Registration number: 02654100

Carlisle Security Services Limited

Annual Report and Financial Statements

for the year ended 31 December 2018

Carlisle Security Services Limited

Contents

Company Information

Directors	P A Evans M B Shirt
Company secretary	M B Shirt
Registered office	800 The Boulevard Capability Green Luton Bedfordshire LU1 3BA
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Carlisle Security Services Limited

Strategic Report for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Our vision is to be preferred experts and the most trusted provider of people-based services for the customers we serve and the markets we choose to work in.

Our mission is to provide customer driven, people-based services and strive to deliver measurable value to all involved. We do this by empowering passionate people to deliver exceptional outcomes.

Review of the business

	2018	**2017**	**Change**
	£000s	**£000s**	**%**
Turnover	39,606	28,412	39.40
Gross Profit	3,009	2,626	14.58
Administrative expenses	(2,859)	(2,608)	9.62
Operating profit	150	18	733.33
Gross profit percentage (%)	7.60	9.24	
Conversion rate (%) (Operating profit to Gross profit)	4.99	0.69	

Following the demerger from Impellam Group Plc on 8 March 2019 the Company will operate as part of a smaller group of companies, being Carlisle Support Services Group Limited and its subsidiaries. This will allow the new executive and non-executive board to drive forward their own strategy away from the recruitment sector, and as a smaller entity be more agile and reactive to our customers' requirements than when part of a larger group.

The intercompany balances between the Company and Impellam Group Plc subsidiaries were settled on demerger.

Carlisle Support Services Group Ltd and the Company will no longer be part of Impellam Group Plc's financing arrangements and instead has established an overdraft arrangement with Barclays Bank of £2million, which is sufficient for the financial stability of the Company and its parent.

The Company continues to receive support from Impellam Group Plc with IT services and property matters under a Transition Services Agreement (TSA) for an initial term commencing 8 March 2019 for 12 months for IT, and 6 months for property, respectively. On termination of these arrangements the Company will procure these services from third parties.

The Company reports revenues of £39.6m which was an increase of 39.4% on 2017. The Company is realising the positive impact of its strategic plan implemented early in 2016, with strong leadership, clear vision and mission driving the business forward. The focus remains on growing the business within it's target sectors, with contract wins in manufacturing, distribution, healthcare, transport and events in 2018, whilst retaining all of our key customers.

The directors recognise that Brexit has increased the general level of uncertainty and degree of business confidence around future availability of labour in the UK. The Company is a Recognised Service Provider, as defined by the Living Wage Foundation. Increasing remuneration continues to be our aim for all of our customer contracts to reduce staff turnover and enhance staff performance, and we continue to invest in and develop our staff reward and recognition schemes which we anticipate will mitigate the impact of labour shortages arising from Brexit.

We also continue to support our employees' development through our management development and apprenticeship training programme, utilising both internal and external expertise, in order to further increase staff retention.

The Company holds the Investors in People Silver accreditation.

Principal risks and uncertainties

The Company has a number of key risks which could have a material impact on its long-term performance. We consider strategic, operational and financial risks and identify actions to mitigate those risks on a regular basis. We recognise that effective risk management is fundamental in helping the Company to deliver its strategy.

