Registration number: 02681320

Science Recruitment Group Limited

Annual Report

for the 52 weeks ended 3 January 2020

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Science Recruitment Group Limited

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Science Recruitment Group Limited

Company Information

Directors	T Briant J Robertson R J Watson
Company secretary	R J Watson
Registered office	800 The Boulevard Capability Green Luton LU1 3BA
Auditors	BDO LLP 55 Baker Street London W1U 7EU

Strategic Report for the 52 weeks ended 3 January 2020

The directors present their strategic report for the 52 weeks ended 3 January 2020.

Fair review of the business

The company's key financial and other performance indicators during the period were as follows:

	52 weeks 3 January 2020 £000s	53 weeks 4 January 2019 £000s	Change %
Turnover	86,427	84,775	1.9
Gross Profit	12,218	10,941	11.7
Administrative expenses	(8,311)	(7,661)	8.5
Operating profit	3,907	3,280	19.1
Gross profit percentage (%)	14.1	12.9	
Conversion rate (%) (Operating profit to Gross profit)	32.0	30.0	
Permanent fees as a % of Group profit	30.1	32.2	

The company reported revenues of £86.4m and gross profit of £12.2m in the period representing a 1.9% and 11.7% increase respectively. Despite an increasingly competitive market the company achieved gross profit increases across its permanent, contract and in-sourced operations both in the UK and overseas. Operating profit in the period grew 19.1% whilst also improving the conversion rate from 30.0% to 32.0%. International expansion remains a key strategic priority and, by leveraging the international credentials of the wider Impellam Group as well as forging our own links to new territories, the company was able to grow turnover generated from overseas sales by more than 10% during the period. The company consider this an area of focus in coming years and will look to expand further internationally.

Since the year end the COVID-19 global pandemic has caused disruption to the business. Whilst we have been able to provide some workers to assist in the testing regimes that have come in, this does not make up for the business lost due to the lock-down. The company has availed itself on the support offered by the government around the job retention scheme and the deferral of payment of certain tax payments.

The directors recognise that Brexit has increased the general level of uncertainty and degree of business confidence around permanent and temporary hiring decisions for the company's clients. The company derives a limited amount of its trade from countries within the European Union, and whilst it is currently too early to have a clear view of the consequences for the company's operations, the directors are aware of the potential impact of Brexit and continue to monitor the situation in this regard.

The directors continue to monitor the performance of the company and, despite the short term difficulties, are confident of its continued success over the longer term.

Principal risks and uncertainties

Attracting and retaining talent

Any constraints on the company's ability to attract and retain key talent in an increasingly competitive market could result in loss or weakening of client relationships, lack of appropriate leadership and/or erosion of the company's talent base, impacting achievement of both financial and other objectives.

Planned business transformation initiatives will create a need for new skill-sets in the company in the medium term. Factors such as Brexit and changes to the UK immigration rules may impact on the availability of talent more generally.

The company's high-retention business model ensures that brands and central functions are focused on talent management and development, performance review and succession planning. Leadership development programmes are in place and the Impellam Group's Virtuoso-based approach encourages talent development and progression.

Customer concentration

General decline in a particular industry sector, loss of a key customer or a significant reduction in business volume on a key account could result in reduced revenue and/or increased pressure on gross profit. This exposure is known to have impacted on some of the company's competitors. With the outbreak of COVID-19 the pandemic is now creating significant economic uncertainty for our clients.

Management discuss and review market conditions and sales and account management pipelines on an ongoing basis. Management also hold regular meetings with key customers to discuss sales pipelines, current service performance and opportunities to add new services lines or extend existing services.

Technology Systems

The company is reliant on many different technology systems that may have limited useful life in a fast-changing business environment. The legacy nature of some systems may also hinder optimisation of end-to-end business processes. Systems may also be vulnerable to factors beyond the company's control e.g. power failures or internet connectivity outages.

The company has a stable systems infrastructure and an ongoing IT investment programme. Core systems are replicated across two geographically separate data centres and regular monitoring of systems performance is undertaken. An analysis of opportunities for development and standardisation of key systems was compiled during 2019 and will be further developed during 2020.

