of the scheme are invested and managed independently of the finances of the company. Contributions payable are charged to the profit and loss account in the year they are payable.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

The assessments made in respect of uncertain tax positions relating to the outcome of negotiations with and enquiries from tax authorities are made following discussion with the company's tax advisors, taking into account past experience.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Goodwill

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, all relevant known factors are taken into account but there is inherent uncertainty present in making this assessment.

Recoverability of trade debtors

The determination of whether trade debtors should be impaired requires the estimation of the expected cash flows and the relevant age of those debtors.

Valuation of Investments in Subsidiaries

In relation to the parent company individual statements only - Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date.

The valuation methodology compares the PE ratio of a number of publicly listed companies in the same industry sector and applies a discount factor of 40%.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Provision of Recruitment Services	155,097,796	367,249,332
	<u> </u>	<u> </u>
	2019 £	2018 £
Other significant revenue		
Interest income	2,241	605
	<u> </u>	<u> </u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	155,097,796	367,249,332
	<u> </u>	<u> </u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

4	Exceptional Item	2019 £	2018 £
	HMRC Settlement	-	1,108,774

The group has entered into a settlement agreement with H M Revenue and Customs ("HMRC") in respect of the Employee Benefit Trust ("EBT") Lite on a voluntary restitution basis. The contributions were made to the EBT Lite during the accounting period ended 30 November 2010.

The settlement agreement also encompassed the EBT and Alchemy transactions promoted by Root 2, again on a voluntary restitution basis. The transactions were originally included within the accounting period ended 30 November 2012.

The settlement agreement was dated 5 April 2019 and totalled £1,037,579 and a provision was included within the audited accounts for the year ended 30 November 2018 in respect of this liability.

The group has secured a time to pay arrangement and forward interest totals £71,194. Full provision has been included within the audited accounts for the year ended 30 November 2018 for this interest.

5	Operating profit/(loss)	2019 £	2018 £
	Operating profit/(loss) for the period is stated after charging/(crediting):		
	Depreciation of owned tangible fixed assets	378,107	698,638
	Depreciation of tangible fixed assets held under finance leases	82,536	313,589
	Loss/(profit) on disposal of tangible fixed assets	2,270	(51,179)
	Amortisation of intangible assets	287,234	700,467
	Operating lease charges	500,522	1,022,453

6	Auditor's remuneration	2019 £	2018 £
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	48,000	90,000
	Audit of the financial statements of the company's subsidiaries	32,000	60,000
		80,000	150,000
	For other services		
	Audit-related assurance services	5,000	15,000
	Taxation compliance services	10,000	15,000
	All other non-audit services	25,000	45,300
		40,000	75,300

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the 6 months was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Management and administration	474	491	471	488
Temporary workers	17,613	20,191	-	-
	<u>18,087</u>	<u>20,682</u>	<u>471</u>	<u>488</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	140,855,791	343,140,076	6,472,340	13,957,869
Social security costs	8,723,359	19,856,059	680,345	1,410,613
Pension costs	323,307	538,363	187,521	286,155
	<u>149,902,457</u>	<u>363,534,498</u>	<u>7,340,206</u>	<u>15,654,637</u>

8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	598,023	985,942
Company pension contributions to defined contribution schemes	16,105	9,833
	<u>614,128</u>	<u>995,775</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 6).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	<u>164,888</u>	<u>345,804</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

9 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Other interest income	2,241	605

10 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	346,134	730,086
Interest on finance leases and hire purchase contracts	11,684	24,725
	357,818	754,811
Other finance costs:		
Other interest	11,248	-
	369,066	754,811

11 Taxation

	2019 £	2018 £
Current tax		
Adjustments in respect of prior periods	(7,118)	(549,146)
Deferred tax		
Origination and reversal of timing differences	(10,325)	(32,285)
Adjustment in respect of prior periods	-	(5,096)
Tax losses carried forward	127,742	(651,662)
	117,417	(689,043)
Total tax charge/(credit)	110,299	(1,238,189)

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

11 Taxation

(Continued)

