Impellam Group

ANNUAL REPORT AND ACCOUNTS 2019

IMPELLAM GROUP PLC

STRATEGIC REPORT

The Company

IMPELLAM IS A LEADING GLOBAL TALENT ACQUISITION AND MANAGED WORKFORCE SOLUTIONS PROVIDER

Our Managed Solutions providers are supported by talent-focused Specialist Staffing brands with deep heritages, vertical sector expertise and loyal candidate networks. Clients across the world trust us to deliver Managed Services and Specialist Staffing in the UK, North America, Australasia, the Middle East and Europe. Working with them are 3,000 Impellam people, bringing a wealth of expertise through our 16 market-leading brands across 112 locations. Every year, we connect carefully chosen candidates with good work at all levels. They include technology and digital specialists, scientists, clinical experts, engineers, nurses, doctors, lawyers, teachers, receptionists, drivers, chefs, administrators, warehouse and call centre operatives.

Underpinning everything we do is our Virtuoso strategy which recognises it is our people who make the difference. Virtuosos make and deliver on promises and grow with their customers through sector, service or international expansion which ensures there is never a need for a customer or candidate to leave Impellam. Impellam is the sixth[1] largest Global Talent Acquisition and Managed Workforce Solutions provider in the world.

OUR VISION

To be the world's most trusted staffing company – trusted by our people, our customers and our investors in equal measure.

OUR MISSION

To provide fulfilment and a sense of purpose for our people and help our customers build better businesses in a changing world.

1 By revenue (2018 published numbers)

STRATEGIC REPORT

01_ Progress and performance
02_ Impellam at a glance
04_ Chairman's statement
05_ CEO review
10_ Our business model
12_ Our strategic priorities
14_ Key performance indicators
16_ Performance reviews
24_ CFO review
28_ Principal risks
32_ Section 172 statement

CORPORATE GOVERNANCE

35_ Governance report
36_ Board of Directors
38_ Corporate governance statement
42_ Directors' report
45_ Statement of Directors' responsibilities

FINANCIAL STATEMENTS

47_ Independent auditor's report
56_ Consolidated income statement
56_ Consolidated statement of comprehensive income
57_ Consolidated balance sheet
58_ Consolidated statement of changes in equity
59_ Consolidated cash flow statement
60_ Notes to the consolidated financial statements
110_ Company balance sheet
111_ Statement of changes in equity
112_ Notes to the Company balance sheet
117_ Alternative Performance Measures
119_ Glossary
121_ Company information

Alternative Performance Measures

Words with this symbol Δ are defined in the Alternative Performance Measures section of the Annual Report on page 117.

Progress and performance

HEADLINES

- Group revenue and gross profit increased year-on-year, after adjusting for the extra week in 2018 (53 weeks compared to 52 weeks in 2019). On an absolute year-on-year basis gross profit is down 1.2% at £274.1m (2018: £277.5m).
- Cash conversion (including IFRS 16 impact) remains strong at 356% (106% of adjusted EBITDA[Δ]).
- Global Managed Services revenue up 5.8% (5.0% at constant exchange rates) and now accounts for 34% of our revenue, 28% of our gross profit and 39% of our segment adjusted EBITDA[Δ].
- Our new segmental structure Global Managed Services, Global Specialist Staffing, Regional Specialist Staffing and Healthcare enables increased collaboration and reduced duplication.
- Spend Under Management[Δ] ('SUM') up 8.1% (£255.8m) and a Group fill rate of 17.0% (2018: 16.8%) with a 9.7% increase in Group fill revenue (at constant exchange rates and excluding two clients lost in 2018), up from £528m in 2018 to £579m in 2019.
- A reduction in headcount year-on-year of 5.4% delivered cost savings and efficiency increases.
- As a result of the merger of Guidant Global in 2018, international customer expansions delivered £78.3m in revenue.
- We continued to diversify our portfolio with the acquisition of Flexy, a digital staffing platform.
- Carlisle Support Services ('CSS') Group was demerged from the Group in March 2019.
- Gross profit grew in Education, Legal, Life Sciences and Engineering in both the UK and US.
- Adjusted EBITDA[Δ] of £46.7m is 6.3% lower than prior year (7.1% lower at constant exchange rates), reflecting the impact of the additional week in 2018 and trading conditions in the UK and US markets.
- Operating profit was £13.9m (2018: £22.5m). In addition to the trading performance, this was impacted by an increase in depreciation and amortisation as a result of investment in IT in prior years, an intangible impairment of £7.0m of the Education and Younifi businesses (2018: £8.6m) and additional amortisation of acquired intangibles of £10.2m (2018: £4.2m). These are non-cash adjustments but affect basic earnings per share.
- In response to the COVID-19 pandemic, our agile Virtuoso mindset and our investment in digital and technology enabled us to transform to a fully operational 'work from home' model within two days of regional government instructions.

GROUP REVENUE_£m

2019	**2,254.8**
2018	2,267.3
2017	2,168.3

GROUP GROSS PROFIT_£m

2019	**274.1**
2018	277.5
2017	280.8

GROUP OPERATING PROFIT_£m

2019	**13.9**
2018	22.5
2017	44.5

GROUP ADJUSTED EBITDA[Δ]_£m

2019	**46.7**
2018	49.8
2017	59.0

GROUP NET DEBT (before IFRS 16)_£m

2019	**(72.3)**
2018	(71.7)
2017	(75.9)

GROUP NET CASH GENERATED FROM OPERATIONS_£m

2019	**49.5**
2018	33.4
2017	53.2

For more information
Glossary: page_119

STRATEGIC REPORT

Impellam at a glance

OUR OPERATING SEGMENTS

GLOBAL TALENT ACQUISITION AND MANAGED WORKFORCE SOLUTIONS

Our Global Talent Acquisition and Managed Workforce Solutions providers design, implement, coordinate and report on the whole staffing process through the provision of multi-disciplinary services, including all forms of partial and complete outsourcing thereby freeing our customers to focus on building better businesses. Long-term contracts with public, private and not-for-profit high road customers provide high visibility of future earnings.

There are two brands within this portfolio: Comensura and Guidant Global, engaged in providing full-scale, multi-disciplinary Managed Services around the world.

OPERATING PERFORMANCE

REVENUE_£m

2019	**757.1**
2018	715.8
2017	659.9

GROSS PROFIT_£m

2019	**78.0**
2018	75.5
2017	76.4

For more information
page_16

GLOBAL SPECIALIST STAFFING

Our Global Specialist Staffing businesses operate across the UK, US and Europe and partner with international customers through the provision of specialist workers for permanent, temporary contract, fixed-price work and statement of work directly, or in collaboration with one of our Managed Service businesses in the portfolio. Dedicated teams provide scientific, clinical, technology, telecommunications and digital specialists. Our integrated model and collaborative culture allow these teams to employ an agile, flexible approach. They deliver market-leading sector expertise that builds better businesses and supports our customers' needs on a global scale.

Our Global Specialist Staffing brands include the technology and telecommunications brands Lorien, onezeero and s.com, and our life sciences brand, SRG.

OPERATING PERFORMANCE

REVENUE_£m

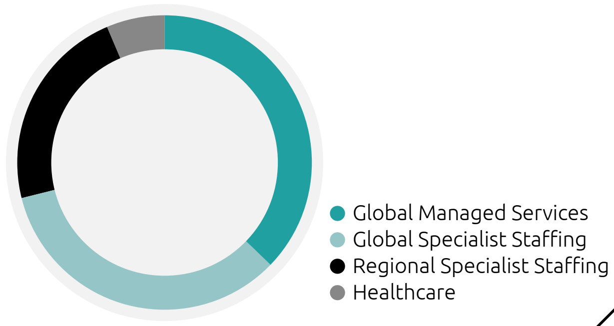
2019	**649.1**
2018	682.2
2017	624.9

GROSS PROFIT_£m

2019	**55.5**
2018	54.9
2017	52.2

For more information
page_18

ADJUSTED EBITDA BY SEGMENT_£m



REGIONAL SPECIALIST STAFFING

Our Regional Specialist Staffing businesses in the UK and US leverage our deep heritage, sector expertise and extensive network of specialist candidates to provide expert recruitment services and fulfilled, engaged workers for our customers. Our dedicated teams build better businesses by providing people for permanent, temporary contract and fixed-price work; from the supply of warehouse workers to production technicians, secretaries, call centre operatives, mechanical and product engineers, IT specialists, lawyers, teachers and chefs.

Our Regional Specialist Staffing brands are Blue Arrow, Tate, Carbon60, Celsian, Career Teachers, Flexy and Chadwick Nott in the UK, and Bartech Staffing and Corestaff in the US.

OPERATING PERFORMANCE

REVENUE_£m

2019	**650.3**
2018	682.2
2017	695.9

GROSS PROFIT_£m

2019	**94.0**
2018	97.8
2017	101.0

For more information
page_20

HEALTHCARE

Medacs Global Group ('MGG') is a leading international healthcare workforce solutions provider operating under a variety of brands including Medacs Healthcare, Global Medics, Doctors on Call, Fast Response Healthcare, Litmus Workforce Solutions and ignosys. MGG provides healthcare staffing, managed services, staff bank, occupational health, social care, home care services and eHealth solutions.

Within its healthcare brands, MGG delivers locum, temporary and permanent doctors, nurses and allied health professionals. It is the largest provider of locum doctors to the NHS and is the largest supplier of specialist healthcare managed services outside of the US. With operations across the UK, Ireland, the Middle East, India, Australia and New Zealand, MGG supports customers to deliver outstanding care globally.

OPERATING PERFORMANCE

REVENUE_£m

2019	**245.8**
2018	247.0
2017	247.8

GROSS PROFIT_£m

2019	**46.6**
2018	49.3
2017	51.2

For more information
page_22

STRATEGIC REPORT

Chairman's statement

FACING CHANGE WITH AGILITY

Lord Ashcroft KCMG PC
Chairman

"IMPELLAM HAS CONTINUED TO FOCUS AND EVOLVE ITS PORTFOLIO."

Amidst uncertain market conditions in 2019, Impellam Group continued to focus and evolve our portfolio to meet the changing needs of our customers and candidates whilst delivering the economic and productivity benefits of integration and collaboration across the Group.

We continued to invest in line with our strategy strengthening the portfolio with new service lines and technological innovation whilst freeing up our people to build strong relationships with customers, candidates and suppliers. This has increased our reach and capabilities, particularly within Managed Services, and improved our overall resilience.

There were no changes to the Impellam Board in 2019.

We entered 2020 fully expecting ongoing economic uncertainty as our UK businesses adapted to Brexit, and now COVID-19 has struck the global economy. Clearly this is an unprecedented crisis and thus its impact is extremely difficult to predict. Julia and her team have responded swiftly and decisively to ensure we continue to deliver financial and strategic benefits to our people, candidates, customers and shareholders alike, during and after this current crisis.

I would like to thank the Board and our shareholders for their continued support and our people for their hard work and contribution during this challenging time.

CEO review

STRONG GROSS PROFIT, CASH CONVERSION AND INCREASED PRODUCTIVITY

Julia Robertson
Group Chief Executive Officer

"THROUGHOUT A CHALLENGING YEAR, WE REMAINED TRUE TO OUR VISION, MISSION AND STRATEGY."

OPERATIONAL REVIEW

Group revenue increased by 1.4% and gross profit by 0.7% on a like-for-like basis (after adjusting to reflect 52 weeks in 2019 53 weeks in 2018). On a reported basis, Group revenue reduced by 0.6% and gross profit by 1.2% when compared to 2018. Adjusted EBITDA$^{\Delta}$ reduced by 6.3% to £46.7m and operating profit was £13.9m (2018: 22.5m). Cash conversion (including IFRS 16 impact) remains strong at 356% (106% of adjusted EBITDA$^{\Delta}$) and productivity per head increased by 2.2%.

This performance was delivered against the backdrop of volatile, uncertain and increasingly ambiguous world market conditions and was achieved by a determined move to a more integrated business model, reducing costs and driving increased collaboration. We responded with decisiveness and agility to rapidly changing market conditions and by continuing to invest in our Virtuoso culture, our high growth markets (Managed Services, Technical, North America and Australia) and our digital initiatives: Shiftwise and Ignite.

STRATEGIC REVIEW

Through our drive to become the most trusted staffing company, comes the mission of the Group – to show that there is a better way to do recruitment, a way where fulfilled, engaged, adaptable and productive people build better businesses for our customers. Impellam provides good work for people and people for good work, whilst adapting to changing world markets with Virtuoso-led innovation.

Virtuosos running the Company with greater spans of control enable us to navigate continually changing marketplaces – recognising it is our people who can truly make the difference. Virtuosos see that as times change, so their offering needs to change. Virtuosos constantly tune in, innovate, make and deliver on new promises and grow with their customers to ensure their evolving needs are met – whether through sector, service or international expansion, ensuring there is never a need for a customer or candidate to leave Impellam.

STRATEGIC REPORT

CEO review continued

For more information
Glossary: page_119

Virtuosos from all our specialist businesses, whether Managed Services or Specialist Staffing, share a vision, mission, style and language, and are better able to work together in our integrated business model.

Alongside their vertical or horizontal market focus, they confidently and willingly collaborate on a broad range of Group initiatives, including placing more people into good work with our Managed Service customers (Group fill and cross-sell), innovating and creating new service offerings (selling and recruiting) and sharing learnings, best practice and resources (reducing duplication and waste).

During 2019, we delivered strong gross profit and cash conversion and improved the productivity of our people whilst making important strategic progress. Notwithstanding this strong performance, operating profit declined year-on-year due to non-cash adjustments including a catch up of amortisation of brand value and impairment of intangible assets which we acknowledge has had a detrimental impact on earnings per share ('EPS').

ENABLING OUR VIRTUOSOS

We have now invested in and developed more than 400 Virtuosos across the Group who have greater span of control and run more of the Company. As a consequence, our manager community has reduced by 20% whilst gross profit per head has increased by 2.2%.

I have now created the Virtuoso Alliance, a team of Virtuosos who work with me to help me widen and deepen my understanding of the changing world of work, and the challenges and opportunities our customers and candidates face. This collaboration gives the leadership team and me a fresh perspective on our strategy and our priorities, and enables us to collectively see meaningful opportunities where we can innovate and remain relevant.

Origin, our innovation hub, continued to seed and support ideas from our Virtuosos and amongst other things, created partnerships with technology providers to enhance our service offering or increase our efficiency. In fact, one such partnership led to the acquisition of Flexy.

TRANSFORMING THE PORTFOLIO

During 2019, we continued to focus our portfolio to give increased strategic clarity and meet the needs of our customers and our people in the changing world of work. Our Managed Services businesses have thrived as our customers seek to increase their agility and flexibility in a world that continues to ride the waves of disruption by shifting to talent-led workforce management strategies underpinned by increased use of temporary, gig and contractor talent.

To meet these challenges head-on, Guidant Global has delivered synergies from its merger in 2018 and together with Comensura added new service lines, implemented innovative technological solutions and expanded global reach.

In 2019, we have seen the benefit of the integration and rebranding of Guidant Global. With increased reach, relevance and a broader, global service offering, three programmes have been expanded internationally delivering an additional £78.3m in revenue. In addition, Guidant Global and Comensura implemented 23 new programmes across the world, and signed contracts with a further 13 customers for implementation in 2020. Furthermore, Guidant Global was announced as a 'Leader' in the Everest Group's MSP Peak Matrix report.

Recognising the organic growth opportunity that exists in North America, during 2019 the Group made a strategic investment in a new management team in the region to transform and grow our businesses with a particular focus on Technology, Life Sciences and Managed Services, together with driving accelerated progress with Group fill.

During 2019, we made important progress with our digital business capability. In July, we acquired Flexy, to combine their digital capabilities and consumer grade technology with our deep staffing heritage and expertise so that we can offer new solutions, better choice and more meaningful experiences for customers and people alike. Founded in 2015, Flexy uses psychometrics, machine learning and nudge theory to unlock local talent, enabling meaningful connections between companies and people.

For more information
Glossary: page_119

IMPROVING RESILIENCE

During 2019, the portfolio has been reshaped, reorganised and led with focus to deliver the economic benefits of an integrated business model – one which drives gross margin growth led by Managed Services and increased quality of earnings through collaboration and reduces overheads through reduced duplication and re-work.

Our new segmental structure, following the divestment of Carlisle Support Services in March 2019, reflects this portfolio reorganisation and is described in more detail in the Operating Review which follows.

Our brand rationalisation continues with the merger and rebranding of SRG in the UK with SRG Woolf in the US to become a single, leading global STEM talent network enabling us to swiftly build scale to meet emerging customer and people needs. Recognising the attractiveness and growth opportunities of the global technology market, we have brought together all our technology brands under shared leadership to bring further consolidation and cross-sell opportunities and to increase market share and reach. In support of this, Lorien, our leading UK technology business refreshed and sharpened its brand proposition, identity and go-to market strategy in anticipation of expansion in 2020.

The Group fill initiative was a fruitful source of incremental gross profit in 2019 and a clear sign of the strategy in action. The Specialist Staffing brands gained £3.6m more gross profit from Group fill in 2019 compared to 2018. On a like-for-like basis (using constant exchange rates and excluding two clients lost in 2018) Spend Under Management$^{\Delta}$ ('SUM') is up 8.1% (£255.8m). We achieved a Group fill rate of 17% (2018: 16.8%) with a 9.7% increase in Group fill revenue, up from £528m in 2018 to £579m in 2019.

The quality, breadth and depth of our service offering across the Group means that increasingly, there is no need for customers to leave Impellam as their needs grow and evolve in a changing world. In 2019, 22 customers took another step on their journey with Impellam, either by moving from a transactional staffing relationship to a Managed Service or Fixed Price partnership or by expanding geographic coverage with the Group. Collectively, these deepening relationships borne from the Group's strategic focus on innovation, retention and collaborative cross-sell delivered £4.4m in incremental margin.

In addition, across the Group our customer retention has increased from 56.1% to 57.5% (+1.4pps) and our focus on value-based pricing has also delivered strong results with average invoice value ('AIV') for permanent placement fees increasing by 8.8%. Retention of our top 50 customers, who represent 41.3% of gross profit, increased by 2% to 98%.

As planned, progress was made during 2019 to integrate the business and efficiencies and cost reductions were realised. In some cases, management and functional support has been amalgamated and shared between brands leading to headcount reductions and in other cases process efficiency has been achieved through automation.

Much of the cost reduction came from the management of our headcount which stood at 2,968 at the end of 2019, down 169 (5.4%) from the end of 2018. A significant element of the headcount reduction came in Q4 2019 with full year benefits expected in 2020.

OPERATING REVIEW

Our new portfolio structure has enabled increased integration of our brands under collaborative leadership in pursuit of our strategic goals, whilst increasing our focus on the growth opportunities in each of our vertical or horizontal markets. The portfolio structure is reflected in our segmental reporting as follows:

Global Talent Acquisition and Managed Workforce Solutions

Our core Managed Service providers, Guidant Global and Comensura, which operate in the UK, North America, Europe and Australasia delivered a robust result in a challenging market.

Technological advances, demographic change and globalisation are reshaping the managed services industry and as businesses look to increase their agility and flexibility in a marketplace that continues to ride the waves of disruption, companies are shifting to employ temporary, gig and contractor talent. In such a talent-led market, people are demanding more from businesses, even when they are engaged in non-traditional arrangements.

STRATEGIC REPORT

CEO review continued

For more information
Glossary: page_119

To meet these changing market conditions head-on, Guidant Global and Comensura have continued to add new service lines, implement innovative technological solutions and expand global reach to ensure that both businesses can meet the changing demands of people, customers and suppliers. Our combined Managed Services business now accounts for 34% of our revenue, 28% of our gross profit and 39% of our segment adjusted EBITDA$^{\Delta}$.

Global Managed Services delivered gross profit at £78.0m (2018: £75.5m) an increase of 1.4% on prior year on a constant exchange rate basis with growth across both brands. Segment adjusted EBITDA$^{\Delta}$ from Managed Services is £18.5m (2018: £18.2m), which is flat on a constant exchange rate basis with prior year.

Global Specialist Staffing

Our technology brands (Lorien, onezeero, s.com) and our life sciences brand (SRG and SRG Woolf, now rebranded collectively to SRG) performed in line with expectation, with both SRG and s.com growing revenue and gross profit year-on-year.

During 2019, Global Specialist Staffing continued to enhance its geographical capability and service offering to support customer demand and to improve resilience. This, combined with deep market expertise across each of our sectors, delivered strong results.

Following continued investment in internationalisation, service diversification and challenging market conditions in the UK, Global Specialist gross profit was up 1.1% at £55.5m and segment adjusted EBITDA$^{\Delta}$ remained steady at £16.7m.

Regional Specialist Staffing

Our local market experts – Blue Arrow, Tate, Carbon60, Chadwick Nott, Celsian and Career Teachers in the UK and Bartech and Corestaff in North America experienced challenging market conditions, particularly in the retail, automotive and manufacturing industries across the UK and US; with reduced spend from sector specific clients in the UK as a result of continued market uncertainty.

Regional Specialist Staffing continued its transformation programme with ongoing investment in digital, IT and service diversification. This has resulted in increased collaboration in support of initiatives such as Group fill which has delivered an additional £1.6m in gross profit.

Regional Specialist Staffing gross profit was £94.0m, 5.0% down on prior year and segment adjusted EBITDA$^{\Delta}$ was down by 17.3% at £11.2m, impacted by challenges in the UK market.

With a focus on efficiency and productivity through integration and investment in digital and IT, gross profit per head in the Regional Specialist Staffing division increased from £88.8k to £91.7k, an increase of 3.2%. A swift response to challenging market conditions resulted in a cost base reduction of 2.8%, mostly though a headcount reduction of 96 through the year.

Healthcare

As a leading international healthcare workforce solutions provider, Medacs Global Group (MGG), operates under several brands including Medacs Healthcare, Global Medics, Doctors on Call, Fast Response Healthcare and Litmus Workforce Solutions. As the business continues to adapt to the evolving global healthcare market, 2019 was a transitional year for MGG.

In the UK, MGG focused on creating greater alignment with the direction and core challenges faced by our clients, primarily the NHS. Globally, MGG has integrated its UK, Ireland and Australasia businesses with resources and services being shared, and this focus and integration has paved the way for further improvement in conversion of gross profit to adjusted EBITDA$^{\Delta}$.

Notwithstanding good strategic progress in the UK, growth in Australasia and process efficiency work which delivered a 2.7% reduction in costs during 2019, MGG revenue was up 0.3% at £245.8m, gross profit was down 4.9% at £46.6m and segment adjusted EBITDA$^{\Delta}$ down by 25.6% at £3.1m.

OUTLOOK

Following the outbreak of COVID-19 the world is now facing a period of significant uncertainty both from a personal and economic perspective. Since 17 March 2020, our people around the world have adjusted to discretionary home working as restrictions on movement and social distancing are applied in varying degrees across our geographies. I have been proud of the response and attitude of Impellam people and, as a result of our rapidly executed business continuity plan, the vast majority of our people were working from home within a matter of days.

For more information
Glossary: page_119

I am proud of our people and especially those who are working tirelessly, both in our offices and at home, to supply essential key workers through this crisis; doctors and nurses to hospitals, warehouse operatives to retailers to keep our supermarkets' shelves stacked, care workers to care providers, and call centre operatives to the many businesses being inundated with questions in the travel and hospitality and catering industries around the world.

Our business has been able to operate as normal despite disruption by the day and sometimes by the hour. As the weeks have progressed, whilst we have taken all mitigating actions we have seen an impact on the trading performance of the Group due to the market impact of the virus. We have a mixed portfolio of businesses and customers and the segments that partner with the Public Sector, Technology, Healthcare, Logistics and Life Sciences are seeing strong demand, but COVID-19 has disrupted supply, whereas segments such as hospitality, catering and retail are already experiencing a downward impact to demand.

We are actively and urgently preparing for different outcomes and situations by scenario planning and applying a new level of agility to an ever changing world. We, like all organisations, have no experience of this type of crisis, at this stage it is hard to predict the full extent of the impact of COVID-19, however, we have modelled various downturn scenarios. Our stress testing shows that the Group can withstand both a material and prolonged decline in revenue, however, there are also certain material uncertainties that exist (see page 26 and 27, Going Concern). As a result, we gain reasonable comfort that we have the resources to continue to support our customers and candidates through this period and beyond as the economy recovers. We will continue to follow advice and guidance from governments and health authorities and our plans will evolve as the situation changes and we will adapt continuously to deliver on our promises to all our stakeholders.

Through all this, we have the opportunity to leverage the strategic moves we made in 2019. The investment we have made over the last three years in developing our culture of virtuosity, agility and innovation will stand us in good stead as we face the challenges ahead together.

I would like to thank all Impellam people and our Board, together with our customers and candidates, for their engagement and hard work during 2019, and in anticipation, for their continued support, resilience and spirit as we work together in 2020.

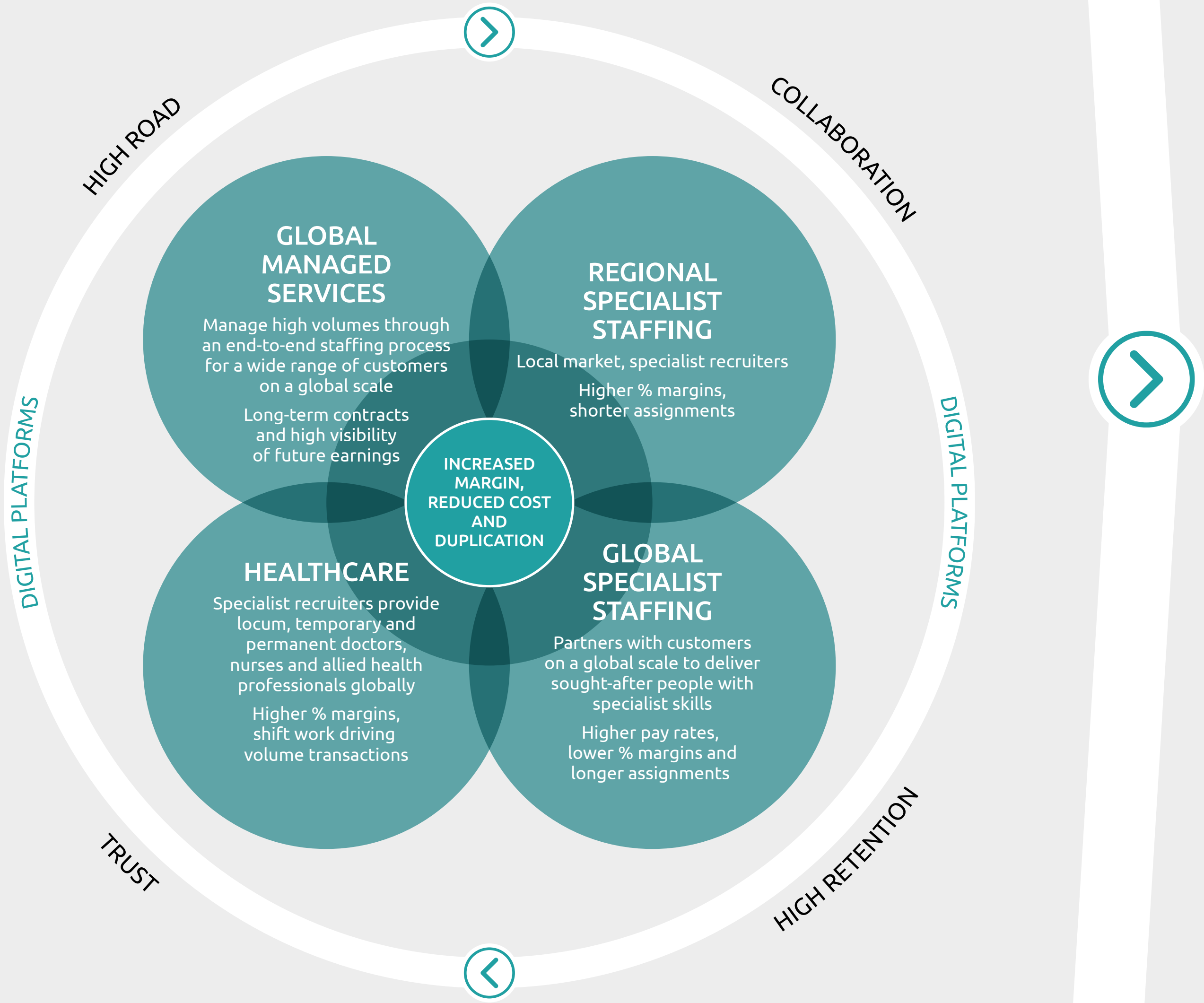
STRATEGIC REPORT

Our business model

OUR INTEGRATED, COLLABORATIVE BUSINESS MODEL

Our collaborative, Virtuoso culture is our key differentiator enabling us to leverage Group fill and cross-sell opportunities to improve the quality of our earnings. We deliver the right service at the right time and at the right price to the customers we choose to work with and by collaborating closely, our businesses share thinking, resources and execution which reduces duplication and waste.

Our Global Talent Acquisition and Managed Workforce Solutions businesses, Regional Specialist Staffing, Global Specialist Staffing and Healthcare businesses provide market-leading services to high road customers across our core markets and we rigorously manage the portfolio and invest according to market potential.



ENHANCED VALUE MODEL

For more information
Glossary: page_119

HOW WE DO IT

OUR CULTURE OF VIRTUOSITY

At the heart of our integrated, collaborative business model is a virtuous circle of making and keeping promises, engendering trust and loyalty.

By keeping our promises we retain clients, candidates, employees and investors for longer, and reap the benefits of that longevity.

We make sure that

'the beautiful basics'

as a Virtuoso way of working are in place and deeply embedded in all of our businesses, all of the time and we make investment promises to sustain, enhance and innovate our combined portfolio.

We focus on partnering with organisations that value engaged, fulfilled people and we call this the

'high road'

which serves to drive clear market segmentation and a compelling price point.

All our businesses work in the

'The Virtuoso Way'

which embeds a consistent, collaborative Group-wide culture, based on trusted behaviours, delivered by entrepreneurial Virtuoso leaders who can drive our competitive advantage and deliver on our promises to all our stakeholders.

For more information visit
www.impellam.com

OUR VALUE CREATION

CLIENTS

We tune in to our customers and work closely with them to find people for good work to help them build better businesses. We retain them, continuing to listen and partner with them to extend the scope and tenure of our services, and in doing so, open up more opportunities for organic growth.

CANDIDATES

From the outset, we listen to our candidates and find them good work that fulfils them and matches their aptitudes, skills and aspirations. We reward our candidates fairly, retain them by treating them well, and by finding them work that interests and develops them. In turn, this encourages them to refer more people and good work to us.

EMPLOYEES

We employ people who care about what we do and we develop them, so they have the right skills and experience to do their job by being Virtuosos in their field. We free up our Virtuosos and give them greater spans of control so they in turn develop a culture of Virtuosity across the Company. Ultimately, we trust them to make the right decisions, collaborate and deliver on their promises.

INVESTORS

We take care to create relationships with investors and we build on the trust we create by delivering sustainable earnings.

SUPPLIERS

We build strong partnerships of mutual trust with our suppliers, many of whom are also our clients. Our long-term relationships with our suppliers enable us to fill more jobs for our clients and by building an engaged recruitment supply chain which is passionate about finding the right candidates with the right skills, we can reduce the cost of recruitment; reduce the time to hire; provide timely market insight and drive innovation.

STRATEGIC REPORT

Our strategic priorities

A BOLD PROMISE

OUR STRATEGIC OBJECTIVE
Virtuosity makes the difference and will drive market-beating value creation.

OUR STRATEGIC ADVANTAGE
We believe we retain customers, people and investors for longer than our competitors because we're trusted to do what we say we are going to do. We work collaboratively across our diverse portfolio with a shared vision, mission, style and language we call 'The Virtuoso Way'. This enables us to deliver differentiated, integrated solutions and services to our customers, and to find good work for our people.

OUR STRATEGIC SCOPE
Customers We work with customers who value engaged, fulfilled and purposeful people, and who allow us to take our share of the economic value we create as we help them build a better business.

Offering We are a leading Global Talent Acquisition and Managed Workforce Solutions provider enabled by talent-focused Specialist Staffing brands with deep heritages, vertical sector expertise and loyal candidate networks.

Geography We offer multiple brands and services across North America, UK, Australasia, Europe and the Middle East. To further support our mission, and to find exciting opportunities for our people, we also invest in, and operate with, specific clients in other regions.

Integration We have a unique, differentiated and collaborative model. This integrates Managed Services and Specialist Staffing into a full workforce solutions management platform for our customers' permanent, contingent and Statement of Work ('SOW') spend. Our work is important and we get it done.

OUR PRIORITIES AND WHAT THEY MEAN

1

ENABLE OUR VIRTUOSOS

Our Virtuosos do what they do best enabled by reliable technology. We'll get out of their way and make sure they are leading more of the Group, future-proofing the portfolio and delivering new, incremental revenue streams.

2

TRANSFORM OUR PORTFOLIO

We'll accelerate our Managed Services growth by selectively integrating our Managed Services brands across our major geographies. This will make it easier for our high road customers to access our talented and engaged people. We'll refine our Specialist Staffing portfolio and will build scale in growing global verticals. At the same time, we'll respond to macro trends and develop new business lines in new verticals opened by the gig economy.

3

IMPROVE RESILIENCE

We'll improve our resilience by investing in technology to drive efficiencies and productivity. We'll enter new growth markets and economies organically to defend our key high road client relationships.

WHAT WE ACHIEVED IN 2019

- We have increased the span of control of our Virtuosos and as a result, gross profit per head increased from £88k to £92k per head and our manager population reduced by 20%
- We launched the Virtuoso Alliance, a shadow board. This is a team of Virtuosos who work with the Group CEO and members of the Leadership team. Their role is to widen and deepen our understanding of the changing world of work and the challenges and opportunities faced by our customers and candidates
- To ensure Group-wide connectivity to our shared vision, mission and strategy we held quarterly strategy cascades across the Group. We have also expanded adoption and engagement of Workplace, an internal social network, which facilitates collaboration.
- To further underpin our culture of making and keeping promises, we scaled our market-first digital platform, Mosaic. The technology enables our Virtuosos to closely manage and support our strategic investments and initiatives
- Our innovation hub continued to seek and back ideas from across the Group and partner with tech-led start-ups. This resulted in the acquisition of Flexy, a digital staffing platform
- To make training more accessible and less time-consuming for our people, we launched our global, virtual People & Development solution. All training is now delivered virtually, resulting in significant savings on travel and time previously spent in classroom-based training.