Risk	Impact	Mitigation
STRATEGIC RISKS		
CUSTOMER CONCENTRATION	Loss of a key customer within a brand or significant reduction in volume of an account could result in reduced revenue or increased gross profit pressure.	The Company has regular meetings with key customers to discuss opportunities and current service performance. Management discuss and review market conditions and sales and account management pipelines on an ongoing basis.
ECONOMIC CONDITIONS	A downturn in general economic conditions, particularly in the UK, could result in declining business volumes, difficulties in producing accurate forecasts and/or failure to meet the Company's objectives. Improving economic conditions, particularly wage increases, could also create pressure on margins where these cannot be fully passed on to clients.	Flexibility in delivery of our services and reduced fixed costs in operations, allows the Company to manage fluctuations in volume.
OPERATIONAL RISKS		
TECHNOLOGY SYSTEMS	The Company is committed to investing in technology solutions that will drive revenue growth or improve operational efficiency. Failure to operate rigorous control and oversight may result in returns on such investment being lower than expected.	The Company has strong alliances with key partners to deliver these projects and is investing in its IT systems following the demerger from the Impellam Group.
CYBER AND INFORMATION SECURITY	The risk of external cyber-attacks continues to increase. A successful attack could result in loss of sensitive data, business disruption and/or damage to the Company's reputation.	Impellam Group continue to provide IT services to the Company following demerger and a programme to enhance security of the Group and Company's systems against attack has been implemented. Ongoing monitoring is in place and regular exercises are undertaken. A project to implement GDPR across the Company was completed during 2018 and regular reminders are published to staff.
BUSINESS CONTINUITY	A major disruptive event, such as a fire, severe weather etc., affecting one of the Company's operating locations, could lead to loss of business and/or adverse impacts on staff and assets	Comprehensive systems and continuity plans are in place and tested on a regular basis as part of the Impellam IT service provision. Contingency plans such as remote working and redeployment of staff to other Company sites are in place to ensure minimal disruption.

Risk	Impact	Mitigation
FINANCIAL, REGULATORY, COMPLIANCE RISKS		
CONTRACTUAL COMPLEXITY	In certain sectors, the Company's clients are becoming increasingly sophisticated in their procurement and buying activity. Competitive tendering activity and commercial contracts are becoming increasingly complex, with longer lead times in decision-making. This necessitates constant development of the Company's service offering, the sophistication of our selling activities and the management of tendering processes.	The Company has a standardised contract review process in place involving operational, commercial and legal oversight.
CASH AND LIQUIDITY MANAGEMENT	Poor cash and liquidity management may result in a strain on the Company's credit facilities and operational cash issues	The Company's finance function closely monitor and review its cash position and forecasts.
FINANCIAL CONTROL	A failure of financial control could lead to a material loss to the business.	The Company has a Delegation of Authority policy in place which governs approval of decisions and transactions.

Approved by the Board on 19 September 2019 and signed on its behalf by:

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M B Shirt
Director

800 The Boulevard
Capability Green
Luton
LU1 3BA

Directors' Report for the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' of the Company
The directors, who held office during the year, were as follows:

A L Wilford (resigned 31 October 2018)

J Robertson (resigned 7 March 2019)

R J Watson (resigned 7 March 2019)

The following directors were appointed after the year end:

P A Evans (appointed 7 March 2019)

M B Shirt (appointed 7 March 2019)

Principal activity
The principal activity of the Company is the provision of security services and events stewarding in the UK.

Dividends
No dividend is paid or recommended in repect of either the current or the prior period.

Financial instruments

Objectives and policies

During the year, the Company's principal financial instruments comprised access to funding from a revolving credit facility, cash and short-term deposits. Following the demerger, the access to the revolving credit facility held by Impellam Group Plc has been replaced by an overdraft facility within the new Group. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The Company does not enter into derivative transactions.

Price risk, credit risk, liquidity risk and cash flow risk

The main risks arising from the Company's financial instruments are interest rate risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks as summarised below:

Interest rate risk
The Company's exposure to interest rate risk is minimal as borrowings are held at a group level. The Company does not currently hedge this risk.

Political donations
The Company has made no political donations during the current or prior periods.

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The Company recognises that it is essential to maintain a highly skilled workforce. To this end the policy of training and development is incorporated in the Company plan. It is the policy to promote from within the organisation wherever the possibility exists.

Health and safety measures are given particular attention by the directors and a written policy exists and is known throughout the Company.

The Company recognises the need for employees to be informed of the Company's activities and performance. A corporate intranet for all employees provides a wide range of information and provides an increasingly important communication tool for policies and procedures as well as the sharing of information, document storage and specific news. Meetings are held between management and employees to allow sharing of information and consultation. Employees participate directly in the performance of the business through the Company's bonus arrangements.

