RNS Number : 8773K
Impellam Group plc
27 April 2020

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Impellam Group plc

("Impellam", the "Group" or the "Company")

RESULTS FOR THE YEAR ENDED 3 JANUARY 2020

Impellam (AIM: IPEL) announces its audited final results for the 52 weeks ended 3 January 2020.

STRONG GROSS PROFIT AND CASH CONVERSION

	FY 2019[1]	FY 2018[1],[2]	Actual Inc/(Dec)	Like-for-like[8] Inc/(Dec)
Revenue (£ millions)	2,254.8	2,267.3	(0.6)%	(1.2)%
Gross Profit (£ millions)	274.1	277.5	(1.2)%	(2.2)%
Adjusted EBITDA [3] (£ millions)	46.7	49.8	(6.2)%	(7.1)%
Adjusted EBITDA conversion [4]	17.0%	17.9%	(0.9)%	
Adjusted operating profit [5]	36.0	41.4	(13.0)%	
Adjusted operating profit conversion [6]	13.1%	14.9%	(1.8)%	
Operating profit (£ millions)	13.9	22.5	(38.2)%	
Continuing Adjusted Basic EPS [7]	47.6	61.5	(22.6)%	

Continuing Basic EPS	9.8	25.8	(62.0)%

Financial results presentation

In 2019 we adopted IFRS 15 - Revenue from Contracts with Customers and IFRS16 - Leases. For IFRS 16 we have applied the modified retrospective approach and have therefore not restated the 2018 comparative results for the new standard's material impact.

IFRS 16 affects adjusted EBITDA, operating profit and net debt and therefore the year-on-year results as reported are not shown on a comparable basis.

The de-merger of Carlisle Support Services in 2019 has been treated as a discontinued operation and the 2018 results have been restated accordingly.

Towards the end of 2018 the Group changed its estimate of the useful economic life over which it carries brand values. This has led to an amortisation charge in 2019 of £6.3m (2018: £0.5m).

The table below bridges 2018 to 2019 on a comparable basis at actual exchange rates.

	Reported	**Discontinued Ops**	**PYA**	**Restated**	**Comparable**	**IFRS 16**	**Brand Value**	**Reported**
	2018	**2018**	**2018**	**2018**	**2019**	**2019**	**2019**	**2019**
Revenue	**2,276.7**	(56.7)	47.3	**2,267.3**	**2,254.8**	0.0	0.0	**2,254.8**
Gross Profit	**282.3**	(4.8)	0.0	**277.5**	**274.1**	0.0	0.0	**274.1**
Adjusted EBITDA[3]	**50.2**	(0.4)	0.0	**49.8**	**46.7**	0.0	0.0	**46.7**
Adjusted Operating Profit[5]	**41.8**	(0.4)	0.0	**41.4**	**36.3**	(0.3)	0.0	**36.0**
Operating Profit	**22.9**	(0.4)	0.0	**22.5**	**20.5**	(0.3)	(6.3)	**13.9**
Net Debt	**71.7**	0.0	0.0	**71.7**	**72.3**	24.4	0.0	**96.7**

(1) Following a review of revenue recognition 2018 financial statements were restated (see note 11). IFRS 16 - Leases was adopted in 2019, 2018 financial statements are not restated (see note 10).

(2) 2018 financial statements restated for discontinued operations (see note 3).

(3) Before IFRS 16, separately disclosed items (see note 4) and share-based payment (see note 2).

(4) Calculated as Adjusted EBITDA / Gross Profit.

(5) Operating profit before amortisation of acquired intangible assets, separately disclosed items (see note 4) and share-based payment (see note 2).

(6) Calculated as Adjusted operating profit / Gross Profit.

(7) Continuing Basic EPS before separately disclosed items (see note 4), share-based payment (see note 2) and amortisation of acquired intangible assets.

(8) % change measured at constant exchange rates.

Key operational highlights

- 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[1]).
- 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[1].
- Our new segmental structure Global Managed Services, Global Specialist Staffing, Regional Specialist Staffing and Healthcare enables increased collaboration and reduced duplication.
- Spend Under Management (SUM)[1] up 8.1% (£255.8m) and a Group fill[2] rate of 17% (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, 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 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[1] 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 mind-set 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.