- We continued to invest in our high growth markets: Managed Services, North America, Technology and Life Sciences
- As a result of portfolio consolidation in Managed Services, the Guidant Global merger delivered £78m additional revenue from customer expansions across territories
- Our life sciences brands, SRG (UK) and SRG Woolf (US), were merged and rebranded to SRG, a global STEM talent network
- Lorien, our technology business in the UK, had a brand refresh. It now shares leadership with s.com, our technology and telecommunications business in North America
- The Group also made a strategic investment in a new management team in North America to transform and grow our businesses with particular focus on Technology, Life Sciences and Managed Services.
- We continued to invest in Europe by scaling our Technology and Life Sciences businesses in Germany, Switzerland and Ireland
- Our Healthcare business continued to invest in innovative ways to source and manage NHS workforces. MGG were awarded and implemented two more Managed Staff Banks which provide longer-term, partnership-based relationships. This builds on our strong position in the recruitment and supply of healthcare professionals to the NHS
- Our Australasia businesses have performed well in strong markets. Our doctors' business in MGG grew combined adjusted EBITDA$^{\Delta}$ of 31% and Comensura delivered 32% growth.

- We have a new portfolio structure: Global Talent Acquisition and Managed Workforce Solutions; Global Specialist Staffing; Healthcare; and Regional Specialist Staffing. This enables collaboration whilst reducing duplication and waste across the Group
- Efficiency and productivity gains delivered a 2.2% improvement in gross profit per head and a headcount reduction year-on-year of 5.4%. Our Central costs reduced by £1.5m
- Retention of our Top 50 clients increased by 2% to 98%. In total, Group-wide customer retention increased to 57.5% (2018: 56.1%).
- Group fill improved from 16.8% to 17.0% with a 10.7% increase in like-for-like Group fill revenue (using constant exchange rates and excluding two clients lost in 2018)
- Our focus on pricing delivered an increase of 8.8% to our AIV for permanent placements. 22 customers moved along the value chain of Impellam services and delivered incremental margin of £4.4m
- We continued to invest in technology to increase efficiency and productivity and to drive collaboration and communication. Jobscience has now been rolled out to all Blue Arrow branches.

For more information
Glossary: page_119

STRATEGIC REPORT

Key performance indicators

WE MONITOR OUR PERFORMANCE AGAINST OUR STRATEGIC PRIORITIES BY USING KEY PERFORMANCE INDICATORS ('KPIS'). OUR KPIS INCLUDE A SET OF FINANCIAL AND NON-FINANCIAL MEASURES AND ARE DISCUSSED FURTHER IN THE CEO AND CFO REVIEWS

FINANCIAL KPIS

GROUP REVENUE_£m

2019	**£2,254.8m**
2018	£2,267.3m
2017	£2,168.3m

GROUP GROSS PROFIT_£m

2019	**£274.1m**
2018	£277.5m
2017	£280.8m

GROUP ADJUSTED EBITDA^Δ_£m

2019	**£46.7m**
2018	£49.8m
2017	£59.0m

GROUP OPERATING PROFIT_£m

2019	**£13.9m**
2018	£22.5m
2017	£44.5m

CONVERSION RATIO – ADJUSTED EBITDA^Δ_%

2019	**17.0%**
2018	18.0%
2017	21.0%

CONVERSION RATIO – OPERATING PROFIT_%

2019	**5.1%**
2018	8.1%
2017	15.8%

NET DEBT (EXCLUDING IFRS 16)_£m

2019	**£(72.3)m**
2018	£(71.7)m
2017	£(75.9)m

NET CASH GENERATED FROM OPERATIONS_£m

2019	**£49.5m**
2018	£33.4m
2017	£53.2m

For more information
Glossary: page_119

CONTINUING BASIC EARNINGS PER SHARE (EPS)_p

2019	**9.8p**
2018	25.8p
2017	61.6p

CONTINUING ADJUSTED EARNINGS PER SHARE (EPS)_p

2019	**47.6p**
2018	61.5p
2017	74.9p

% OF MANAGED SERVICES GROSS PROFIT

2019	**28.2%**
2018	27.2%
2017	27.0%

% OF GROSS PROFIT OUTSIDE THE UK

2019	**36.7%**
2018	37.6%
2017	38.0%

NON-FINANCIAL KPIS

CLIENT RETENTION – TOP 50 CLIENTS_%

2019	**98%**
2018	96%
2017	96%

CLIENT RETENTION – ALL CLIENTS_%

2019	**58%**
2018	56%

HEADCOUNT (AVERAGE FULL-TIME EQUIVALENT)

2019	**3,133**
2018	3,242
2017	3,227

GROUP FILL_%

2019	**17%**
2018	17%
2017	16%

For more information
Glossary: page_119

STRATEGIC REPORT

Performance review for Global Talent Acquisition and Managed Workforce Solutions

OVERVIEW OF GLOBAL TALENT ACQUISITION AND MANAGED WORKFORCE SOLUTIONS

Our Global Talent Acquisition and Managed Workforce Solutions providers design, implement, coordinate and report on the whole staffing process through the provision of multi-disciplinary services, including all forms of partial and complete outsourcing, thereby freeing our customers to focus on their core business.

Long-term contracts with public, private and not-for-profit high road customers provide high visibility of future earnings.

There are two brands within this portfolio: Comensura and Guidant Global.

Within Global Managed Services, we recognise that technological advances, demographic change and globalisation are reshaping our industry. As our customers look to increase their agility and flexibility, they are increasingly building temporary, gig and contractor talent into their workforces. In such a talent-led market, people are demanding more of businesses, even when they are engaged in non-traditional engagements.

To adapt to this fast-evolving landscape successfully, we have continued to focus on our strategic priorities. Specifically, we have added new service lines, implemented innovative technological solutions and expanded our global reach to ensure that both businesses within the portfolio meet the changing demands of people, customers and suppliers alike — both now and in the future.

Our new service offerings included a professional services solution, Recruitment Outsourcing Programmes ('RPO'), contingent RPO, direct sourcing models and Adaptive (a managed service consultancy for neutral vendor customers).

FINANCIAL AND OPERATING PERFORMANCE FOR 2019

Our brands delivered a strong performance and revenue grew year-on-year by 5.0%, gross profit increased by 1.4% to £78.0m and adjusted EBITDA$^{\Delta}$ was flat on 2018 (using constant currency exchange rates). The increase in permanent fees from 3.2% of gross profit to 4.4% of gross profit is driven by new RPO offerings. Comensura adjusted EBITDA$^{\Delta}$ grew by 22% and 19% in the UK and Australia, respectively. Guidant Global gross profit was 3.1% down on last year, due to a client lost in 2018.

Guidant Global continued to drive benefit from its merger in 2018 due to the expansion of programmes across geographies. These delivered in-year international growth of £78.3m in revenue across three programme expansions alone.

A major customer in EMEA (an international beverages company) expanded into North America in 2019. As a result of the merger in 2018, Guidant Global was able to establish a transatlantic programme that replicated and built on the success we had already achieved in EMEA as well as adding permanent hiring and direct payrolling in the year.

The merger also led to a US-headquartered global research and advisory firm expanding its US-only programme into the UK. Not least, a long-standing US customer (a global technology company) was retained for an additional five years.

Comensura delivered gross profit growth in both the UK (22%) and Australia (14%). This was due to client expansions, new client wins and appointment to the public sector national framework for both Managed Service Provision and Vendor Management System. In Australia the brand was established in New South Wales, South Australia and Queensland.

During 2019, Global Managed Services as a whole implemented 23 new programmes across the world, and in addition, signed contracts with a further 13 customers. We increased customer retention to 86.8% and expanded 33 customers' programmes due to increased geographic scale and new service capabilities. We achieved significant new customer wins including Action for Children, PMI Global Studio, CityFibre, The Office Group (TOG), Immunomedics, Amway, Crown Castle and Mary Kay, Allianz UK, Fed Ex UK and TNT UK.

Global Managed Services continued to invest in technology. We integrated Clientshare, a leading-edge customer engagement platform, with TDX, a talent analytics platform, and PowerBI to create a unique customer-focused technology stack. This is currently deployed to all of our customers and provides market intelligence, industry insight and quarterly business reviews in an encrypted private network.

To enhance the client-candidate experience Global Managed Services has partnered with RoboRecruiter, an AI-enabled chatbot. We have also continued to invest in c.net, our proprietary VMS platform. These strategic investments have improved the recruitment experience for customers, candidates and supply chain partners alike.

Global Managed Services achieved several accolades. Guidant Global achieved a Best Companies 3* accreditation which recognises extraordinary levels of employee engagement. This reflects investment in its people and demonstrates the progress it has made since achieving 1* accreditation in 2018. Guidant Global was also announced as a 'Leader' in the Everest Group's MSP Peak Matrix report which is testament to its increased global reach and service offering. Not least, it achieved an industry-leading 4.8 Glassdoor rating and +63 eNPS.

Group fill grew by 0.2pps on a like-for-like basis (using constant currency and excluding clients lost in 2018). There was 0.4pps growth in the US due to the increased collaboration with the Specialist Staffing brands.

	Global Managed Services		
	2019 £m	2018 £m	% change[1]
Revenue	**757.1**	715.8	5.0%
Gross profit	**78.0**	75.5	1.4%
Admin expenses	**(59.5)**	(57.3)	2.0%
Adjusted EBITDA∆	**18.5**	18.2	(0.5)%
Gross profit %	**10.3%**	10.5%	
Adjusted EBITDA∆ return on sales %	**2.4%**	2.5%	
Adjusted EBITDA∆ conversion ratio	**23.7%**	24.2%	
Permanent fees %	**4.4%**	3.2%	

1 Using constant exchange rates.

For more information
Glossary: page_119

STRATEGIC REPORT

Performance review for Global Specialist Staffing

OVERVIEW OF GLOBAL SPECIALIST STAFFING

Our Global Specialist Staffing businesses operate across the UK, US and Europe. They support our customers by providing specialist workers for permanent, contingent, fixed-price work and statement of work. This happens either directly or in collaboration with one of our Managed Service businesses in the portfolio.

Dedicated teams provide scientific, clinical, technology, telecommunications and digital specialists. Our integrated model and collaborative culture allow these teams to employ an agile, flexible approach. They deliver market-leading sector expertise that builds better businesses and supports our customers' needs on a global scale.

Our Global Specialist Staffing brands include the technology and telecoms brands Lorien, onezeero and s.com, and our STEM life sciences business, SRG.

FINANCIAL AND OPERATING PERFORMANCE FOR 2019

In 2019 we continued to invest in our Global Specialist Staffing portfolio in line with our strategic priorities. New geographical capabilities and additional service lines have been added in response to evolving macro-economic and geographical trends. This is enabling the portfolio to better meet the evolving needs of its clients and the expectations of candidates.

Despite challenging conditions across our major geographies, (sector-based talent and skill shortages, legislative changes across the UK and US, and uncertainty over Brexit) the integration of Global Specialist Staffing and expansion across the UK, Ireland, DACH region and North America resulted in a good performance.

On a constant exchange rate basis revenue is down 5.3%, however, the mix of brands and product diversity led to gross profit remaining flat year-on-year. Adjusted EBITDA$^{\Delta}$ is down 1.8% on a constant exchange rate basis reflecting the costs of rebranding and integrating the portfolio. Permanent revenue in s.com increased by 100% driven by demand for talent resulting from the upcoming 5G rollout. SRG grew gross profit globally by 8.4%, with the main growth coming from statement of work arrangements in Europe which delivered year-on-year growth of 90%. Lorien and onezeero gross profit was down 6.7% due to clients preparing for IR35 and clients delaying permanent placements into 2020.

During 2019, our brand rationalisation focused on the merger of SRG in the UK with SRG Woolf in the US to become a single, leading global supplier of STEM talent to life sciences customers. SRG has a market position of third largest European life sciences business, ranked by the SIA. This enables us to build scale to meet emerging customer and candidate needs. We refreshed our technology brand, Lorien, which now also has shared leadership with s.com, our technology business in North America, bringing further integration and consolidation, Group fill and cross-sell opportunities.

Global Specialist Staffing continued to diversify its customer base and service offering. Lorien grew its public sector capability and over the course of the year were appointed to nine new public sector frameworks. The largest of these was Public Contracts Scotland. Since this appointment, Lorien has secured roles for over 150 contingent IT workers and has continued to grow its presence at pace. Increased demand for more integrated solutions has also resulted in new client wins for SRG including the provision of insourced laboratory services in Belgium.

In response to demand from existing customers, our Global Specialist Staffing brands expanded their Statement of Work ('SOW') solutions. Our investment in this area returned in year revenue of £7.8m. SOW solutions enhance the quality of service and value provided to both clients and candidates which results in higher client and candidate retention.

Global Specialist Staffing continued to drive collaboration with our Global Managed Services businesses. Together they are delivering key scientific, technology and telecommunications talent to support the requirements of their global customer base. In North America, a Virtuoso leader in s.com has been instrumental in developing a cross-brand strategic alliance for Group fill which resulted in delivery of £3.2m in gross profit.

Working in conjunction with other Impellam colleagues, our UK brands responded to customer demand by delivering new solutions focused on early career and career development. This includes delivering apprenticeship programmes that enable maximum usage of the apprenticeship levy. In addition, to ensure access to crucial new talent, we delivered the management and administration of graduate programmes and industrial placements for blue-chip customers.

Global Specialist Staffing has continued to win awards. During 2019, Lorien retained Investors in People Silver accreditation. We have continued to invest in Corporate Social Responsibility initiatives, including fundraising and community activities for Mind and Headworks.

	Global Specialist Staffing		
	2019 £m	2018 £m	% change[1]
Revenue	**649.1**	682.2	(5.3)%
Gross profit	**55.5**	54.9	0.2%
Admin expenses	**(38.8)**	(38.1)	1.1%
Adjusted EBITDA$^{\Delta}$	**16.7**	16.8	(1.8)%
Gross profit %	**8.6%**	8.0%	
Adjusted EBITDA$^{\Delta}$ return on sales %	**2.6%**	2.5%	
Adjusted EBITDA$^{\Delta}$ conversion ratio	**30.1%**	30.6%	
Permanent fees %	**19.6%**	19.3%	

1 Using constant exchange rates.

For more information
Glossary: page_119

STRATEGIC REPORT

Performance review for Regional Specialist Staffing

OVERVIEW OF REGIONAL SPECIALIST STAFFING

Our Regional Specialist Staffing businesses in the UK and US leverage our deep heritage, sector expertise and extensive network of specialist candidates to provide expert recruitment services and fulfilled, engaged workers for our customers.

Our dedicated teams build better businesses by providing people for permanent, temporary contract and fixed-price work; from the supply of warehouse workers to production technicians, secretaries, call centre operatives, mechanical and product engineers, IT specialists, lawyers, teachers and chefs.

Our Regional Specialist Staffing brands are Blue Arrow, Tate, Carbon60, Celsian, Career Teachers, Flexy and Chadwick Nott in the UK, and Bartech Staffing and Corestaff in the US.

FINANCIAL AND OPERATING PERFORMANCE FOR 2019

In 2019, our Regional Specialist Staffing brands delivered against our strategic priorities despite challenging market conditions. This was felt particularly in the UK's retail, automotive and manufacturing industries where there was reduced spend from sector specific clients as a result of continued uncertainty over Brexit.

Strong growth was delivered in Engineering (Bartech and Carbon60) in the US and UK and in Legal (Chadwick Nott) and Education (Career Teachers and Celsian) in the UK. However, overall Regional Specialist Staffing gross profit fell by 5.0% on a constant exchange rate basis and revenue was down 5.9% (on a constant exchange rate basis) with Industrial (Blue Arrow) and Office (Tate) affected most by market conditions.

In response to changing market conditions and to improve resilience, decisive action was taken to reduce the cost base. This was achieved through improved efficiencies and the selective integration of our businesses. Overall headcount was reduced by 96 to 951 and this delivered salary cost savings of £1.5m. Overall, Regional Specialist Staffing increased productivity by 3.2%. However, adjusted EBITDA$^{\Delta}$ was down 18.8% on a constant exchange rate basis.

During 2019, this segment continued to transform its portfolio and successfully completed the launch of its front-office system to 49 Blue Arrow branches and onsite teams. Jobscience is a modern, fit for purpose solution that drives digital transformation for the benefit of consultants, candidates and customers. It forms the basis of a new key operational system for specialist staffing and direct fill consultants, as well as a combination of mobile app and intuitive web-based portals for candidates and customers.

As a result of strong collaboration and cross-sell between the brands, Regional Specialist Staffing is better placed to deliver the right solution to its customers at the right time. This has resulted in customer retention increasing by 1.5% to 54.6% in the UK.

The portfolio continues to diversify its client base and a key strategic initiative for collaboration and cross-brand delivery is the UK public sector where several of the brands are looking to maximise opportunities across a number of new and existing framework agreements.

In addition, working closely with our Global Managed brands to drive Group fill also remained a strategic priority in this segment, particularly in North America, and resulted in an additional £1.6m gross profit.

The acquisition and addition of Flexy, a digital staffing platform, to the Group has also added to the service offering with a dynamic, self-service model and a new talent pool, enhancing customer and candidate experience through consumer-grade technology.

In the UK, Regional Specialist Staffing diversified its service offering by developing an Apprenticeship model to deliver new solutions that focus particularly on the aviation sector. By working in partnership with customers it has delivered apprenticeship programmes that enable maximum usage of apprenticeship levies. This is ensuring access to crucial new talent in a skills short market such as at British Airways, who chose our UK Regional Specialist Staffing brand, Carbon60, as their apprenticeship provider.

There has been continued investment in our people across the portfolio. Training and development has been delivered through our internal Virtuoso programme alongside external qualifications such as the Diploma in Management and Leadership.

	Regional Specialist Staffing		
	2019 £m	2018 £m	% change[1]
Revenue	**650.3**	682.2	(5.9)%
Gross profit	**94.0**	97.8	(5.0)%
Admin expenses	**(82.8)**	(84.3)	(2.8)%
Adjusted EBITDA[Δ]	**11.2**	13.5	(18.8)%
Gross profit %	**14.5%**	14.3%	
Adjusted EBITDA[Δ] return on sales %	**1.7%**	2.0%	
Adjusted EBITDA[Δ] conversion ratio	**11.9%**	13.8%	
Permanent fees %	**14.3%**	14.2%	

1 Using constant exchange rates.

For more information
Glossary: page_119

STRATEGIC REPORT

Performance review for healthcare

OVERVIEW OF HEALTHCARE

Medacs Global Group ('MGG') is a leading international healthcare workforce solutions provider, operating under a variety of brands including Medacs Healthcare, Global Medics, Doctors on Call, Fast Response Healthcare, Litmus Workforce Solutions and ignosys. The Group provides healthcare staffing, managed services, staff bank, occupational health, social care, home care services and eHealth solutions.

Within its healthcare brands, MGG delivers locum, temporary and permanent doctors, nurses and allied health professionals. It is the largest provider of locum doctors to the NHS. It is the largest supplier of specialist healthcare managed services outside of the US.

With operations across the United Kingdom, Ireland, the Middle East, India, Australia and New Zealand, MGG supports customers to deliver outstanding care globally.

FINANCIAL AND OPERATING PERFORMANCE FOR 2019

2019 was a transitional year for MGG as we continue to adapt to the evolving global healthcare market. Our focus in the UK has been on creating greater alignment with the direction and core challenges faced by our clients, primarily the NHS. Globally, we have been creating greater integration between our UK & Ireland and Australasia businesses, with solutions and resources being migrated between them both.

Within the UK, the NHS continues to be challenged by high vacancy rates and the need to control overall temporary staffing costs, while increasing clinical capacity. The NHS saw agency costs hold flat whilst spend by the NHS on overall temporary staffing costs increased, driven by increased spending on internal staff bank solutions under the NHS 'Bank First' strategy. Pressure on capacity within the system requires the NHS to seek more innovative ways to source and manage its workforce. During 2019, we have supported this objective with our mix of expertise in both the supply and management of clinical workforces.

The NHS Staff Bank strategy provides a clear mandate from the regulators to maximise the use of internal temporary resources. Building on our success as part of the Department of Health and Social Care's ('DHSC') Flexible Staff Bank Pilot, our flagship Staff Bank contract at Lancashire Teaching Hospital realised 97% clinical fill rates and £2.1m net savings to the Trust in the first 12 months of the contract.

These results have been instrumental in us facilitating the successful award and implementation of two further Managed Staff Banks, which both went live in 2019. In addition, our successes have been publicly recognised with MGG's Litmus Workforce Solutions brand shortlisted for two HSJ Partnership Awards.

MEDACS GLOBAL GROUP

Our Staff Bank contracts provide longer-term, partnership-based relationships, supplementing our strong position in the recruitment and supply of healthcare professionals to the NHS.

The acute shortage of healthcare professionals in the UK has led to a bigger focus on overseas recruitment for permanent vacancies across the NHS. Throughout the year, MGG supported over 64 clients with overseas recruitment initiatives. It successfully placed 577 nurses and 166 doctors, who all started in 2019.

In Australasia, MGG has generally performed well in strong markets. Investment in its Australasia Nursing and Allied businesses and continued growth in our Australasian Doctors has delivered combined adjusted EBITDA$^{\Delta}$ growth in the Australasian businesses of 31%.

In response to market fluctuation, costs have been managed tightly with the introduction of a process efficiency programme. This is implementing systems enhancements together with robotic process automation. Further benefits have also been gained from our strategic offshore partnerships in Ahmedabad.

Notwithstanding good strategic progress in the UK, growth in Australasia and process efficiency work which delivered a 2.7% reduction in costs, gross profit has declined by 4.9% and adjusted EBITDA$^{\Delta}$ by 25.6% on a constant exchange rate basis.

	Healthcare		
	2019 £m	2018 £m	% change[1]
Revenue	**245.8**	247.0	(0.3)%
Gross profit	**46.6**	49.3	(4.9)%
Admin expenses	**(43.5)**	(44.9)	(2.9)%
Adjusted EBITDA$^{\Delta}$	**3.1**	4.4	(25.6)%
Gross profit %	**19.0%**	20.0%	
Adjusted EBITDA$^{\Delta}$ return on sales %	**1.3%**	1.8%	
Adjusted EBITDA$^{\Delta}$ conversion ratio	**6.7%**	8.9%	
Permanent fees %	**12.9%**	9.5%	

1 Using constant exchange rates.

For more information
Glossary: page_119

STRATEGIC REPORT

CFO review

SOLID FINANCIAL PERFORMANCE AND STRONG CASH CONVERSION

Tim Briant
Chief Financial Officer

"FOCUS ON COST CONTROL AND WORKING CAPITAL DELIVERED A SOLID ANNUAL PERFORMANCE."

ADOPTION OF NEW ACCOUNTING STANDARDS

In 2019, the Group adopted the new accounting standards of IFRS 9, IFRS 15 and IFRS 16, the impact of which are included in note 2.

INTRODUCTION

Revenue for the 52-week period to 3 January 2020 against the 53-week period to 4 January 2019 was down 0.6% (1.2% at constant exchange rates) and gross profit decreased by 1.2% (2.2% at constant exchange rates). Adjusting for the extra trading week in 2018, both the revenue and gross profit increased.

Adjusted EBITDA$^{\Delta}$ reduced by 6.3% to £46.7m with the impact of the 2018 additional trading week being the key driver.

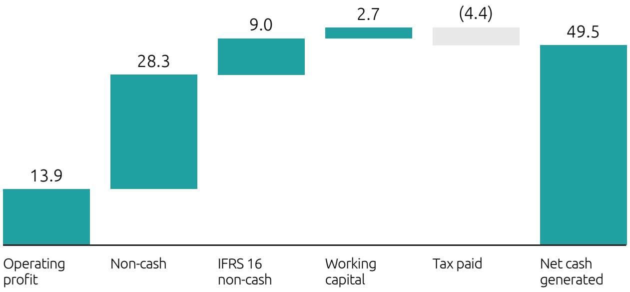
Administrative expenses increased by 1.1% with costs excluding depreciation and amortisation and impairment reducing by 1.5%.

In 2018, the Education business was impaired by £8.6m and in 2019 by £5.0m, following a revision to our projections of future trading performance. In addition, we have seen an impairment to the internally generated software associated with Younifi of £2.0m.

In the year, operating profit decreased by 38.2%, partly due to the additional trading week in 2018 but also due to the increase in depreciation and amortisation by £6.0m arising on a full year charge on brand and customer relationships that were reclassified in 2018.

The difference between adjusted operating profit and operating profit is reconciled on page 116 and is principally due to the impairment of intangibles previously discussed, and separately disclosed items primarily in respect of business transformation costs, as set out in note 6.

OPERATING PROFIT TO NET CASH GENERATED 2019_£m

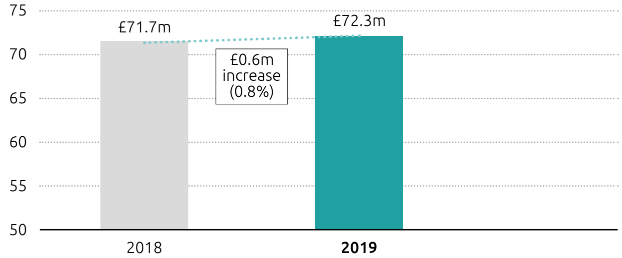


NET CASH GENERATED

£49.5m

(2018: £33.4m)

INCREASE IN NET DEBT_£m



INCREASE IN NET DEBT (BEFORE IFRS 16)

£72.3m

(2018: £71.7m)

FOREIGN EXCHANGE

Currency movements versus Sterling positively impacted our reported performance. Over the course of the year to December 2019, the total impact of exchange movements on gross profit and adjusted EBITDA$^{\Delta}$ were £2.8m positive and £0.4m positive, respectively. Fluctuations in the rates of the Group's key operating currencies versus Sterling continue to represent a sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the US Dollar impacts gross profit by £0.6m per annum and adjusted EBITDA$^{\Delta}$ by £0.14m per annum. The rate of exchange between the US Dollar and Sterling over the year ended 3 January 2020 averaged US$1.2773 and closed at US$1.3093. As the Group expands further in overseas territories the impact of changes in exchange rates will be greater.

Whilst the year-on-year average strength of the Dollar against Sterling positively affected the trading result the strength of Sterling at the balance sheet date (2019: US$1.3093; 2018: US$1.274) led to a lower retranslation of cash balances denominated in foreign currencies and resulted in a £6.1m year-on-year increase in net debt.

CAPITAL INVESTMENT

Capital expenditure on fixed assets in the period was £10.4m (2018: £10.0m), with continued investment in strategic IT projects and property refurbishments of key locations. The net repayment of finance leases, now disclosed as financing activities under IFRS 16, amounted to £9.2m. The net finance expense in the period was £8.2m (2018: £6.7m) with the increase from prior year mainly due to the impact of IFRS 16.

INTEREST AND DEBT

Net cash generated from operations during the period was £49.5m (2018: £33.4m). Strong underlying cash performance was the result of the continued focus on cash collections, overdue debt reduction and working capital management activities. Cash conversion (operating profit to net cash generated from operations) was 356% in 2019 (2018: 148%); however, using the cash conversion of net cash generated to adjusted operating profit gives 138% (2018: 81%) which is more reflective of the underlying business performance. At the end of 2019, DSO stood at 39.4 days (2018: 39.5 days).

Finance expense increased to £9.0m (2018: £6.8m). £0.9m of capitalised finance costs were written off following the negotiation of new facilities and £1.3m of lease interest is included as a finance expense following the adoption of IFRS 16. Interest cost on facilities remained constant at £6.5m.

At the balance sheet date net debt was £96.7m. Excluding the adjustments for IFRS 16 net debt was £72.3m compared to £71.7m in 2018, an increase of £0.6m. The net cash flow from operations was primarily utilised as follows

- Investment in fixed assets and software development: £10.4m
- Net lease repayment: £9.2m
- Acquisition of Flexy: £2.9m
- Share buybacks: £10.8m
- Net interest paid on borrowings and leases: £7.4m
- Cash associated with the discontinued operations: £2.5m
- Lower translation of overseas cash balances: £6.1m

The Group's operations are financed by retained earnings and bank borrowings.

For more information
Glossary: page_119

STRATEGIC REPORT

CFO review continued

The Group has in place a £240m global Revolving Credit Facility ('RCF') with an accordion element of an additional £50m. This provides the Group with the flexibility to fund its working capital as well as future acquisitions. Rates of interest for the RCF are based on LIBOR plus a margin calculated on the net debt to adjusted EBITDA$^{\Delta}$ leverage. Incorporated into the RCF is a letter of credit facility which at the end of 2019 amounted to £3.35m (2018: £5.1m). On 10 March 2020, the Group exercised the option to extend £220m of the facility by one year to 1 April 2023.

The Group takes advantage of a number of non-recourse financing agreements organised by clients of the Group to allow for the acceleration of payment of their receivables. At the end of 2019, these amounted to £12.6m (2018: £18.5m). These agreements accrue interest at between 0.65% and 1.75% over LIBOR.

A significant priority for the Group continues to be to focus on the conversion of operating profit into sustained positive cash flow by controlling working capital. The Group measures three covenants as required by the facility – interest cover, adjusted leverage ratio (defined as net debt less loan notes and restricted cash to adjusted EBITDA$^{\Delta}$) and debtor cover. All covenants were met during the year.

Borrowing levels are controlled by the Group Finance department, which manages treasury risk in accordance with policies set by the Board.

The Group's financial liabilities are denominated primarily in Sterling. At December 2019, US$35m of the RCF was drawn in US Dollars to provide a natural hedge against the US operations' profit streams and net assets which, when reported at a Group level, are affected by movements in exchange rates. Exposure to currency risk at a transactional level is generally minimal, with most transactions being carried out in local currency.

TAXATION

The tax charge in the period of £0.9m (2018: £2.8m) represents an effective tax rate of 15.8% (2018: 17.4%). The tax charge is comprised of corporate tax charges arising on the Group's activities in the UK and overseas. At the end of the period, the Group has recognised a deferred tax asset on all federal tax losses in the US on the basis that the Group remains confident that the US business will continue to be profitable in the foreseeable future.

The overseas current tax charge arises mainly in Australia where the highest corporate income tax rate is 30%.

The Group's contribution to the UK Treasury in the period, amounting to £288.0m (2018: £312.4m), was remitted in the form of VAT, income tax, national insurance, and Corporation Tax.

Of this amount, employer's national insurance, apprenticeship levy, irrecoverable VAT and Corporation Tax of £50.0m, (2018: £52.0m) was a cost to the business.

EARNINGS PER SHARE

Continuing basic earnings per share decreased to 9.8p (2018: 25.8p) as underlying profit after tax from continuing operations reduced by £7.7m. This decrease was driven by the impact of the additional trading week in 2018 and the increase in depreciation and amortisation of tangible and intangible assets. The weighted average number of shares in 2019 was 48.5m, 1.7m lower than 2018 due to the ongoing share buyback programme.

Continuing adjusted earnings per share decreased to 47.6p (2018: 61.5p) and reflects the underlying performance of the business, excluding separately disclosed items, impairment and amortisation of acquired intangibles and their respective taxation impact.

CAPITAL MANAGEMENT

The Group's capital base (note 32) is primarily used to finance its working capital requirement, the key component of which is trade receivables. Trade receivables in the staffing and support services sectors are managed according to a range of DSO targets. Terms of trade are monitored, and the approval of extended payment terms requires senior finance involvement. In some of the Group's Managed Services businesses, the amounts payable to third-party suppliers are not due until shortly after the receipt of the client receivable. As noted above, the Group has committed facilities that ensure there is sufficient liquidity to meet ongoing business requirements.

The primary objectives of the Group's capital management are to ensure that it maintains a good credit rating in order to support its business, maximise shareholder value and to safeguard the Group's ability to continue as a going concern.

GOING CONCERN

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the outbreak of COVID-19 have run various downside 'stress test' scenarios.

These scenarios assess the Government's predicted growth rate of the virus in our key trading markets of the UK, USA and Australia, and then apply progressively more challenging downside revenue sensitivities over a six-month period from March to September 2020.

These stress tests indicate the Group can withstand a material and prolonged decline in revenues including a peak revenue decline of over 40% in May and June 2020, after which forecast improvements in activity are modelled in the second half of 2020.

The projections assess our potential debt requirements against the Group's £240m of committed facilities and against the key covenant ratios over this period. The Group has cyclical working capital requirements which increase during periods of higher trading levels and therefore if there is a significant short-term decline in trading the working capital requirements and therefore net debt would initially reduce providing a natural hedge against a sharp downturn. In our projections, as business activity increases our working capital requirements and net debt levels would rise, but to levels within our facility. In these projection the Group's key covenant ratio of net debt being less than 2.5x the last 12 months EBITDA is not breached at the quarterly testing points.

In preparing these stress test scenarios, we have included the cash benefit from the UK Government's programme to allow business deferral of VAT payments, a cash benefit of c.£35m over the period to April 2021. The scenarios include certain cost mitigation actions, such as reduced performance bonus, travel and entertainment, marketing activity, reduced capital expenditure and postponement in share buybacks, and, furloughing of certain staff. The scenarios do not include headcount reductions. In the event that there is a more significant downturn than in these scenarios there are further mitigating actions which could include but are not limited to, further reductions in capital expenditure, further reductions in non-business critical expenditure as well as the potential to reduce working hours and headcount reductions.

Like all organisations, we have no experience of this type of crisis, at this stage it is hard to predict the full extent of the impact of COVID-19, however, under the significant stress test scenarios we have run, the Group could withstand a material and prolonged decline in revenue and continue to operate within the available banking facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its financial statements.

However, if the impacts of COVID-19 are worse or more prolonged than the Directors' expectations, and further mitigating actions are not sufficient, the Group may need to seek additional support. Given the lack of certainty that COVID-19 will have on the Group's customers and the markets in which it operates, which may result in a more pronounced downturn than expected, there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

DIVIDENDS AND SHARE BUYBACK

In July 2019, the Board announced the continuation of the share buyback programme, started in 2018, whereby it will return cash to shareholders though the purchase of Ordinary shares in the Company, up to an aggregate market value of £12m over a period of 12 months. As previously noted above following the outbreak of COVID-19, the Board has approved the suspension of the share buyback programme. While the Company has suspended its share buyback programme, it retains the authorities to buy back shares in the future and may consider ad hoc purchases of shares if deemed appropriate by the Board.

On 20 February 2019, the Board announced a dividend in specie in respect of the Carlisle Support Services (CSS) Group demerger transaction amounting to £1.7m that was paid on 8 March 2019 to all shareholders on the register at 1 March 2019.

INSURANCE

The Group maintains a comprehensive insurance programme with several reputable third party underwriters. Insurance is brokered at a Group level. The Group's insurance policies are reviewed and updated annually to ensure that there is adequate cover for insurable risks and that the terms of those policies are optimised.

BREXIT

On 31 January 2020 the UK left the European Union, entering a transition period due to end on 31 December 2020. During this period there remains uncertainty as to the detail of the future trading relationship that will exist between the UK and the European Union and to some extent the rest of the UK's global trading partners. The continued uncertainty could have a detrimental impact on candidate confidence to move jobs, or business confidence to invest and take on new staff. The impact on this could be reduced volumes of placements in our UK business and therefore reduced fees. Forward visibility remains limited and outlook uncertain, but as ever we will monitor activity levels closely.