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Appointment of auditor
Following a tender process undertaken by Carlisle Support Services Group Limited during 2019, the Board resolved that BDO LLP should be appointed as auditor for the Group (which includes Carlisle Security Services Limited) for the year ending 31 December 2019.

Approved by the Board on 19 September 2019 and signed on its behalf by:

MBShirt.
....
M B Shirt
Director

800 The Boulevard
Capability Green
Luton
LU1 3BA

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Carlisle Security Services Limited

Opinion
We have audited the financial statements of Carlisle Security Services Limited ("the Company") for the year ended 31 December 2018, which comprise the the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability trade receivables and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Director's report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent Auditor's Report to the Members of Carlisle Security Services Limited (continued)

Strategic report and Director's report (continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

P Barron................

Paul Barron (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 24 September 2019

Carlisle Security Services Limited

Profit and Loss Account for the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	39,606	28,412
Cost of sales		(36,597)	(25,786)
Gross profit		3,009	2,626
Administrative expenses		(2,859)	(2,608)
Operating profit	4	150	18
Interest payable and similar charges	6	(4)	(3)
Profit before tax		146	15
Tax on profit on ordinary activities	9	(8)	(60)
Profit/(loss) for the year		138	(45)

Statement of Comprehensive Income for the year ended 31 December 2018

	2018 £ 000	2017 £ 000
Profit/(loss) for the year	138	(45)
Total comprehensive income for the year	138	(45)

The above results were derived from continuing operations.

Carlisle Security Services Limited

(Registration number: 02654100)
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Tangible assets	10	101	127
Current assets			
Debtors	11	8,159	11,264
Deferred tax asset	9	51	54
Cash at bank and in hand	12	244	1,423
		8,454	12,741
Creditors: Amounts falling due within one year	13	(7,120)	(11,571)
Net current assets		1,334	1,170
Net assets		1,435	1,297
Capital and reserves			
Called up share capital	14	21	21
Profit and loss account		1,414	1,276
Shareholders' funds		1,435	1,297

These financial statements were approved by the Board of Directors on 19 September 2019 and were signed on its behalf by:

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M B Shirt

Director

Carlisle Security Services Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	21	1,321	1,342
Loss for the year	-	(45)	(45)
Total comprehensive income	-	(45)	(45)
At 31 December 2017	21	1,276	1,297

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	21	1,276	1,297
Profit for the year	-	138	138
Total comprehensive income	-	138	138
At 31 December 2018	21	1,414	1,435

1 General information

The Company is a private company limited by share capital incorporated and registered in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

These financial statements were authorised for issue by the Board of Directors on 19 September 2019 and the balance sheet was signed on behalf of the Board by M B Shirt.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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

The accounts are presented in Pounds Sterling and all values are rounded to the nearest thousand (£ 000) except where otherwise indicated.

Summary of disclosure exemptions
In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
• Comparative period reconciliations for share capital and tangible fixed assets
• Cash flow and related notes
• Disclosures in respect of capital management
• The effects of new but not yet effective IFRSs
• Disclosures in respect of the compensation of Key Management Personnel and
• Disclosures of transactions with a management entity that provides key management personnel services to the Company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

IFRS 9 Financial instruments
There has been no impact from the adoption of IFRS 9 in either the current or prior years.

IFRS 15 Revenue from Contracts with Customers
There has been no impact from the adoption of IFRS 15 in either the current or prior years.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

Going concern

The directors have set out their business review for the Company in the Strategic Report on page 2.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Recognition

The Company earns revenue from the provision of security services and events stewarding services. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Fee arrangements

The Company operates on a fixed fee basis using the rate per hour agreed in the customer contract.

Performance obligations

The main performance obligations in contracts consist of the provision of suitably trained and qualified personnel to provide security services, events stewarding services, transport security and safety services. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date by fulfilment of hours and shifts performed.

Transaction price

The transaction price or fee for service contracts is at rates specified in the contract.

Where discounts to the contract price are applied the Company presents these as a discount from contract revenue at the point in time the discount terms are met by the customer.