Trading update (unaudited)

Gross profit for Q1 declined by 5.1% against the same period last year as we started to see the impact of COVID-19 in March 2020. This was more marked in the UK, down 6.9%, with Australia down 2.3% whilst the US was up 2.1%. Across the segments we saw the largest declines in our Regional Specialist segment with customers in manufacturing, retail, catering, hospitality and education being impacted more severely. In the last quarter of 2019, we implemented a cost reduction programme in line with the ongoing integration of the Group and this cost control was maintained throughout Q1, offsetting much of the year over year reduction in gross profit such that operating profit was £5.3m compared to £5.5m in the same period in 2019.

The decline in trading has been more significant since lockdowns were enforced across our geographies and we anticipate a more pronounced impact on trading results in Q2. In anticipation of this we have taken decisive action to further manage our cost base and strengthen our financial position including:

- Agreed salary sacrifices for all Board and senior management
- Furloughed staff in segments most significantly impacted by Covid-19
- Curtailed discretionary spend including travel, entertainment, marketing and IT
- Postponed all but non-essential capital expenditure
- Suspending the share buyback programme (effective today)*
- Utilised the UK Government's VAT deferral scheme

We will continue to implement these preservative measures whilst government restrictions on social movements remain in place, however due to the uncertainty around the length of the lockdown period, at this stage it is not possible to determine the full impact on the full year trading performance. We have modelled various downturn scenarios and our stress testing shows that the Group can withstand both a material and prolonged decline in revenue, although certain material uncertainties remain.

At the end of Q1 net debt (excluding IFRS 16) remained at similar levels to those at the year end and in line with the same time last year. With the expected Q2 trading reduction we anticipate reduced working capital requirements and this, together with the c£35m cash benefit from the UK Government VAT deferral scheme, the suspension of the share buyback programme and reduction in capital expenditure means that we expect net debt to reduce over this period. The Group has £240m of facilities committed to April 2022 (£220m to April 2023). The Board are confident that Impellam has the resources to continue to support our customers and candidates through this period and beyond normal economic conditions return.

**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*

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1. *Explanations of Alternative Performance Measures are at the end of the report.*
2. *Group Fill is the value of the Spend Under Management supplied by other areas of the Group.*

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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

Financial results for the fifty-two weeks to 3 January 2020

The table below sets out the results for the Group by segment for 2019.

	Revenue			Gross profit			Adjusted EBITDA[3]		
£'million	2019	2018	Like-for-like change[1]	2019	2018	Like-for-like change[1]	2019	2018	Like-for-like change[1]
Global Managed Services	757.1	715.8	5.0	78.0	75.5	(1.4)	18.5	18.2	(0.5)
Gross profit %				10.3%	10.5%				
Global Specialist Staffing	649.1	682.2	(5.3)	55.5	54.9	0.2	16.7	16.8	(1.8)
Gross profit %				8.6%	8.0%				
Regional Specialist Staffing	650.3	682.2	(5.9)	94.0	97.8	(5.0)	11.2	13.5	(18.8)
Gross profit %				14.5%	14.3%				
Healthcare	245.8	247.0	(0.3)	46.6	49.3	(4.9)	3.1	4.4	(25.6)
Gross profit %				19.0%	20.0%				
Inter-segment revenues	(47.5)	(59.9)		-	-		-	-	
Total	2,254.8	2,267.3		274.1	277.5		49.5	52.9	
Corporate costs							(2.8)	(3.1)	
Adjusted EBITDA							**46.7**	**49.8**	
Net IFRS 16 adjustment[2]							(0.3)	-	
Depreciation and amortisation[4]							(10.2)	(8.2)	
Loss on disposal							(0.2)	(0.2)	
Adjusted operating profit[5]							**36.0**	**41.4**	
Amortisation of acquired intangible assets							(10.2)	(4.2)	
Impairments							(7.0)	(8.6)	

Separately disclosed items	(4.9)	(5.7)
Share-based payments	-	(0.4)
Operating profit	**13.9**	**22.5**

1. *% change measured at constant exchange rates.*
2. *IFRS 16 adjustment is the add back of operating lease charges (see note 2).*
3. *Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments.*
4. *Before separately disclosed items, share-based payments and amortisation of acquired intangibles.*

Chairman's Comments on the Results

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.

Lord Ashcroft KCMG PC
Chairman

Group Chief Executive Officer's Review

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 compared to 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[1] 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[1]) 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. 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 to 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 better, 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.