OUTLOOK

Notwithstanding the uncertainties noted above, we will continue to leverage our strategies to balance the portfolio, target growth in overseas markets, maintain strong cost control and cash management, implement digital platforms that drive improved productivity and improved conversion of gross profit to operating profit.

For more information
Glossary: page_119

STRATEGIC REPORT

Principal risks

We recognise that effective risk management is fundamental to delivery of the Group's strategic objectives. Each business segment considers strategic, operational and financial risks on a regular basis, evaluates existing controls and identifies further actions required to mitigate risks. Risks that are considered significant at Group level are set out below.

STRATEGIC RISKS

Threat	Impact	Mitigation
ECONOMIC CONDITIONS **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Transform portfolio Improve resilience	Global and regional economic conditions can be affected by numerous factors including political change or unrest, pandemic disease and weather events. The outbreak of COVID-19 is now a present risk creating significant economic uncertainty. A downturn in general economic conditions, particularly in the UK, could result in declining business volumes, difficulties in producing accurate forecasts and/or failure to meet the Group's objectives. Improving economic conditions, particularly wage increases, could also create pressure on margins where these cannot be fully passed on to clients.	Geographical diversity and the Group's mixed portfolio of Managed Services and Specialist Staffing businesses mitigate the potential impacts of economic changes in specific regions. Risk is further mitigated by the diversity of sectors in which the Group's clients operate and close management of operating costs across all brands and functions. Downside scenarios and mitigation plans associated with COVID-19 are set out on pages 26 and 27.
POLITICAL ENVIRONMENT **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Improve resilience	The Brexit decision in 2016 and subsequent ongoing uncertainty around the detail of future political and trade/economic relationships with the EU have adversely affected both permanent and temporary hiring decisions by clients. There is continued uncertainty about the availability of EU candidates in the short term, which may affect the Group's ability to meet UK clients' labour needs following changes to the UK immigration policy announced in February 2020. It is believed that the impact on skilled workers will be limited. Restrictions on unskilled workers in the health and care sectors will also be lower. In the public sector, ongoing financial constraints may limit growth and/or create pressure on margins on existing business.	Management maintain open dialogue with key clients in relation to both short and long-term plans generally, as well as with specific regard to Brexit. The Group continues to monitor Brexit-related exposures and developments and communicate with clients, employed staff and candidates.
ATTRACTING AND RETAINING TALENT **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Transform portfolio Improve resilience	Any constraints on the Group's ability to attract and retain key talent in an increasingly competitive market could result in loss or weakening of client relationships, lack of appropriate leadership and/or erosion of the Group's talent base, impacting achievement of both financial and other objectives. Planned business transformation initiatives will create a need for new skill-sets in the Group in the medium term. Factors such as Brexit and changes to the UK immigration rules may impact on the availability of talent more generally.	The Group's high-retention business model ensures that brands and central functions are focused on talent management and development, performance review and succession planning. Leadership development programmes are in place and the Group's Virtuoso-based approach encourages talent development and progression.

Risk trend

Stable compared to 2018 Annual Report Increased compared to 2018 Annual Report

Threat	Impact	Mitigation
CUSTOMER CONCENTRATION **RISK TREND** **Relevant strategic priorities:** Transform portfolio Improve resilience	General decline in a particular industry sector, loss of a key customer or a significant reduction in business volume on a key account could result in reduced revenue and/or increased pressure on gross profit. This exposure is known to have impacted on some of the Group's UK competitors. With the outbreak of COVID-19 the risk of a pandemic is now creating significant economic uncertainty for our clients.	Management discuss and review market conditions and sales and account management pipelines on an ongoing basis. 'Top customer' reporting includes analysis by sector and geography, highlighting any emerging exposures. Management also hold regular meetings with key customers to discuss sales pipelines, current service performance and opportunities to add new services lines or extend existing services. Downside scenario's and mitigation plans associated with COVID-19 are set out on pages 26 and 27.
DELIVERY OF STRATEGIC PROJECTS **RISK TREND** **Relevant strategic priorities:** Transform portfolio Improve resilience	The Group is committed to investing in a range of strategic transformation projects that will drive revenue growth and/or improve operational efficiency. Failure to operate rigorous control and oversight of such projects may result in returns on such investment being lower than expected.	Strategic projects, each owned by a senior leader directly accountable to the Group CEO, are managed using a promise management system (Mosaic).
INTEGRATION OF ACQUIRED BUSINESSES **RISK TREND** **Relevant strategic priorities:** Transform portfolio Improve resilience	The Group has historically faced challenges in properly integrating acquired businesses, particularly overseas acquisitions. Further strategic acquisitions may be made as part of Impellam's overall growth strategy and poor due diligence and/or inadequate post-transaction integration could result in expected benefits not being realised.	The Group performs due diligence with the assistance of external third parties, but always conducts detailed people and cultural due diligence using internal resources. Responsibility for integration projects has been clearly assigned to regional management, who will be accountable directly to the Group CEO. Integration plans will be expected to draw upon specialist Group resource where appropriate.
DISRUPTIVE TECHNOLOGY **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Transform portfolio Improve resilience	Use of digital technologies in the recruitment market is expanding rapidly and disrupting 'traditional' people-based processes. This trend is expected to accelerate as new technologies are developed and enable new ways of working. The relevance of relationships between candidates, clients and recruitment agencies is declining and any failure by the Group to adapt its business model appropriately could lead to competitive disadvantage.	The Group actively monitors and assesses emerging technologies. This led during 2019 to the purchase of Flexy, an online marketplace for workers seeking temporary roles. The Group has developed a strategic IT roadmap and during 2019 recruited a CTO with extensive experience in the digital arena. Brands also have strong social media presence and use a variety of channels to market.

STRATEGIC REPORT

Principal risks continued

Threat	Impact	Mitigation
OPERATIONAL RISKS		
TECHNOLOGY SYSTEMS **RISK TREND** Increased **Relevant strategic priority:** Improve resilience	The Group is reliant on many different technology systems that may have limited useful life in a fast-changing business environment. The legacy nature of some systems may also hinder optimisation of end-to-end business processes. Systems may also be vulnerable to factors beyond the Group's control e.g. power failures or internet connectivity outages.	The Group has a stable systems infrastructure and an ongoing IT investment programme. Core systems are replicated across two geographically separate data centres and regular monitoring of systems performance is undertaken. An analysis of opportunities for development and standardisation of key systems was compiled during 2019 and will be further developed during 2020.
CYBER AND INFORMATION SECURITY **RISK TREND** Increased **Relevant strategic priority:** Improve resilience	The risk of external cyber attacks continues to increase. A successful attack could result in loss of sensitive data, business disruption and/or damage to the Group's reputation.	A programme to enhance security of the Group's systems against cyber attack has been implemented. Ongoing monitoring is in place and regular exercises are undertaken. A project to implement GDPR across the relevant parts of the Group was completed during 2018 and regular reminders are published to staff to promote awareness of cyber risk.
BUSINESS CONTINUITY **RISK TREND** Increased **Relevant strategic priority:** Improve resilience	A major disruptive event, such as a fire, severe weather or the current COVID-19 pandemic affecting one or more of the Group's operating locations, could lead to loss of business and/or adverse impacts on staff and assets.	Comprehensive systems and operational business continuity plans are in place and tested on a regular basis. These are updated at least annually. Contingency plans such as remote working and redeployment of staff to other Group sites are in place to ensure minimal disruption.
SERVICE AND CONTRACTUAL COMPLEXITY **RISK TREND** Stable **Relevant strategic priorities:** Enable Virtuosos Transform portfolio	In certain markets, the Group's clients are becoming increasingly sophisticated in their procurement and buying activity. Competitive tendering activity and commercial contracts are becoming increasingly complex, with longer lead times in decision-making. This necessitates constant development of the Group's service offer, the sophistication of our selling activities and the management of tendering processes. Complexity and changing client requirements also present challenges around measuring and monitoring service delivery and compliance with contract SLAs.	The Group has a standardised contract review process in place involving operational, commercial and legal oversight. The Group also continues to invest in specialist resource to support business development, implementation and service delivery activities.

Risk trend

Stable compared to 2018 Annual Report   Increased compared to 2018 Annual Report

For more information
Glossary: page_119

Threat	Impact	Mitigation

REGULATORY, COMPLIANCE AND FINANCIAL RISKS

Threat	Impact	Mitigation
REGULATORY ENVIRONMENT **RISK TREND** **Relevant strategic priorities:** Transform portfolio Improve resilience	Regulatory changes can lead to increased costs and workload, particularly where they relate to candidates' rights, eligibility to work or corporate reporting e.g. payment practices, diversity. The planned extension of IR35 off-payroll worker regulations to the private sector in the UK has caused some short-term disruption as both clients and contractors adapted. The recently announced delay to the IR35 implementation is expected to create further disruption. Expansion into new geographies in support of clients' needs brings exposure to unfamiliar regulatory environments.	Legal, Finance and Compliance functions at both Group and brand levels monitor risks and compliance, taking appropriate action where necessary. Appropriate policies and codes of conduct are in place across the Group and regular training is provided to employees. Process and system changes required to ensure effective management of IR35 changes have been identified and are being implemented. External professional advice is sought where insufficient knowledge exists within the Group.
CASH AND LIQUIDITY MANAGEMENT **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Transform portfolio Improve resilience	Poor cash and liquidity management may result in strain on the Group's credit facilities and/or operational cash flow issues. With the outbreak of COVID-19 the risk of a pandemic is now creating significant economic uncertainty for our clients which could impact their ability to settle outstanding liabilities.	The Group has a central Treasury function in place with regular forecasting, reporting and review procedures. The Group also maintains a revolving credit facility with a syndicate of banks to provide additional flexibility in its funding arrangements. This was renewed during 2019. A Group Credit Policy sets out the policies and procedures that must be implemented across the Group to mitigate credit risk. Downside scenario's and mitigation plans associated with COVID-19 are set out on pages 26 and 27.
FINANCIAL CONTROL **RISK TREND** **Relevant strategic priorities:** Enable Virtuosos Transform portfolio Improve resilience	A failure of financial control could lead to a material loss to the business.	The Group operates several shared services arrangements where transaction processing and management accounting are independent of operations. A clearly defined schedule of delegated authority limits for various types of decisions and transactions is in place and appropriate segregation of duties is maintained in all finance processes. Key business processes are subject to periodic internal audit review with clearly defined action plans established to address any control weaknesses.

STRATEGIC REPORT

Section 172 statement

INTRODUCTION

Throughout this Annual Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions
- Build relationships with stakeholders
- Understand the importance of engaging with our employees
- Understand the impact of our operations on the communities in our regions and the environment and
- Attribute importance to behaving as a responsible business.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) COMPANIES ACT 2006

The Board of Directors of Impellam Group consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in section 172(1) (a–f) of the Act) in the decisions taken during the period ended 3 January 2020.

STAKEHOLDER ENGAGEMENT

Impellam Group stakeholders are clients, candidates, suppliers, employees, shareholders and lenders and the Board recognises the need to regularly review the identity of its stakeholders as it makes decisions. We develop and encourage long-term relationships with our stakeholders based upon Impellam's vision 'to be the world's most trusted staffing company – trusted by our people, our customers and our investors in equal measure'.

We engage with our customers in ways most appropriate to their markets, and continually review their satisfaction and our performance either quarterly, biannually and annually. This is supported by feedback via survey's face-to-face meetings, Net Promoter Scores and surveys.

Our employees are fundamental to the delivery of our vision, mission, strategic and financial promises to our stakeholders. Our people are inducted, trained and supported by managers and colleagues to understand the promise-based ethos to all their interactions with candidates, customers and each other. This underpins our culture of trust and helps people feel engaged in the long-term success of the business. A shadow board, the Virtuoso Alliance, employee councils across the Group, surveys, Net Promoter Scores and Best Companies' accolades all ensure we are engaging with and listening to our employees.

Our mission as a business is to 'provide a sense of purpose and fulfilment for our people to help our customers build better businesses in a changing world' which includes not just our people but also the candidates we provide to our customers. We ensure engagement with our candidates using Net Promoter Scores, real-time feedback and surveys.

Further, our strategy ensures that we place the highest expectations on our supply chain, especially those supplying workers but also the myriad of partners on whom we depend – whether they are supplying stationery or sourcing workers.

All suppliers are expected to sign up to our Supplier Code of Conduct and to abide by the commitments contained in this. We are introducing audits of key suppliers in 2020 not only to measure their progress against the Code of Conduct but also to give them some guidance, where necessary, in achieving the standards we expect of our supply chain.

The Board has regular meetings and briefings with our institutional investors, funders and analysts in order to explain the Company's strategy, progress and plans, and to share how we are addressing any market challenges. This is in addition to the Annual General Meeting which is open to all investors. Shareholders can view relevant information about Impellam in a specific section of Impellam.com set aside for our investors.

As the Board of Directors, our intention is to take into account the operational impact of the Impellam Group on the community and environment, and our wider societal responsibilities, and in particular, how we impact the regions we serve. We support our communities by finding them good work, supporting local corporate social responsibility initiatives and ensuring our impact on the environment is minimal as demonstrated by our ISO 14001 accreditation.

STAKEHOLDER CONSIDERATION

As required by section 414CZA(1) of The Companies (Miscellaneous Reporting) Regulations 2018 we include below how the Directors have had regard to the matters set out in section 172(1) on the principal decisions taken in the 2019 financial year.

Demerger of Carlisle Support Services Group Limited – February 2019

Impellam demerged its wholly owned subsidiary, Carlisle Support Services Group Limited ('Carlisle') from the Impellam Group (the 'Demerger' or 'Transaction'). This decision was taken with a view to how best to drive profit and growth in our core Global Managed Solutions and Specialist Staffing businesses. Carlisle Support Services (which provides security, cleaning and event services to clients) was non-core to Impellam and the Board also believed that the Demerger would enable its management team and employees to gain investment and to improve focus on the development of its own client portfolio and services. The Demerger resulted in qualifying shareholders being issued with an equivalent number of Ordinary shares in Carlisle.

Acquisition of Flexy – an AI Powered Staffing Platform – July 2019

The Board is aware through listening to feedback from its stakeholders that the market is changing rapidly and more flexible and digital solutions are key to the continued growth of Impellam. As part of this, in July 2019 Impellam acquired Flexy Corporation Ltd – a flexible staffing platform based in London.

Flexy provides an innovative, data-driven analysis platform to provide insights and consumer-grade digital experiences. The strategic partnership with Flexy combines digital capabilities and technologies with our current portfolio's deep heritage and expertise; to offer new solutions, more choice, and better, technology-led experiences for our employees, customers and candidates alike.

Group transformation

In 2019 the Group embarked on a programme to transform its operating model from one of a group of autonomous brands and businesses to a more closely aligned integrated operating model. This is looking at all aspects of the business including structure, people, IT and individual businesses. The programme remains ongoing and will generate further costs in 2020.

Dividend policy

The Board made a decision to undertake a share buyback programme commencing in Q3 2019, whereby it will return cash to shareholders though the purchase of Ordinary shares in the Company, up to an aggregate market value of £12m over a period of 12 months.

On 20 February 2019, the Board announced a dividend in specie in respect of the Carlisle Support Services (CSS) Group Demerger transaction amounting to £1.7m that was paid on 8 March 2019 to all shareholders on the register at 1 March 2019.

Following the outbreak of COVID-19, the Board has approved the suspension of the share buyback programme.

Investment in North America

In 2018, our Talent Acquisition and Managed Solutions businesses were merged to form Guidant Global. This move meant that Impellam strengthened its position in the Managed Services market and enabled it to meet the needs of a broader range of international clients, securing increased market share and creating better workplaces across the world for employees and candidates. We also invested in a new leadership team to drive growth in this market.

This Strategic Report from pages 1 to 33 was approved by the Board on 24 April 2020 and signed on their behalf by:

Rebecca Watson
Company Secretary
800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

THE IMPELLAM BOARD IS COMMITTED TO A HIGH STANDARD OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

35_ Governance report
36_ Board of Directors
38_ Corporate governance statement
42_ Directors' report
45_ Statement of Directors' responsibilities

For more information visit
www.investors.impellam.com/corporate-governance/

Governance report

CORPORATE GOVERNANCE

The primary responsibility of the Chair is to the lead the Board effectively and this includes overseeing the adoption, delivery and communication of the Company's corporate governance model. The Chair ensures that the Board as a whole plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives. The Board has overall responsibility for corporate governance within the Group and this is underpinned by a framework aligned to the requirements of the business. The full Board retains certain matters for its own review and decision-making while other responsibilities are delegated to sub-committees of the Board, namely the Audit Committee and the Remuneration Committee. As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company complies with the Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code') and its Statement of Compliance with the same can be found on the Company website www.investors.impellam.com/corporate-governance/.

AUDIT COMMITTEE

- Oversees the Group's internal risk and controls strategy, including whistleblowing arrangements.
- Reviews the Annual Report and interim financial statements prior to submission to the full Board.
- Reviews reports from the external auditor.
- Reviews the Group's risk register.
- Approves financial policies.
- Sets and reviews the activities of internal audit.

Audit Committee
page_39

BOARD OF DIRECTORS

- Monitors and reviews the strategy and its development, the financial and operational performance of the Company and risk management.
- Monitors and reviews internal and external factors that affect the Company.
- Sets standards, values and policies.
- Ensures the Company is meeting its objectives and has the correct resources in place.
- Approves financial policies.
- Reports to shareholders.
- Oversees internal controls.
- Responsible for corporate governance.

REMUNERATION COMMITTEE

Sets, reviews and recommends to the Board remuneration for Directors and other senior executives, and sets overall remuneration strategy and policy for the Group.

Remuneration Committee
pages_39 and 40

STRATEGY AND DEVELOPMENT TEAM (VUCA)

- Devises the Group strategy and financial plan for approval by the Board.
- Approves the strategic and financial plans of the sub-brands and divisions and monitors the implementation and delivery of those plans.
- VUCA (Volatile, Uncertain, Complexity, Ambiguity) focuses on Impellam's overriding strategic and financial promises for the mid-long term and the challenges and opportunities the team sees to achieve the promises.

SENIOR LEADERSHIP TEAM (WAR ROOM)

- Responsible for the day-to-day management of the Group and its operations.
- Implementation of the strategy and financial plan.

VIRTUOSO STRATEGY TEAM

- Leads and is responsible for the development and execution of the Virtuoso Strategy.
- Reviews progress, provides advice and guidance to the Senior Leadership Team and the Board.

VIRTUOSO TEAM (THE VIRTUOSO ALLIANCE)

- Provides advice, guidance and a fresh perspective to the Executive Team and Board on our strategic priorities and their impact on the business, our customers, the industry and the wider world of work.

INVESTMENT COMMITTEE

- Reviews and monitors strategic investments and makes investment decisions.

PROPERTY COMMITTEE

- Reviews our property opportunities to optimise usage and to reduce our footprint over time.

PEOPLE COMMITTEE

- Reviews and recommends to VUCA and the Board remuneration changes of operational employees below senior management.

COMMISSIONS REVIEW COMMITTEE

- Annually reviews all commissions.

CORPORATE GOVERNANCE

Board of Directors

LORD ASHCROFT KCMG PC
Non-Executive Chairman
Appointed: December 2014

Lord Ashcroft is an international businessman, philanthropist, author and pollster. His many, varied business interests include significant investments and participation in both public and private companies in the UK, US and the Caribbean. He was appointed Non-Executive Chairman of the Company in December 2014. In 2012, he was appointed a member of the Privy Council and was made the Prime Minister's Special Representative for Veterans' Transition, working with all departments to ensure military personnel receive the support they need when making the transition to civilian life. He stepped down from this role in 2018. Lord Ashcroft supports a wide range of charities, including those dealing with crime prevention and education. He is the founder and Chairman of Trustees of both Crimestoppers and the Ashcroft Technology Academy, Chancellor of Anglia Ruskin University (which awarded him an Honorary Doctorate in 1999), Patron of the Forces in Mind Trust Research Centre, Vice Patron of the Intelligence Corps Museum and a Trustee of the Cleveland Clinic in the US. He resigned from the House of Lords in 2015 to concentrate on other areas of his work. He is a former Trustee and President of the West India Committee, a former Trustee of the Imperial War Museum. In 2016, Lord Ashcroft was made Knight Grand Cross of The Imperial Order of The Holy Trinity (Ethiopia) and a Fellow of the Royal Canadian Geographical Society. In 2017, he was made a Senior Fellow of the International Strategic Studies Association. He has written 17 books, mainly on politics and bravery and is widely respected for his political polling.

JULIA ROBERTSON
Group Chief Executive Officer
Appointed: April 2013

Julia Robertson joined the Group in 2000 following the acquisition of Tate and increased her remit over time such that she became divisional CEO of Impellam's UK Staffing and Managed Services businesses after the 2008 merger. In April 2013 she was appointed Group Chief Executive Officer.

Prior to working for the Group, Julia was Chief Executive of the Institute of Employment Consultants (now known as the Recruitment Employment Confederation), the professional body for the UK recruitment industry. She also founded her own recruitment business in 1986, which was sold to the Group alongside Tate.

TIM BRIANT
Chief Financial Officer
Appointed: February 2020

Tim Briant joined the Group on 1 October 2019 and was appointed to the Board on 3 February 2020 as the Group Chief Financial Officer. Tim is a Chartered Accountant and has over ten years' experience working within the recruitment sector having spent over ten years at Adecco in a number of finance roles, with his last there being the CFO of Adecco UK and Ireland. Tim joins Impellam from Airswift, a private equity backed global specialist recruitment provider, where he was Group CFO from June 2017 to September 2019. Prior to this Tim worked for Spring Group plc, a listed recruitment company, where he was Group Financial Controller and Company Secretary and played a key role in its acquisition by Adecco. Prior to this Tim worked at KPMG in audit and transaction services. Tim has a strong background in mergers and acquisitions and business integrations having been involved in the disposal and subsequent integration of Spring Group plc to Adecco and acquisition and integration of Penna plc by Adecco.

MIKE ETTLING
Independent Non-Executive Director
Chair of Audit Committee
Appointed: September 2013

Mike Ettling was appointed a Non-Executive Director of the Company in September 2013. With strong sector and non-executive experience, Mike was President of SAP-Successfactors globally. He has had an extensive executive career in global technology businesses including at NGA HR, Unisys, Synstar and EDS and was formerly a Non-Executive Director of Backoffice Associates LLC, a US PE-backed data business, and also formerly a Non-Executive Director of Telkom BCX Ltd, a South African IT and telecommunications business. Mike is currently CEO of Unit4, a world leader in enterprise applications for services and people organisations. He is also a Non-Executive Director of NCC Group PLC, a London listed cyber security business, and Topia Inc, a Silicon Valley cloud relocation software business.

ANGELA ENTWISTLE

Non-Executive Director

Chair of Remuneration Committee

Appointed: September 2012

Angela Entwistle was appointed a Non-Executive Director of the Company in September 2012. Angela is a Corporate Communications Specialist working with companies in the private sector including Deacon Street Partners Limited and Conservative Home Limited. She is a Non-Executive Director of Biteback Publishing, a leading publisher of political and current affairs titles, and Dods Group, a leading technology company specialising in data, code, business intelligence and media.

Angela was Corporate Communications Director of ADT Limited, an international business services company and the world's leader in electronic security solutions, from 1986 to 1997. She is significantly involved in a number of charities including acting as Trustee of Crimestoppers, the only UK charity dedicated to solving crimes, and Trustee and Vice-Chairman of Prospect Education (Technology) Trust Limited, the umbrella trust responsible for the operation of Ashcroft Technology Academy. Angela is not considered to be independent due to her links with the major shareholder.

MICHAEL LAURIE

Independent Non-Executive Director

Member of Audit Committee and Remuneration Committee

Appointed: July 2014

Michael Laurie was appointed a Non-Executive Director of the Company in July 2014. He is also a Non-Executive Chairman of SUSD Limited, a property development company that promotes sustainable architecture. Michael was an army officer for 34 years. He held the role of Major General at the Ministry of Defence until 2003, when he became the CEO of the Crimestoppers Trust, retiring from that position in 2013.

BARONESS TINA STOWELL OF BEESTON MBE PC

Independent Non-Executive Director

Appointed: October 2017

Tina Stowell has held a number of senior positions in media and government throughout her career. Since 2011, she has been a member of the House of Lords and was Leader of the House from 2014 to 2016. Before entering the House of Lords, she worked at the BBC between 2001 and 2010 and was Head of Corporate Affairs. She currently is Chairman of the Charity Commission for England and Wales and a Non-Executive Director of ABTA.

REBECCA WATSON

Group Company Secretary and General Counsel and Portfolio CEO

Appointed: May 2008

Rebecca Watson was appointed as Group Company Secretary and General Counsel of the Company in May 2008. She spent the previous five years as Company Secretary and General Counsel for The Corporate Services Group Plc, having joined the Group in 1998 as Company Solicitor. In addition, in July 2018 she was appointed Portfolio CEO responsible for the Regional Specialist Staffing brands within the Group. Prior to this, she was in a private practice, acting for a range of corporate clients. She has been a qualified solicitor since 1993.

CORPORATE GOVERNANCE

Corporate governance statement

The Board of Directors currently comprises the Non-Executive Chairman, two Executive Directors and four other Non-Executive Directors, during 2019 there was only one Executive Director. The Board is responsible for overseeing the management of the Group's strategy and its businesses, reviewing trading performance, ensuring adequate funding, maintaining a system of internal controls and risk assessment, ensuring good corporate governance and reporting to shareholders. The Board meets when required and at least eight times per annum.

The annual minimum time commitment is nine days for the Non-Executive Directors based on eight Board meetings per annum and the AGM. They are also required to spend appropriate preparation time ahead of each meeting. The Executive Directors are full-time employees.

During the period ended 3 January 2020, the Board met on eight occasions. Relevant high-quality information, consisting of detailed reports and presentations, is circulated to the Directors in advance of meetings by the Company Secretary. The number of scheduled Board meetings and Committee meetings attended as a member by each Director during the period are set out below:

	Board	Audit Committee	Remuneration Committee
Lord Ashcroft	7 (8)	n/a	n/a
Julia Robertson	8 (8)	n/a	n/a
Angela Entwistle	8 (8)	n/a	1 (1)
Mike Ettling	6 (8)	3 (3)	n/a
Michael Laurie	7 (8)	3 (3)	1 (1)
Baroness Stowell	8 (8)	n/a	n/a

Figures in brackets indicate the maximum number of meetings the individual could attend in the period.

During the period, Tim Briant was appointed as Chief Financial Officer, a non-Board role at the time. Tim was subsequently appointed to the Board in February 2020. The Non-Executive Chairman and Angela Entwistle are not considered to be independent due to their links with the Company's major shareholder. All the other Non-Executive Directors are considered to be independent.

On appointment, the Directors receive relevant information about the Group: the role of the Board and the matters reserved for its decision-making; membership of the principal Board Committees and the powers delegated to those Committees; the Group's corporate governance policies and procedures and the latest financial information. Throughout their period in office, the Directors are regularly updated on the Group's business and the environment in which it operates.

All Directors receive regular and timely information on the Group's operational and financial performance and any legal or governance requirements of the Group and those which affect them as Directors.

The Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer (an interim position in 2019) and are able to take professional advice in the furtherance of their duties at the Company's expense, where required. The Board is satisfied that, between the Directors, it has an executive and appropriate balance of skills and experience, including in the areas of HR, technology, finance (through the Interim CFO), communications, media and government.

The Board seeks advice from external sources on matters as they arise in the business, including legal and accounting advice. There is an appropriate gender balance with the Board consisting of four male and three female members. The biographies of all Directors appear on the Company investor website: www.investors.impellam.com

The Chairman assesses the individual contribution of each of the members of the Board to ensure a well-balanced and committed team. The Board has carried out an annual assessment of its performance to ensure its members collectively function in an efficient and productive manner.

BOARD TENURE AS AT MARCH 2020

Lord Ashcroft KCMG PC	5 years, 3 months
Julia Robertson	6 years, 11 months
Tim Briant	1 month
Angela Entwistle	7 years, 6 months
Mike Ettling	6 years, 6 months
Michael Laurie	5 years, 8 months
Baroness Tina Stowell	2 years, 5 months
Rebecca Watson	11 years, 10 months

RE-ELECTION OF DIRECTORS AT THE 2020 AGM

In accordance with the Company's Articles of Association and the principles of the Code, all Directors of the Company will offer themselves for re-election by shareholders at the 2020 AGM. The Board is satisfied that each Director is qualified for re-election by the quality of their skills, experience and commitment to the Board.

THE BOARD AND ITS COMMITTEES

Board evaluation

The Board has carried out an annual evaluation of its performance and that of its committees and individual Directors during the year. The Board recognises the importance of the evaluation to help the Board continuously improve its and the Company's performance and to address any areas where necessary. In its evaluation the Board considered a number of areas including the balance of the membership, its effectiveness as a team, strategy and purpose and stakeholder engagement. Objectives going forward were agreed and a review of succession planning undertaken.

Audit Committee

The Board has an Audit Committee whose responsibilities include oversight of the Group's internal risk and controls strategy, including establishing whistleblowing arrangements, reviewing interim and Annual Reports and financial statements prior to their submission to the full Board and reviewing reports from the external auditor and internal audit. The Audit Committee makes whatever recommendations to the Board it deems appropriate, on any area within its remit, including where action or improvement is needed.

Meetings

The Committee operates under written Terms of Reference, and during the period ended 3 January 2020 it met on three occasions. The Audit Committee invites the Chief Financial Officer to all of its meetings and senior representatives of the external auditor are routinely invited to Committee meetings, although it reserves the right to request any of these individuals to withdraw from the meeting. The Audit Committee comprises two Non-Executive Directors: Mike Ettling (Chair) and Michael Laurie.

Financial and business reporting

During the year, the Audit Committee has reviewed the 2018 and 2019 financial statements, the 2019 interim statement (unaudited) and carried out a going concern review. Reviews of the financial statements included the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements. For the areas discussed, the Committee was satisfied with the assumptions made and the accounting treatments adopted.

Risk management and internal control

Risk management is the responsibility of the Board. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the Strategic Report on pages 28 to 31. The Audit Committee keeps under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

A summary of the internal controls for Group companies is presented to the Audit Committee, including updates on the resolution of any control weaknesses identified.

The internal controls are reviewed by the Group finance function.

Every year the Audit Committee reviews the Group's risk framework reports, to be presented to and discussed by the Board.

The Group's whistleblowing policy contains arrangements for the Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters.

The Group has a mandatory Code of Conduct, which sets out the minimum expected behaviours for all employees.

External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Terms of Reference assign responsibility to the Audit Committee for overseeing the relationship with the external auditor. During 2019, the Audit Committee managed the relationship with the external auditors, reviewed and monitored their independence and objectivity and the effectiveness of the audit process.

The Group's policy on non-audit related services prescribes the types of engagements for which the external auditor can be used and those engagements which are prohibited. For engagement for services which are non-recurring in nature, prior approval must be sought from the Audit Committee. Note 4 includes disclosure of the auditor's remuneration for the year.

During 2019, the Audit Committee conducted a competitive tender process, as a result of which, on the Audit Committee's recommendation, BDO LLP were appointed as the Company's auditor for the 2019 financial year.

Assessment of the Audit Committee

The Board conducted an assessment of the Audit Committee's performance during the year. The Chair of the Audit Committee will be available at the 2020 Annual General Meeting to answer any questions about the work of the Audit Committee.

Remuneration Committee

The Board has a Remuneration Committee that is responsible for making recommendations to the Board on Directors' remuneration. It also reviews recommendations from the Group Chief Executive Officer on other senior executives' remuneration, including performance-related remuneration. The Committee operates under written Terms of Reference, and during the period ended 3 January 2020 it met on one occasion. The Remuneration Committee comprises two Non-Executive Directors: Angela Entwistle (Chair) and Michael Laurie.

CORPORATE GOVERNANCE

Corporate governance statement continued

Remuneration practices:
The Remuneration Committee recommended and monitored the level and structure of remuneration for senior management as well as monitoring remuneration trends across the Group and periodically reviews the ongoing appropriateness and relevance of the remuneration policy, no review was conducted during the year.

Assessment of the Remuneration Committee:
The Board conducted an assessment of the performance of the Remuneration Committee during the year. The Chair of the Remuneration Committee will be available at the 2020 Annual General Meeting to answer any questions about the work of the Remuneration Committee.

Remuneration policy for the Executive Directors
Remuneration packages are designed to attract, retain, motivate and reward Executive Directors, whilst aligning rewards with the business objectives and performance of the Group and the interests of shareholders.

Link between business objectives and remuneration policy
It is the Group's policy for performance-related pay of Executive Directors to be linked to key performance indicators of the Group. The Group's key objectives include developing sustainable growth in earnings and profits, through a combination of organic growth and investments, and increase in share price. The key performance measures chosen in 2019 to link executive remuneration to the achievement of these objectives were profits, organic growth and net debt.

Director's contracts and letters of appointment
It is the Group's policy that Executive Directors should have contracts with indefinite terms providing for a maximum of 12 months' notice by the employing Group company or the individual. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of the basic remuneration package for the notice period.

The details of the Executive Directors' contracts are summarised as follows:

The Effective date of contract and Notice period for Julia Robertson were 5 April 2013 with 12 months' notice from either party. Non-Executive Directors serve under letters of appointment, which either party can terminate on three months' written notice. The Non-Executive Directors have no right to compensation on the termination of their appointments.

Annual fees of Directors
The basic annual salary of each Executive Director and senior management is reviewed annually by the Remuneration Committee. The remuneration for the Non-Executive Directors is determined by the Board within the limits set by the Articles and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. The fees are reviewed each year as part of the annual budgeting process. The Non-Executive Directors receive additional remuneration for chairing Committees. Aggregate Directors' remuneration is set out in note 5.

Annual bonus
The Remuneration Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to the Executive Directors. Based on the Remuneration Committee's assessment of the performance against those targets, it was determined that there was £nil bonus payment.

Shareholding guidelines
There are no requirements for Executive Directors or senior executives to hold shares in the Company. Details of the shareholdings of Directors who served during the year are set out on page 43.

INTERNAL CONTROL

The Board has responsibility for the Group's overall system of internal controls and for reviewing their effectiveness. They recognise that the system is designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives. It can provide only reasonable and not absolute assurance against material financial misstatement or loss. The Board has established an organisational structure with clear Terms of Reference that must be adhered to by all subsidiaries.

There is a programme of regular review by the Board and executive management, which provides assurance that the control environment is operating as intended. A key element of this review is strategic business planning and subsequent performance monitoring. Each business has defined financial performance plans that are agreed by the Board at the beginning of each financial period to meet Company objectives.

These plans contain measurable performance targets, which are continuously monitored to identify shortfalls, so that corrective actions can be taken. In addition, the Company and its subsidiaries maintain risk registers that are updated regularly. The Group risk register is reviewed by the Audit Committee whilst reviewing generally the effectiveness of the Company's internal control system. The Group Head of Internal Audit and Risk is also responsible for reporting to the Audit Committee on internal audit, utilising internal and external expertise.