The actual charge/(credit) for the 6 months can be reconciled to the expected charge/(credit) for the 6 months based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit/(loss) before taxation	121,223	(8,511,990)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	23,032	(1,617,278)
Tax effect of expenses that are not deductible in determining taxable profit	39,811	1,680,493
Tax effect of income not taxable in determining taxable profit	-	(1,425,000)
Tax effect of utilisation of tax losses not previously recognised	-	544,750
Adjustments in respect of prior years	(7,118)	(549,146)
Amortisation on assets not qualifying for tax allowances	54,574	133,088
Deferred tax adjustments in respect of prior years	-	(5,096)
Taxation charge/(credit)	110,299	(1,238,189)

12 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 December 2018 and 31 May 2019	10,430,531
Amortisation and impairment	
At 1 December 2018	6,020,319
Amortisation charged for the 6 months	287,234
At 31 May 2019	6,307,553
Carrying amount	
At 31 May 2019	4,122,978
At 30 November 2018	4,410,212

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

12 Intangible fixed assets	(Continued)
Company	Goodwill
	£
Cost	
At 1 December 2018 and 31 May 2019	1,586,996
Amortisation and impairment	
At 1 December 2018	548,378
Amortisation charged for the 6 months	66,145
At 31 May 2019	614,523
Carrying amount	
At 31 May 2019	972,473
At 30 November 2018	1,038,618

Group only:

Goodwill arose from the purchase, in July 2006, of 100% of the issued share capital of The Staffing Holdings Limited via an exchange of £9,000,000 non redeemable preference shares in The Staffing Group Limited. The total consideration payable amounted to £9,258,471 including costs and the fair value of the assets acquired amounted to £414,936, therefore goodwill amounting to £8,843,535 arose on the reorganisation. This goodwill is being amortised over 20 years.

Group and Company:

Goodwill is being amortised as follows:

- 1) Goodwill arising on the acquisition of the assets of Simple Recruitment Solutions Limited is being amortised evenly over the directors' estimate of useful life of 10 years,
- 2) Goodwill arising on the acquisition of the assets of Abbey Recruitment (UK) Limited is being amortised evenly over the directors' estimate of useful life of 10 years,

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

13 Tangible fixed assets

Group	Land and buildings Freehold	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 December 2018	221,721	1,149,368	3,950,279	1,327,892	6,649,260
Additions	-	8,188	209,351	45,498	263,037
Disposals	-	-	-	(121,302)	(121,302)
At 31 May 2019	221,721	1,157,556	4,159,630	1,252,088	6,790,995
Depreciation and impairment					
At 1 December 2018	-	759,594	2,830,727	494,677	4,084,998
Depreciation charged in the 6 months	-	90,227	267,562	102,854	460,643
Eliminated in respect of disposals	-	-	-	(58,809)	(58,809)
At 31 May 2019	-	849,821	3,098,289	538,722	4,486,832
Carrying amount					
At 31 May 2019	221,721	307,735	1,061,341	713,366	2,304,163
At 30 November 2018	221,721	389,774	1,119,552	833,215	2,564,262
Company		Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
		£	£	£	£
Cost					
At 1 December 2018		150,787	1,875,215	198,990	2,224,992
Additions		435	202,396	-	202,831
Disposals		-	-	(39,487)	(39,487)
At 31 May 2019		151,222	2,077,611	159,503	2,388,336
Depreciation and impairment					
At 1 December 2018		97,675	1,015,923	74,911	1,188,509
Depreciation charged in the 6 months		15,817	217,219	14,610	247,646
Eliminated in respect of disposals		-	-	(25,991)	(25,991)
At 31 May 2019		113,492	1,233,142	63,530	1,410,164
Carrying amount					
At 31 May 2019		37,730	844,469	95,973	978,172
At 30 November 2018		53,112	859,292	124,079	1,036,483

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

13 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2019 £	2018 £	Company 2019 £	2018 £
Motor vehicles	581,997	633,026	67,274	87,286
Computer equipment	17,260	23,013	17,260	23,013
	<u>599,257</u>	<u>656,039</u>	<u>84,534</u>	<u>110,299</u>
Depreciation charge for the 6 months in respect of leased assets	<u>82,536</u>	<u>313,589</u>	<u>15,364</u>	<u>175,173</u>

14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	20,100,000	20,100,000

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 December 2018 and 31 May 2019	<u>20,100,000</u>
Carrying amount	
At 31 May 2019	<u>20,100,000</u>
At 30 November 2018	<u>20,100,000</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