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 profit 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[1] ('SUM') is up 8.1% (£255.8m). We achieved a Group fill[2] 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 gross profit.

In addition, across the Group our customer retention has increased from 56.1% to 57.5% (+1.4pts) 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.

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[1]. 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[1] 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[1] 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[1] 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[1].

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[1] 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.

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. 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 sprit as we work together in 2020.

Julia Robertson
Group Chief Executive Officer

1. *Explanations of Alternative Performance Measures are at the end of the report.*
2. *Group Fill is the value of the Spend Under Management supplied by other areas of the Group.*

Group Chief Financial Officer's Review

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 1.

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[1] 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 in note 2and 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 4.

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[1] 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[1] by £0.14m per annum. The rate of exchange between the US Dollar and Sterling over the year ended 3 January 2020 averaged USD 1.2773 and closed at USD 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: $1.3093; 2018: $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 IFRS16. 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.

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[1] 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[1]) 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 Group had a UK Corporation Tax Charge of £0.7m (2018: £1.4m) and an overseas corporate income tax charge of £1.3m (2018: £2.5m). The effective current tax rate on the UK business is 11.0% (2018: 17.5%). This is lower than the UK statutory rate of Corporation Tax which is 19.0% (2018: 19.0%). The difference is principally due to tax credits arising on fair value adjustments charged to the profit and loss account on consolidation offset partially by charges to the profit and loss account which are not deductible for corporation tax purposes.

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 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 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 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 the 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.

Tim Briant
Group Chief Financial Officer

Independent auditor's report to the shareholders of Impellam Group plc on the preliminary announcement of annual results

As the independent auditor of Impellam Group Plc ('the company') we have been asked by the directors to agree to the publication of the company's preliminary statement of annual results for the period ended 3 January 2020 which includes key operating highlights, Chairman's statement, narrative disclosures and the financial results. We are not required to agree to the publication of the Q1 trading statement.

Use of our report

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our work on the preliminary statement of annual results has been undertaken so that we might state to the company's members those matters we have agreed to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work on the preliminary statement of annual results, for this report, or for the opinions we have formed.

Responsibilities of directors and auditor

The directors of the company are responsible for the preparation, presentation and publication of the preliminary statement of annual results. We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with the requirements of UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of the Company is complete and we signed our auditor's report on 24 April 2020. Our auditor's report is not modified and contains a material uncertainty in relation to impact on going concern of Covid-19.

Our auditor's report on the full financial statements contained the following information regarding key audit matters and how they were addressed by us in the audit, our application of materiality and the scope of our audit.

Risk name	**Description**	**How we addressed the key audit matter in the audit**
Fraud in revenue recognition - incomplete temporary contractor revenue	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 contractors 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 12. There was no profit impact from these adjustments. We found no other matters to report with regards to temporary contractor revenue.
Revenue recognition - complex contract accounting on global managed service contracts	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 implementation costs 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 implementation costs 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 implementation costs 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 'principle v agent' treatment of a contract in the prior year - see note 12. We found no other matters to report with regards to global managed service contracts.
Goodwill and intangibles impairment	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.	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 assumption inputs. This was done with comparison to industry standard data points that are utilised in such models. Key observations

		We identified an adjustment that resulted in an increase in impairment. We have no other matters to report with regards to Goodwill and Intangibles impairment.
Compliance with specific laws and regulations - holiday pay and client credits	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 12. 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	IFRS 16 Leases is effective for the current financial year. The impact is disclosed in summary of significant accounting policies within note 1. 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. 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 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.

Procedures performed to agree to the preliminary statement of annual results

In order to agree to the publication of the preliminary statement of annual results of the company we:
- checked the accuracy of extraction of the financial information in the preliminary statement from the audited financial statements of the company;
- considered whether any "alternative performance measures" and associated narrative explanations may be misleading; and
- read the management commentary and considered whether it is in conflict with the information that we have obtained in the course of our audit.

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).