The Group operates in 'The Impellam Way', which embeds a consistent Company-wide culture, based on trusted behaviours, delivered by entrepreneurial Virtuoso leaders, who can drive competitive advantage and deliver on the Group's commitments. The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Code of Business Conduct'.

The Company 'Code of Business Conduct' demonstrates its commitment to maintaining the high levels of ethical standards and behaviours, wherever it operates in the world.

DIALOGUE WITH SHAREHOLDERS

The Company remains committed to listening to and communicating openly with its shareholders to ensure that its vision, mission, strategy, business model and performance are clearly understood.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting ('AGM') and one-to-one meetings with large existing or potential new shareholders. The Non-Executive Directors will attend the AGM and are available to answer any questions relevant to the Committees they chair. The Board receives regular updates on the views of shareholders through briefings and reports from the Group Chief Executive Officer, Chief Financial Officer and Company Secretary. Corporate information, including all Company announcements, is available to shareholders, investors and the public on the Company's website (www.investors.impellam.com).

CORPORATE GOVERNANCE

Directors' report

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and auditor's reports, for the period ended 3 January 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the provision of staffing solutions, human capital management and outsourced people-related services in the UK, Ireland, North America, mainland Europe, Australasia, New Zealand, Singapore and the Middle East. The principal activity of the Company is that of a holding company that provides strategic planning and management services to its portfolio of subsidiaries.

RESULTS AND DIVIDENDS

The audited consolidated financial statements for the period ended 3 January 2020 are set out on pages 56 to 116. The Group profit for the period was £5.5m (year ended 4 January 2019: £13.3m). The Board made a decision to undertake a share buyback programme commencing in Q3 2019, whereby it will return cash to shareholders through the purchase of Ordinary shares in the Company, up to an aggregate market value of £12m over a period of 12 months. On 20 February 2019, the Board announced a dividend in specie in respect of the Carlisle Support Services (CSS) Group demerger transaction amounting to £1.7m that was paid on 8 March 2019 to all shareholders on the register at 1 March 2019.

CAPITAL STRUCTURE

The Company 'Impellam Group plc' has no limit to its authorised share capital. At 3 January 2020, there were 47,333,660 (2018: 49,744,515) allotted, fully paid shares of 1p in issue.

POST BALANCE SHEET EVENTS

Between the end of the year and 30 March 2020, a further 893,078 Ordinary shares of 1p each have been repurchased in the market for total consideration of £3.0m, and have been cancelled. In line with the FRC's guidance that COVID-19 should be treated as a non-adjusting post balance sheet event given our year-end and the development of the pandemic after that date, we have performed a re-assessment (but not adjustment) of the carrying value of the reported assets and liabilities (please see pages 108 and 109).

POLITICAL DONATIONS

The Group has made no political donations during the current or prior years.

MAJOR SHAREHOLDINGS

As at 22 February 2020, the Company had been notified of the following disclosable interests representing 3% or more of the issued Ordinary share capital of the Company:

Lombard Trust	55.00%
Hof Hoorneman Bankiers	10.16%
Hendrik M. Van Heijst	5.38%
Lord Ashcroft	4.75%
Schroder Investment Management Limited	4.66%
InsingerGilissen Bankiers	3.92%

DIRECTORS

The Directors who held office during the period and up to the date of signing these financial statements were:

Executive Directors		
Julia Robertson	Group Chief Executive Officer	Appointed April 2013
Tim Briant	Chief Financial Officer	Appointed February 2020
Non-Executive Directors		
Lord Ashcroft KCMG PC	Non-Executive Chairman	Appointed December 2014
Angela Entwistle	Non-Executive Director	Appointed September 2012
Mike Ettling	Independent Non-Executive Director	Appointed September 2013
Michael Laurie	Independent Non-Executive Director	Appointed July 2014
Baroness Tina Stowell	Independent Non-Executive Director	Appointed October 2017

To read all of our Directors' biographies, see pages 36 and 37.

DIRECTORS' SHAREHOLDINGS

As at 22 February 2020, the following Directors held shares in the Company:

Lord Ashcroft (Non-Executive Chairman)	2,223,755
Julia Robertson (Group Chief Executive Officer)	153,910
Mike Ettling (Non-Executive Director)	10,860

CONTROL

The Group has identified Lord Ashcroft as the ultimate controlling party as he has influence over more than 50%, but less than 75%, of both the shares and voting rights of Impellam Group Plc and together with being Chairman of Impellam Group Plc has significant influence over the Group.

FINANCIAL RISK MANAGEMENT

The Group's objectives and policies relating to financial risk management are fully explained in note 32 on pages 103 to 106.

PRINCIPAL RISKS

The Board's assessment of the principal risks and uncertainties, the Group's policy and its mitigations are detailed on pages 28 to 31.

INCLUSION AND DIVERSITY

We actively encourage diversity in the workplace and have a wide and varied employee base with a variety of social and ethnic groups represented at all levels of the business. We believe that breaking down the barriers that have traditionally restricted access to the labour market will encourage job opportunities for all. We see it as our responsibility both to understand and to address the root causes of gender pay gaps. We are pleased that Impellam is leading by example by appointing and promoting women into senior roles. We are one of only 3.5% of AIM listed companies to be led by a woman, and in addition, 43% of our Board members and 54% of our Senior Leadership Team are women. With this in mind, we work hard to help our clients and suppliers achieve their diversity objectives.

The Group is committed to providing all our employees with a work environment free of discrimination related to sex, race, colour, orientation, religion, age, ethnicity, national origin, disability or any other inappropriate basis. Applications for employment by people with disabilities are considered, like all others, bearing in mind the aptitudes of the candidate concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate adjustments are made. It is our policy that the training, career development, and promotion of people with disabilities should, as far as possible, be the same as for all other employees.

EMPLOYEE INVOLVEMENT AND COMMUNICATIONS

All 3,000 Impellam people across the world are connected by Workplace, an internal social network that provides relevant information to all employees in the UK, Europe, US and Asia Pacific. Workplace combines the structure of a traditional intranet with the capabilities of Enterprise Social Networking software: a place to organise and disseminate information securely, and also a place for our people to connect, communicate, and collaborate. The Group Chief Executive Officer holds half-yearly strategy cascades with leaders across the Group and connects with all 3,000 people on a regular basis through Workplace, using written updates, videos, and other multimedia to provide strategic information and financial updates.

The Impellam management community holds regular 1:1 meetings with its people, team meetings, and wider business-area conferences to facilitate sharing of information, consultation and two-way communication, supported by tools like OpenBlend. The Impellam communications model and associated technology means we can connect with our employees quickly, wherever they are. The platform and communication strategy facilitates faster information sharing, communication and collaboration. This dynamic, knowledge-sharing and democratised approach to communications is key to supporting our strategy and culture of enabling our Virtuosos to ultimately help us to achieve our vision of becoming the world's most trusted staffing company.

HEALTH AND SAFETY

We are committed to meeting all the requirements of relevant health and safety legislation. Formal policies are in place throughout the Group and they are regularly reviewed and updated to reflect changes in legislation and best practice. The Group requires all employees to comply with these.

CORPORATE GOVERNANCE

Directors' report continued

ENVIRONMENTAL AND SUSTAINABLE OPERATIONS

Environmental

Although we are a service-based organisation with no manufacturing facilities and limited transportation requirements, we are still committed to following environmental best practices in the day-to-day conduct of our business. This includes the use of sustainable and/or recyclable materials when available. A regular review of the potential impacts on the various businesses is undertaken and parts of the Group have achieved accreditation to ISO 14001 in relation to their environment management systems.

Modern slavery

As part of the Group's mission to find people fulfilling work, we strongly oppose modern slavery in all its forms and will try to prevent it by any means that we can. We expect anyone who has any suspicions of modern slavery in our business or our supply chain to raise their concerns without delay. In light of the Modern Slavery Act 2015 we annually review internal and external measures to ensure we are doing what we can to prevent slavery and human trafficking in our businesses and in our supply chains. Our policy is available on our website at www.impellam.com.

ANNUAL GENERAL MEETING

The Notice of AGM, to be held at 9.00am on Tuesday 30 June 2020 at the Impellam offices, 9 Devonshire Square, London EC2M 4HP, is contained in a separate circular to shareholders. It is being mailed or otherwise provided to shareholders, after the publication of the Annual Report. The Notice of Meeting sets out the resolutions to be proposed at the AGM and gives details of the voting record date and proxy appointment deadline for that meeting.

SEPARATELY DISCLOSED ITEMS

These costs or income are not considered to be part of the normal course of business or are of sufficient size to be identified separately on the face of the income statement and explained in more detail in note 6 on page 78.

ANTI-BRIBERY

We have a commitment to carrying out business fairly, honestly and openly. We also have zero tolerance towards bribery. Our Bribery Policy is in place to provide relevant guidance and information to all our people in compliance with the law relating to bribery and corruption, in particular the Bribery Act 2010 ('the Act'). We are determined to maintain our reputation as a business that will not tolerate fraudulent or corrupt dealings – whether they are attempted against us from outside, from within our own workforce, or towards our clients or suppliers.

DIRECTORS' INDEMNITY PROVISIONS

During the year and to the date of these accounts, the Company had in force an indemnity provision in favour of one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each Director in office at the date the Directors' report is approved and in accordance with Section 418 of the Companies Act 2006:

(a) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(b) He/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

REAPPOINTMENT OF AUDITOR

On 19 September 2019, KPMG LLP resigned as the Group auditor. Subsequently, in accordance with Section 489 of the Companies Act 2006, BDO LLP was appointed as the Group's auditor. A resolution to reappoint BDO LLP as the Group's auditor will be proposed at the Annual General Meeting being held on 30 June 2020.

DIRECTORS' REPORT

This report was approved by the Board on 24 April 2020 and is signed on their behalf by:

RJ Watson
Company Secretary
800 The Boulevard, Capability Green, Luton, Bedfordshire LU1 3BA

Statement of Directors' responsibilities

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company 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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs as adopted by the European Union (Group) or under UK GAAP (Parent), subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

47_ Independent auditor's report
56_ Consolidated income statement
56_ Consolidated statement of other comprehensive income
57_ Consolidated balance sheet
58_ Consolidated statement of changes in equity
59_ Consolidated cash flow statement
60_ Notes to the consolidated financial statements
110_ Company balance sheet
111_ Statement of changes in equity
112_ Notes to the Company balance sheet
117_ Alternative performance measures
119_ Glossary
121_ Company information

For more information visit
www.investors.impellam.com/corporate-governance/

Independent auditor's report to the members of Impellam Group plc

OPINION

We have audited the financial statements of Impellam Group plc ("the Parent Company") and its subsidiaries ("the Group") for the 52 week period ended 3 January 2020 which comprise:

	Composition	Financial reporting framework
Group	• Consolidated Income Statement • Consolidated Statement of Comprehensive Income • Consolidated Balance Sheet • Consolidated Statement of Changes in Equity • Consolidated Cash Flow Statement • Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.
Parent Company	• Company Balance Sheet • Company Statement of Changes in Equity • Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and FRS 101 '*Reduced Disclosure Framework*'. (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 of the Parent Company's affairs as at 3 January 2020 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Material uncertainty related to going concern

Conclusion

We draw attention to the directors' assessment of the impact of Covid-19 on pages 26 and 27 of the financial statements. As stated on page 27, the directors have run various stress tests that indicate the Group could withstand both a material and prolonged decline in revenues and remain within its available facilities. However, if the impacts of Covid-19 are more significant or prolonged than the directors' expectations, and further mitigating actions are not sufficient, the Group may require further support. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Given the conditions and uncertainties noted above, we considered going concern to be a key audit matter. We have performed the following work as part of our audit:

- Obtained an understanding of the financing facilities, including the nature of facilities, repayment terms, covenants and attached conditions;
- Assessed the facility headroom calculations on both a base case scenario, and the directors' downside scenarios as a result of the ongoing COVID-19 pandemic;
- Challenged the appropriateness of management's assessment of going concern by testing the mechanical accuracy, assessing historical forecasting accuracy, understanding management's consideration of downside sensitivity and the impact on facilities and covenants;
- Reviewed any mitigating actions that have been considered by management;
- Performed our own sensitivity calculations on management's downside scenarios to consider alternative possible trading impacts and conditions;
- Considered the consistency of management's forecasts with other areas of the audit, such as impairment financial models; and
- Considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

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 Group and the Parent 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.

FINANCIAL STATEMENTS

Independent auditor's report to the members of Impellam Group plc continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk name	Description	How we addressed the key audit matter in the audit
Fraud in revenue recognition – incomplete temporary contractor revenue *(see notes 2, 3, 18 and 37)*	The Group processes a large volume of data in relation to contractor revenue involving a number of systems that operate independently from each other. The risk in relation to temporary workers is that revenue has been misstated in the period in order to meet financial targets or commissions in relation to candidate placements. The risk is focussed around the end of the financial year. As IFRS 15 was adopted in this period, there is a risk of non-compliance with this new standard resulting in errors in the recognition of revenue amounts.	We considered whether the revenue and cost recognition policies comply with Accounting Standards, having particular regard to the impact of the adoption of IFRS 15 during the year. We obtained an understanding of the key revenue streams in relation to temporary contractor placements, we assessed the design and implementation of the key controls within these streams. We compared management's impact assessment of the adoption of IFRS 15, together with supporting information and analysis, with the principles of the accounting standard and disclosure requirements. We examined a sample of contract terms covering the significant revenue streams in the business. On a sample basis, with reference to these contractual terms, we agreed the revenue recognised was in agreement to underlying supporting data (such as timecards submitted). Where there were judgements involved in the recognition of contractual commitments and the application of differential pricing structures that drives the recognition of revenue and associated costs, these have been corroborated to evidence supporting these judgements. We considered the appropriateness of the cut-off adjustments made by management by agreeing a sample of temporary placements to timesheets with reference to the period worked. We inspected a sample of credit notes raised subsequent to the year end in order to assess the validity of the sales invoices raised in the financial period. **Key Observations** We found instances of material 'gross-up' adjustments in relation to the presentation of temporary contractor revenue both in the current and prior years – see note 37. There was no profit impact from these adjustments. We found no other matters to report with regards to temporary contractor revenue.

Risk name	Description	How we addressed the key audit matter in the audit
Revenue recognition – complex contract accounting on global managed service contract *(see notes 2, 3, 18 and 37)*	Certain entities within the Group provide managed services to their clients. The contracts usually span several financial periods and have a period prior to commencement where implementation costs are incurred. The contracts agreed contain a number of complex performance obligations and associated rebate agreements. The risk relates to the accounting and potential understatement of these rebate agreements resulting in a material error within the revenue stated for the period. There is also judgment involved in appropriately recognising an implementation cost in relation to the upfront implementation costs and subsequent release over the contract life. The audit risk includes all aspects noted above.	We compared management's impact assessment of the adoption of IFRS 15, together with supporting information and analysis, with the principles of the accounting standard and disclosure requirements. We evaluated the Group's control environment and performed design and implementation testing in rebate accounting and recognition of an implementation cost at inception of a new contract. We audited a sample of contract terms covering the significant revenue streams in the business. We understood the types of costs included in implementation costs with reference to timecards and the job roles of the individuals. We ensured that these met the criteria to be recognised as an implementation cost and the appropriateness of the release period. We considered the completeness of the rebate liability by reviewing key contracts and forming an expectation as to the liability position. We assessed the accuracy of the rebate liability by testing a sample of contracts. We re-calculated the rebate liability with reference to the terms of the supplier contracts and volume of placements. **Key Observations** We identified a material misstatement in relation to implementation costs and the 'principal v agent' treatment of a contractor in the prior year – see note 37. We found no other matters to report with regards to global managed service contracts.
Goodwill and intangibles impairment *(notes 2, 15 and 16)*	The Group's consolidated balance sheet includes goodwill and brand intangibles, principally arising from historical acquisitions. The risk is that the goodwill and brand values allocated to cash generating units are not recoverable and should be impaired. Based on our knowledge of the markets operated in and results for the period, we reviewed the Cash Generating Units (CGU) and had a particular focus where the cash generated would not support the assets held. As a result of this, our work was focussed on the Education and Engineering CGU's due to the lower headroom forecast on these CGU's. Due to the inherent uncertainty involved in forecasting and discounting cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas of the audit. The effect of the uncertainty relating to the inputs of the impairment review is that there are ranges of reasonable outcomes that may be greater than our materiality for the financial statements. The financial statements disclose the sensitivity estimated by the Group in note 15.	We compared prior year forecasts against the Group's results, to gain an understanding of the Group's ability to produce robust and accurate forecasts. We challenged the robustness of key assumptions, including revenue growth rates, profitability assumptions and the discount rate, based on our understanding of the CGUs through re-performance of calculations, and by comparing the assumptions used with other, similar, recruitment firms. Where appropriate, we have sensitised management's judgements to consider the impact of these not being achieved. We utilised an auditor's expert to assess management's key assumptions inputs. This was done with comparison to industry standard data points that are utilised in these models. **Key Observations** We identified an adjustment that resulted in an increase in impairment – see notes 15 and 16. We have no other matters to report with regards to Goodwill and Intangibles impairment.

FINANCIAL STATEMENTS

Independent auditor's report to the members of Impellam Group plc continued

Risk name	Description	How we addressed the key audit matter in the audit
Compliance with specific laws and regulations – holiday pay and client credits *(Notes 2, 6, 23 and 37)*	The Group is subject to both local and international legal and regulatory requirements that vary between the different industries the Group operates in. The Group holds a number of balances in relation to its ongoing obligations to comply with the regulatory and legal environment – varying levels of judgment is required to estimate the impact of these on the financial statements. The key area of compliance relates to workers' rights such as holiday pay and retention of customer unclaimed payments. We have spent a significant amount of time in assessing the risk of non-compliance with these requirements. Any non-compliance may result in fines, unrecorded liabilities and reputational damage to the Group – a combination of these may affect the Group's ability to continue trading.	We considered the jurisdictions the Group operates in and have applied a risk-based approach to assessing the impact of non-compliance with laws and regulations. We held meetings with the Group's legal counsel both in the UK and in the USA to understand areas of non-compliance with laws or regulation and the progress of any significant ongoing legal areas. We circulated legal confirmations to key external counsel to confirm the existence and completeness of any potential claims or areas of non-compliance. We assessed whether the disclosures within the consolidated financial statements adequately reflected the liabilities and judgements made in relation to the ongoing legal claims and compliance matters, including those items treated as Separately Disclosed Items. We specifically assessed by recruitment brand, the Group's policies and practices in relation to holiday pay, in the context of relevant legal requirements. We reviewed the basis and appropriateness of holiday pay accruals and level of pay-out. We assessed the Group's treatment of client credits and unclaimed payments, including the Group's polices to provide for in, and release such to, the income statement. **Key Observations** We identified a material prior year adjustment in relation to customer unclaimed payments – see note 37. We have no other matters to report with regards to compliance with key laws and regulations applicable to the Group.
IFRS 16 – implementation of leases *(notes 14)*	IFRS 16 Leases is effective for the current financial year. The impact is disclosed in summary of significant accounting policies within note 2. In order to compute the impact on the Groups assets, liabilities and income statement the Group has made a number of key judgments and estimates, see note 2(B). The key audit matter is focused around determining the appropriate discount rate applied to each lease. There is a risk that the lease data is inaccurate or incomplete and is not appropriately included within the transition and subsequent accounting entries. Finally, there is a risk that the disclosures in the financial statements are insufficient and prevent the user of the financial statement to understand the impact of judgments and estimates.	We reviewed management's adoption papers and workings and assessed the implementation of key controls around first year IFRS 16 adoption. We assessed the appropriateness of the discount rate applied in determining lease asset and liabilities with input from our valuation specialists We verified the accuracy of underlying data by agreeing a sample of leases to contact with reference to key terms. We considered completeness by reviewing the reconciliation of the groups operating lease commitment disclosure in the previous period to the lease data used in the calculation. Additionally we have selected a sample of lease expenditure and ensured inclusion in the lease liability. We assessed the disclosure included within the financial statements. **Key Observations** As a result of our testing, we identified a material adjustment that was processed satisfactorily. We have no other matters to communicate in respect of the Group's transition to IFRS 16.

OUR APPLICATION OF MATERIALITY

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We have determined materiality based on our professional judgement for the financial statements as a whole as follows:

	Group	Parent company
Materiality	£1.25m	£1.19m
Basis	c.2.5% of adjusted EBITDA (see note 3 and page 114 for definition)	Capped at 95% of group materiality
Rationale	Adjusted EBITDA is considered the most appropriate benchmark based on market practice and investor expectations. The materiality applied equates to 0.5% of Group Gross Profit, 0.5% of Group net assets and 3.5% of adjusted operating profit.	Net assets is considered the most appropriate benchmark as the Parent Company does not trade.

Further materiality measures applied in the conduct of the audit include:

	Measure	Application
Performance materiality	£687.5k (55% of materiality)	The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.
Component materiality	The range of materiality used for components ranged from £1.2m to £625k.	Our audit work at each component has been executed at levels of materiality applicable to each individual entity based on its size and risk as approved by the Group audit team and in each case, lower than that applied to the Group.
Clearly trivial	£18.75k	All audit differences in excess of 'clearly trivial' are reported to the Audit and Risk Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
Quantative & qualitative disclosures	We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	

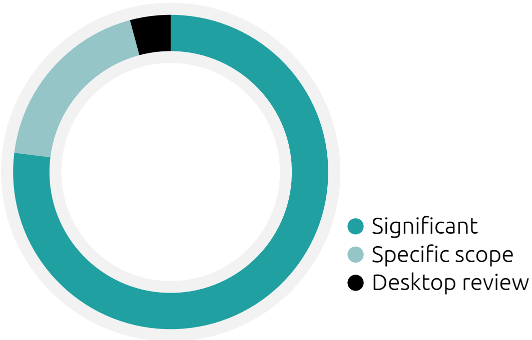
FINANCIAL STATEMENTS

Independent auditor's report to the members of Impellam Group plc continued

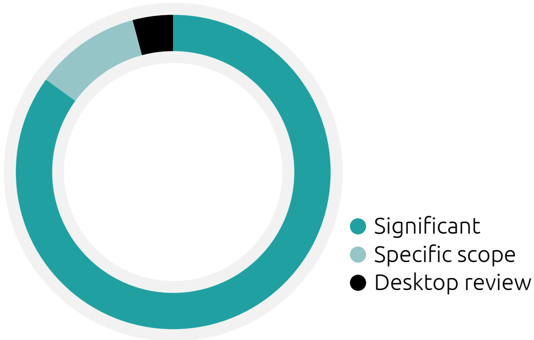
THE SCOPE OF OUR AUDIT

The Group has diverse international operations. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We designed an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion (ISA 600 (UK)). Components were scoped in to address aggregation risk and to ensure sufficient coverage was obtained of group balances on which to base our audit opinion. The coverage of our audit procedures is summarised graphically below and then detailed in the following table.

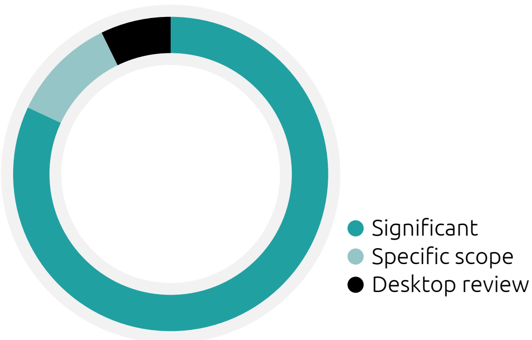
REVENUE_%



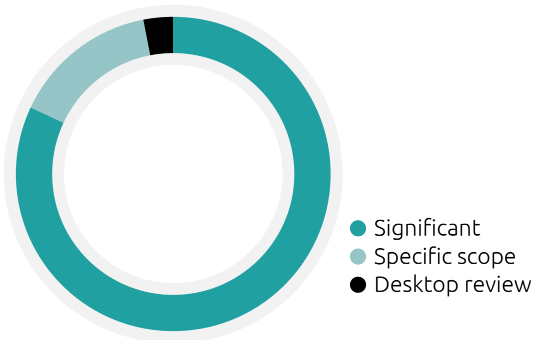
ADJUSTED EBITDA_%



PROFIT BEFORE TAX_%



GROSS ASSETS_%



Significant components	• We focussed our Group audit scope primarily on the audit work at six significant components, which were subject to full scope audit procedures. • These significant components contribute 85% (2018: 84%) of the Group Absolute Adjusted EBITDA, 82% (2018: 83%) of the Group Absolute Profit before Tax, 77% (2018: 77%) of the Group revenue and 82% (2018: 79%) of Group Gross Assets. • The six components considered significant were Impellam Group Plc, Carlisle Staffing Plc, Lorien Resourcing Limited, Blue Arrow Limited, Comensura Limited and the US Division (incorporating all US entities). • BDO UK audited all significant components with the exception of the US division, which was audited by BDO US. • Following involvement in risk assessment and setting the overall audit approach and strategy with the component auditors at the planning stage, the Senior Statutory Auditor visited the US Division component to review testing performed, meet with local management and to challenge conclusions reached. • The Senior Statutory Auditor was directly involved in the audit of the remaining significant components. All testing was performed by BDO Member Firms under direction and supervision of the Group audit team.
Full scope audits	• Six further components were subject to full scope audit procedures in addition to the six identified significant components (twelve in total). • These components contribute 5% (2018:4%) of the Group Absolute Adjusted EBITDA, 5% (2018: 5%) of the Group Absolute Profit before Tax, 10% (2018: 9%) of the Group revenue and 7% (2018: 6%) of Group Gross Assets. • Full scope audit procedures were performed on components located in the UK. • The Senior Statutory Auditor was directly involved in the audit of the remaining significant components with the audit performed by the group audit team
Specified procedures	• Specified procedures were performed to address the risk of material misstatement arising from key balances in non- significant components, with testing performed on all material balances within these components. • All testing was performed by BDO Member Firms under direction and supervision of the Group audit team. • This specific scope testing was performed on components that contribute 6% (2018: 6%) of the Group Absolute Adjusted EBITDA, 6% (2018: 6%) of the Group Absolute Profit before Tax, 9% (2018: 8%) of the Group revenue and 8% (2018: 8%) of Group Gross Assets. • These components included: – Global Medics PTY Limited – Medacs Global Group Limited (based in Ireland) – Medacs Healthcare Plc – Doctors on Call Limited – Comensura Pty Limited • The Senior Statutory Auditor and Group audit team directed work for the specified procedures via detailed instructions, briefings and via review of selected working papers on significant risk areas.
Remaining components	• All other components were scope in for analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.
Parent Company & Consolidation	• The Parent Company is located in the UK and is audited by the Group audit team. The Parent Company is treated as a significant component for the Group audit. • The Group audit team have performed testing of the consolidation and related consolidation adjustments posted in preparation of the Group financial statements.

FINANCIAL STATEMENTS

Independent auditor's report to the members of Impellam Group plc continued

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.

Comment	We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

Strategic and directors' report	• the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Strategic and directors' report	• 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 Directors' report.
Companies Act 2006	We have nothing to report in respect of the following matters in relation to which 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.
Directors	As explained more fully in the Statement of Directors Responsibilities, 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.
Auditors	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: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Cardiff (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FINANCIAL STATEMENTS

Consolidated income statement

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

	Notes	52 weeks 3 January 2020 £m	Restated (note 37) 53 weeks 4 January 2019 £m
Revenue	3	**2,254.8**	2,267.3
Cost of sales		**(1,980.7)**	(1,989.8)
Gross profit		**274.1**	277.5
Administrative expenses		**(261.4)**	(254.0)
Impairment losses from receivables		**1.2**	(1.0)
Operating profit	3 & 4	**13.9**	22.5
Operating profit before separately disclosed items, impairments, amortisation of brand value and customer relationships and share-based payments		**36.0**	41.4
Amortisation of brand value and customer relationships	16	**(10.2)**	(4.2)
Separately disclosed items	6	**(4.9)**	(5.7)
Impairment of goodwill	15	**(1.6)**	(8.6)
Impairment of other intangible assets	16	**(5.4)**	–
Share-based payments	26	**–**	(0.4)
Operating profit	3 & 4	**13.9**	22.5
Finance income	7	**0.8**	–
Finance expense	8	**(9.0)**	(6.8)
Profit before tax		**5.7**	15.7
Tax charge	9	**(0.9)**	(2.8)
Profit from continuing operations		**4.8**	12.9
Profit from discontinued operation, net of tax	12	**0.7**	0.4
Profit for the period		**5.5**	13.3
Profit for the period attributable to:			
Equity holders of the Parent Company		**5.8**	13.2
Non-controlling interest	29	**(0.3)**	0.1
		5.5	13.3
Earnings per share	10		
Attributable to equity holders of the Parent Company:			
– basic		**11.2p**	26.5p
– diluted		**11.2p**	26.5p

Consolidated statement of comprehensive income

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

	Notes	52 weeks 3 January 2020 £m	Restated (note 37) 53 weeks 4 January 2019 £m
Profit for the period		**5.5**	13.3
Other comprehensive income:			
Items that will not be subsequently reclassified into income:			
Remeasurement of defined benefit liability	27	**–**	0.1
Items that may be subsequently reclassified into income:			
Foreign currency translation differences – foreign operations		**(4.3)**	5.6
Total comprehensive income for the period, net of tax.		**1.2**	19.0
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		**1.5**	19.1
Non-controlling interest	29	**(0.3)**	(0.1)
		1.2	19.0

Consolidated balance sheet

AS AT 3 JANUARY 2020

	Notes	3 January 2020 £m	Restated (note 37) 4 January 2019 £m	Restated (note 37) 29 December 2017 £m
Non-current assets				
Property, plant and equipment	13	**6.6**	6.7	7.3
Right-of-use assets	14	**25.4**	–	–
Goodwill	15	**148.0**	156.2	160.4
Other intangible assets	16	**117.8**	131.1	131.7
Financial assets	17	**1.5**	1.4	1.4
Deferred tax assets	24	**13.6**	15.3	13.2
Trade and other receivables	18	**5.7**	1.2	1.2
		318.6	311.9	315.2
Current assets				
Trade and other receivables	18	**574.7**	573.5	693.9
Tax receivable		**2.5**	–	–
Cash and cash equivalents	19	**132.3**	117.1	137.9
		709.5	690.6	831.8
Total assets		**1,028.1**	1,002.5	1,147.0
Current liabilities				
Short-term borrowings	21	**24.7**	25.1	73.2
Lease liabilities	14	**10.6**	–	–
Trade and other payables	20	**550.4**	556.8	684.0
Tax payable		**1.8**	1.7	4.2
Provisions	23	**3.6**	0.9	1.1
		591.1	584.5	762.5
Net current assets		**118.4**	106.1	69.3
Non-current liabilities				
Long-term borrowings	22	**140.9**	123.8	103.0
Lease liabilities	14	**21.1**	–	–
Other payables	20	**1.6**	1.6	0.9
Provisions	23	**5.4**	3.4	1.1
Deferred tax liabilities	24	**21.5**	23.1	22.5
		190.5	151.9	127.5
Total liabilities		**781.6**	736.4	890.0
Net assets		**246.5**	266.1	257.0
Equity				
Issued share capital	25	**0.5**	0.5	0.5
Share premium account	25	**30.1**	30.1	30.1
		30.6	30.6	30.6
Other reserves	28	**120.3**	124.6	120.9
Retained earnings		**95.9**	110.9	105.4
Total equity attributable to equity holders of the Parent Company		**246.8**	266.1	256.9
Non-controlling interest	29	**(0.3)**	–	0.1
Total equity		**246.5**	266.1	257.0

The consolidated financial statements of Impellam Group plc (registered number: 06511961) on pages 56 to 109 were approved by the Board on 24 April 2020.

Tim Briant
Chief Financial Officer

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

	Total share capital and share premium (note 25) £m	Other reserves (note 28) £m	Retained earnings £m	Total equity attributable to equity owners of the parent £m	Non-controlling interest (note 29) £m	Total equity £m
30 December 2017	30.6	120.9	108.7	260.2	0.1	260.3
Prior year adjustment (see note 37)	–	–	(3.3)	(3.3)	–	(3.3)
30 December 2017 – as restated	30.6	120.9	105.4	256.9	0.1	257.0
Profit for the period	–	–	13.2	13.2	0.1	13.3
Other comprehensive income (note 28 and 29)	–	5.8	0.1	5.9	(0.2)	5.7
Total comprehensive income in period	–	5.8	13.3	19.1	(0.1)	19.0
Transactions with owners, recorded directly in equity:						
Purchase and cancellation of own shares (note 25)	–	–	(3.5)	(3.5)	–	(3.5)
Share-based payment charge (note 26)	–	0.4	–	0.4	–	0.4
Dividends paid (note 34)	–	–	(6.8)	(6.8)	–	(6.8)
Transfer between reserves	–	(2.5)	2.5	–	–	–
4 January 2019	30.6	124.6	110.9	266.1	–	266.1
5 January 2019	**30.6**	**124.6**	**110.9**	**266.1**	**–**	**266.1**
Adoption of IFRS 9	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
5 January 2019 – as restated	**30.6**	**124.6**	**110.7**	**265.9**	**–**	**265.9**
Profit for the period	**–**	**–**	**5.8**	**5.8**	**(0.3)**	**5.5**
Other comprehensive income (note 28 and 29)	**–**	**(4.3)**	**–**	**(4.3)**	**–**	**(4.3)**
Total comprehensive income in period	**–**	**(4.3)**	**5.8**	**1.5**	**(0.3)**	**1.2**
Transactions with owners, recorded directly in equity						
Purchase and cancellation of own shares (note 25)	**–**	**–**	**(10.8)**	**(10.8)**	**–**	**(10.8)**
Demerger charge (note 12)	**–**	**–**	**(9.8)**	**(9.8)**	**–**	**(9.8)**
3 January 2020	**30.6**	**120.3**	**95.9**	**246.8**	**(0.3)**	**246.5**

Consolidated cash flow statement

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

	Notes	52 weeks 3 January 2020 £m	Restated (note 37) 53 weeks 4 January 2019 £m
Cash flows from operating activities			
Profit before tax		5.7	15.7
Adjustments for:			
Depreciation of property, plant and equipment	13	3.2	3.2
Amortisation of other intangible assets	16	17.2	9.1
Amortisation of right-of-use assets	14	9.0	–
Impairment of goodwill	15	1.6	8.6
Impairment of other intangible assets	16	5.4	–
Loss on disposal of property, plant and equipment	4	0.2	0.2
Finance income	7	(0.8)	–
Finance expense	8	9.0	6.8
Discontinued operations	12	0.7	(1.7)
Share-based payment	26	–	0.4
		51.2	42.3
(Increase)/decrease in trade and other receivables		(8.1)	96.1
Increase/(decrease) in trade and other payables		6.0	(100.6)
Increase in provisions	23	4.8	2.1
Cash from operations		53.9	39.9
Tax paid		(4.4)	(6.5)
Net cash from operating activities		49.5	33.4
Cash flows from investing activities			
Acquisition of subsidiary	11	(2.9)	–
Purchase of property, plant and equipment	13	(3.6)	(3.1)
Purchase of intangible assets	16	(6.8)	(6.9)
Decrease/(increase) in other financial assets	17	(0.1)	–
Interest received	7	0.8	–
Net cash from investing activities		(12.6)	(10.0)
Cash flows from financing activities			
Increase/(decrease) in short-term borrowings	31	16.8	(27.6)
(Decrease)/increase in overdraft	20	(0.9)	2.3
Purchase and cancellation of own shares	25	(10.8)	(3.5)
Interest paid on lease liabilities (2018: Interest element of net finance lease payments)	8	(1.3)	–
Other finance expenses paid	8	(6.8)	(6.8)
Repayment of lease liabilities (2018: Capital element of net finance lease payments)	31	(12.1)	0.4
Receipt from lease debtors	31	2.9	–
Cash flow on discontinued operations, net of cash disposed of	12	(2.5)	–
Dividends paid	34	–	(6.8)
Net cash from financing activities		(14.7)	(42.0)
Net increase /(decrease) in cash and cash equivalents		22.2	(18.6)
Opening cash and cash equivalents		117.1	137.9
Effect of foreign exchange rate movements	31	(7.0)	(2.2)
Closing cash and cash equivalents[1]	19	132.3	117.1

1 Unrestricted cash, available to the Group

FINANCIAL STATEMENTS

Notes to the consolidated financial statements

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

1. CORPORATE INFORMATION

The financial statements of Impellam Group plc and all of its subsidiaries ('the Group') for the 52 weeks ended 3 January 2020 were authorised for issue by the Board of Directors on 24 April 2020 and the balance sheet was signed on behalf of the Board by Tim Briant.