15 Subsidiaries

Details of the company's subsidiaries at 31 May 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Extra Personnel Automotive Limited	England & Wales	Recruitment agency	Ordinary	100.00	
Extra Personnel Group Limited	England & Wales	Dormant	Ordinary	100.00	
Extra Personnel Holdings Limited	England & Wales	Dormant	Ordinary	100.00	
Extra Personnel Limited	England & Wales	Recruitment agency	Ordinary	100.00	
Pay4Friday Limited	England & Wales	Dormant	Ordinary	100.00	
Productive Staff Limited	England & Wales	Dormant	Ordinary	100.00	
Single Resource Limited	England & Wales	Recruitment agency	Ordinary	100.00	
The Staffing Holdings Limited	England & Wales	Holding company	Ordinary	100.00	
Training For Talent Limited	England & Wales	Dormant	Ordinary	100.00	
TSG Financial Services Limited	England & Wales	Expenses verification	Ordinary	100.00	

Investments in subsidiary companies are measured at fair value using a valuation technique which compares the PE ratio of a number of publicly listed companies in the same industry sector and applies a discount factor of 40%. The valuations are established by an independent third party.

16 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	55,102,845	84,003,998	22,595,556	22,477,415
Carrying amount of financial liabilities				
Measured at amortised cost	50,294,271	74,357,753	26,857,737	24,297,589

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

17 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	48,704,429	77,119,876	85,090	80,713
Unpaid share capital	1,000	1,000	1,000	1,000
Corporation tax recoverable	1,128,674	1,283,874	1,080,965	1,080,965
Amounts owed by group undertakings	-	-	17,291,880	16,814,647
Other debtors	6,414,741	6,883,127	5,217,586	5,581,055
Prepayments and accrued income	753,786	595,447	373,355	310,577
	<u>57,002,630</u>	<u>85,883,324</u>	<u>24,049,876</u>	<u>23,868,957</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 23)	<u>567,165</u>	<u>684,582</u>	<u>-</u>	<u>-</u>
Total debtors	<u>57,569,795</u>	<u>86,567,906</u>	<u>24,049,876</u>	<u>23,868,957</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	20	35,840,340	51,875,344	500,000	500,000
Obligations under finance leases	21	199,207	250,355	40,344	53,312
Trade creditors		1,256,594	1,772,577	269,507	171,902
Amounts owed to group undertakings		-	-	24,884,488	21,807,369
Corporation tax payable		-	916,864	-	916,864
Other taxation and social security		12,259,827	16,453,997	1,299,238	1,129,201
Other creditors		5,922,719	9,746,095	296,689	278,450
Accruals and deferred income		6,612,933	9,807,103	503,035	727,902
		<u>62,091,620</u>	<u>90,822,335</u>	<u>27,793,301</u>	<u>25,585,000</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

19 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	20	291,667	541,667	291,667	541,667
Obligations under finance leases	21	118,811	182,794	20,007	35,169
Other taxation and social security		662,648	-	662,648	-
Other creditors		52,000	181,818	52,000	181,818
		<u>1,125,126</u>	<u>906,279</u>	<u>1,026,322</u>	<u>758,654</u>

The amount shown as "other creditors" relates to deferred consideration on the acquisition of the assets of Simple Recruitment Solutions Limited in 2016. The deferred consideration considered payable within one year amounts to £218,182 and is included in other creditors at note 19.

20 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	791,667	1,041,667	791,667	1,041,667
Bank overdrafts	35,340,340	51,375,344	-	-
	<u>36,132,007</u>	<u>52,417,011</u>	<u>791,667</u>	<u>1,041,667</u>
Payable within one year	35,840,340	51,875,344	500,000	500,000
Payable after one year	291,667	541,667	291,667	541,667

The bank loans and overdraft of £791,667 (2018 - £1,422,163) are secured by:

- a composite company limited multilateral guarantee given by the group companies The Staffing Group Limited, Single Resource Limited, Extra Personnel Limited, Extra Personnel (Automotive) Limited, TSG Financial Services Limited and Training for Talent Limited.
- a debenture including a fixed charge over all present property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertakings both present and future.