Consolidated income statement

For the fifty-two weeks ended 3 January 2020

	Notes	52 weeks 3 January 2020 £m	(As restated) 53 weeks 4 January 2019 £m
Continuing operations			
Revenue	2	2,254.8	2,267.3
Cost of sales		(1,980.7)	(1,989.8)
Gross profit	2	274.1	277.5
Administrative expenses		(261.4)	(254.0)
IFRS 9 impairment losses		1.2	(1.0)
Operating profit	2	13.9	22.5
Adjusted operating profit		36.0	41.4
Amortisation of brand value and customer relationships		(10.2)	(4.2)
Separately disclosed items	4	(4.9)	(5.7)
Impairment of goodwill		(1.6)	(8.6)
Impairment of other intangible items		(5.4)	-
Share-based payment		-	(0.4)
Operating profit		13.9	22.5
Finance income		0.8	-
Finance expense	5	(9.0)	(6.8)
Profit before taxation		5.7	15.7
Taxation	6	(0.9)	(2.8)
Profit for the period from continuing operations		4.8	12.9
Profit from discontinued operations, net of tax		0.7	0.4
Profit for the period attributable to owners of the parent Company		5.5	13.3

Earnings per share for equity holders of the parent Company			
Basic	7	11.2 p	26.5p
Diluted	7	11.2 p	26.5p

Consolidated statement of comprehensive income

For the fifty-two weeks ended 3 January 2020

	52 weeks 3 January 2020 £m	(As restated) 53 weeks 4 January 2019 £m
Profit for the period	5.5	13.3
Items that will not be subsequently reclassified into income:		
Remeasurement of defined benefit liability	-	0.1
Items that may be subsequently reclassified into income:		
Currency translation differences (net of tax)	(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	1.3	19.1
Non-controlling interest	(0.1)	(0.1)
Total comprehensive income for the period, net of tax	1.2	19.0

Consolidated balance sheet

As at 3 January 2020

	Notes	3 January 2020 £m	(As restated) 4 January 2019 £m	(As restated) 29 December 2017 £m
Non-current assets				
Property, plant and equipment		6.6	6.7	7.3
Right-of-use assets	10	25.4	-	-
Goodwill		148.0	156.2	160.4
Other intangible assets		117.8	131.1	131.7
Financial assets		1.5	1.4	1.4
Deferred tax assets		13.6	15.3	13.2
Trade and other receivables		5.7	1.2	1.2
		318.6	311.9	315.2
Current assets				
Trade and other receivables		574.7	573.5	693.9
Tax receivable		2.5	-	-
Cash and cash equivalents		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		24.7	25.1	73.2
Lease liabilities		10.6	-	-
Trade and other payables		550.4	556.8	684.0
Taxation payable		1.8	1.7	4.2
Provisions		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	140.9	123.8	103.0
Lease liabilities	21.1	-	-
Other payables	1.6	1.6	0.9
Provisions	5.4	3.4	1.1
Deferred tax liabilities	21.5	23.1	22.5
	190.5	151.9	127.5
Total liabilities	781.6	736.4	883.3
Net assets	246.5	266.1	257.0
Equity			
Issued share capital	0.5	0.5	0.5
Share premium account	30.1	30.1	30.1
	30.6	30.6	30.6
Other reserves	120.3	124.6	120.9
Retained earnings	95.9	110.9	105.4
Total equity attributable to owners of the parent Company	246.8	266.1	256.9
Non-controlling interest	(0.3)	-	0.1
Total equity	246.5	266.1	257.0

Consolidated statement of changes in equity

For the fifty-two weeks ended 3 January 2020

	Total share capital and share premium £ m	Other reserves £ m	Retained earnings £ m	**Total equity attributable to equity owners of the parent £ m**	Non-controlling interest £ m	**Total equity £ m**
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	-	(4.3)	-	**(4.3)**	-	**(4.3)**
Total comprehensive income in the period	-	(4.3)	5.8	**1.5**	(0.3)	**1.2**
Transactions with owners, recorded directly in equity						
Purchase and cancellation of own shares	-	-	(10.8)	**(10.8)**	-	**(10.8)**
De-merger charge	-	-	(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 fifty-two weeks ended 3 January 2020

	52 weeks 3 January 2020 £m	(As restated) 53 weeks 4 January 2019 £m
Cash flows from operating activities		
Profit before taxation	5.7	15.7