The Group provides staffing solutions, human capital management and outsourced people-related services from offices located in the UK, Ireland, North America, mainland Europe, Australia, New Zealand, Singapore and the Middle East.

Impellam Group plc ('the Company') is a public limited company incorporated and registered in England and Wales and domiciled in the UK under the Companies Act 2006 with a listing on the London Stock Exchange, trading on AIM.

Its registered office is located at:
800 The Boulevard
Capability Green
Luton
Bedfordshire LU1 3BA, United Kingdom

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and going concern

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the outbreak of COVID-19 have run various downside "stress test" scenarios. These scenarios assess the Government's predicted growth rate of the virus in our key trading markets of the UK, USA and Australia, and then apply progressively more challenging downside revenue sensitivities over a six month period from March to September 2020. These stress tests indicate the Group can withstand a material and prolonged decline in revenues including a peak revenue decline of over 40% in May and June 2020, after which forecast improvements in activity are modelled in the second half of 2020.

The projections assess our potential debt requirements against the Group's £240m of committed facilities and against the key covenant ratios' over this period. The Group has cyclical working capital requirements which increase during periods of higher trading levels and therefore if there is a significant short term decline in trading the working capital requirements and therefore net debt would initially reduce providing a natural hedge against a sharp downturn. In our projections, as business activity increases our working capital requirements and net debt levels would rise, but to levels within our facility. In these projections the Group's key covenant ratio of net debt being less than 2.5x the last twelve months EBITDA is not breached at the quarterly testing points.

In preparing these stress test scenarios, we have included the cash benefit from the UK Government's programme to allow business deferral of VAT payments, a cash benefit of c£35m over the period to April 2021.The scenario's include certain cost mitigation actions, such as reduced performance bonus, travel and entertainment, marketing activity, reduced capital expenditure and postponement in share buybacks, and, furloughing of certain staff. The scenarios do not include headcount reductions. In the event that there is a more significant downturn than in these scenarios there are further mitigating actions which could include but are not limited to, further reductions in capital expenditure, further reductions in non-business critical expenditure as well as the potential to reduce working hours and headcount reductions.

Like all organisations, we have no experience of this type of crisis, at this stage it is hard to predict the full extent of the impact of COVID-19, however under the significant stress test scenarios we have run, the Group could withstand a material and prolonged decline in revenue and continue to operate within the available banking facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its Financial Statements.

However, if the impacts of COVID-19 are worse or more prolonged than the Directors' expectations, and further mitigating actions are not sufficient, the Group may need to seek additional support. Given the lack of certainty that COVID-19 will have on the Group's customers and the markets in which it operates, which may result in a more pronounced downturn than expected, there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The financial statements have been prepared on the historical cost basis except where otherwise identified and as modified for the revaluation of certain financial assets at fair value through the income statement. The principal accounting policies adopted are set out below. The financial statements are presented in Pound Sterling and all values are rounded to the nearest £0.1 million (£0.1m) except where otherwise indicated. Foreign operations are included in accordance with note 2(C) below.

Any references to 2019 in these statements refer to the 52-week financial period ended 3 January 2020. Any references to 2018 in these statements refer to the 53-week financial period ended 4 January 2019.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 3 January 2020. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company. Each company, including the parent, uses locally applicable generally accepted accounting practice ('GAAP') for the preparation of their individual financial statements. Adjustments are made to bring these into line with the IFRS policies adopted by the Group, as required.

Subsidiaries are consolidated from the date on which the Group obtains control using the acquisition method and cease to be consolidated from the date on which the Group ceases its control. Accounting policies have been applied consistently.

A component of the Group's business is classified as a discontinued operation if the operations and cash flows of the component can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and if the component either has been or is classified as held for sales, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation the consolidated income statement and consolidated cash flow statement are restated and presented as if the operation has been classified as such from the start of the comparative year.

A) Changes in accounting policies and disclosures

Standards, amendments and interpretations effective in financial year 2019

- IFRS 2 Share-based Payment amendments (effective year starting on or after 1 January 2018)
- IFRS 9 Financial Instruments (effective year starting on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective year starting on or after 1 January 2018)
- IFRS 16 Leases (effective year starting on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective year starting on or after 1 January 2019)

IFRS 9 – Financial Instruments

IFRS 9 introduced a new classification approach for financial assets and liabilities. The classification of financial assets will be reduced from four to three classes and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. The Group has adopted this standard on a modified retrospective basis which means that prior-period information is not restated; this continues to be presented in accordance with IAS 39.

The Group holds credit insurance that covers all clients except public sector, local government and pay when paid contracts (see note 32 for more details). This policy covers around 40% of the value of all invoices raised (excluding sales taxes). A provision is held for clients covered by this policy using the expected credit loss model. The expectation of losses has been tempered by the presence of this policy as there is a lower exposure of the clients covered.

For those clients who are not covered by the credit insurance, the expected credit loss is very low as the public sector and local government contracts have a very low history of credit loss and there are no indicators or expectation that this will change. It is also noted that in the case of pay when paid clients, any losses would be offset by a similar credit against cost of sales so the expectation of potential losses is limited to the margin on the relevant invoice. A review of the creditworthiness of all clients, allowing for the nature of both the contracts and the clients, meant that a £0.2m adjustment to the expected credit loss provision was required on adopting this standard. Contract assets are made up of accrued income.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The new revenue standard will supersede all current revenue recognition requirements under IFRS. The Group adopted this standard at the start of the financial year using the fully retrospective method. Advantage has been taken of the practical expedient to aggregate the effect of modifications to contracts which had occurred before the earliest presented period. No material adjustments have been identified nor significant changes to performance obligations seen as a result of this expedient.

Revenue derived from temporary staffing services represents amounts due for the services of temporary staff, including the salary costs of these staff, and is recognised when the service has been provided. The performance obligation and the point at which control was transferred matches this as they are also satisfied when the service has been provided therefore no adjustment relating to the timing of recognition was required on transition.

Revenue derived from permanent placements represents amounts due when an individual commences permanent employment with a client. Revenue recognised from a permanent placement is typically based on a percentage of the candidate's remuneration package and is recognised when the candidate commences work with the client which is the only performance obligation and the point at which control was transferred. As the existing recognition policy matched the IFRS 15 criteria, no adjustment was required on transition.

Other revenue includes revenue from payroll fees, provision of healthcare services and other management and related fees. The majority of these are charged to clients at the time the expense occurred. This revenue is recognised over the course of the contract and in line with agreed performance obligations. No adjustment was required on transition.

In addition to revenue, the Group reviewed rebates and commissions. All rebates are recognised over the contract period and deducted from revenue with variable consideration measured under the most likely outcome method and allocated against the transaction price, therefore no adjustment was recognised as a result of transition to IFRS 15.

The Group pays commissions to the majority of its consultants, linked to financial performance, fill rates, sales or a combination of targets. Sales commissions relating specifically to the winning of particular contracts are capitalised and the amortisation is charged to cost of sales over the life of the contract. All other sales commissions are expensed in the period to which they relate. As all of the impacts following the adoption of IFRS 15 have an immaterial impact on profit both individually and when combined, there is no material impact on tax following transition.

IFRS 16 – Leases

IFRS 16 was issued in January 2017 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 requires all leases to be recognised as an asset on the balance sheet, with a corresponding lease liability whilst allowing an election to exclude short-term leases and leases of low value items. Short-term leases are normally taken to be leases of 12 months or less, and low value items are considered to be those valued at less than £5,000. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense of the right-of-use asset.

The Group reviewed its portfolio of leases as at 5 January 2019 and decided to account for IFRS 16 on the modified retrospective approach using a single discount rate for portfolio leases with similar characteristics. The characteristics considered as part of this grouping include the asset leased, geographic locations of the leases and the remaining lease term. Advantage has been taken of the exemption provided for low value leases. The Group has applied practical expedient C3 within the standard whereby IFRS 16 has been applied to contracts that were previously identified as leases when applying IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease. Where an individual lease had been adjudged to be onerous prior to the application of IFRS 16 the Group has adjusted the carrying value of the right-of-use asset to the carrying value of the related provision under practical expedient C10(b). This method of adoption means that there is no prior period adjustment required and all leases are recognised at the start of the period as if that was when they were taken out.

The value of the leased assets on adoption of IFRS 16 was £41.2m with £39.3m recorded as a lease liability. These values differ to the amounts calculated in the preparation of the interim financial statements which showed additions for the year, including both leases present at adoption and new leases signed during the period, of £25.9m. The difference arises from the inclusion of lease end liabilities which had not been included in the original calculations (£5.2m), sub-let properties which included only the Group exposure rather than the full lease position (£9.9m) and changes to the interest rates implicit in the leases (£0.2m). The 2020 interim statements will have restated comparatives for the impact of these adjustments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Details of the impact of this standard are given in note 14.

The Group has also adopted IFRIC 23 'Uncertainty over tax treatments' during the period, but this has had no material impact the Group.

New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting and effective for the Group as follows, which are all effective for periods starting on or after 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

B) Significant accounting judgements and estimates

In applying the Group's accounting policies, the following judgements and estimates have been made that may have a significant effect on the amounts recognised in the financial statements in the current or future years:

i) Judgements

Agent versus principal
The Group assesses whether it is acting as agent or principal depending on whether the client has a direct relationship with the Group, whether the Group has the primary responsibility for providing the services and whether the Group contracts directly with either the worker placed or any other recruitment agency. This judgement has been reviewed in relation to IFRS 15 'Revenue from Contracts with Customers' above. Account is also made of the degree of latitude the Group has in establishing the charging rates with all parties.

Where the Group provides a Managed Service, in which it acts as agent for the client (which is mainly Managed Services contracts), the amount of revenue recognised is limited to the management fee receivable for that service after making provision for any losses foreseen, volume rebates and amounts payable under gain-share arrangements rather than the full amount invoiced. Trade receivables and payables related to these sales are recorded at full invoice value.

Lease end dates
Under IFRS 16 'Leases' a right-of-use asset and lease liability need to be recognised in line with the expected lease term, which may not be the same as the term of the lease. This has led to a level of judgement over the leases in our portfolio on the expected lease termination date. Depending on the circumstances on the individual lease, the Group has taken either the break date (for those circumstances where the break is expected to be exercised), the actual lease end date or an estimate of the how long we will stay in a property for those leases which are held-over.

Discontinued operations
The Group assesses any operation that is ceased during the period in line with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' as described in the basis of consolidation. This requires elements of judgement over what is a major line of business as this is not defined within the standard.

Such judgement was required following the demerger of Carlisle Support Services Group Limited and its subsidiaries ('Carlisle'). In the judgement of the Group, Carlisle was deemed a major line of business as it had its own distinct offering, being the sole full-service provider within the Group as opposed to a provider of staff. This, together with numerous high-profile clients serviced by Carlisle, meant that the Group considers Carlisle to be a major line of business as at the time of disposal and so treated the demerger as a discontinued operation.

Aging of borrowing
The Group has signed up to a revolving credit facility which is committed until at least April 2023 (note 32). Borrowings made under this facility are over a set period, which is usually less than a year, but are available to be renewed as and when they fall due. The Group assess an element of this borrowing to be due in less than one year based upon optimal cash holding positions and planned repayments of the debt, in total, over the coming 12 months.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Brand value amortisation

The Group carries out an annual review of the useful economic lives of the brands held on the balance sheet. The review in the prior year resulted in the estimate being revised, resulting in the useful economic lives changing from indefinite to between 3 and 20 years, based on the perceived strength of the brands (see part F of this note). This change has been applied during the prior period after the completion of the review. The review for the current period identified no requirements to amend the useful economic lives, but the charge to the profit and loss reflects the full year impact of the change made.

Deferred tax asset recoverability

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

ii) Estimates

Impairment of goodwill and other intangible assets

The Group determines whether goodwill and other intangible assets are permanently impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details of the carrying value and impairment review, including sensitivities, are given in note 15.

Legal provision

The Group measures and recognises provisions related to pending litigation or other outstanding claims subject to negotiated settlement, mediation and arbitration. A significant level of estimation is required to quantify the possible ranges of financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision (see note 23).

Held-over lease end dates

The Group has estimated the lease end date for certain property leases where the lease has finished but the property is still in use under the holding-over provisions of the Tenant and Landlord Act 1954. In these cases, the Group has had discussions with the brand occupying the specific property and the landlord to determine the expected future of the property and used these discussions as a basis of estimating the expected future period the Group will retain access to the property.

Lease interest rates

The Group has estimated the interest rates implicit in the lease when calculating the lease liability and related right-of-use asset under IFRS 16 'Leases'. Unless stipulated clearly when taking on the liability the Group uses an incremental borrowing rate calculation to determine the relevant rate. Consideration is taken over the term of the lease, the credit risk of the acquirer and any specific risks relating to the assets acquired by an individual lease.

Change in critical estimates and critical judgements

During the year, the Group reviewed the critical estimates and critical judgements and removed the estimate of brand value amortisation as the estimate was consistent with previous years and no longer deemed critical.

C) Currencies and foreign currency translation

The functional and presentational currency of the Company and its UK subsidiaries is Pound Sterling. Foreign operations are located mainly in North America, Europe, Australia, New Zealand and Singapore, which use their local currencies as their functional currencies.

On consolidation, at the reporting date, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at rates ruling on the balance sheet date. Income and expense items are translated at average exchange rates monthly during the reporting period, as this is considered a reasonable approximation to actual translated rates.

The exchange differences arising from this retranslation are recognised in the Consolidated Statement of Other Comprehensive Income and accumulated to a foreign currency translation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation, and the tax charges and credits attributable to the exchange differences on these balances are dealt with in the statement of comprehensive income and accumulated to a foreign currency translation reserve in equity.

D) Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold property:	over 50 years
Short leasehold property improvements:	over the term of the lease
Furniture, fixtures and fittings:	between 3 and 10 years or to the end of the lease, whichever is shorter at the start of the asset's life
Computer equipment:	between 2 and 5 years

The residual value and estimated useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the item) is included in the income statement in the period the item is derecognised.

E) Goodwill

Goodwill acquired in a business combination represents the excess of the consideration paid (at the date of exchange) over the fair value of the identifiable assets, liabilities and contingent liabilities acquired on the date of acquisition. Acquisition-related costs are expensed to the income statement as incurred.

Goodwill is recognised as an asset in the consolidated balance sheet of the Group and is recorded at cost less any accumulated impairment losses. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment charge is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (business segments) that is expected to benefit from the combination. Each group of cash-generating units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

F) Other intangible assets

Other intangible assets represent the carrying value of brands and client relationships, identified on business combinations, and of computer software and licences.

Carrying value is equal to cost less accumulated amortisation and impairment or, in the case of assets acquired through business combinations, fair value at date of acquisition less accumulated amortisation and impairment.

Brands are defined as having finite useful lives and the costs are amortised on a straight-line basis over the estimated useful lives of each of the assets (ranging between three and twenty years). The expense is taken to the income statement through the 'depreciation and amortisation' line within administrative expenses.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Client relationships are defined as having finite useful lives and the costs are amortised on a straight-line basis over the estimated useful lives of each of the assets (ten years). The expense is taken to the income statement through the 'depreciation and amortisation' line within administrative expenses.

Externally acquired computer software and licences are capitalised at the costs incurred to acquire and bring into use the specific software. Internally generated computer software programs are capitalised to the extent that costs can be separately identified and attributed to particular software programs, measured reliably, and where the asset developed can be shown to generate future economic benefits and the Group intends to and has the technical ability and sufficient resources to complete development. Computer software and licences are defined as having finite useful lives and the costs are amortised on a straight-line basis over the estimated useful lives of each of the assets, considered to be between three and five years. The expense is taken to the income statement through the 'depreciation and amortisation' line within administrative expenses.

All costs relating to the 'research' phase of the software development cycle together with costs not separately identifiable and attributable to particular program development are expensed directly to administrative expenses in the income statement in the period in which it is incurred.

All intangible assets are also reviewed for impairment whenever there is an indication that the carrying amount may be impaired, or where the asset is not yet available for use. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

G) Implementation costs

Costs directly attributable to the implementation of a contract and which can be separately identified and measured reliably are capitalised when income from that contract is virtually certain and where they relate directly to the specific contract and are directly incremental to the implementation. These costs are included within trade and other receivables on the balance sheet so long as the estimated future cash flows from the contract are not less than the capitalised amount. These capitalised costs are amortised over the life of the contract on a straight-line basis. If the contract becomes loss-making, any unamortised costs are written off immediately.

H) Financial assets

Financial assets are classified as 'financial assets at fair value through the income statement', 'financial assets at fair value through other comprehensive income', or as 'financial assets amortised at cost', as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial period-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs.

Investments

The Group's investments are classified as held at fair value through the income statement. They are further classified as non-current unless management expects to dispose of the investment within 12 months of the balance sheet date.

These investments relate to the deferred compensation plan detailed in note 2(P) below, where the employee's entitlement is limited to the market value of the fund. On this basis the use of fair value through the income statement is permitted, because it eliminates a measurement inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis.

Subsequent to initial recognition these investments are held at fair value; the fair values are based upon bid prices ruling at the balance sheet date. Fair value adjustments are recognised through the income statement.

I) Other non-current financial assets

Other non-current financial assets represent security deposits with non-financial institutions that have no fixed date of repayment and that are not expected to be repaid within the next 12 months. On initial recognition these assets are held at cost and subsequently at amortised cost.

Impairment

The Group assesses at each balance sheet date whether a financial asset is impaired by reference to any known evidence indicating that the Group may not be able to collect all amounts due in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

J) Trade and other receivables

Trade receivables, which have various terms, are non-interest-bearing and are recognised and carried at fair value and subsequently measured at amortised cost, being the original invoice amount less an allowance for uncollectible amounts, credit notes, expected credit losses and an estimate of rebates due.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on factors affecting the Group's customers both relating to known factors relating to specific debtors as well as an awareness of the economic conditions in the countries where the Group operates. These risk factors are considered both on initial recognition of the receivable and as part of the ongoing assessment. If there has been a significant increase in the credit risk since the initial recognition then an increased loss provision is recognised.

Trade and other receivables also include contract assets which primarily arise where services have been provided but the amount incurred and margin earned has yet to be invoiced to the client due to timing of the completion of the performance obligation and are considered contract assets for disclosures required under IFRS 15 'Revenue from Contracts with Customers'.

K) Cash and cash equivalents

Cash and short-term deposits in the consolidated balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above. Bank overdrafts are shown with trade and other payables on the consolidated balance sheet.

L) Trade and other payables

Trade and other payables are classified as financial liabilities and measured at amortised cost which approximates to the fair value. The balances are non-interest bearing.

M) Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred income tax assets are recognised on an undiscounted basis for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group has adopted IFRIC 23 'Uncertainty over tax treatments' during the period, but this has had no material impact the Group.

Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods or services or assets is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

N) Provisions

Provisions, such as those over property or ongoing legal cases, are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in the income statement.

As part of the normal course of business the Group is exposed to various claims. Provisions are made for amounts that satisfy the recognition criteria in IAS 37 and accordingly are not recognised when the likelihood of any claim being settled, and the associated settlement amount cannot be estimated.

O) Financial liabilities

Financial liabilities are classified on initial recognition as either 'financial liabilities at fair value through income statement' or 'at amortised cost'. All Group borrowings have initially been recognised as 'at amortised cost' and measured at fair value of the consideration received less directly attributable issue costs.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initially recognised amount and the maturity amount. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

P) Employee benefits

Short-term benefits – bonus arrangements

The Group operates a number of annual bonus arrangements for Directors and employees. The cost of these arrangements is recognised in the income statement when the entity has an obligation to make such payments as a result of the achievement of Board-approved performance targets and when a reliable estimate of this obligation can be made.

Defined contribution pension obligations

The Group provides pension arrangements for its UK-based Directors and employees through defined contribution schemes administered by third-party providers. The Group has no further payment obligations once the contributions have been made. Contribution costs are expensed to the income statement as they become due.

Defined benefit pension obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Other post-employment obligations

In the US, the Group operates a deferred compensation plan for certain key employees. The plan allows the employee to defer receipt of a portion of their emoluments together with, in some cases, a contribution from the Group. The deferred amounts plus the Group contribution are paid into an external trust fund. Employees' entitlement is limited to the market value of the fund; therefore, both the investment and the liability to the employee are marked to market on an annual basis, with movements passing through the administrative expenses line (salaries and wages) in the income statement.

Q) Leases

Period ended 3 January 2020

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with an expected full term of 12 months or less.

Lease liabilities are measured at the present value of the unpaid contractual payments over the expected lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease and initial direct costs incurred.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate that is implicit in the lease for the remainder of the lease term. The carrying value of lease liabilities is similarly revised if any variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification. If the renegotiation results in one or more additional assets being leased for an amount similar to the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy. In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure the carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Right-of-use assets are reviewed regularly to ensure that the useful economic life of the asset is still appropriate based on the usage of the asset. Where the asset has reduced in value the Group considers the situation on an asset-by-asset basis and either treats the reduction as an acceleration of depreciation or as an impairment under IAS 36 'Impairment of Assets'. An acceleration of depreciation occurs in those cases where there is no opportunity or intention to utilise the asset before the end of the lease. An impairment is recognised in those few cases where the current value-in-use of the asset is significantly less than the carrying amount, but there is a both an intention and the sufficient timescale to enable the estimates used in assessing the impairment to change.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease.

Where the Group acts as a lessor by sub-letting specific leases, each such lease is classed either as a finance lease, if the sub-let transfers substantially all the risks and rewards of the underlying asset to the lessee, or an operating lease, if not. The Group endeavours to ensure that any sub-lease covers the full remaining term of the lease.

Where the Group recognises an asset from a finance lease, such asset replaces the right-of-use asset arising from the head lease and is recorded as a receivable called net investment in the lease. Subsequent to initial measurement, the net investment in the lease increase as a result of interest charged at a constant rate on the balance outstanding and is reduced for lease payments made.

Where the Group recognises an operating lease, lease payments received are treated as income on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Period ended 4 January 2019

The determination of whether an arrangement is, or contains, a lease is based upon the substance of the arrangement at inception date.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Payments under operating leases are expensed to the income statement on a straight-line basis over the period of the lease.

R) Revenue

Revenue derived from temporary staffing services is recognised and accrued by reference to hours worked (representing the service provided) in accordance with submitted authorised timesheets and pre-agreed charge rates (which include an element of salary and related costs) which are together used to determine the transaction price. This applies both when there is a direct supply as well as when there is supply of a Managed Service to the client, as the timing of performance obligations and the raising of invoices can vary. Timesheets are submitted mainly on a weekly basis, with a limited number being submitted either daily or monthly so any variable aspect of contract assets is limited due to the financial period finishing at the end of a week.

Revenue derived from permanent placements is recognised and accrued when the employment of the individual commences with provision made for potential refunds which can be payable if the placement is terminated within a set period ranging from 14 to 100 days. Revenue recognised from a permanent placement uses a transaction price typically based on a percentage of the candidate's remuneration package and is recognised when the candidate commences work with the client which is the only performance obligation and point at which control was transferred involved in the supply.

For revenue derived from both temporary staffing and permanent placements payment is due following the completion of the performance obligations and an agreed period of credit dependent on the agreed contract with the client.

The Group assesses whether it is acting as agent or principal depending on whether the client has a direct relationship with the Group, whether the Group has the primary responsibility for providing the services and whether the Group has control of or holds the inventory risk over the worker placed.

Where the Group acts as a principal in the supply, revenue is recognised as the gross amount due, net of value-added tax, rebates and discounts and after eliminating sales made within the Group. Where the Group provides a service in which it acts as agent for the client, the amount of revenue recognised is limited to the management fee receivable for that service after making provision for any losses foreseen, volume rebates and any other amounts payable rather than the full amount invoiced. Trade receivables and payables related to these sales are recorded at full invoice value. The Group does conduct business on both a principal and an agent basis and each new contract is reviewed to identify the most appropriate basis. Most segments within the Group act as principals as they have the primary relationship with the worker placed and can control when and where they are placed. The examples of the agent basis relationship are all found in the Global Talent Acquisition and Managed Workforce Solutions segment. These contracts have secondary relationships with the workers placed and act more as intermediaries for processing and consolidating contact rather than sourcing the individual workers. The contractual obligations around both the billing of clients and payments to suppliers in these cases also highlights the lack of control over the specific service provided and so reinforce the recognition of revenue on an agent basis.

Interest income receivable on deposits with financial institutions is recognised on an accrued basis. Contract liabilities are recognised when an invoice has been raised in advance of the service provision discussed above.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

S) Separately disclosed items

Separately disclosed items are costs or income that have been recognised in the income statement which the Directors believe, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year underlying financial performance. These are separately disclosed on the face of the consolidated income statement and in the notes, as appropriate.

T) Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are qualifying assets under IAS 23 'Borrowing Costs' when they are capitalised.

U) Equity instruments

The Ordinary shares issued by the Company are classified as equity. They are recorded as the proceeds received, net of direct issue costs.

Where any Group company purchases the Company's equity instrument (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's equity shareholders, until the shares are cancelled or reissued. Upon cancellation, a reserve equal to the nominal value of the shares is transferred from Retained Earnings into a Capital Redemption Reserve.

V) Dividend distribution policy

Dividend distributions to the Company's shareholders are recognised as a liability in the Group financial statements in the period in which the dividends are paid or approved by the Company's shareholders.

W) Demerger policy

Demerger charges are recognised through the statement of changes in equity when the Group demerges a part of the Group by way of distribution such that the control of the demerged entity does not change.

3. SEGMENT INFORMATION

The Group is reporting under IFRS 8 'Operating Segments' which requires that the Group firstly:

- identifies its 'Chief Operating Decision Maker' ('CODM'), which has currently been assessed as the Group Chief Executive Officer who, along with the 'Leadership team', reviews the Group's internal reporting in order to assess performance and allocate resources

and secondly:

- by reference to the information supplied to the CODM identifies its operating segments and from these to identify its reportable segments.

The Group has been reviewing its segmental management and reporting structure alongside its strategic initiatives during late 2018 and early 2019. This has led to a change in the reporting segments which are now better aligned to how they are managed on a day-to-day basis. Comparative information has been restated to reflect these changes.

The CODM discusses performance with management of the following reportable segments plus an allocation of shared costs and corporate costs:

- Global Talent Acquisition and Managed Workforce Solutions
- Global Specialist Staffing
- Regional Specialist Staffing
- Healthcare

The CODM does not review balance sheet reports in detail by segment, only in total for the Group. As such, no information relating to assets and liabilities on a segmental basis has been presented.

3. SEGMENT INFORMATION CONTINUED

	Revenue £m	Gross profit £m	Adjusted EBITDA £m
52 weeks ended 3 January 2020			
Global Talent Acquisition and Managed Workforce Solutions	**757.1**	**78.0**	**18.5**
Global Specialist Staffing	**649.1**	**55.5**	**16.7**
Regional Specialist Staffing	**650.3**	**94.0**	**11.2**
Healthcare	**245.8**	**46.6**	**3.1**
Inter-segment revenues	**(47.5)**	**–**	**–**
Operating segments	**2,254.8**	**274.1**	**49.5**

Restated (note 37)	Revenue £m	Gross profit £m	Adjusted EBITDA £m
53 weeks ended 4 January 2019			
Global Talent Acquisition and Managed Workforce Solutions	715.8	75.5	18.2
Global Specialist Staffing	682.2	54.9	16.8
Regional Specialist Staffing	682.2	97.8	13.5
Healthcare	247.0	49.3	4.4
Inter-segment revenues	(59.9)	–	–
Operating segments	2,267.3	277.5	52.9

Reconciliation of segment adjusted EBITDA to profit from continuing operations is as follows:

	52 weeks 3 January 2020 £m	Restated (note 37) 53 weeks 4 January 2019 £m
Segment adjusted EBITDA	**49.5**	52.9
Corporate costs	**(2.8)**	(3.1)
Adjusted EBITDA	**46.7**	49.8
IFRS 16 rent cost add-back	**8.7**	–
Amortisation of right-of-use assets (note 14)	**(9.0)**	–
Net IFRS 16 effect	**(0.3)**	–
Amortisation of software (note 16)	**(7.0)**	(4.9)
Depreciation of property, plant and equipment (note 13)	**(3.2)**	(3.3)
Loss on disposal of property, plant and equipment	**(0.2)**	(0.2)
Adjusted operating profit	**36.0**	41.4
Amortisation of brand value and customer relationships (note 16)	**(10.2)**	(4.2)
Impairment of goodwill (note 15)	**(1.6)**	(8.6)
Impairment of intangible assets (note 16)	**(5.4)**	–
Separately disclosed items (note 6)	**(4.9)**	(5.7)
Share-based payment (note 26)	**–**	(0.4)
Operating profit from continuing operations	**13.9**	22.5
Finance income (note 7)	**0.8**	–
Finance expense (note 8)	**(9.0)**	(6.8)
Tax charge (note 9)	**(0.9)**	(2.8)
Profit from continuing operations	**4.8**	12.9

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

3. SEGMENT INFORMATION CONTINUED

The above table reconciles the adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'), which also excludes separately disclosed items and share-based payments to the standard profit measure under International Financial Reporting Standards (Operating Profit). This is the Alternative Profit Measure used when discussing the performance of the Group. The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance, including Directors' remuneration, and also reflects the starting profit measure used when calculating the Group's banking covenants. All discussions within the Group on segmental and individual brand performance refer to adjusted EBITDA. Corporate costs represent costs associated with being a listed company with a wide portfolio of brands and therefore are not allocated to the segments.

As a result of the adoption of IFRS 16 in the current financial year, the Group is moving to adjusted operating profit as its Alternative Profit Measure, to include depreciation and amortisation of assets but excluding amortisation of acquired intangibles, and this is included in the above table for reference. As this transition has led to different accounting policies in the current and comparative years, the segmental analysis has been completed with operating lease payments included within the segment numbers so that the year-on-year performance is comparable. An adjustment is therefore made to remove these costs to get to Adjusted EBITDA.

Adjusted EBITDA is not defined by IFRS and therefore may not be directly comparable with other companies' alternative profit measures. It is not intended to be a substitute, or superior to, IFRS measurements of profit.

Separately disclosed items are costs or income that have been recognised in the income statement which the Directors' believe, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year underlying financial performance (note 6).

Share-based payments are shown separately due to their size in order to give a more comparable view of the year-on-year underlying financial performance.

IFRS 15 requires entities to disaggregate revenue recognised from contracts with customers into relevant categories that depict how the nature, amount and cash flows are affected by economic factors. As a result, we consider the following information to be relevant:

52 weeks 3 January 2020	Global Talent Acquisition and Managed Workforce Solutions £m	Global Specialist Staffing £m	Regional Specialist Staffing £m	Healthcare £m	Inter-segment revenues £m	Total £m
Primary geographic markets						
UK	597.9	573.7	437.8	128.2	(47.5)	1,690.1
Europe	17.4	0.8	7.3	51.9	–	77.4
North America	134.2	74.6	205.0	–	–	413.8
Australasia	7.6	–	0.2	65.7	–	73.5
Total	757.1	649.1	650.3	245.8	(47.5)	2,254.8
Major service lines						
Temporary placements	744.7	612.6	615.6	236.9	(47.5)	2,162.3
Permanent placements	5.3	12.1	13.6	8.6	–	39.6
Other	7.1	24.4	21.1	0.3	–	52.9
Total	757.1	649.1	650.3	245.8	(47.5)	2,254.8
Timing of revenue recognition						
Service transferred at a point in time	757.1	649.1	650.3	245.8	(47.5)	2,254.8
Total	757.1	649.1	650.3	245.8	(47.5)	2,254.8

3. SEGMENT INFORMATION CONTINUED

Restated (note 37) 53 weeks 4 January 2019	Global Talent Acquisition and Managed Workforce Solutions £m	Global Specialist Staffing £m	Regional Specialist Staffing £m	Healthcare £m	Inter-segment revenues £m	Total £m
Primary geographic markets						
UK	557.3	610.7	447.7	135.5	(59.9)	1,691.3
Europe	15.3	–	13.3	52.9	–	81.5
North America	137.8	71.5	220.0	–	–	429.3
Australasia	5.4	–	1.2	58.6	–	65.2
Total	715.8	682.2	682.2	247.0	(59.9)	2,267.3
Major service lines						
Temporary placements	710.2	669.0	667.7	237.7	(59.9)	2,224.7
Permanent placements	4.7	12.1	14.0	5.6	–	36.4
Other	0.9	1.1	0.5	3.7	–	6.2
Total	715.8	682.2	682.2	247.0	(59.9)	2,267.3
Timing of revenue recognition						
Service transferred at a point in time	715.8	682.2	682.2	247.0	(59.9)	2,267.3
Total	715.8	682.2	682.2	247.0	(59.9)	2,267.3

The revenue information above is based on location of the Group entity directly involved in the supply.

Non-current assets

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
UK	**167.7**	178.8
North America	**124.9**	111.5
Europe	**13.7**	13.6
Australasia	**12.3**	8.0
Total	**318.6**	311.9

Non-current assets above consist of Property, plant and equipment, Goodwill, Other intangible assets, Deferred tax assets, Financial assets and Trade and other receivables due in more than 1 year.