In addition, the group operates an invoice discounting agreement with its bankers. The amount outstanding in respect of this agreement at the balance sheet date is £35,201,810 (2018 - £50,994,848), which is included in bank loans and overdrafts. This is also secured by the banks debenture as detailed above.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

21 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	203,326	274,327	43,151	58,179
In two to five years	138,293	182,794	20,007	35,169
	<u>341,619</u>	<u>457,121</u>	<u>63,158</u>	<u>93,348</u>
Less: future finance charges	(23,601)	(23,972)	(2,807)	(4,867)
	<u>318,018</u>	<u>433,149</u>	<u>60,351</u>	<u>88,481</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
HMRC settlement	5	-	1,108,774	-	1,108,774
Deferred tax liabilities	24	-	-	1,702,544	1,870,319
		<u>-</u>	<u>1,108,774</u>	<u>1,702,544</u>	<u>2,979,093</u>

Movements on provisions apart from deferred tax liabilities:

Group	HMRC settlement £
At 1 December 2018	1,108,774
Utilisation of provision	(1,108,774)
At 31 May 2019	<u>-</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

22 Provisions for liabilities

(Continued)

Company	HMRC settlement £
At 1 December 2018	1,108,774
Utilisation of provision	(1,108,774)
At 31 May 2019	-

The provision for HMRC settlement liability brought forward at 1 December 2018 has now crystallised and has been transferred to creditors under the heading "Other taxation and social security". The balance outstanding at the balance sheet date is detailed below:-

Amounts falling due within one year - £227,193

Amounts falling due after more than one year - £662,648

23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	-	-	47,932	33,157
Tax losses	-	-	519,233	651,425
	-	-	567,165	684,582
Company	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	29,344	27,259	-	-
Tax losses	(169,860)	-	-	-
Investments	1,843,060	1,843,060	-	-
	1,702,544	1,870,319	-	-

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

23 Deferred taxation

(Continued)

	Group 2019 £	Company 2019 £
Movements in the 6 months:		
Liability/(asset) at 1 December 2018	(684,582)	1,870,319
Charge/(credit) to profit or loss	117,417	(167,775)
Liability/(asset) at 31 May 2019	<u>(567,165)</u>	<u>1,702,544</u>

The deferred tax liability set out above is expected to reverse in future periods and relates to accelerated capital allowances that are expected to mature within the same period.

24 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>323,307</u>	<u>538,363</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Issued and not fully paid		
510 "A" ordinary shares of £1 each	510	510
150 "C" ordinary shares of £1 each	150	150
290 "B1" ordinary shares of £1 each	290	290
50 "B2" ordinary shares of £1 each	50	50
	<u>1,000</u>	<u>1,000</u>
Preference share capital		
Issued and fully paid		
7,650,000 Non redeemable "A" preference shares of £1 each	7,650,000	7,650,000
1,350,000 Non redeemable "B" preference shares of £1 each	1,350,000	1,350,000
	<u>9,000,000</u>	<u>9,000,000</u>
Preference shares classified as equity	<u>9,000,000</u>	<u>9,000,000</u>
Total equity share capital	<u>9,001,000</u>	<u>9,001,000</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

26 Financial commitments, guarantees and contingent liabilities

The group has entered into a settlement agreement with H M Revenue and Customs ("HMRC") in respect of the Employee Benefit Trust ("EBT") Lite on a voluntary restitution basis. The contributions were made to the EBT Lite during the accounting period ended 30 November 2010.

The settlement agreement also encompassed the EBT and Alchemy transactions promoted by Root 2, again on a voluntary restitution basis. The transactions were originally included within the accounting period ended 30 November 2012.

The settlement agreement was dated 5 April 2019 and totalled £1,037,579 and a provision was included within the audited accounts for the year ended 30 November 2018 in respect of this liability.

The group has secured a time to pay arrangement and forward interest totals £71,194. Full provision was included within the accounts for the year ended 30 November 2018 for this interest.

HMRC have also opened enquiries into transactions the group undertook in the accounting years ended 30 November 2012 and 2014 following advice from Root2 Alchemy Direct. These enquiries are ongoing and HMRC have raised PAYE determinations and NIC assessments amounting to approximately £1.4m. The company has appealed the assessments and submitted a letter of representation to HMRC in respect of APN's subsequently issued. A First Tier Tax Tribunal was held on 18 June 2018 in respect of the transactions and a ruling on this tribunal has not yet been issued. The group has been advised that the planning should be successful therefore no provision has been included in these accounts.