Adjustments for:		
Depreciation and amortisation	29.4	12.3
Impairments	7.0	8.6
Loss on disposal	0.2	0.2
Net finance expense	8.2	6.8
Discontinued operations	0.7	(1.7)
Share-based payment	-	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	4.8	2.1
Cash generated by operations	53.9	39.9
Taxation paid	(4.4)	(6.5)
Net cash generated by operating activities	49.5	33.4
Cash flows from investing activities		
Acquisition of subsidiary	(2.9)	-
Purchase of property, plant and equipment	(3.6)	(3.1)
Purchase of intangible assets	(6.8)	(6.9)
Increase in other financial assets	(0.1)	-
Interest received	0.8	-
Net cash from investing activities	(12.6)	(10.0)
Cash flows from financing activities		
Increase / (decrease) in short-term borrowings	16.8	(27.6)
(Decrease) / increase in overdraft	(0.9)	2.3
Purchase and cancellation of own shares	(10.8)	(3.5)
Interest paid on lease liabilities (2018: Interest element of net finance lease payments)	(1.3)	-
Other finance expenses paid	(6.8)	(6.8)
Repayment of lease liabilities (2018: Capital element of net finance lease payments)	(12.1)	0.4
Receipt from lease debtors	2.9	-
Cash outflow on discontinued operations	(2.5)	-
Dividends paid	-	(6.8)
Net cash inflow / (outflow) from financing activities	(14.7)	(42.0)
Net increase / (decrease) in cash and equivalents	22.2	(18.6)
Opening cash and cash equivalents	117.1	137.9
Effect of foreign exchange rate movements	(7.0)	(2.2)
Closing cash and cash equivalents	132.3	117.1

Notes to the final financial statements

1 Basis of preparation

I. Statement of compliance

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.

II. Statutory information

The financial information for the 52 weeks to 3 January 2020 does not constitute the statutory accounts of the Group for the relevant period within the meaning of section 434 of the Companies Act 2006. Such statutory accounts will be completed in due course and delivered to the Registrar of Companies.

III. Accounting policies, new IFRS and interpretations

The accounting policies used in this report are with those applied at 3 January 2020, where we have adopted the following new IFRS.

a) IFRS 9 - Financial Instruments. A review of the credit worthiness 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.

b) IFRS 15 - Revenue from Contracts with Customers. No adjustments were required as a result of the adoption of IFRS 15.

c) IFRS 16 - Leases. 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 the practical expedient 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. 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 £36.6m recorded as a lease liability.

No other new and/or revised IFRS and IFRIC publications that come into force in the period have any material impact on the accounting policies, financial position or performance of the Group.

2 Segmental information

Fifty-two weeks ended 3 January 2020

	Revenue	Gross profit	**Segment Adjusted EBITDA**
	£ m	£ m	**£ m**
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**

Fifty-three weeks ended 4 January 2019 (as restated)

	Revenue	Gross profit	**Segment Adjusted EBITDA**
	£ m	£ m	**£ m**
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**

	52 weeks 3 January 2020 £ m	(As restated) 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**
Net IFRS 16 effect	(0.3)	-
Amortisation and depreciation	(10.2)	(8.2)
Loss on disposal	(0.2)	(0.2)
Adjusted operating profit	**36.0**	**41.4**
Amortisation of acquired intangibles	(10.2)	(4.2)
Impairments	(7.0)	(8.6)
Separately disclosed items	(4.9)	(5.7)
Share-based payment	-	(0.4)
Operating profit	**13.9**	**22.5**
Net Finance expense	(8.2)	(6.8)
Taxation charge	(0.9)	(2.8)
Profit for the period from continuing operations	**4.8**	**12.9**

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 4).

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.

3. Discontinued operations

In March 2019 the Group de-merged 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

4 Separately disclosed items

	52 weeks 3 January 2020 £ m	53 weeks 4 January 2019 £ m
Group transformation costs (1)	3.8	-
Group de-merger (2)	0.7	-
Adjustments to contingent consideration (3)	(0.3)	0.5
Legal claim costs (4)	0.7	3.2
US Businesses restructuring and integration (5)	-	2.0
Total included in Operating profit	4.9	5.7
Finance expense - separately disclosed (6)	0.9	-

1) 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

2) The Group de-merged 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

3) 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

4) 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

5) 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

6) Finance costs previously capitalised have been written off due to the negotiation of a new Revolving Credit facility during the period.

5 Finance expense

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 4)	0.9	-
Lease interest payable	1.3	-
Other interest expense	0.3	0.3
Total finance expense	9.0	6.8

6 Taxation

Tax charge / (credit) 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 taxation charge in the income statement	**0.9**	2.8

Income tax expense is recognised based on management's best estimate of the effective annual income tax rate expected for the full financial year.