2 Accounting policies (continued)

Principal versus agent

The Company has arrangements whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

The Company has reviewed its contracts and is satisfied that it acts as the principal in all situations.

Contract modifications

The Company's contracts are often amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract
b. Prospectively as a termination of the existing contract and creation of a new contract
c. As part of the original contract using a cumulative catch up or
d. As a combination of b) and c).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes. Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the Company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the Company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

2 Accounting policies (continued)

Impairment of contract related balances

At each reporting date, the Company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets and depreciation

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Asset class	Depreciation method and rate
Office equipment	25% straight line basis
Fixtures and fittings	15 - 33% straight line basis
Short leasehold land and buildings	over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions for liabilities
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Operating lease payments
Rentals payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged in the profit and loss account on a straight line basis over the lease term.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
The Company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

2 Accounting policies (continued)

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding Tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

2 Accounting policies (continued)

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The Company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the Company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued and
- Loan commitments issued.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer
- A breach of contract such as default or past due event
- The restructuring of the loan or advance by the Company on terms that the Company would not consider otherwise
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for the security because of financial difficulties or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

2 Accounting policies (continued)

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accounting estimates and assumptions
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment, the valuation of financial instruments as explained in more detail below:-

Provisions for impairment
In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

3 Turnover

The analysis of the Company's turnover for the year from continuing operations in the United Kingdom is as follows:

	2018 £ 000	2017 £ 000
Rendering of services	39,606	28,412

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

3 Turnover (continued)

Current assets and liabilities

	2018 £ 000	2017 £ 000
Contract assets (note 11)	1,230	416
Contract liabilities (note 13)	(85)	(8)
Net unbilled contract assets	1,145	408
Contract receivables	5,167	3,693

In the year to 31 December 2018, the following amounts were charged to the above assets:

- Gain on derecognition of contract assets recognised in profit and loss of £2,211,000 (2017 - £1,497,000)

4 Operating loss

Arrived at after charging

	2018 £ 000	2017 £ 000
Depreciation expense	78	188
Operating lease expense - property	34	25
Operating lease expense - plant and machinery	126	121

5 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	26	26

6 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Other finance costs	4	3

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	32,743	23,879
Social security costs	2,242	1,663
Pension costs, defined contribution scheme	345	173
	35,330	25,715

The figure in the tables above include £33,341,000 (2017: £23,323,000) in relation to operational staff which have been included in cost of sales in the profit and loss account.

7 Staff costs (continued)

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Administration and support	3	3
Sales, marketing and distribution	1,533	1,329
Other departments	65	56
	1,601	1,388

8 Directors' remuneration

The emoluments of the directors in office during the year were paid by the ultimate parent company at that time, Impellam Group Plc. The emoluments attributable to services in relation to this Company are £40,000 (2017: £38,000).

9 Income tax

Tax charged in the profit and loss account

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	5	10
UK corporation tax adjustment to prior periods	-	(1)
	5	9
Deferred taxation		
Arising from origination and reversal of temporary differences	1	9
Arising from unrecognised temporary difference of prior periods	2	42
Total deferred taxation	3	51
Tax expense in the profit and loss account	8	60

The standard rate of Corporation Tax in the UK reduced to 19% on 1 April 2017 (previously 20%). Accordingly the tax on profit before tax for the year is taxed at an effective rate of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	146	15
Corporation tax at standard rate	28	3
Adjustment in current tax from prior periods	-	(1)
Adjustment for expenses not deductible in determining taxable profit	3	6
Adjustment arising from group relief tax reconciliation	(13)	8
Adjustment from transfer pricing	(12)	3
Deferred tax from temporary difference from a prior period	2	42
Deferred tax relating to changes in tax rates or laws	-	(1)
Total tax charge	8	60

9 Income tax (continued)

UK legislation requires, in broad terms, that most transactions between connected parties be at an arm's length price for tax purposes (commonly known as 'transfer pricing'). As a result, this Company must make an adjustment for deemed net interest on intercompany balances that has not been recognised in the financial statements.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax balances at 31 December 2018 has been calculated based on this rate.