4. OPERATING PROFIT

a) Operating profit has been arrived at after charging:

	52 weeks 3 January 2020 £m	Restated (note 37) 53 weeks 4 January 2019 £m
Separately disclosed items (note 6)	**4.9**	5.7
Depreciation of property, plant and equipment (note 13)	**3.2**	3.3
Amortisation of right-of-use assets (note 14)	**9.0**	–
Amortisation of intangible assets (note 16)	**17.2**	9.1
Impairment of goodwill (note 15)	**1.6**	8.6
Impairment of intangible assets (note 16)	**5.4**	–
Loss on disposal of property, plant and equipment	**0.2**	0.2
Minimum lease payments recognised as an operating lease expense (note 14)	**1.9**	10.5
(Release)/charge for bad and doubtful trade receivables (note 18)	**(1.2)**	1.0

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

4. OPERATING PROFIT CONTINUED

b) Auditor's remuneration

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Fees payable to the Auditor for the audit of the Group's annual financial statements	0.2	0.1
Fees payable to the Group's Auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	0.7	0.5
Other non-audit services in relation to tax advisory	–	0.1
Total	0.9	0.7

5. EMPLOYMENT COSTS

a) Employees (including Directors) whose costs are included in administrative expenses

Costs of employment

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Wages, salaries and bonuses	155.5	158.8
Share-based payment (note 26)	–	0.4
Social security costs	14.9	14.8
Expenses related to defined contribution plan	3.2	2.6
Total	173.6	176.6

Monthly average number of employees

	52 weeks 2 January 2020 Number	53 weeks 4 January 2019 Number
Global Talent Acquisition and Managed Workforce Solutions	808	810
Global Specialist Staffing	448	447
Regional Specialist Staffing	1,197	1,281
Healthcare	669	693
Corporate staff (including Directors)	11	11
Total	3,133	3,242

5. EMPLOYMENT COSTS CONTINUED

b) Employees whose costs are included in cost of sales

In addition to the above, the Group employs some of the staff who are supplied to clients and whose costs are part of the Group's cost of sales.

Costs of employment

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Wages, salaries and bonuses	**577.7**	639.6
Social security costs	**18.7**	22.8
Expenses related to defined contribution plan	**2.1**	2.1
Total	**598.5**	664.5

Monthly average number of employees

	52 weeks 3 January 2020 Number	53 weeks 4 January 2019 Number
Global Talent Acquisition and Managed Workforce Solutions	**6,399**	9,158
Global Specialist Staffing	**1,550**	1,212
Regional Specialist Staffing	**14,107**	15,590
Total	**22,056**	25,690

c) Information on Directors' remuneration

The total emoluments for all Directors during the period were:

	52 weeks 3 January 2020 £000	53 weeks 4 January 2019 £000
Emoluments (including benefits)	**684**	1,052
Contribution to defined contribution pension plans	**68**	81
	752	1,133

Total emoluments excluding pension contributions:

	52 weeks 3 January 2020 £000	53 weeks 4 January 2019 £000
Lord M Ashcroft	**42**	41
J Robertson	**477**	476
A Wilford	**–**	353
AE Entwistle	**40**	40
ME Ettling	**45**	45
M Laurie	**40**	40
Baroness T Stowell	**40**	40
D O'Neill	**–**	17
Total	**684**	1,052

The 2018 emoluments of Lord Ashcroft were previously reported as £241,000 and has been restated to £41,000, to correct an inaccuracy.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

5. EMPLOYMENT COSTS CONTINUED

Pension contributions

	52 weeks 3 January 2020 £000	53 weeks 4 January 2019 £000
J Robertson	68	81

All pension payments relate to defined contribution schemes.

The emoluments of the highest paid Director during the period were:

	52 weeks 3 January 2020 £000	53 weeks 4 January 2019 £000
Emoluments (including benefits)	477	476
Pension contributions	68	81
	545	557

The total emoluments for J Robertson and A Wilford include benefits, both non-cash and cash, to the value of £95,000 (2018: £107,000) and £nil (2018: £19,000), respectively. The £40,000 (2018: £40,000) paid for the services of AE Entwistle as a Non-Executive Director is paid to Deacon Street Partners Limited. No Director has been in receipt of a loan from the Group in the current or prior periods.

6. SEPARATELY DISCLOSED ITEMS

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Group transformation costs(a)	3.8	–
Group demerger costs(b)	0.7	–
Adjustments to contingent consideration(c)	(0.3)	0.5
Legal claim costs(d)	0.7	3.2
US Businesses' restructuring and integration(e)	–	2.0
Total included in Operating profit	4.9	5.7
Finance expense – separately disclosed(f)	0.9	–

a) In 2019 the Group commenced a transformation programme looking at all aspects of the business including structure, people, IT and individual businesses. This process remains ongoing and will generate further costs in 2020. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business

b) The Group demerged Carlisle Support Services Group in 2019, incurring costs of £0.7m. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business

c) Contingent consideration payments linked to individuals' continuing employment in the business generated a £0.3m credit in relation to the acquisition of Global Group (UK) Ltd (2015: £0.5m). These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses

d) In 2018 the Group had an ongoing litigation matter for which a provision for settlement and associated legal costs of £3.0m has been made. Following further legal advice, in 2019 the provision has been reduced to £1.0m. The Group are also considering a settlement in relation to a contract for which a provision of £2.3m has been made. These are disclosed separately due to their one-off nature and significance

e) US Business restructuring and integration costs are of such significance that they are excluded in order to bring them to the reader's attention in understanding the Group's financial performance. Following the acquisition of Bartech at the end of 2015 the Group has gone through a three-year programme to enable the realisation of cost and revenue synergies and ensure the right structure of Impellam North America is in place. This includes costs related to the integration of the Bartech business to Impellam systems, processes and policies. This programme has concluded at the end of 2018. All other costs related to restructures within the individual Impellam brands have been included in the trading results as they are not deemed significant

f) Finance costs previously capitalised have been written off due to the negotiation of a new revolving credit facility during the period.

7. TOTAL FINANCE INCOME

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Bank interest receivable	**0.5**	–
Interest on lease debtors	**0.3**	–
Total finance income	**0.8**	–

8. TOTAL FINANCE EXPENSE

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Revolving credit facilities	**6.5**	6.5
Write off capitalised finance costs (note 6)	**0.9**	–
Lease interest payable	**1.3**	–
Other interest expense	**0.3**	0.3
Total finance expense	**9.0**	6.8

9. TAXATION

a) Tax charge in the income statement

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Current income tax		
UK Corporation Tax on results for the period	**0.8**	1.7
Adjustments in respect of previous periods	**(0.1)**	(0.3)
	0.7	1.4
Foreign tax in the period	**1.3**	2.5
Total current income tax	**2.0**	3.9
Deferred tax credit	**(1.1)**	(1.1)
Total tax charge in the income statement	**0.9**	2.8

The deferred tax credit comprises the following:

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Utilisation of tax losses brought forward	**2.4**	1.8
Recognition of assets not previously recognised	**(3.0)**	(1.8)
Origination and reversal of other temporary differences	**(0.1)**	(0.8)
Change in tax rate used for deferred tax carried forward	**(0.2)**	0.3
Adjustment in respect of previous periods	**(0.2)**	(0.6)
Total deferred tax credit (note 24)	**(1.1)**	(1.1)

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

9. TAXATION CONTINUED

b) Reconciliation of the total tax charge

The standard rate of Corporation Tax in the UK is 19%. Accordingly, the Group's profit from this period is taxed at an effective rate of 19.0% (2018: 19.0%). The tax charge for the period is £0.9m (2018: £2.8m) for the Group. A tax reconciliation explaining differences from the expected statutory rate is summarised below:

	52 weeks 3 January 2020 %	53 weeks 4 January 2019 %
Tax charge at UK standard rate	**19.0**	19.0
Differences in tax rates in other countries	**8.9**	5.3
(Income)/expenses not taxable/allowable in determining taxable profits	**43.5**	3.9
Losses in period carried forward but not recognised as assets	**5.8**	3.9
Recognition of losses not previously recognised (note 24)	**(52.6)**	(11.2)
Change in tax rate used for deferred tax carried forward	**(3.2)**	2.0
Adjustments to deferred tax in respect of previous periods	**(4.4)**	(3.7)
Adjustments in respect of previous periods	**(1.2)**	(1.8)
Effective total tax rate	**15.8**	17.4

Income not taxable in determining taxable profits is comprised of various adjustments in respect of items not treated as taxable under local tax rules (such as non-deductible interest and capital costs in administrative expenses), plus expenses previously added back as non-deductible being treated as allowed for tax.

Adjustments in respect of previous periods (current and deferred) arise as result of a reduction in non-tax deductible expenses and estimated timing difference in the prior year filed UK tax returns.

See note 24 for explanation of deferred tax assets and liabilities.

Factors affecting tax charges in future periods

A reduction in the UK Corporation Tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly. The deferred tax balances at 3 January 2020 have been calculated based at 17%, as the relevant rate enacted at the balance sheet date.

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of Ordinary shares outstanding during the period. As there were no material changes to current or comparative results as a result of the initial adoption of the new accounting standards referenced in note 2, there has been no adjustment to the results below.

Diluted earnings per share amounts are calculated on the same basis but after adjusting the denominator for the effects of dilutive options. The only potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans. There were zero options outstanding at 3 January 2020 (2018: zero), see note 26.

Excluding the 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust, the weighted average number of shares in 2019 is 48,543,107 (2018: 50,171,830) and the fully diluted average number of shares is 48,562,948 (2018: 50,191,671). The calculations of both basic and diluted earnings per share ('EPS') are based upon the following consolidated income statement data:

10. EARNINGS PER SHARE CONTINUED

	52 weeks 3 January 2020 £m	(As restated) 53 weeks 4 January 2019 £m
Continuing profit for the period	4.8	12.9
Discontinued profit for the period	0.7	0.4
Profit for the period	5.5	13.3
Separately disclosed items (net of tax)	4.1	6.0
Impairment of goodwill	1.6	8.6
Impairment of other intangible assets (net of tax)	4.4	–
Acquired intangibles amortisation (net of tax)	8.2	3.3
Total adjusted profit for the period	**23.8**	31.2
Continuing adjusted profit	23.1	30.8
Discontinued adjusted profit	0.7	0.4

EPS – basic calculation

	52 weeks 3 January 2020 Pence	(As restated) 53 weeks 4 January 2019 Pence
Continuing unadjusted basic earnings per share	9.8	25.8
Discontinued unadjusted basic earnings per share	1.4	0.7
Total unadjusted basic earnings per share	11.2	26.5
Separately disclosed items (net of tax)	8.4	11.9
Impairment of goodwill	3.3	17.1
Impairment of other intangible assets (net of tax)	9.2	–
Customer relationship and brand amortisation (net of tax)	16.9	6.7
Adjusted basic earnings per share[1]	**49.0**	62.2
Continuing adjusted basic earnings per share	47.6	61.5
Discontinued adjusted basic earnings per share	1.4	0.7

[1] Additional earnings per share calculations have been presented in order to provide information on the underlying performance of the Group before separately disclosed expenditure, impairment of goodwill and intangible assets and the amortisation of customer relationships and brands.

EPS – diluted calculation

	52 weeks 3 January 2020 Pence	(As restated) 53 weeks 4 January 2019 Pence
Continuing unadjusted diluted earnings per share	9.8	25.8
Discontinued unadjusted diluted earnings per share	1.4	0.6
Total unadjusted diluted earnings per share	11.2	26.4
Separately disclosed items (net of tax)	8.5	11.9
Impairment of goodwill	3.3	17.1
Impairment of other intangible assets (net of tax)	9.1	–
Customer relationship and brand amortisation (net of tax)	16.9	6.7
Adjusted diluted earnings per share[1]	**49.0**	62.1
Continuing adjusted diluted earnings per share	47.6	61.5
Discontinued adjusted diluted earnings per share	1.4	0.6

[1] Additional earnings per share calculations have been presented in order to provide information on the underlying performance of the Group before separately disclosed expenditure, impairment of goodwill and intangible assets and the amortisation of customer relationships and brands.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

11. BUSINESS COMBINATIONS

Global Group (UK) Limited

On 30 July 2015, the Group acquired 100% of the shares of Global Group (UK) Limited, an unlisted company incorporated in the UK in exchange for cash. Global Group is a specialist doctors' locum recruitment business operating in Ireland, Australasia and the UK, which is complementary to the Medacs business and propels the healthcare business forward significantly outside the UK.

Contingent consideration payments arising on the acquisition of Global Group (UK) Limited which are linked to the continued employment of certain individuals are being accrued through the profit and loss account over the earnout periods until 2019. A release of £0.3m (2018: charge of £0.5m) was recorded in operating profit and £0.9m (2018: £4.8m) was paid during the period. At the end of the period, there was £nil outstanding (2018: £1.2m).

Flexy Corporation Limited

On 9 July 2019 the Group acquired 100% of the shares of Flexy Corporation Limited ('Flexy'), an unlisted company incorporated in the United Kingdom, in exchange for cash. Additional consideration may be payable to the vendors of Flexy subject to achievement of future performance conditions. Flexy is an innovative, data-driven analysis platform which uses psychometrics, machine learning, and nudge theory to unlock local talent. The efficiency gained through the utilisation of technology combined with the Group's deep staffing experience will augment the existing portfolio and service offering to customers and candidates.

Assets acquired and liabilities assumed

The fair values of identifiable assets and liabilities of Flexy as at the date of acquisition were:

	Acquired book value £m	Fair value recognised on acquisition £m
Software	0.2	3.2
Trade, other receivables and cash	0.1	0.1
	0.3	3.3
Trade and other payables	(0.2)	(0.2)
Deferred tax liabilities	–	(0.5)
	(0.2)	(0.7)
Total identifiable net assets at fair value	0.1	2.6
Goodwill arising on acquisition		0.3
Purchase consideration		2.9

The majority of the purchase consideration has been allocated against the software developed by Flexy as that was the main driver for the acquisition. The remaining goodwill of £0.3m comprises the value of the employees and their technical skills for driving future development of the platform. Goodwill is allocated wholly to the Regional Specialist Staffing segment and included in the Online Platform cash-generating unit for impairment testing. The deferred tax liability arises from the tax effect of temporary timing differences relating to the fair value of the software acquired.

Purchase consideration

	£m
Cash consideration	2.9
Total consideration	2.9

Costs amounting to £0.1m relating to the acquisition have been recognised and recorded in administrative expenses.

Earnout consideration

As part of the purchase agreement with the previous owners of Flexy, an earnout consideration has been agreed. There will be additional payments due, in cash, to the previous owners of Flexy between January 2020 and December 2025 depending on various trading targets being achieved and the continued employment of certain individuals. This consideration is being accrued through the profit and loss account over the earnout period, in line with our latest expectation of the timing of when the targets will be achieved. No charge has been recognised in the current year.

11. BUSINESS COMBINATIONS CONTINUED

From the date of acquisition, Flexy has contributed £0.2m of revenue and a loss before tax of £0.2m from continuing operations of the Group. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £0.5m and the profit before tax from continuing operations would have been £0.3m.

12. DISCONTINUED OPERATIONS

In March 2019 the Group demerged Carlisle Support Services Group Ltd and its subsidiaries ('CSS') by way of a dividend-in-specie and, as such, the demerger was accounted for through reserves.

The CSS segment was not previously classified as held-for-sale or as a discontinued operation as, at the release of the 2018 results, no decision had been made as to the disposal of the segment. The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Subsequent to the disposal, the Group has continued to trade with the discontinued operation. Intra-Group transactions have been fully eliminated in consolidated financial results and management has elected not to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal as the level of this is small in comparison to the total trade of both the continuing and discontinued operation.

Results from discontinued operations

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Revenue	**9.6**	56.7
Cost of sales	**(8.7)**	(51.9)
Gross profit	**0.9**	4.8
Administrative expenses	**(0.2)**	(4.4)
Profit from operating activities	**0.7**	0.4
Taxation	**–**	–
Profit from discontinued operations	**0.7**	0.4

Cash flows relating to discontinued operations

	52 weeks 3 January 2020 £m	53 weeks 4 January 2019 £m
Net cash generated by operating activities	**0.5**	(1.7)
Net cash (outflow) from financing activities	**(0.1)**	(0.1)
Net cash flows for discontinued operations	**0.4**	(1.8)

Effect of disposal on the financial position of the Group

	On disposal £m
Property, plant and equipment	0.5
Goodwill	4.8
Deferred tax assets	0.3
Trade and other receivables	9.0
Cash and cash equivalents	2.5
Trade and other payables	(8.8)
Defined benefit pension asset	0.1
Lease liabilities	(0.3)
Net assets and liabilities	8.1

The demerger charge of £9.8m is comprised of the net assets disposed of (£8.1m) and the value of the dividend-in-specie declared (£1.7m).

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Short leasehold property £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Net carrying value – 29 December 2017	0.2	1.8	3.0	2.3	7.3
Cost – 30 December 2017	0.2	2.3	6.3	4.9	13.7
Additions	–	0.4	1.4	1.3	3.1
Disposals	–	(0.1)	(1.0)	(0.1)	(1.2)
Foreign exchange	–	–	0.1	–	0.1
Cost – 4 January 2019	0.2	2.6	6.8	6.1	15.7
Accumulated depreciation – 30 December 2017	–	0.5	3.3	2.6	6.4
Charge for the period	–	0.7	1.1	1.5	3.3
Disposals	–	(0.1)	(0.6)	(0.1)	(0.8)
Foreign exchange	–	–	0.1	–	0.1
Accumulated depreciation – 4 January 2019	–	1.1	3.9	4.0	9.0
Net carrying value – 4 January 2019	0.2	1.5	2.9	2.1	6.7
Cost – 5 January 2019	**0.2**	**2.6**	**6.8**	**6.1**	**15.7**
Additions	**–**	**0.5**	**2.0**	**1.1**	**3.6**
Disposals	**–**	**(0.2)**	**(0.9)**	**(0.5)**	**(1.6)**
Foreign exchange	**–**	**(0.1)**	**–**	**(0.2)**	**(0.3)**
Cost – 3 January 2020	**0.2**	**2.8**	**7.9**	**6.5**	**17.4**
Accumulated depreciation – 5 January 2019	**–**	**1.1**	**3.9**	**4.0**	**9.0**
Charge for the period	**–**	**0.6**	**1.3**	**1.3**	**3.2**
Disposals	**–**	**(0.2)**	**(0.7)**	**(0.4)**	**(1.3)**
Foreign exchange	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Accumulated depreciation – 3 January 2020	**–**	**1.5**	**4.5**	**4.8**	**10.8**
Net carrying value – 3 January 2020	**0.2**	**1.3**	**3.4**	**1.7**	**6.6**

Included in computer equipment are assets with net carrying value of £0.3m (2018: £0.4m) held under a finance lease. Depreciation of £0.1m (2018: £0.1m) was charged on these assets.

14. LEASES

During the period the Group accounted for 157 leased properties under IFRS 16 across the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or at a fixed rate and in others to be reset periodically to market rental rates whilst in others the periodic rent is fixed over the lease term. Some leases have provisions for early termination (see lease end dates judgments 2(B)i). The Group also leased 201 vehicles, all which have a fixed lease fee over the term. The weighted average Incremental Borrowing Rate used to calculate the lease liability was 3.15%.

Of the 157 property leases accounted for under IFRS 16 during the period 13% recognised future uplifts in rent. Should the lease payments on these increase by 5% there could be a resulting increase in the right of use asset of £0.1m.

The income from sub-letting right-of-use assets and total cash outflow for leases can be seen in the cash flow statement on page 59.

14. LEASES CONTINUED

Right-of-use assets

	Land and buildings £m	Vehicles £m	Total £m
Net carrying value – 4 January 2019	–	–	–
Cost – 5 January 2019	**39.8**	**1.4**	**41.2**
Additions	**4.3**	**0.4**	**4.7**
Disposals	**(11.2)**	**(0.4)**	**(11.6)**
Foreign exchange	**(0.2)**	**–**	**(0.2)**
Cost – 3 January 2020	**32.7**	**1.4**	**34.1**
Accumulated depreciation – 5 January 2019	**–**	**–**	**–**
Charge for the period	**8.5**	**0.5**	**9.0**
Disposals	**(0.2)**	**(0.1)**	**(0.3)**
Foreign exchange	**–**	**–**	**–**
Accumulated depreciation – 3 January 2020	**8.3**	**0.4**	**8.7**
Net carrying value – 3 January 2020	**24.4**	**1.0**	**25.4**

£10.4m of the disposals in the table above relate to the de-recognition, on adoption, of lease assets of various Group properties which have been sub-let on similar terms for the remaining period of the lease. Such disposals have been recognised as lease receivables.

Lease receivables

	3 January 2020 £m	4 January 2019 £m
Current	**2.7**	–
Non-current	**4.6**	–
Total lease receivables	**7.3**	–

Lease liabilities

	Land and buildings £m	Vehicles £m	Total £m
Net carrying value – 4 January 2019	–	–	–
On adoption	**37.9**	**1.4**	**39.3**
Additions	**3.9**	**0.4**	**4.3**
Interest	**1.2**	**0.1**	**1.3**
Payments	**(11.5)**	**(0.6)**	**(12.1)**
Disposals	**–**	**(0.3)**	**(0.3)**
Foreign exchange	**(0.8)**	**–**	**(0.8)**
Net carrying value – 3 January 2020	**30.7**	**1.0**	**31.7**

	3 January 2020 £m	4 January 2019 £m
Current	**10.6**	–
Non-current	**21.1**	–
Total lease liabilities (note 32)	**31.7**	–

The difference between the right-of-use asset on adoption of £41.2m and the adopted lease liability of £39.3m is £4.6m of end of lease payments which have been included in provisions rather than the lease liability and £2.7m of costs inherent in the lease which had been taken in prior periods and have offset the value of the asset.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

14. LEASES CONTINUED

The following table reconciles the minimum lease commitments disclosed in the Group's 4 January 2019 annual financial statements to the amount of lease liabilities recognised on 5 January 2019:

Reconciliation of lease commitments to lease liabilities

	At 5 January 2019 £m
Minimum operating lease commitment at 4 January 2019	43.2
Short-term leases not recognised under IFRS 16	(1.6)
Low value leases not recognised under IFRS 16	(0.2)
Gross up of sub-let property commitments	11.2
Change in recognition basis of break clauses and included charges	(9.8)
Undiscounted lease payment	42.8
Effect of discounting using the incremental borrowing rate	(3.5)
IFRS 16 Lease liability at 5 January 2019	39.3

Included in operating lease expenditure for 2019 are expenses relating to leases which have not been recognised under IFRS 16. The value of expense recognised for low value leases for the period is £0.2m and for short-term leases is £1.6m.

15. GOODWILL

	Cost £m	Impairment £m	Net carrying value £m
Opening balance at 30 December 2017	174.4	(14.0)	160.4
Impairment in the period	–	(8.6)	(8.6)
Foreign exchange and other movements	4.4	–	4.4
Closing balance at 4 January 2019	178.8	(22.6)	156.2
Additions in the period	**0.3**	**–**	**0.3**
Impairment in the period	**–**	**(1.6)**	**(1.6)**
Disposals in the period	**(18.8)**	**14.0**	**(4.8)**
Foreign exchange and other movements	**(2.1)**	**–**	**(2.1)**
Closing balance at 3 January 2020	**158.2**	**(10.2)**	**148.0**

Goodwill acquired through business combinations has been allocated for impairment testing purposes to nine principal Cash-Generating Unit ('CGU') groups as follows:

- Education
- Engineering
- Healthcare
- Information technology
- Online platform
- Science and clinical
- Support service
- UK general staffing
- US Staffing
- Vendor procurement

Foreign exchange and other movements to goodwill arises from the retranslation of goodwill balances held in foreign currencies relating to the acquisition of Bartech Holdings Corporation, in the US Staffing CGU.

The £14.0m provision release in 2019 relates to an historic impairment of the goodwill of the Support Services CGU. This was released as the entire CGU was demerged during the period.

Following a challenging trading period over the last couple of years an impairment of £1.6m (2018: £8.6m) was recognised against the Education CGU which is in the Regional Specialist Staffing reporting segment.

15. GOODWILL CONTINUED

The carrying amount of goodwill and other indefinite assets allocated to cash-generating units at the period-end is:

	3 January 2020 £m	4 January 2019 £m
Education	**–**	1.6
Engineering	**2.1**	2.1
Healthcare	**7.9**	7.9
Information technology	**25.7**	25.7
Online platform	**0.3**	–
Science and clinical	**8.5**	8.5
Support service	**–**	4.8
UK General staffing	**28.6**	28.6
US Staffing	**74.9**	77.0
Total	**148.0**	156.2

The recoverable amount of the Education CGU is £10.2m using the value-in-use model. The Group tests this and other assets (note 16) for impairment on an annual basis, and otherwise when changes in events or situations indicate that the carrying value may not be recoverable. If such a test indicates that the carrying amount is too high, a recoverable amount is established for the asset, which is the higher of the fair value less costs to sell and the value in use.

The recoverable amount for each of the above CGUs has been determined based upon a value-in-use calculation. Value-in-use is established by discounting anticipated future cash flows attributable to each CGU that goodwill has been allocated to. Each of the CGUs remain under review to see whether there are increased levels of detail which could be used for impairment testing so, where such level is found, potential impairments are calculated at the lowest level possible. Pre-tax cash flow projections are based on financial budgets approved by management covering the next financial period. Cash flows beyond this period have been extrapolated using the best estimate of future growth rates (2%) which are derived from current strategic initiatives and recent trends within the wider CGU being supplied.

Key assumptions

The key assumptions are based upon a combination of market data tempered by our own historical experience. The calculation of value-in-use is most sensitive to the following assumptions:

- Gross profit – this takes the average gross profit achieved in the two years preceding the start of the plan years and adjusts, as appropriate, for anticipated changes to business mix and market conditions over the plan years;
- Discount rate – this reflects the Directors' estimate of an appropriate market rate of return taking into account the relevant risk factors; this has been adjusted to reflect current and expected future economic conditions as well as to account for geographic influences;
- Growth rate used to extrapolate beyond the plan year and terminal values are based upon the long-term average growth rate of the UK and US economies. Management recognises that the staffing and support services market growth rates fluctuate both above and below this rate; and
- Terminal value growth rate – the cash flow projections include growth rates that are not expected to exceed the long-term growth rates of the UK and US economies.

Sensitivity to changes in assumptions

The impairment calculation is sensitive to changes in the above assumptions. Sensitivity analyses were performed over each subsidiary CGU to model the effects of adverse changes in the forecasts and growth assumptions. The table below shows how the results of the impairment tests for each significant CGU (being those subject to impairment, having limited excess of recoverable amount over carrying amount, or representing a substantial amount of the total goodwill) would be impacted (with all other variables being equal) by an increase in discount rate of 0.5% or a decrease of 0.5% in the long-term growth rate. The impact of all of the scenarios together has also been considered and is disclosed in the final column.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

15. GOODWILL CONTINUED

	Excess of recoverable amount over carrying value £m	Pre-tax discount rate	0.5% increase in discount rate £m	Long-term growth rates decrease by 0.5% £m	Combined sensitivity £m	Increase in impairment using combined sensitivity £m
Education	–	14.9%	(0.5)	(0.5)	(0.9)	(0.9)
Engineering	1.2	14.3%	(1.2)	(0.6)	(1.8)	(0.6)
Information technology	3.0	14.0%	(3.1)	(1.7)	(4.5)	(1.5)
UK General Staffing	4.2	15.1%	(5.0)	(4.2)	(8.8)	(4.6)
US Staffing	20.8	18.7%	(3.4)	(2.1)	(5.3)	–

The pre-tax discount rate used for management's best estimates in 2018 was 11.07% for the Education CGU and 11.41% for the Engineering CGU, all other CGUs were not impaired under sensitivities in 2018. Management continue to monitor closely the performance of all CGUs and consider the impact of any changes to the key assumptions.

In conclusion, other than disclosed above with regard to the CGU impaired in the year, management believes there is no reasonably possible change in the underlying assumptions that would result in a further significant impairment charge in the consolidated income statement.

16. OTHER INTANGIBLE ASSETS

	Software £m	Brand values £m	Client relationships £m	Total £m
Net carrying value – 29 December 2017	14.6	87.5	29.6	131.7
Cost – 30 December 2017	22.3	87.5	54.1	163.9
Additions	6.9	–	–	6.9
Disposals	(0.8)	–	–	(0.8)
Foreign exchange	0.2	0.9	1.0	2.1
Cost – 4 January 2019	28.6	88.4	55.1	172.1
Accumulated amortisation – 30 December 2017	7.7	–	24.5	32.2
Charge for the period	4.9	0.5	3.7	9.1
Disposals	(0.8)	–	–	(0.8)
Foreign exchange	0.2	–	0.3	0.5
Accumulated amortisation – 4 January 2019	12.0	0.5	28.5	41.0
Net carrying value – 4 January 2019	16.6	87.9	26.6	131.1
Cost – 5 January 2019	**28.6**	**88.4**	**55.1**	**172.1**
Additions	**6.8**	**–**	**–**	**6.8**
On acquisition	**3.2**	**–**	**–**	**3.2**
Disposals	**(1.8)**	**–**	**–**	**(1.8)**
Impairment	**(2.0)**	**(3.4)**	**–**	**(5.4)**
Foreign exchange	**(0.1)**	**(0.4)**	**(0.4)**	**(0.9)**
Cost – 3 January 2020	**34.7**	**84.6**	**54.7**	**174.0**
Accumulated amortisation – 5 January 2019	**12.0**	**0.5**	**28.5**	**41.0**
Charge for the period	**7.0**	**6.3**	**3.9**	**17.2**
Disposals	**(1.6)**	**–**	**–**	**(1.6)**
Foreign exchange	**(0.1)**	**–**	**(0.3)**	**(0.4)**
Accumulated amortisation – 3 January 2020	**17.3**	**6.8**	**32.1**	**56.2**
Net carrying value – 3 January 2020	**17.4**	**77.8**	**22.6**	**117.8**

Included in software additions for the 52 weeks ended 3 January 2020 are internally generated software development costs of £3.4m (2018: £2.7m) which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years (2018: three and five years) and are amortised, from the date the software is available for use, on a straight-line basis over this period. As at the end of the period, assets with a cost of £nil (2018: £2.3m) are not being amortised as they are not yet ready for use.

16. OTHER INTANGIBLE ASSETS CONTINUED

Client relationships have resulted from business combinations and have been assessed as having a finite life of ten years. They are amortised, from the date of acquisition, on a straight-line basis over this period.

Brand values have resulted from business combinations and have been assessed as having a finite life of between 3 and 20 years depending on the prominence of the brand. They are amortised on a straight-line basis over this period.

These assets are all reviewed for impairment when there are changes in events or situations that indicate the carrying value may not be recoverable. Details of the sensitivities over such impairment reviews are included in note 15.

Following on from the challenging trading performance around the Education CGU discussed in note 15 an impairment of £3.4m was recognised against the value of the Education brand values which are within the Regional Specialist Staffing reporting segment.

An impairment of £2.0m has also been recognised over the internally generated software associated with Younifi, a start-up developed to deliver an innovative platform to the social care market. The brand has not had the impact it was anticipated to have and so, following an impairment review, the entire carrying value of the software has been impaired. Younifi is held in the Vendor procurement CGU and reported under the Global Talent Acquisition and Managed Workforce Solutions reporting segment.

17. FINANCIAL ASSETS

	3 January 2020 £m	4 January 2019 £m
Financial assets – non-current		
Marketable investments designated at fair value through the income statement	**1.0**	1.0
Other financial assets (loans and receivables) – non-current		
Deposits with non-financial institutions	**0.5**	0.4
Total	**1.5**	1.4

Financial assets include:

- The marketable investments at fair value through the income statement represent investments held in trust on behalf of certain US employees (see note 2(P)). The plan allows certain key employees to defer receipt of a portion of their compensation. These deferred compensation liabilities are funded by making contributions into a trust. The employees' entitlements are limited to the market value of the fund. Investments in the trust comprise shares in US mutual funds. At 3 January 2020, these investments have been adjusted to the market value of £1.0m (2018: £0.9m). This movement is matched by an equivalent movement in other payables as disclosed in note 20; and
- Deposits with non-financial institutions represent amounts held by suppliers, clients and landlords as security for provision of facilities and services.

Information on fair values and credit risks are given in notes 32 and 33.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

18. TRADE AND OTHER RECEIVABLES

Current assets

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
Trade receivables (note 2(J))	**511.7**	488.7
Other receivables	**2.3**	6.6
Lease debtor (note 14)	**2.7**	–
Prepayments	**6.9**	8.8
Implementation costs	**1.3**	0.4
Contract assets	**49.8**	69.0
Total	**574.7**	573.5

- Trade receivables also include gross receivables of £231.7m (2018: £230.7m) under master-vendor agency arrangements in the UK and US where the Group only recognises the management fee element of the receivable as revenue – note 2(R); and
- The above trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

Non-current assets

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
Implementation costs	**1.1**	1.2
Lease debtor (note 14)	**4.6**	–
Total	**5.7**	1.2

Information on fair values and credit risks is given in notes 32 and 33.

Contract balances

	Contract assets	
	3 January 2020 £m	4 January 2019 £m
At the beginning of the period	**69.0**	118.5
Amounts recognised as revenue in the period	**(19.2)**	(49.5)
At the end of the period	**49.8**	69.0

Contract assets are included within 'trade and other receivables' on the face of the statement of financial position. Contract assets comprise accrued income (note 2J).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on factors affecting the Group's customers both relating to known factors relating to specific debtors as well as an awareness of the economic conditions in the countries where the Group operates.

18. TRADE AND OTHER RECEIVABLES CONTINUED

As at 3 January 2020 the lifetime expected loss provision for trade receivables is as follows:

	Current £m	< 60 days past due £m	60–120 days past due £m	>120 days past due £m	Total £m
Expected loss rate (%)	**0.1%**	**0.4%**	**1.4%**	**1.5%**	**0.1%**
Gross carrying amount	**437.1**	**56.6**	**7.0**	**13.2**	**513.9**
Loss provision	**(0.2)**	**(0.2)**	**(0.1)**	**(0.2)**	**(0.7)**

All non-current receivables are due within three years of 31 December 2019. None of those receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, 12-month expected credit losses have been recognised, and there are no non-current receivable balances lifetime expected credit losses.

Movements in the provision for impairment of trade receivables were as follows:

	3 January 2020 £m	4 January 2019 £m
Balance at beginning of period	**3.2**	2.2
Adoption of IFRS 9	**0.2**	–
Revised balance	**3.4**	2.2
(Released)/charged for the period	**(1.2)**	1.0
Balance at end of period	**2.2**	3.2

The creation and release of provisions for impaired trade receivables have been included in 'administrative expenses' in the income statement. Amounts are generally written off to the provision account where there is no expectation of recovery.