Cyber and Information security

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. A programme to enhance security of the company's systems against cyber attack has been implemented. Ongoing monitoring is in place and regular exercises are undertaken. A project to implement GDPR across the relevant parts of the company was completed during 2018 and regular reminders are published to staff to promote awareness of cyber risk.

Regulatory environment

Regulatory changes can lead to increased costs and workload, particularly where they relate to candidates' rights, eligibility to work or corporate reporting e.g. payment practices, diversity.

The planned extension of IR35 off-payroll worker regulations to the private sector in the UK has caused some short-term disruption as both clients and contractors adapted. The recently announced delay to the IR35 implementation is expected to create further disruption.

Appropriate policies and codes of conduct are in place across the company and regular training is provided to employees. Process and system changes required to ensure effective management of IR35 changes have been identified and are being implemented. External professional advice is sought where insufficient knowledge exists within the company.

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

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

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

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

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

Further, our strategy ensures that we place the highest expectations on our supply chain, especially those supplying workers but also the myriad of partners on whom we depend - whether they are supplying stationery or sourcing workers. All suppliers are expected to sign up to our Supplier Code of Conduct and to abide by the commitments contained in this. We are introducing audits of key suppliers in 2020 not only to measure their progress against the Code of Conduct but also to give them some guidance, where necessary, in achieving the standards we expect of our supply chain.

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

The only Key Board decision made during 2019 was around the strategic decision to drive international expansion, particularly seen across our on-site business. The Board made the decision to invest in resource to focus on the European markets given the scale of the opportunity. Discussions were had with the customers involved in this expansion to identify the relevant on-site locations, to agree scope and timings and to identify ways to minimise any disruption. Our employees who were required to service these clients were considered in making the decision and consulted as appropriate to ensure they had the sufficient skills to service the clients.

Approved by the Board on 29 October 2020 and signed on its behalf by:

....
T Briant
Director

Directors' Report for the 52 weeks ended 3 January 2020

The directors present their Annual Report and the financial statements for the 52 weeks ended 3 January 2020.

Directors' of the company
The directors, who held office during the period, were as follows:

J Robertson

R J Watson

The following director was appointed after the period end:

T Briant (appointed 20 February 2020)

Principal activity
The principal activity of the company is the provision of employment services in the science and pharmaceutical sectors.

Dividends
During the prior period the company paid a final dividend in respect of 2017 of £100,000 per share totalling £10,000,000. No dividend has been paid or is recommended in respect of the current or previous period.

Financial instruments

Objectives and policies

The company's principal financial instruments comprise cash, access to funds through the Group revolving credit facility and supplier finance facilities offered by various clients of the company. 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.

Financial instrument risk

The main risks arising from the company's financial instruments are interest rate risk, foreign currency risk and liquidity 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 most borrowings are held at a group level and supplier finance agreements are only accessed at certain times to limit the amount drawn. The company does not currently hedge this risk

Foreign currency risk
The company is exposed to fluctuations in the exchange rate between sterling and Euro. Wherever possible this risk is managed by ensuring expenses related to the generation of these overseas revenues are in the same currency as the income. The company does not seek to hedge this exposure.

Liquidity risk
The Group has a central Treasury function in place with regular forecasting, reporting and review procedures.

Political donations
The company made no political donations during either 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.

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

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

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

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.

This assessment has been carried out on the cash flows of the wider Impellam Group, which the company is a member of, as cash is managed by a centralised treasury function who ensure all parts of the Group have sufficient cash to meet their immediate needs. The company has also issued a guarantee over the Group revolving credit facility, which includes an overdraft arrangement, so the cash flows implicit in the company on a stand-alone basis are not the most appropriate when reviewing the going concern basis of the company. As part of the arrangement, the Group has issued a letter of support for a period of twelve months from the date of approval of these financial statements to the company which includes both making funds available if required and not to seek repayment of amounts due at the balance sheet date if this would be detrimental to the company.