Additionally, HMRC have opened enquiries into transactions the group undertook in the accounting years ended 30 November 2014 and 2015 following advice from Achilles Products Ltd (Goldfinger). These enquiries are ongoing and HMRC have raised PAYE determinations and NIC assessments amounting to approximately £1.1m. The group has appealed the assessments and has joined a Judicial Review to ascertain the validity of those assessments. The group has been advised that the planning should be successful therefore no provision has been included in these accounts.

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	516,444	443,365	73,748	17,484
Between two and five years	493,166	465,290	71,589	8,002
In over five years	62,601	87,683	-	-
	<u>1,072,211</u>	<u>996,338</u>	<u>145,337</u>	<u>25,486</u>

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	614,128	995,775

Transactions with related parties

During the 6 months the group entered into the following transactions with related parties:

	Sales 2019 £	2018 £
Group		
Entities over which the group has control, joint control or significant influence	-	5,367

Company

Entities over which the company has control, joint control or significant influence

-	5,367
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	Purchase of Services 2019 £	2018 £
Group		
Entities over which the entity has control, joint control or significant influence	308,125	466,000

Company

Entities over which the entity has control, joint control or significant influence

48,125	66,000
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The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2019 £	2018 £
Group		
Entities over which the group has control, joint control or significant influence	7,449	-

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

28 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 Balance £	2018 Balance £
Group		
Entities over which the group has control, joint control or significant influence	1,149,054	1,755,401
Company		
Entities over which the company has control, joint control or significant influence	4,433	616,478

Transactions between related parties are made at normal market rates.

Outstanding balances are interest free, repayable on demand and unsecured except for an amount owing from Hednesford Town Football club as detailed below:-

At the balance sheet date £853,838 (2018 - £853,838) was owed from Hednesford Town Football Club Limited. Mr S Price and Mrs C Price each own 50% of the issued share capital of Amtella Limited, Which owns 100% of the issued share capital of Hednesford Town Football Club limited. The amount owing is secured by a legal charge over freehold land owned by the latter.

The group has not made any provision for doubtful debts relating to amounts owed by related parties (2018 - £Nil).

29 Directors' transactions

Interest free loans were made to directors amounting to £239,000 during the 6 month period. The balance owing to the company at the balance sheet date amounted to £5,198,019 (2018 - £4,959,019).

There are no fixed repayment terms and no amounts were repaid, waived or written off in the period.

Interest free loans have been granted by the group to its directors as follows:

30 Controlling party

The ultimate controlling party is Mr S P Price and Mrs C M Price by virtue of their combined holdings in the issued ordinary voting shares.

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

31 Cash generated from group operations

	2019 £	2018 £
Profit/(loss) for the 6 months after tax	10,924	(7,273,801)
Adjustments for:		
Taxation charged/(credited)	110,299	(1,238,189)
Finance costs	369,066	754,811
Investment income	(2,241)	(605)
Loss/(gain) on disposal of tangible fixed assets	2,270	(51,179)
Amortisation and impairment of intangible assets	287,234	700,467
Depreciation and impairment of tangible fixed assets	460,643	1,012,227
(Decrease)/increase in provisions	(1,108,774)	1,108,774
Movements in working capital:		
Decrease/(increase) in debtors	28,964,494	(11,019,401)
(Decrease)/increase in creditors	(11,065,451)	17,958,386
Cash generated from operations	18,028,464	1,951,490

Non cash transactions:

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of £45,498 (2018 - £308,106).

THE STAFFING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 MAY 2019

32 Cash generated from operations - company

	2019 £	2018 £
Loss for the 6 months after tax	(1,140,200)	(1,287,901)
Adjustments for:		
Taxation credited	(167,775)	(17,935)
Finance costs	30,219	34,553
Gain on disposal of tangible fixed assets	(241)	(11,502)
Amortisation and impairment of intangible assets	66,145	258,290
Depreciation and impairment of tangible fixed assets	247,646	487,771
(Decrease)/increase in provisions	(1,108,774)	1,108,774
Movements in working capital:		
Decrease/(increase) in debtors	58,081	(2,078,228)
Increase in creditors	3,800,381	4,946,146
Cash generated from operations	1,785,482	3,439,968

Non cash transactions:

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of £NIL (2018 - £57,878).