7 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 1, 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),

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:

	52 weeks 3 January 2020	(As restated) 53 weeks 4 January 2019
	£m	£m
Continuing profit for the period	4.8	12.9
Discontinued profit for the period	0.7	0.4
Total 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	4.4	-
Acquired intangibles amortisation (net of tax)	8.2	3.3
Total adjusted profit	23.8	31.2
Continuing adjusted profit	23.1	30.8
Discontinued adjusted profit	0.7	0.4
Weighted average number of shares	48,543,107	50,171,830

	52 weeks 3 January 2020	(As restated) 53 weeks 4 January 2019
Basic EPS	Pence	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	9.2	-
Acquired intangibles amortisation (net of tax)	16.9	6.7
Total adjusted basic earnings per share	49.0	62.2
Continuing adjusted basic earnings per share	47.6	61.5
Discontinued unadjusted basic earnings per share	1.4	0.7
Fully diluted weighted average number of shares	48,562,948	50,191,671

	52 weeks 3 January 2020	(As restated) 53 weeks 4 January 2019
Diluted EPS	Pence	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	9.1	-
Acquired intangible asset amortisation (net of tax)	16.9	6.7
Total adjusted diluted earnings per share	49.0	62.1
Continuing adjusted diluted earnings per share	47.6	61.5
Discontinued unadjusted diluted earnings per share	1.4	0.6

8 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 £0.8m (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 Global Group 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.

Significant unobservable valuation inputs are provided below:

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.

9 Additional cash flow information

	5 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	117.1	-	16.4	(0.7)	(0.2)	6.7	(7.0)	132.3
Bank overdraft	(39.9)	-	-	-	-	0.9	-	(39.0)
Revolving credit	(148.5)	-	(0.9)	(6.5)	6.5	(16.8)	0.9	(165.3)
Hire purchase	(0.4)	-	-	-	-	0.1	-	(0.3)
Lease liabilities	-	(44.5)	-	(1.3)	1.3	12.0	0.8	(31.7)
Lease debtors	-	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)

10 Leases

Property, plant and equipment comprise owned and leased assets, including right-of-use assets which have been created under IFRS 16 - Leases. Information about these assets and the related lease liabilities are presented below.

	Property £ m	Vehicles £ m	Total £ m
Net carrying value at 5 January 2019	39.8	1.4	41.2
Additions in the period	4.3	0.4	4.7
Depreciation charge in the period	(8.5)	(0.5)	(9.0)
Disposals (net)	(11.0)	(0.3)	(11.3)
Foreign exchange (net)	(0.2)	-	(0.2)

Net carrying value at 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 liability maturity analysis

3 January 2020	Less than 1 year £m	1 to 5 years £m	More than 5 years £m	Total £m
Lease liabilities	10.6	15.7	5.4	31.7

11 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 its 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 consider these impaired. In an extreme down-turn, which we do not foresee, we may consider plans to exit some property commitments

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.

12 PRIOR YEAR ADJUSTMENTS

As discussed in note 1.III, 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 adjustments 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 tax action 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: £12.4) and other payables of £2.0m (2017: £nil).

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**
Segment 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)	(3.2)
Loss on disposal	(0.2)	(0.1)
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:

	52 weeks 3 January 2020 £ m	53 weeks 4 January 2019 £ m
Group transformation costs (1)	3.8	-
Group de-merger (2)	0.7	-
Adjustments to contingent consideration (3)	(0.3)	0.5
Legal costs (4)	0.7	3.2
US Businesses restructuring and integration (5)	-	2.0
Total included in Operating profit	2.6	5.7
Finance expense - separately disclosed (6)	0.9	-

1) 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

2) The Group de-merged 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

3) 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

4) 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

5) 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

6) Finance costs previously capitalised have been written off due to the negotiation of a new Revolving Credit facility during the period.

Spend Under Management (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

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:

	52 weeks 3 January 2020 £m	(As restated) 53 weeks 4 January 2019 £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 intangible assets	4.4	-
Acquired intangibles 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

Continuing adjusted basic earnings per share	47.6	61.5
Continuing adjusted diluted earnings per share	47.6	61.5

Note to Editors:

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

1 By SUM (confirmed by Staffing Industry Analysts). Spend Under Management (SUM) is the total amount of client expenditure which our Managed Services brands manage 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 (2018 published numbers). Management use this measure as it reflects the total value of the client spend to the Group and not just the revenue generated

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