Deferred tax

Deferred tax asset

31 December 2018	**Asset £ 000**
Accelerated tax depreciation	49
Provisions	2
	51

31 December 2017	**Asset £ 000**
Accelerated tax depreciation	48
Provisions	6
	54

Deferred tax movement during the year:

	At 1 January 2018 £ 000	**Recognised in income £ 000**	**At 31 December 2018 £ 000**
Accelerated tax depreciation	48	1	49
Provisions	6	(4)	2
Net tax assets	54	(3)	51

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	**Recognised in income £ 000**	**At 31 December 2017 £ 000**
Accelerated tax depreciation	94	(46)	48
Provisions	11	(5)	6
Net tax assets	105	(51)	54

10 Tangible assets

	Land and buildings £ 000	Fixtures and fittings £ 000	Office Equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2018	115	819	2,028	2,962
Additions	-	27	25	52
At 31 December 2018	115	846	2,053	3,014
Depreciation				
At 1 January 2018	115	782	1,938	2,835
Charge for the year	-	31	47	78
At 31 December 2018	115	813	1,985	2,913
Carrying amount				
At 31 December 2018	-	33	68	101
At 31 December 2017	-	37	90	127

There is no material difference between the market value and net book value of the fixed assets.

11 Trade and other receivables

	2018 £ 000	2017 £ 000
Trade receivables	5,167	3,693
Receivables from related parties	1,643	6,998
Accrued income	1,230	416
Prepayments	112	146
Other receivables	7	11
	8,159	11,264

Amounts owed by related parties are interest free, unsecured and repayable on demand.

12 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	244	1,423

13 Trade and other payables

	2018 £ 000	2017 £ 000
Trade payables	419	269
Accrued expenses	894	955
Deferred income	85	8
Amounts owed to related parties	1,140	6,707
Social security and other taxes	1,157	1,356
Outstanding defined contribution pension costs	151	48
Other payables	3,274	2,228
	7,120	11,571

Amounts owed to related parties are interest free, unsecured and payable on demand.

14 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £1 each	21	21	21	21

15 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Within one year	158	166
In two to five years	195	186
	353	352

The amount of non-cancellable operating lease payments recognised as an expense during the year was £160,000 (2017 - £146,000)

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £345,000 (2017 - £173,000).

Contributions totalling £151,000 (2017 - £48,000) were payable to the scheme at the end of the year and are included in creditors.

17 Parent of group in whose consolidated financial statements the Company is consolidated

As at the balance sheet date the name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is Impellam Group Plc.

These financial statements are available upon request from Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF14 3UZ.

18 Parent and ultimate parent undertaking

As at the balance sheet date Impellam Group Plc was the ultimate parent of the Company.

Following the demerger from Impellam Group Plc on 8 March 2019 the Company will operate as part of a smaller group of companies, being Carlisle Support Services Group Limited and its subsidiaries. From this date the directors consider Carlisle Support Services Group Limited as both the ultimate parent of the Company and the ultimate controlling party. This will allow the new executive and non-executive board to drive forward their own strategy away from the recruitment sector, and as a smaller entity be more agile and reactive to our customers' requirements than when part of a larger group.

The intercompany balances between the Company and Impellam Group Plc subsidiaries were settled on demerger.

Carlisle Support Services Group Limited and the Company will no longer be part of Impellam Group Plc's financing arrangements and instead has established an overdraft arrangement with Barclays Bank of £2million, which is sufficient for the financial stability of the Company and its parent.

The Company continues to receive support from Impellam Group Plc with IT services and property matters under a Transition Services Agreement (TSA) for an initial term commencing 8 March 2019 for 12 months for IT, and 6 months for property, respectively. On termination of these arrangements the Company will procure these services from third parties.

At both the balance sheet date and the date of signing the accounts the Company's immediate parent is Carlisle Support Services Group Limited.