Included in the Group's receivables are the following balances denominated in foreign currency:

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
Trade receivables (note 2(J))	**285.9**	274.2
Other receivables	**2.0**	3.0
Lease debtors	**7.2**	–
Prepayments	**4.7**	2.1
Accrued income	**16.4**	26.2
Total	**316.2**	305.5

19. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	3 January 2020 £m	4 January 2019 £m
Cash	**132.3**	117.1

Information on fair values, credit risks and interest rates are given in notes 32 and 33.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

20. TRADE AND OTHER PAYABLES

Current liabilities

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
Bank overdraft	**39.0**	39.9
Trade payables	**365.1**	344.3
Other tax and social security costs	**47.2**	54.6
Accruals	**50.3**	53.7
Contract liabilities	**0.4**	0.5
Other payables	**48.4**	63.8
Total	**550.4**	556.8

Trade payables include £324.5m (2018: £312.1m) of amounts payable under master-vendor arrangements in the UK and US, which are related to certain of the trade receivables – note 18. Arrangements are such that the payable amount is not due by the Group until a few days after receipt of the receivable.

Included in other payables and accruals are:

- £1.0m (2018: £1.0m) in respect of liabilities accruing to certain US employees in respect of a deferred compensation plan. These amounts are payable to members of the plan on retirement (note 17);
- £2.3m (2018: £1.8m) for contributions due to be made to defined contribution pension schemes on behalf of certain employees of the Group;
- £nil (2018: £0.3m) for contributions due to be made to defined benefit pension schemes on behalf of certain employees of the Group (see note 27); and
- £nil (2018: £1.2m) represents contingent consideration payable to the vendors of Global Group (UK) Limited (2018: Global Group (UK) Limited)
- Remaining amounts within other payables are largely payroll related creditors.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest-bearing and are normally settled within one month from the end of the month of invoice;
- Other tax and social security costs are non-interest-bearing and are normally settled within one to three months; and
- Other payables and accruals are non-interest-bearing and have an average term of three months.

Non-current liability

	3 January 2020 £m	4 January 2019 £m
Other payables	**1.6**	1.6
Total	**1.6**	1.6

- Included in other payables is £1.6m (2018: £1.6m) representing monies held on deposit from a client relating to a sub-let property.

Information on fair values and credit risks are given in notes 32 and 33.

21. SHORT-TERM BORROWINGS

	3 January 2020 £m	4 January 2019 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**24.6**	25.0
Hire purchase – secured	**0.1**	0.1
Total	**24.7**	25.1

Information on fair values, credit risks, interest rates and security are given in notes 32 and 33.

22. LONG-TERM BORROWINGS

	3 January 2020 £m	4 January 2019 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**140.7**	123.5
Hire purchase – secured	**0.2**	0.3
Total	**140.9**	123.8

Information on fair values, credit risks, interest rates and security are given in notes 32 and 33.

23. PROVISIONS

	Property £m	Workers' compensation £m	Legal £m	Total £m
Current – 4 January 2019	0.7	0.2	–	0.9
Non-current – 4 January 2019	0.6	–	2.8	3.4
At 4 January 2019	1.3	0.2	2.8	4.3
Additions in the period	3.9	0.5	2.3	6.7
Reversals of unused amounts	–	–	(1.3)	(1.3)
Utilised during the period	(0.6)	(0.2)	–	(0.8)
Foreign exchange	–	–	0.1	0.1
At 3 January 2020	4.6	0.5	3.9	9.0
Current – 3 January 2020	**0.8**	**0.5**	**2.3**	**3.6**
Non-current – 3 January 2020	**3.8**	**–**	**1.6**	**5.4**
Total	**4.6**	**0.5**	**3.9**	**9.0**

Property

Property provisions relate to the full expected cost of dilapidations and have been discounted to a present value using the relevant lease interest rate.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

23. PROVISIONS CONTINUED

Workers' compensation

The US operations maintain, or maintained, insurance policies with significant excesses, below which claims are borne by the operations. Provision is made for estimated costs of claims or losses arising from past events.

The level of provision made is based upon independent actuarial estimates. These estimates take into account the ultimate cost, less amounts paid to date, in respect of accidents occurring between the inception of the policy and the end of the current period, the period covered by these self-insurance arrangements. An allowance is made for claims incurred but not reported in line with standard actuarial practice.

Claims are expected to be settled between one and five years.

Legal

The Group holds a provision for expected legal and contractual costs that are probable to cause an outflow of resources over an extended period. Management exercises judgement to determine the amount of this provision on a case-by-case basis. Provision is made for known issues based on past experience of similar items and other known factors. Each provision is considered separately, and the amount provided reflects the best estimate of the most likely amount, being the single most likely amount in a range of possible outcomes. Owing to the inherent uncertainty within many legal proceedings, the amount and timings of such outflow could differ significantly from the amount and ageing provided.

Contingent liabilities

The Group is aware of a contingent liability in relation to late filing penalties within the US which may become due. To date no penalties have been raised for any company in the US due to this issue and all relevant documents have been filed. This has not been accounted for as a provision as there are significant uncertainties over the financial impact as well as the likelihood and timing of any potential outflow.

24. DEFERRED TAXATION

	3 January 2020 £m	4 January 2019 £m
Non-current deferred tax assets:		
Total deferred tax asset – UK	1.6	1.6
Total deferred tax asset – overseas	12.0	13.7
Total deferred tax asset	13.6	15.3

	3 January 2020 £m	Restated (note 37) 4 January 2019 £m
Deferred tax liabilities:		
Non-current deferred tax liabilities	21.5	23.1
Total deferred tax liabilities	21.5	23.1

24. DEFERRED TAXATION CONTINUED

Deferred tax liabilities primarily relate to fair value adjustments on acquisitions.

	Property, plant and equipment £m	Intangible assets £m	Provisions £m	Tax value of loss carry-forwards £m	Total deferred taxation £m
At 30 December 2017	0.9	(22.2)	3.0	9.3	(9.0)
Prior year adjustment (note 37)	–	–	(0.3)	–	(0.3)
At 30 December 2017 – restated	0.9	(22.2)	2.7	9.3	(9.3)
Recognised in income	0.2	1.4	0.4	(0.9)	1.1
Foreign exchange	–	(0.3)	0.2	0.5	0.4
At 4 January 2019	1.1	(21.1)	3.3	8.9	(7.8)
Deferred tax assets – 4 January 2019	1.1	0.3	5.0	8.9	15.3
Deferred tax liabilities – 4 January 2019	–	(21.4)	(1.7)	–	(23.1)
	1.1	(21.1)	3.3	8.9	(7.8)
At 5 January 2019	**1.1**	**(21.1)**	**3.3**	**8.9**	**(7.8)**
Recognised in income	**0.4**	**1.6**	**0.1**	**(1.0)**	**1.1**
Acquired in business combination	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Disposal	**(0.1)**	**–**	**(0.2)**	**–**	**(0.3)**
Foreign exchange	**–**	**–**	**(0.1)**	**(0.3)**	**(0.4)**
At 3 January 2020	**1.4**	**(20.0)**	**3.1**	**7.6**	**(7.9)**
Deferred tax assets – 3 January 2020	**1.4**	**0.2**	**4.4**	**7.6**	**13.6**
Deferred tax liabilities – 3 January 2020	**–**	**(20.2)**	**(1.3)**	**–**	**(21.5)**
	1.4	**(20.0)**	**3.1**	**7.6**	**(7.9)**

The Group has gross deductible temporary differences relating to provisions and deferred capital allowances of £13.5m (2018: £17.9m). Deferred tax assets of £6.0m (2018: £6.4m) have been recognised in respect of these temporary differences, leaving £0.5m (2018: £0.5m) as unrecognised differences. They have no expiry date.

The Group has gross tax losses that arose in the UK of £33.4m (2018: £33.0m) and tax losses that arose outside the UK (mostly in the US) of £47.4m (2018: £60.0m) that are available for offset against future taxable profits of the right type arising in the companies in which the losses arose. The reduction in tax losses in the US at the end of the current period compared to the previous period is due to the utilisation of these losses against taxable profits in the current period. There is no expiry date on the UK losses, but the US losses expire between 2028 and 2033. The Group has performed sensitivity analysis on the utilisation of US losses looking at forecasts of profitability and these show that the tax losses will be fully utilised within two or three years, well in advance of their expiry. All losses are subject to legislation restricting the right to offset them. Deferred tax assets of £7.6m (2018: £8.9m) have been recognised as they relate to companies that are trading profitably or can expect to have taxable profits in the foreseeable future. Deferred tax assets have not been recognised in respect of UK losses of £33.5m (2018: £33.0m) and outside the UK of £11.2m (2018: £20.8m) as they may not be used to offset taxable profits elsewhere in the Group and they have either arisen in subsidiaries where future use is uncertain, or are capital losses for which there is limited scope for future offset.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

25. ISSUED SHARE CAPITAL

	Number of issued shares millions	Issued share capital £m	Share premium account £m	Total share capital £m
30 December 2017	50.3	0.5	30.1	30.6
Shares repurchased	(0.6)	–	–	–
4 January 2019	49.7	0.5	30.1	30.6
5 January 2019	**49.7**	**0.5**	**30.1**	**30.6**
Shares repurchased	**(2.4)**	**–**	**–**	**–**
3 January 2020	**47.3**	**0.5**	**30.1**	**30.6**

In 2019, 2,410,855 Ordinary shares of 1p each (2018: 584,356), representing 4.8% (2018: 1.2%) of the opening number of issued shares, were repurchased in the market for consideration of £10.8m (2018: £3.5m), and cancelled.

Impellam Group plc

The Company has no limit to its authorised share capital. The above number represents the number of allotted, fully paid shares of 1p in issue.

26. SHARE-BASED COMPENSATION – EMPLOYEE SHARE INCENTIVE PLANS

Share option scheme

In September 2015, the Company granted share awards to certain senior executives. These options vested on March 2018 being the date of publication of the preliminary announcement of the audited financial results for the 52 weeks ended 29 December 2017. Vesting criteria were based on the growth in share price from either £8.00 or £8.50 with 100% of shares vesting at £11.00 or £12.00 respectively and were not achieved. The charge recognised for the period is £nil (2018: £0.4m).

At the end of both the current and prior periods there were no options outstanding under the schemes.

The following table illustrates the number and weighted average exercise prices of share options outstanding at the end of each period:

	3 January 2020		4 January 2019	
	Average exercise price Pence	**Options Thousands**	Average exercise price Pence	Options Thousands
Outstanding at beginning of period	**nil**	**–**	nil	850
Lapsed	**nil**	**–**	nil	(850)
Outstanding at end of period		**–**		–
Exercisable at end of period		**–**		–

The weighted average remaining contractual life for outstanding options at both 3 January 2020 and 4 January 2019 was nil years.

26. SHARE-BASED COMPENSATION – EMPLOYEE SHARE INCENTIVE PLANS CONTINUED

The fair value of employee share options is measured using a simulation model. Measurements inputs and assumptions are as follows:

	3 January 2020	4 January 2019
Fair value at grant date	–	£2.92
Weighted average share price	–	£7.86
Exercise price	–	nil
Expected volatility (expressed as percentage used in the modelling)	–	21.97
Option life (expressed as weighted average life in years used in the modelling)	–	2.51
Dividend yield (%)	–	2.06
Risk-free interest rate (based on national government bonds) (%)	–	0.78

The expected volatility is wholly based on the historical volatility (calculated based on the weighted average remaining life of the share options), as there is no evidence to suggest that the expected future share performance will differ from that of the past.

27. EMPLOYEE BENEFITS

At the start of the year a limited number of employees were members of the Carlisle Cleaning Services Shared Cost Section of the Railway Pension Scheme ('RPS'). The RPS provides benefits based on the final salary for members of the scheme. In March 2019 the Group demerged Carlisle Cleaning Services Limited as part of the Carlisle demerger (see note 12) and from that date the Group had no exposure to defined benefit pension schemes.

	3 January 2020 £m	4 January 2019 £m
Total defined benefit asset	–	2.2
Total defined benefit liability	–	(2.5)
Net liability for defined benefit obligations (see following table)	–	(0.3)

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	3 January 2020 £m	4 January 2019 £m	**3 January 2020 £m**	4 January 2019 £m	**3 January 2020 £m**	4 January 2019 £m
Balance at start of period included in profit or loss	**(2.5)**	(2.6)	**2.2**	2.1	**(0.3)**	(0.5)
Interest income/(cost)	–	(0.1)	–	0.1	–	–
	–	(0.1)	–	0.1	–	–
Included in OCI						
Actuarial gain arising from:						
– Experience adjustment	–	0.1	–	–	–	0.1
	–	0.1	–	–	–	0.1
Other						
Contributions paid by the employer	–	–	**0.4**	0.1	**0.4**	0.1
Benefits paid	–	0.1	–	(0.1)	–	–
Transfer out on disposal	**2.5**	–	**(2.6)**	–	**(0.1)**	–
Balance at end of period	–	(2.5)	–	2.2	–	(0.3)

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

27. EMPLOYEE BENEFITS CONTINUED

Plan assets

	3 January 2020 £m	4 January 2019 £m
Government bonds	–	0.6
Equity investments	–	1.6
Total	–	2.2

All equity securities and government bonds had quoted prices in active markets. All government bonds were issued by European governments and were AAA- or AA-rated. All other plan assets were not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	3 January 2020	4 January 2019
Period-end discount rate	–	2.8%
Future salary increases	–	2.4%
Future pension increases	–	2.4%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions used in 2018 are equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65 (male): 85.2 years
- Future retiree upon reaching 65 (male): 87.2 years.

As there were no members of the Group in the scheme at the reporting date there was no assumption made for the current year.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions.

	3 January 2020 £m	4 January 2019 £m
Increase discount rate by 0.5%	–	(0.2)
Increase life expectancy by 1 year	–	0.1
Increase inflation by 0.5%	–	0.2

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

As the Group has demerged the entity which funded the RPS scheme there are no contributions payable in the next annual reporting period.

28. OTHER RESERVES

	Merger reserve £m	Other reserve £m	Foreign currency translation reserve £m	Total other reserves £m
30 December 2017	19.0	94.3	7.6	120.9
Share-based payment (note 26)	–	0.4	–	0.4
Currency translation differences	–	–	5.8	5.8
Transfer to retained earnings	–	(2.5)	–	(2.5)
4 January 2019	19.0	92.2	13.4	124.6
5 January 2019	**19.0**	**92.2**	**13.4**	**124.6**
Currency translation differences	**–**	**–**	**(4.3)**	**(4.3)**
3 January 2020	**19.0**	**92.2**	**9.1**	**120.3**

Merger reserve

The merger reserve arises under Section 612 of the Companies Act 2006 as a result of the acquisition of Bartech Holding Corporation and Lorien Limited using the issue of shares as part consideration. The excess of fair value over nominal value of shares is transferred to a merger reserve rather than share premium. This reserve is not distributable.

Other reserve

The other reserve comprises £92.2m contributed surplus arising on a historical demerger transaction (2018: £92.2m). This reserve is not distributable. It also contains a charge of £nil (2018: £0.4m) arising from share-based payment arising within the period. All share options lapsed during prior period, so the balance of £2.5m on the share-based payment element of the reserve was transferred to retained earnings. The balance on the share-based payment element of the reserve at the end of the period is £nil (2018: £nil).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

29. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest ('NCI'), before any intra-Group eliminations.

	Individual immaterial subsidiaries £m	**Total £m**
3 January 2020		
Net assets attributable to NCI	**(0.3)**	**(0.3)**
Loss allocated to NCI	**(0.3)**	**(0.3)**
Other comprehensive income allocated to NCI	**–**	**–**

	Individual immaterial subsidiaries £m	Total £m
4 January 2019		
Net assets attributable to NCI	–	–
Profit allocated to NCI	0.1	0.1
Other comprehensive income allocated to NCI	(0.2)	(0.2)

The individually immaterial subsidiaries include the share of results for Barpellam Inc, Bartech Belgium NV and Younifi Limited which are not wholly owned by the Group (note 30).

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

30. RELATED PARTY DISCLOSURES

The consolidated financial statements include those of the holding Company, Impellam Group plc, and all of its subsidiaries. All subsidiaries have the same period end as the Group and are wholly owned at the period-end unless otherwise specified.

800 The Boulevard Capability Green Luton LU1 3BA United Kingdom	– Blue Arrow Financial Services Limited* – Blue Arrow Holdings Limited – Blue Arrow Limited – BMS Limited – Carbon60 Limited – Career Teachers Limited – Carlisle Cleaning Services Holdings Limited* – Carlisle Events Services Limited* – Carlisle Group Limited – Carlisle Nominees Limited* – Carlisle Staffing plc – Carlisle Staffing Services Holdings Limited – Carlisle Staffing Services Limited – Celsian Group Limited – Chadwick Nott (Holdings) Limited – Chrysalis Community Care Group Limited – Comensura Limited[a] – Doctors On Call Limited – Flexy Corporation Limited – Global Group (UK) Limited – Global Medics Limited – Guidant Global-Europe Limited – Impellam Holdings Limited – Impellam UK Limited – Laybridge Limited* – Litmus Workforce Solutions Limited (formerly Litmus Managed Solutions Limited) – Lorien Limited – Lorien Resourcing Limited – Medacs Global Group Limited – Medacs Healthcare Australasia Group Limited – Medacs Healthcare plc – Ohsea Holdings Limited*† – OneTrue Limited – PRN Recruitment Limited – Science Recruitment Group Limited – Younifi Limited (90% owned)
Level 2, 14 Martin Place Sydney NSW 2000 Australia	– Allied Employment Group Pty Limited[b] – Carbon60 Pty Limited[b] – Comensura Pty Limited[b] – Global Medics Pty Limited[b] – Litmus Workforce Solutions Pty Ltd (formerly Litmus Solutions Pty Ltd)[b] – Medacs Healthcare (Pty) Limited[b] – Medacs Healthcare Australia Pty Limited[b]
Straatsburgdok-Noordkaai 3 2030 Antwerp, Belgium	– Bartech Belgium NV[h] (73% owned)
PO Box 71, Road Town Tortola VG1110 British Virgin Islands	– Sabertooth Services Limited
250 Howe Street, 20th Floor Vancouver BC V6C 3R8 Canada	– Bartech Technical Services of Canada Limited[c] – Canada Corporate Employment Resources ULC[c] – Global & Medical Recruitment Consultancy Inc.[c] – Guidant Group Canada ULC[c]

30. RELATED PARTY DISCLOSURES CONTINUED

Anna-Schneider-Steig 22, 50678 Cologne, Germany	– Guidant Global Germany GmbH[c]
Beethovenplatz 2 80336 Munich, Germany	– Impellam GmbH[c]
57/63 Line Wall Road, Gibraltar	– Kenard Investments Limited
11 Ely Place, Dublin 2, Ireland	– Carlisle Security (Holdings) Limited[e] – Carlisle Security Limited[e] – Carlisle Staffing Services Ireland Limited[e] – Irish Recruitment Consultants Limited[e] – Litmus Workforce Solutions Ireland Limited (formerly Litmus Software Solutions Ireland Limited)[h]
Unit 9, Adelphi House, Upper Georges St, Dun Laoghaire, Dublin, Ireland	– Medacs Global Group Limited[h]
Via Filippo Turati 29 20121 Milan, Italy	– Guidant Global Italy SRL[h]
Rio Tiber 40 102 Col Cuauhtemoc 06500 Cuauhtemoc, Distrito Federal, Mexico	– Bartech Mexico S, de RL de CV[c]
Level 6, 3 Ferncroft Street Graft, Auckland 1010 New Zealand	– Global Medics NZ Limited[f] – Healthlink New Zealand Group Limited[f] – Medacs Healthcare Limited[f]
Oriental Center, Suite P1 254 Muñoz Uñoz Rivera Avenue San Juan, PR 00918 Puerto Rico	– Guidant Global Puerto Rico Inc[c]
133 New Bridge Road, #10-05, Chinatown Point, Singapore 059413	– Guidant Global SG Pte Ltd[g] – Latitudes Group International Management Pte Limited[g]
Martin-Disteli-Strasse 9 4600 Olten, Switzerland	– Carbon60 AG[d] – Guidant Global Switzerland AG (formerly Science Recruitment Group AG)[d]
2711 Centerville Road Suite 400 Wilmington Delaware 19808 USA	– Barpellam Inc (49% owned)[c] – CER Canada Holding Inc.[c] – Corestaff Support Services Inc.[c] – Corporate Employment Resources Inc.[c] – Corporate Services Group Holdings Inc.[c] – Guidant Global Canada Holding Inc.[c] – Guidant Global Holding Corporation[c] – Guidant Global Inc.[c] – Guidant Group Inc.[c]
17199 N Laural Park Drive Suite 224 Livonia Michigan 48152 USA	– Bartech Mexico Holding LLC[c] – Bartech Technical Services LLC[c]

Companies marked with a * above are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 480 of the Act relating to dormant companies. Companies marked with a † above were dissolved after the period end, but before the signing of these financial statements.

All subsidiaries are indirect holdings of the Company other than Impellam Holdings Ltd, Impellam UK Ltd and the Medacs Global Group Ltd which has its registered office in the UK.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

30. RELATED PARTY DISCLOSURES CONTINUED

Shares for all companies are classed as Ordinary and a nominal value of £1 per share except as disclosed below:
(a) 'A' Ordinary shares of £1
(b) Ordinary shares of A$1
(c) Common stock with no par value
(d) Ordinary shares of 1000 CHF
(e) Ordinary shares of €1.27
(f) Ordinary shares of NZ$1
(g) Ordinary shares of SG$1
(h) Ordinary shares of €1

The Group owns 49% of the issued stock of Barpellam Inc but exercises control of the company in accordance with the definitions of power and exposure to variability in returns required under IFRS 10 Consolidated Financial Statements.

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this Company has guaranteed the subsidiary company under Section 479C of the Act:

	Registered number	Class of shares held	Ownership 3 January 2020	Ownership 4 January 2019
Flexy Corporation Limited	09524785	Ordinary	**100%**	100%
Guidant Global-Europe Limited	07130856	Ordinary	**100%**	100%
Medacs Healthcare Australasia Group Limited	03120991	Ordinary	**100%**	100%
OneTrue Limited	01189888	Ordinary	**100%**	100%

Compensation of key management personnel of the Group

The Directors have considered the levels of responsibility delegated to senior management of the Group and have concluded that, in addition to the Directors themselves, disclosure should include the Senior Leadership Team which comprises the Company Secretary, the Chief Executives of Medacs Global Group, Lorien, Guidant Group, Impellam North America and Comensura as well as the Chief Financial Officer, Chief Commercial Officer, the Chief Information Officer and the Group Marketing Director.

	3 January 2020 £m	4 January 2019 £m
Short-term employment benefits	**3.0**	4.4
Post-employment benefits	**0.2**	0.2
Compensation for loss of office	**0.2**	–
Share-based payment expense (note 26)	**–**	0.4
Total	**3.4**	5.0

The Directors received dividends in proportion to their shareholdings held during the period.

Angela Entwistle is also a Director of a company called Deacon Street Partners Limited. The Group pays Deacon Street Partners Limited for its provision of Angela Entwistle's services as a Non-Executive Director – £40,000 (2018: £40,000). The Group owed £8,000 to Deacon Street Partners Limited at the end of the period (2018: £8,000). Also, a company within the Impellam Group provides a payroll bureau service to Deacon Street Partners Limited for which no charge is made as the arms-length cost of such service is negligible.

The Group also considers Anne Street Partners Holdings Pty Limited as a related party as Lord Ashcroft has a controlling shareholding. At the start of 2018, a Group company sub-let a portion of a property leased by Anne Street Partners Holdings Pty Limited and reimbursed for their proportional share of occupancy costs amounting to A$251,000/£141,000. At the end of 2018, there were no amounts outstanding. During 2018 the Group company took over this lease for no payment and now sub-lets a proportional share of the costs to Anne Street Holdings Pty Limited. In 2019, the total amount charged for both rent and some small IT assistance was A$321,000/£174,000 (2018: A$176,000/£98,000). At the end of the year, there was A$31,000/£16,000 outstanding (2018: £nil). As part of the agreement, the Group received a rental deposit of A$439,000 /£245,000 in 2018 which has been replaced by a bank guarantee during the period so there is no amount which is still outstanding (2018: A$439,000/£245,000)at the end of the current year. Since 31 December 2019 the Group no longer sublets a portion of its property to Anne Street Partners Holdings Pty Limited and there are no further related party transactions between the Group and Anne Street Partners Holdings Pty Limited.

30. RELATED PARTY DISCLOSURES CONTINUED

In 2016, a company within the Group advanced a loan of $1,300,000 to David Barfield, a Director of various Group companies. This loan is due for repayment on or before 25 January 2021 and $1,051,000 was outstanding at the period-end (2018: $1,370,000). Interest accrues at a rate of 1.81% per annum and during the period $24,000 (2018: $23,000) interest had been accrued. David Barfield is also a significant shareholder in Bartech Acquisition Corporation LLC to whom the Group provides accounting and management services at an arm's length rate. During the period, the Group charged Bartech Acquisition Corporation LLC $249,000 (2018: $200,000). At the end of the period, Bartech Acquisition Corporation LLC owed the Group $183,000 (2018: $551,000). Bartech Acquisition Corporation LLC is a shareholder in TechCentral LLC and the Group provides accounting and programme management services at an arm's length rate to TechCentral LLC. During the period, the Group charged TechCentral $155,000 (2018: $93,000) for these services. At the end of the period, TechCentral LLC owed the Group $133,000 (2018: $162,000).

31. NET DEBT

	4 January 2019 £m	IFRS 16 adoption £m	Cash flow £m	Interest charged £m	Interest paid £m	Change in short-term borrowings £m	Foreign exchange £m	3 January 2020 £m
Cash and short-term deposits (note 19)	117.1	–	16.4	(0.7)	(0.2)	6.7	(7.0)	132.3
Bank overdraft (note 20)	(39.9)	–	–	–	–	0.9	–	(39.0)
Revolving credit (note 21 and 22)	(148.5)	–	(0.9)	(6.5)	6.5	(16.8)	0.9	(165.3)
Hire purchase (note 21 and 22)	(0.4)	–	–	–	–	0.1	–	(0.3)
Lease liabilities (note 14)	–	(44.5)	–	(1.3)	1.3	12.0	0.8	(31.7)
Lease debtors (note 14)	–	10.4	–	0.3	(0.3)	(2.9)	(0.2)	7.3
Net debt	(71.7)	(34.1)	15.5	(8.2)	7.3	–	(5.5)	(96.7)

	27 December 2017 £m	IFRS 16 adoption £m	Cash flow £m	Interest charged £m	Interest paid £m	Change in short-term borrowings £m	Foreign exchange £m	4 January 2019 £m
Cash and short-term deposits (note 19)	137.9	–	6.7	(0.3)	0.3	(25.3)	(2.2)	117.1
Bank overdraft (note 20)	(37.6)	–	–	–	–	(2.3)	–	(39.9)
Revolving credit (note 21 and 22)	(176.2)	–	–	(6.5)	6.5	27.6	0.1	(148.5)
Hire purchase (note 21 and 22)	–	–	(0.4)	–	–	–	–	(0.4)
Lease liabilities (note 14)	–	–	–	–	–	–	–	–
Lease debtors (note 14)	–	–	–	–	–	–	–	–
Net debt	(75.9)	–	6.3	(6.8)	6.8	–	(2.1)	(71.7)

The Group takes advantage of a number of non-recourse financing agreements organised by clients of the Group to allow for the acceleration of payment of their receivables. At the end of 2019, these amounted to £12.6m (2018: £18.5m). These agreements accrue interest at between 0.65% and 1.75% over LIBOR.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise: bank overdrafts, revolving credit facilities, leases and trade payables. Overdrafts and revolving credit facilities are used to satisfy short-term cash flow requirements. The main purpose of these financial liabilities is to raise finance for the Group's trading operations. The Group also has various financial assets such as investments, trade receivables, cash and short-term deposits which arise directly from trading operations.

The main risks arising from the Group's financial instruments are set out below. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments such as derivatives shall be undertaken. The Group's policy with regard to interest rate and foreign exchange contracts is to only hedge specific risks with a determinable date that arise from operations or financing.

Interest rate risk

None of the Group's borrowings are at a fixed rate of interest. All borrowings are subject to changes in market interest rates, primarily the revolving credit facility, which is subject to floating rates. The floating rate borrowings are not exposed to changes in fair value, however, the Group is exposed to interest rate risk as costs increase if market rates rise or cash flow opportunity as costs decrease if market rates fall.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

The Group also earns interest on credit bank balances at a floating rate of interest. The Group's policy is to manage its interest rate cost by the use of variable rate debts while rates are low.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably (based upon market expectations for the next 12 months) possible change to interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings).

	Increase/decrease in basis points	Effect on profit before tax £m	Effect on equity £m
3 January 2020			
Pound Sterling	**+50**	**(0.8)**	**(0.6)**
	-25	**0.4**	**0.3**
US Dollar	**+50**	**(0.2)**	**(0.1)**
	-25	**0.1**	**0.1**
4 January 2019			
Pound Sterling	+50	(0.9)	(0.7)
	-25	0.5	0.4
US Dollar	+50	–	–
	-25	–	–

Liquidity risk

The Group's funding strategy is to maintain funding flexibility through the use of cash, deposits, revolving credit facilities, overdrafts, and leasing contracts. The Group aims to ensure that it has committed borrowing facilities in place in excess of its peak forecast borrowings for at least the next 12 months. Short-term flexibility is achieved by the use of deposits and revolving credit facilities.

Under the Group's revolving credit facilities, £240m was available for drawdown (2018: £250m). The amount not utilised at 3 January 2020 was £69.9m (2018: £101.5m). This facility also includes an accordion element of an additional £50m which could be added to the facility. There are no restrictions to the free transfer of funds between fully owned subsidiaries. The facility covers all territories the Group operates in. On 10 March 2020, the Group exercised the option to extend £220m of the facility by one year to 1 April 2023. The revolving credit facility includes financial covenants linked to the Group's debtor cover, leverage cover and interest cover using adjusted EBITDA (before separately disclosed items and share-based payment) – note 3. At 4 January 2019, and throughout the period, the Group was in compliance with its financial covenants and expects to continue to be so.

The table below summarises the maturity profile of the Group's financial liabilities at 3 January 2020 and 4 January 2019 based on contractual undiscounted payments.

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	5 years or more £m	Total £m
3 January 2020						
Revolving credit facilities (note 21 and 22)	**–**	**1.4**	**23.2**	**140.7**	**–**	**165.3**
Trade and other payables (note 20)	**39.0**	**444.7**	**19.5**	**1.6**	**–**	**504.8**
Finance lease liabilities (note 21 and 22)	**–**	**–**	**0.1**	**0.2**	**–**	**0.3**
Lease liabilities (note 14)	**–**	**2.8**	**7.8**	**16.6**	**4.5**	**31.7**
Total	**39.0**	**448.9**	**50.6**	**159.1**	**4.5**	**702.1**

Restated (note 37)	On demand £m	Less than 3 months £m	3–12 months £m	1– 5 years £m	5 years or more £m	Total £m
4 January 2019						
Revolving credit facilities (note 21 and 22)	–	1.5	23.5	123.5	–	148.5
Trade and other payables (note 20)	39.9	445.7	16.6	1.6	–	503.8
Finance lease liabilities (note 21 and 22)	–	–	0.1	0.3	–	0.4
Total	39.9	447.2	40.2	125.4	–	652.7

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides services on deferred terms (note 18).

Group policies are aimed at minimising such losses. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is kept to a minimum. The maximum exposure is the carrying amount as disclosed in note 18.

In February 2019, the Group purchased a credit risk policy. The policy covers all clients except public sector, local government and pay when paid contracts. There is a £500,000 aggregate first loss and maximum policy liability of £44.5m.

With respect to credit risk from other financial assets of the Group, which comprise cash and cash equivalents and investments, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets. These risks are primarily minimised by restricting deposits and investments to those available from well-established reputable, financial institutions.

At 3 January 2020, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

	3 January 2020 £m	(As restated) 4 January 2019 £m
UK	**264.1**	268.0
North America	**267.9**	275.2
Europe	**20.7**	13.2
Australasia	**27.7**	18.3
Total	**580.4**	574.7

Foreign currency risk

The Group has a significant investment in its operations in North America with some smaller interests in Europe and Australasia. The Group's consolidated balance sheet can be affected significantly by the movements in the US Dollar and Euro exchange rates, however, movements in Australian Dollar, Canadian Dollar, Swiss Franc, New Zealand Dollar or Singapore Dollar exchange rates have only a marginal impact on the Group's results and balance sheet.

The Group does not hedge against the impact of exchange rate movements on the translation of foreign currency denominated profits. Transactional currency exposures across the Group are minimal.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates:

	Percentage change in rate	Effect on profit before tax £m	Effect on equity £m
3 January 2020			
US Dollars	**+10**	**0.9**	**0.3**
	-10	**(1.1)**	**(0.4)**
Euros	**+10**	**–**	**0.1**
	-10	**–**	**(0.2)**
4 January 2019			
US Dollars	+10	0.4	(1.1)
	-10	(0.5)	1.3
Euros	+10	0.3	–
	-10	(0.3)	–

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Price risk

The Group has investments in marketable securities and as such is exposed to price risk. These securities are held in trust on behalf of certain US employees and the underlying risk is borne by those employees. The Group's liability is limited to the market value of the securities (note 17).

Capital management

Capital consists of the total equity attributable to the equity holders of the Parent Company.

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, to ensure that it maintains a good credit rating in order to support its business and maximise shareholder value. No changes were made to the objectives, policies or processes during either period.

The Group considers capital less any net cash as components of funding. It monitors funding by reference to its ability to borrow and to satisfy debt covenants. The principal measure is the EBITDA ratio, which is calculated by dividing the funding of the Group by the Group's adjusted earnings before interest, tax, adjusted depreciation and amortisation.

	3 January 2020 £m	(As restated) 4 January 2019 £m
Net debt (note 31)	**96.7**	71.7
Equity per balance sheet	**246.5**	266.1
Funding: total capital less net cash	**343.2**	337.8

The revolving credit facility included a financial covenant linked to the Group's leverage. At 3 January 2020, and throughout the period, the Group was in compliance with this financial covenant whilst this facility was in place.

33. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the carrying amounts and fair values of all the Group's financial instruments that are carried in the consolidated balance sheet.

	3 January 2020		4 January 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Investments (note 17)	**1.0**	**1.0**	1.0	1.0
Other financial assets (non-current) (note 17)	**0.5**	**0.5**	0.4	0.4
Other debtors	**0.8**	**0.8**	1.1	1.1
Cash and cash equivalents (note 19)	**132.3**	**132.3**	117.1	117.1
Financial liabilities				
Bank overdraft (note 20)	**39.0**	**39.0**	39.9	39.9
Short-term borrowings (note 21 and 22)	**24.7**	**24.7**	25.1	25.1
Long-term borrowings (note 21 and 22)	**140.9**	**140.9**	123.8	123.8

The carrying value of trade receivables less impairment and trade payables are assumed to approximate fair value and are excluded from the above table.

Fair value estimation hierarchy:
- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices); and
- Level 3 – Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs).

33. FINANCIAL INSTRUMENTS CONTINUED

The following table presents the fair value hierarchy of assets measured at fair value:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
3 January 2020				
Investments (note 17)	**1.0**	**–**	**–**	**1.0**
Other debtors	**0.8**	**–**	**–**	**0.8**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
4 January 2019				
Investments (note 17)	1.0	–	–	1.0
Other debtors	1.1	–	–	1.1

Level 1

Market values, based on published prices, have been used to determine the fair value of the marketable investments included in other financial assets.

Fair value for short-term borrowings are equal to book value as they are repayable on demand and are subject to churn over a period of less than three months.

Interest rate risk

At 3 January 2020 and 4 January 2019, none of the Group's borrowings are at fixed rates of interest. The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	Within 1 year £m	1–2 years £m	Total £m
3 January 2020			
Floating rate			
Cash and short-term deposits (note 19)	**132.3**	**–**	**132.3**
Bank overdrafts (note 20)	**(39.0)**	**–**	**(39.0)**
Revolving credit facilities (note 21 and 22)	**(24.6)**	**(140.7)**	**(165.3)**
Hire purchase (note 21 and 22)	**(0.1)**	**(0.2)**	**(0.3)**

	Within 1 year £m	1–2 years £m	Total £m
4 January 2019			
Floating rate			
Cash and short-term deposits (note 19)	117.1	–	117.1
Bank overdrafts (note 20)	(39.9)	–	(39.9)
Revolving credit facilities (note 21 and 22)	(25.0)	(123.5)	(148.5)
Hire purchase (note 21 and 22)	(0.1)	(0.3)	(0.4)

The effective interest rate on bank balances and other short-term deposits was less than 0.5% (2018: less than 0.5%). US deposit interest rates were less than 0.5% (2018: less than 0.5%).

Bank overdrafts and revolving credit borrowings are secured by a guarantee and debenture with a fixed charge over certain assets of the Company and the subsidiary undertakings concerned plus a floating charge over all other assets of the Company and those subsidiary undertakings, supported by a cross-guarantee given by the Company and the various subsidiary undertakings. Borrowings under these facilities incurred interest (including margin) between 1.35% and 2.30% over LIBOR rate (2018: between 1.45% and 2.40% over LIBOR rate). All interest is charged monthly in arrears (note 32).

Collateral pledged

The self-insured workers compensation liability described in note 23 is covered by insurers on the basis that collateral is provided sufficient to cover all potential claims. This collateral takes two forms:

- £3.4m – $4.4m (2018: £5.1m – $6.5m) in the form of letters of credit drawn upon the revolving credit facility in the US; and
- £0.4m – $0.5m (2018: £0.4m – $0.5m) in the form of cash deposits, shown on the balance sheet as non-current other financial assets (note 17).

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

33. FINANCIAL INSTRUMENTS CONTINUED

Contingent consideration

Included in other creditors is contingent consideration payable to the vendors of Global Group (UK) Limited (2018: Global Group (UK) Limited). The following table sets out the carrying amount, by maturity, of the liabilities.

	Less than 3 months £m	3–12 months £m	1–5 years £m	Total £m
3 January 2020				
Current contingent consideration (note 11)	–	–	–	–
Non-current contingent consideration (note 11)	–	–	–	–
Total	–	–	–	–

	Less than 3 months £m	3–12 months £m	1–5 years £m	Total £m
4 January 2019				
Current contingent consideration (note 11)	–	1.2	–	1.2
Non-current contingent consideration (note 11)	–	–	–	–
Total	–	1.2	–	1.2

34. DIVIDENDS

	3 January 2020 £m	4 January 2019 £m
Prior year final paid 0p (2018: 13.5p)	–	6.8
Paid in period	–	6.8

On 30 July 2019 the Board announced that the Group will not pay an interim dividend for the financial year 2019, instead it will undertake a share buyback programme commencing in Q3 2019 up to an aggregate market value of £12.0m over a period of 12 months. During the current period a dividend-in-specie was made (see note 12). Following the outbreak of COVID-19 (see note 14), the Board has approved the suspension of the share buyback programme. While the Company has suspended its share buyback programme, it retains the authorities to buy back shares in the future and may consider ad hoc purchases of shares if deemed appropriate by the Board.

35. POST BALANCE SHEET EVENTS – SHARE PURCHASE AND CANCELLATION

Between the end of the year and 30 March 2020, a further 893,078 Ordinary shares of 1p each have been repurchased in the market for total consideration of £3.0m and have been cancelled.

36. POST BALANCE SHEET EVENTS COVID-19

In line with the FRC's guidance that COVID-19 should be treated as a non-adjusting post balance sheet event given our year-end and the development of the pandemic after that date, we have performed a re-assessment (but not adjustment) the carrying value of the reported assets and liabilities.

Goodwill and other intangibles and investments

The Group has goodwill and intangible assets which if downside scenarios were applied may result in additional impairments. However, although there is inherent uncertainty of the future trading as a result of the impact of COVID-19, if such a downturn is temporary future cash flow models would not include the major impacted year of 2020. At this stage it would not be appropriate to model any additional impairment until there is a clearer picture of longer-term trading. The Company holds investments in it's subsidiaries and as with goodwill and intangibles at this stage it would not be appropriate to model impairments to these assets.

Financial assets

The Group's other financial assets are not material and relate to rent deposits and marketable investments held in trust for US employees workers' compensation, these are likely to have had a short-term devaluation.

Right of use asset

Right of use assets largely relate to property leases which at present and in downside planned scenarios, the Group expect continuing to use and therefore would not considered these impaired. In an extreme down-turn, which we do not foresee, we may consider plans to exit some property commitments

36. POST BALANCE SHEET EVENTS COVID-19 CONTINUED

Deferred tax assets

Deferred tax assets largely relate to brought forward trading losses in the US that we anticipate can be utilised against future trading profits. In the directors' downside scenarios the timing of the utilisation of these losses would now be longer, though we would still anticipate that they would be utilised.

Trade receivables and their recoverability

The Group supply to a wide range of customers and sectors, at the date of these financial statements there had been no specific issues identified in the recoverability of amounts due from the Group's customers. Furthermore, the Group holds a level of credit insurance. There is an increased risk associated with the trading performance of our customers and their ability to meet their obligations. If the Group's estimated credit loss provision were to double (for illustrative purposes), the provision would increase by £0.7m.

Short term borrowing

Short term borrowings are derived from forecast repayments in net debt during the 12 months following the period end. The borrowings are committed facilities that can be drawn and repaid to support working capital requirements. In downside scenario models these would be classified as long term debt.

37. PRIOR YEAR ADJUSTMENTS

As discussed in note 2(A), the Group adopted new standards in the period, the most significant of which were IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. The adoption of IFRS 9 and IFRS 15 did not have a material effect on prior years and no comparatives have been re-presented. IFRS 16 has been adopted using the modified retrospective basis and therefore comparative periods were not required to be restated.

As part of a review of accounting policies and procedures the Group discovered certain anomalies and errors that have been corrected via adjustment to prior periods. These adjustments resulted in presentational changes in the income statement and balance sheet and did not result in a change to reported profits in the prior period and therefore they have not had an impact on reported basic or diluted earnings per share. In relation to the income statement, there has been a prior year adjustment to increase both revenue and cost of sales by £47.3m, as the commission on a customer contract was previously accounted for net, as 'agent'. The Group believe it should have been accounted for gross, as 'principal', under IAS 18 'Revenue', being the relevant standard at the time.

In relation to the balance sheet, certain adjustments have been made to prior year. Some of these adjustments affected the opening reserves in 2018 financial year so a third balance sheet is presented to reflect the revised opening position. As noted above, none of these adjustment had a material impact on the profit reported in 2018. The adjustments are summarised below:

- Offsetting bank account balances – The Group had previously shown positive and negative balance balances on a net basis, as there is a formal offsetting arrangement held with the banks. As the Group did not directly intend to either settle on a 'net basis', or to 'realise the asset and settle the liability simultaneously', the IAS 32 offsetting rules were not available. This has led to an increase in cash of £39.9m in the prior year, and a corresponding increase in borrowings.
- Customer unclaimed payments – an adjustment of £4.2m was made to increase other creditors and a reduction to retained earnings in the 2018 opening balance sheet in relation to amounts previously released to the income statement, as there was an expectation that these would not be requested for repayment, following attempts to return these payments. These are now being held until the financial liability is deemed to be cancelled, discharged or expires. As the level of release and increase in unclaimed payments were similar in both 2017 and 2018, the revised treatment had no material impact on prior reported profits in those periods.
- Implementation costs – the Group recognised an asset of £1.2m in the 2018 opening balance sheet in relation to implementation cost previously expensed as well as a related deferred taxation provision of £0.3m. This resulted in an increase in equity of £0.9m. As the relevant capitalisation criteria were met, the Group has adopted this revised treatment. The level of expense and amortisation is comparable under the past and revised treatment, so there is no material impact on prior reported profits.
- Customer contract 'gross ups' adjustments – various customer contract related balances have been adjustments to present them 'gross' rather than 'net'. This has resulted in an increase to 2018 trade receivables by £1.4m (2017: £2.3m), contract balances by £1.3m (2017: £4.4m), other receivables by £0.9m (2017: £nil) and prepayments by £0.8m (2017: £nil); with corresponding increases in trade payables of £0.4m (2017: decrease £5.7m), accruals of £2.0m (2017: £12.4m) and other payables of £2.0m (2017: £nil).

38. CONTROL

The Group has identified Lord Ashcroft as the ultimate controlling party as he has influence over more than 50%, but less than 75%, of both the shares and voting rights of Impellam Group Plc and together with being Chairman of Impellam group Plc has significant influence over the Group.

FINANCIAL STATEMENTS

Company balance sheet

AS AT 3 JANUARY 2020

	Notes	**3 January 2020**	4 January 2019
Non-current assets			
Investments	3	**150.1**	151.7
Current assets			
Other receivables	4	**261.6**	322.0
Cash at bank and in hand		**0.8**	0.4
		262.4	322.4
Other payables: amounts falling due within one period	5	**(153.3)**	(208.2)
Net current assets		**109.1**	114.2
Total assets less current liabilities		**259.2**	265.9
Other payables: amounts falling due in more than one period	6	**(140.7)**	(123.5)
Net assets		**118.5**	142.4
Capital and reserves			
Called-up share capital	8	**0.5**	0.5
Share premium account	8	**30.1**	30.1
Merger reserve	9	**19.0**	19.0
Other reserves	9	**–**	–
Retained profit	9	**68.9**	92.8
Total shareholders' funds	11	**118.5**	142.4

The accompanying notes are an integral part of this balance sheet.

The loss dealt with in the financial statements of the Company for the 52 weeks ended 3 January 2020 was £11.4m (2018: profit £68.6m). Dividends totalling £1.7m (2018: £6.8m) were declared and paid during the period. As allowed by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Parent Company.

The financial statements on pages 110 to 116 were approved by the Board on 24 April 2020 and are signed on their behalf by:

Tim Briant
Chief Financial Officer

Registered number: 06511961

Statement of changes in equity

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

	Share capital and premium (note 8) £m	Other reserves (note 9) £m	Retained profit £m	Total reserves £m
30 December 2017	30.6	21.1	32.0	83.7
Profit for the period	–	–	68.6	68.6
Share-based payment charge (note 9)	–	0.4	–	0.4
Purchase and cancellation of own shares (note 8)	–	–	(3.5)	(3.5)
Dividends paid (note 10)	–	–	(6.8)	(6.8)
Transfer between reserves	–	(2.5)	2.5	–
4 January 2019	30.6	19.0	92.8	142.4
5 January 2019	**30.6**	**19.0**	**92.8**	**142.4**
Profit for the period	**–**	**–**	**(11.4)**	**(11.4)**
Purchase and cancellation of own shares (note 8)	**–**	**–**	**(10.8)**	**(10.8)**
Demerger charge (note 9)	**–**	**–**	**(1.7)**	**(1.7)**
3 January 2020	**30.6**	**19.0**	**68.9**	**118.5**

FINANCIAL STATEMENTS

Notes to the Company balance sheet

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of accounting

Impellam Group plc ('the Company') is a company incorporated and registered in England and Wales and domiciled in the UK.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Comparative year reconciliations for share capital
- A cash flow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Impellam Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based Payment' in respect of Group-settled share-based payments
- Certain disclosures required by IAS 36 'Impairment of Assets' in respect of the impairment of investments
- Certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company in the current and prior years including the comparative year reconciliation for goodwill
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments Disclosures'.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

A separate profit and loss account or statement of total recognised gains and losses dealing with the results of the Company only has not been presented as permitted under Section 408 of the Companies Act.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Accounting policies have been applied consistently.

B) Investments

Shares in subsidiary companies are held as fixed assets, they are stated at cost less provision for impairment. Impairment reviews are conducted when changes in events or situations indicate that the carrying value may not be recoverable. More details of the impairment methodologies are given in note 15 of the consolidated accounts.

C) Other receivables

Other receivables include amounts owed by Group companies which are assessed for impairment based upon the current financial position and expected future performance of the subsidiary to which they relate. The transactions with Group companies are interest free demand loans.

The Company apples the IFRS 9 general approach to measuring expected credit losses. This approach requires an assessment at the initiation of the loan as to the risk of default, and a further assessment when the credit risk profile of the loans change. IFRS 9 applies a 3 stage model that is applied when calculating the expected credit losses:

- Stage 1 is defined as having no Significant Increase In Credit Risk ('SICR') – a 12 month expected credit loss is recognised at this point
- Stage 2 is defined as having a SICR – a lifetime expected credit loss is recognised at this point
- Stage 3 is defined as being credit impaired – a lifetime expected credit loss is recognised at this point

Notes to the Company balance sheet continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

There is no impact to any interest due to the Group company loans being interest free.

The Company defines the following:

- Definition of a default – A loan is considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient assets to repay the loan on demand.
- SICR assessment – The risk that the borrower will default on a demand loan depends on whether the subsidiary has sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is very low and the loan is in Stage 1); or does not have sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is higher, and the loan could be in Stage 2 or Stage 3).
- The Company performs this assessment qualitatively by reference to the borrower's immediate cash flow and asset position.
- Credit impaired indicators – A loan is considered to be credit impaired if it meets the definition of a defaulted loan.

D) Deferred taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised on an undiscounted basis for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

D) Employee benefits

Short-term benefits – bonus arrangements

The Company operates a number of annual bonus arrangements for Directors and employees. The cost of these arrangements is recognised in the income statement when the entity has an obligation to make such payments as a result of the achievement of performance targets and when a reliable estimate of this obligation can be made.

Pension obligations

The Company provides pension arrangements for its UK-based Directors and employees through defined contribution schemes. Contribution costs are expensed to the income statement as they become due.

2. OPERATING COSTS

- The amount payable to the auditor in respect of the audit of the Company is £20,000 (2018: £20,000), all of which is payable to BDO LLP (2018: KPMG LLP). The Company is exempt from providing details of non-audit fees as it prepares consolidated financial statements in which the details are required to be disclosed on a consolidated basis (see note 4 to the consolidated financial statements)
- Details of emoluments for Directors can be found in note 5 of the consolidated financial statements
- Monthly average staff numbers (including Directors) for the Company during 2019 was 32, eight Directors/Company Secretary, eight managers and 16 administrators (2018: 32, eight Directors/Company Secretary, eight managers and 16 administrators)
- The total amount of employee costs charged to the Company's income statement in the period is £3.4m (2018: £4.6m).

FINANCIAL STATEMENTS

Notes to the Company balance sheet continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

3. INVESTMENTS

	Subsidiary undertakings £m
Cost – 5 January 2019	151.7
Disposals	(1.6)
Cost – 3 January 2020	150.1
Impairment provision – 5 January 2019	–
Charge for the period	–
Disposals	–
Foreign exchange	–
Accumulated amortisation – 3 January 2020	–
Net carrying value – 3 January 2020	**150.1**
Net carrying value – 4 January 2019	151.7

Details of the principal subsidiary undertakings are given in note 30 of the consolidated financial statements. All of these companies are unlisted.

Subsidiary undertakings

The carrying values of investments were tested against discounted future cash flows during the period using a discount rate of between 14.0% to 18.7% (2018: between 10.55% to 13.90%), which include a country risk premium and a general forecasting risk premium based on latest forecasts of the business growth. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2020 financial period. Management believes the forecasts are reasonably achievable. No impairment in carrying value was identified.

4. OTHER RECEIVABLES

	3 January 2020 £m	4 January 2019 £m
Amounts owed by subsidiary undertakings	**246.2**	299.5
Other receivables	**15.4**	21.1
Prepayments	**–**	1.2
Deferred tax (note 7)	**–**	0.2
Total	**261.6**	322.0

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and are not interest-bearing. These have been reviewed for any expected credit loss and a charge of £1.3m (2018: £nil) has been recorded in the period, bringing the total charge to £1.3m (2018: £nil).

5. OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	3 January 2020 £m	4 January 2019 £m
Bank overdraft	**39.0**	39.9
Revolving credit facilities	**24.6**	22.9
Amounts owed to subsidiary undertakings	**86.7**	142.7
Accruals and other payables	**3.0**	2.7
Total	**153.3**	208.2

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and are not interest-bearing.

6. OTHER PAYABLES: AMOUNTS FALLING DUE IN MORE THAN ONE PERIOD

	3 January 2020 £m	4 January 2019 £m
Revolving credit facilities	**140.7**	123.5

Details of security given over these liabilities are described in notes 32 and 33 to the consolidated accounts.

7. DEFERRED TAXATION

	2019 £m	2018 £m
Opening balance	**0.2**	0.1
Charged to profit and loss account in the period	**(0.2)**	0.1
Deferred tax asset	**–**	0.2

The total recognised and unrecognised deferred tax is as follows:

Assets	**Recognised 3 January 2020 £m**	**Unrecognised 3 January 2020 £m**	Recognised 4 January 2019 £m	Unrecognised 4 January 2019 £m
Other short-term timing differences	**–**	**–**	0.2	–
Total	**–**	**–**	0.2	–

8. CALLED-UP SHARE CAPITAL

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
4 January 2019	**49.7**	**0.5**	**30.1**	**30.6**
Purchase and cancellation of own shares	**(2.4)**	**–**	**–**	**–**
Total	**47.3**	**0.5**	**30.1**	**30.6**

In 2019, 2,410,855 Ordinary shares (2018: 584,356) were repurchased in the market for consideration of £10.8m (2018: £3.5m) and cancelled.

Impellam Group plc

The Company has no limit to its authorised share capital. The above number represents the number of allotted, fully paid shares of 1p in issue.

9. RESERVES

	Merger reserve £m	Retained profit £m	Total reserves £m
4 January 2019	**19.0**	**92.8**	**111.8**
Profit for the period	**–**	**(11.4)**	**(11.4)**
Purchase and cancellation of own shares	**–**	**(10.8)**	**(10.8)**
Demerger charge	**–**	**(1.7)**	**(1.7)**
3 January 2020	**19.0**	**68.9**	**87.9**

Merger reserve

The merger reserve arises under Section 612 of the Companies Act 2006 as a result of the acquisition of Bartech Holding Corporation and Lorien Limited using the issue of shares as part consideration. The excess of fair value over the nominal value of shares is transferred to a merger reserve rather than a share premium. This reserve is not distributable.

FINANCIAL STATEMENTS

Notes to the Company balance sheet continued

FOR THE 52 WEEKS ENDED 3 JANUARY 2020

9. RESERVES CONTINUED

Other reserves

Other reserves comprise the following:

- A charge of £nil (2018: £0.4m) arising from share-based payments arising within the period. All share options lapsed during the prior period, at which point the balance of £2.5m on the share-based payment element of the reserve was transferred to retained earnings. The balance on the share-based payment element of the reserve at the end of the period is £nil (2018: £nil);
- £41,000 contributed surplus arising on a historical demerger transaction and a special reserve arising from the capital reduction in December 2012 (2018: £41,000); and
- £32,000 capital redemption reserve arising from the purchase and cancellation of treasury shares (2018: £8,000).

These reserves are non-distributable. All other reserves are distributable.

On 20 February 2019 the Board announced a dividend in specie in respect of a demerger transaction amounting to £1.7m that was paid on 8 March 2019 to all shareholders on the register at 1 March 2019.

10. DIVIDENDS

	3 January 2020 £m	4 January 2019 £m
Prior year final paid 0p (2018: 13.5p)	–	6.8
Paid in period	–	6.8

On 30 July 2019 the Board announced that the Group will not pay an interim dividend for the financial year 2019, instead it will undertake a share buyback programme commencing in Q3 2019 up to an aggregate market value of £12.0m over a period of 12 months. Following the outbreak of COVID-19 (see note 14), the Board has approved the suspension of the share buyback programme. While the Company has suspended its share buyback programme, it retains the authorities to buy back shares in the future and may consider ad hoc purchases of shares if deemed appropriate by the Board.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	3 January 2020 £m	4 January 2019 £m
(Loss)/profit for the financial period	(11.4)	68.6
Share-based payment charge	–	0.4
Purchase and cancellation of own shares	(10.8)	(3.5)
Dividend paid	–	(6.8)
Demerger charge	(1.7)	–
Opening shareholders' funds	142.4	83.7
Closing shareholders' funds	118.5	142.4

12. RELATED PARTY TRANSACTIONS

The Board is not aware of any related party transactions other than those disclosed in note 30 to the consolidated financial statements.

13. POST BALANCE SHEET EVENTS – SHARE PURCHASE AND CANCELLATION

Between the end of the year and 30 March 2020, a further 893,078 Ordinary shares of 1p each have been repurchased in the market for total consideration of £3.0m and have been cancelled.

14. POST BALANCE SHEET EVENTS – COVID-19

In line with the FRC's guidance that COVID-19 should be treated as a non-adjusting post balance sheet event given our year-end and the development of the pandemic after that date, we have performed a re-assessment (but not adjustment) the carrying value of the reported assets and liabilities.

In addition to the matters discussed in note 36 of the Group accounts, the Company holds a large balance in amounts owed by subsidiaries. As no specific risks have been identified over the Group as a whole, the Company believes such balances are recoverable in the medium to long term.

Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURES

Certain discussions and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measurements, is useful to investors because it provides a basis for measuring our operating performance on a comparable basis. Our management uses these financial measures, along with the most directly comparable IFRS financial measures, in evaluating our operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

ADJUSTED EBITDA

Definition: The Group calculates adjusted EBITDA as operating profit before interest, tax, depreciation and amortisation and excludes IFRS 16 adjustments, separately disclosed items and share-based payments.

Closest equivalent IFRS measure: Operating profit.

Rationale for adjustment: The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance, including Directors' remuneration, and also reflects the starting profit measure used when calculating the Group's banking covenants. All discussions within the Group on segmental and individual brand performance refer to adjusted EBITDA.

Following the adoption of IFRS 16 in 2019 the Group will move to Adjusted Operating Profit as its Alternative Profit Measure in 2020, to include depreciation and amortisation of assets but excluding amortisation of acquired intangibles, and this is included in the table below for reference.

Reconciliation of adjusted EBITDA to operating profit:

	2019 £m	2018 £m
Segmental adjusted EBITDA	**49.5**	52.9
Corporate costs	**(2.8)**	(3.1)
Adjusted EBITDA	**46.7**	49.8
Net IFRS 16 effect	**(0.3)**	–
Amortisation of software	**(7.0)**	(4.9)
Depreciation of property, plant and equipment	**(3.2)**	(3.3)
Loss on disposal	**(0.2)**	(0.2)
Adjusted Operating Profit	**36.0**	41.4
Amortisation of brand value and customer relationships	**(10.2)**	(4.2)
Separately disclosed items	**(4.9)**	(5.7)
Impairment of intangible assets	**(7.0)**	(8.6)
Share-based payments	**–**	(0.4)
Operating profit	**13.9**	22.5

Separately disclosed items are costs or income that have been recognised in the income statement which the Directors believe, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year underlying financial performance.

The impairment charge due to its size is disclosed separately to give a more comparable view of the year-on-year underlying financial performance.

Share-based payments – in September 2015 the Company granted share awards to two senior Directors to vest following the publication of the audited financial results for the year ended 31 December 2017. One of the Directors left during 2016 and the share award relating to that Director has been cancelled. The remaining shares lapsed in 2018 as the vesting conditions were not met.

These are shown separately in order to bring this to the attention of the reader to highlight that this is a scheme which is one-off in nature and not part of the ongoing remuneration structure of senior executives.

The separately disclosed items are:

	2019 £m	2018 £m
Group transformation costs[a]	**3.8**	–
Group demerger costs[b]	**0.7**	–
Adjustments to deferred consideration[c]	**(0.3)**	0.5
Legal claim costs[d]	**0.7**	3.2
US Business restructuring and integration[e]	**–**	2.0
Total	**4.9**	5.7
Finance expenses[f]	**0.9**	–

a) In 2019 the Group commenced a transformation programme looking at all aspects of the business including structure, people, IT and individual businesses. This process remains ongoing and will generate further costs in 2020. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business

b) The Group demerged Carlisle Support Services Group in 2019, incurring costs of £0.7m. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business

c) Contingent consideration payments linked to individuals' continuing employment in the business generated a £0.3m credit in relation to the acquisition of Global Group (UK) Ltd (2015: £0.5m). These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses

d) In 2018 the Group had an ongoing litigation matter for which a provision for settlement and associated legal costs of £3.0m has been made. Following further legal advice, in 2019 the provision has been reduced to £1.0m. The Group are also considering a settlement in relation to a contract for which a provision of £2.3m has been made. These are disclosed separately due to their one-off nature and significance

FINANCIAL STATEMENTS

Alternative performance measures continued

e) US Business restructuring and integration costs are of such significance that they are excluded in order to bring them to the reader's attention in understanding the Group's financial performance. Following the acquisition of Bartech at the end of 2015 the Group has gone through a three-year programme to enable the realisation of cost and revenue synergies and ensure the right structure of Impellam North America is in place. This includes costs related to the integration of the Bartech business to Impellam systems, processes and policies. This programme has concluded at the end of 2018. All other costs related to restructures within the individual Impellam brands have been included in the trading results as they are not deemed significant

f) Finance costs previously capitalised have been written off due to the negotiation of a new revolving credit facility pursuant to various acquisitions.

SPEND UNDER MANAGEMENTΔ ('SUM')

Definition: Total amount of client expenditure which our Managed Service brands managed on behalf of their clients. This equates to revenue earned where Impellam acts as principal plus gross billings to customers where Impellam acts as agent.

Closest equivalent IFRS measure: Group Revenue.

Rationale for adjustment: The Group uses this measure as it reflects the total value of the client spend to the Group, not just the revenue generated.

CONTINUING ADJUSTED EARNINGS PER SHARE ('EPS')

Definition: Continuing adjusted profit divided by the weighted average number of Ordinary shares outstanding during the year.

Closest equivalent IFRS measure: Continuing basic earnings per share.

Rationale for adjustment: The Group uses this measure alongside the basic EPS calculation as it reflects the underlying trading performance of the business.

Reconciliation of Adjusted EPS to Basic EPS:

	2019 £m	2018 £m
Continuing profit for the period	**4.8**	12.9
Separately disclosed items (net of tax)	**4.1**	6.0
Impairment of goodwill	**1.6**	8.6
Impairment of other intangibles (net of tax)	**4.4**	–
Customer relationship and brand value amortisation (net of tax)	**8.2**	3.3
Continuing adjusted profit	**23.1**	30.8
Weighted average number of shares	**48,543,107**	50,171,830
Unadjusted continuing EPS	**9.8**	25.8
Adjusted continuing EPS	**47.6**	61.5

NET DEBT EXCLUDING IFRS 16 'LEASES'

Definition: The Group calculates net debt as the total of cash and short-term deposits, revolving credit and hire purchase. Following the adoption of IFRS 16 the calculation also includes lease liabilities and debtors.

Rationale for adjustment: The Group has used this measure to allow comparability to 2018 and maintains alignment to the covenant reporting during 2019.

Reconciliation of net debt excluding IFRS 16 to net debt:

	2019 £m	2018 £m
Cash and short term deposits	**132.3**	117.1
Bank overdraft	**(39.0)**	(39.9)
Revolving credit	**(165.3)**	(148.5)
Hire purchase	**(0.3)**	(0.4)
Net debt excluding IFRS 16	**(72.3)**	(71.7)
Lease liabilities	**(31.7)**	–
Lease debtors	**7.3**	–
Net debt	**(96.7)**	(71.7)

Glossary

Adjusted EBITDA	EBITDA before separately disclosed items, impairment of goodwill and share-based payments
Adjusted EBITDA Conversion Ratio	Adjusted EBITDA divided by NFI/gross profit
Beautiful Basics	Every brand in Impellam makes a simple promise to its customers and candidates and then backs that promise up with whatever activities are needed to fulfil, sustain and deliver the brand promise. We call these promises the Beautiful Basics
Business Process Outsourcing ('BPO')	Solutions which help businesses address back office needs strategically and increase operational efficiency
Cash Conversion	Net cash from operating activities divided by operating profit
Constant Exchange Rates	Calculated by multiplying the prior year functional currency amount by the current year foreign currency exchange rate
Contingent Labour	Temporary and contract workers
Cross-sell	All Impellam people are encouraged to refer new business leads to one another. This happens when a consultant identifies an opportunity that is outside the scope of the brand specialism and it will be referred to a brand within a Group which is aligned to requirement
CRM	Customer relationship management
Days Sales Outstanding ('DSO')	Total trade receivables divided by average daily invoiced sales
EBITDA	Earnings before interest, tax, depreciation and amortisation
Facilities Management	Providing cleaning, security, events and retail facilities support services
GDPR	General Data Protection Regulation which came into force on 5 May 2018
Group Fill	The percentage of Spend Under Management$^{\Delta}$ supplied from our Group brands into our Managed Services programmes
High Road	Impellam provides good work for people and people for good work. We focus on partnering with organisations that value engaged, fulfilled people which serves to drive clear market segmentation and a compelling price point
Hybrid Vendor	Assignments are filled by a combination of suppliers that we manage for the client and are filled directly by the Managed Services provider (including Group supply)
IFRS	International Financial Reporting Standards
Ignite	CRM (customer relationship management), our recruiter operating system
Independent Contractor Solutions	Helping to reduce the risk and cost of worker misclassification
Managed Services	These businesses optimise the productivity of people by designing, implementing, coordinating and reporting on the whole staffing process. They provide multi-disciplinary workforce solutions, including all forms of partial and complete outsourcing
Managed Services Programme ('MSP')	The outsourcing of contingent labour
Master Vendor	The majority of assignments are filled by the Managed Services provider (including Group supply) and second-tier agencies are used when the Managed Services provider is unable to supply
Net Debt	Total debt of the Group less cash in hand
Net Fee Income ('NFI')	Equivalent to gross profit
Neutral Vendor	Assignments are filled by suppliers that we manage for the client, where the Managed Services provider does not form part of the supply chain
Non-UK	All countries Impellam operates in outside of the UK. This is the US, Australasia, Europe (excluding the UK) and the Middle East

FINANCIAL STATEMENTS

Glossary continued

Origin	Our innovation hub that acquires, invests in and partners with disruptive start-ups in our markets as well as backing our Virtuosos' ideas
Payroll Services	Provide access to a fully compliant framework for managing and paying contingent staff
Productivity	Gross profit divided by Full Time Equivalent (FTE) heads
Recruitment Process Outsourcing ('RPO')	Where a client outsources the management of the recruitment function (in whole or part) to a third-party expert
ShiftWise	Technology solution for the NHS to build our Managed Services capability
Specialist Staffing	Dedicated brands which provide expert recruitment services and skilled workers for permanent, temporary, contact and fixed-price work
Spend Under Management ('SUM')	Total amount of client expenditure which our Managed Service brands managed on behalf of their clients. This equates to revenue earned where Impellam acts as principal plus gross billings to customers where Impellam acts as agent
Statement of Work ('SOW')	Solutions for spend in complex categories of service which include supplier management, requisition facilitation, contract writing, negotiations and invoicing and settlement support services
Value chain	Different parts of our business share the belief that meaningful work really matters to individuals, communities, societies and economies so they can work together to create value that is greater than the sum of the parts
Vendor Management System ('VMS')	VMS technology enables the full procure-to-pay process, while providing robust reporting and analytics
Vertical Specialist Managed Services	Our brands which have Specialist focus and expertise delivering sector or function staffing solutions
Virtuosity	Virtuosity is the art of seeing possibilities where others see none. It is a mindset that enables our people to adapt with agility to changing market conditions
Virtuoso	People who see possibilities and can tune in to the needs of our customers and candidates
Virtuoso Circle	A virtuous circle is at the core of our high-retention model. It provides the continuous loop of making and keeping promises, which engenders trust and ultimately builds loyalty
Virtuoso Way	Our consistent, collaborative Group-wide culture, based on trusted behaviours, delivered by entrepreneurial leaders. At the heart of building trust is the everyday practice in which people make promises to each other to bring about a future that benefits all

Company information

Impellam is a leading Global Talent Acquisition and Managed Workforce Solutions provider supported by talent-focused specialist staffing brands with deep heritages, vertical sector expertise and loyal candidate networks.

Clients across the world trust us to deliver Managed Services and talent-focused Specialist Staffing in the UK, North America, Australasia, the Middle East and Europe. Working with them are 3,000 Impellam people, bringing a wealth of expertise through our 16 market-leading brands across 112 locations. Every year, we connect carefully chosen candidates with good work at all levels. They include technology and digital specialists, scientists, clinical experts, engineers, nurses, doctors, lawyers, teachers, receptionists, drivers, chefs, administrators, warehouse and call centre operatives.

Underpinning everything we do is our Virtuoso strategy which recognises it is our people who make the difference. Virtuosos make and deliver on promises and grow with their customers through sector, service or international expansion which ensures there is never a need for a customer or candidate to leave Impellam. Impellam is the sixth[1] largest Global Talent Acquisition and Managed Workforce Solutions provider in the world.

For more information about Impellam Group, please visit: www.impellam.com

Nominated advisers and brokers
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Principal solicitors
Allen & Overy LLP
One Bishops Square
London E1 6AD

Registrars
Link Asset Services
65 Gresham Street
London
EC2V 7NQ

Principal bankers
Barclays Bank plc
1 Churchill Place
London E14 5HP

Independent auditor
BDO LLP
55 Baker Street
London W1U 7EU

Registered address
Impellam Group plc
800 The Boulevard
Capability Green
Luton
Bedfordshire LU1 3BA

Registered number
06511961

LSE symbol
IPEL

1 By revenue (2018 published numbers)

Notes

Notes

Notes

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C021489

This report is printed on Revive 50 Silk which is produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with FSC® certification. All pulps used are Elemental Chlorine Free (ECF). Printed in the UK by Fontain using vegetable based inks throughout. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC®) chain-of-custody certified.

Designed and produced by emperor
Visit us at emperor.works

IMPELLAM GROUP PLC
800 The Boulevard
Capability Green
Luton
Bedfordshire LU1 3BA

www.impellam.com

Registered number: 06511961