The going concern assessment carried out has taken into account the impact of the COVID-19 pandemic on the worldwide Impellam Group. Impellam Group Plc, the ultimate parent company, has carried out various assessments over the Group's profit and cash flow plans for the 18 months after the date of approval of these financial statements. These assessments included adjusting assumptions which impact gross profit as well as administrative expenses and considering the related impact on our working capital requirements and covenant calculations. These tests resulted in the directors concluding that it is appropriate to continue adopting the going concern basis in preparing the financial statements. 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 the projections, as business activity increases, the working capital requirements and net debt levels would rise, but would remain within both the overall credit limit and the key covenant ratio of net debt being less than two and a half times the twelve months' earnings before exceptional, one off, non-recurring or extraordinary items, interest, tax, depreciation and amortisation at the quarterly testing points. 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, and given the uncertainty for Impellam Group Plc, if the impacts of COVID-19 on the Group are worse or more prolonged than the directors' expectations, and further mitigating actions are not sufficient, the Group may need to seek the support of its lenders. These events or conditions indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the going concern basis of preparation was no longer appropriate.

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

Intangible assets
The company has intangible assets which if downside scenarios were applied may become impaired. 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.

Right of use asset
Right of use assets largely relate to property leases which, at present and in downside planned scenarios, the company expect to continue 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 timing differences between depreciation and the tax writing down allowance. 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 company supply to a range of customers and, at the date of these financial statements, there had been no specific issues identified in the recoverability of amounts due from the company's customers. Furthermore, the company 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.

Receivables from related parties and their recoverability
The company holds various receivables from related parties, including the lease debtor which is an amount which will fall due from various Group companies. At the date of these financial statements there had been no specific issues identified in the recoverability of amounts due from the relates parties.

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 auditors
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.

Reappointment of auditors
On 19 September 2019, KPMG LLP resigned as the company auditor. Subsequently, in accordance with Section 489 of the Companies Act 2006, BDO LLP was appointed as the company's auditor. A resolution to reappoint BDO LLP as the company's auditor will be proposed at the Annual General Meeting.

Approved by the Board on 29 October 2020 and signed on its behalf by:

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T Briant
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom 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 accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Science Recruitment Group Limited

Opinion

We have audited the financial statements of Science Recruitment Group Limited (the 'company') for the 52 weeks ended 3 January 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates the directors' assessment over going concern including the potential impact of the Covid-19 pandemic. If the impacts of Covid-19 are more significant or prolonged than the directors' expectations, and further mitigating actions are not sufficient, the company may need to seek the support of its lenders. As stated in note 2, these events or conditions, along with other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the Members of Science Recruitment Group Limited (continued)

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

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

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

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

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

Use of our report
This report is made solely to the 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.

BDO LLP
....
Benjamin Courts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, UK

29 October 2020

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

Profit and Loss Account for the 52 weeks ended 3 January 2020

	Note	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Turnover	4	86,427	84,775
Cost of sales		(74,209)	(73,834)
Gross profit		12,218	10,941
Administrative expenses		(8,311)	(7,661)
Operating profit	5	3,907	3,280
Interest receivable and similar income	6	12	-
Interest payable and similar expenses	7	(40)	(11)
Profit before tax		3,879	3,269
Tax on profit	11	(744)	(632)
Profit for the period		3,135	2,637

The above results were derived from continuing operations.

Science Recruitment Group Limited

Statement of Comprehensive Income for the 52 weeks ended 3 January 2020

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Profit for the period	3,135	2,637
Total comprehensive income for the period	3,135	2,637

The notes on pages 16 to 36 form an integral part of these financial statements.

Science Recruitment Group Limited

(Registration number: 02681320)
Balance Sheet as at 3 January 2020

	Note	3 January 2020 £ 000	(As restated) 4 January 2019 £ 000
Fixed assets			
Intangible assets	12	2	8
Tangible assets	13	96	119
Right of use assets	14	332	-
Lease debtor due after more than one year	16	160	-
		590	127
Current assets			
Debtors	16	18,173	21,496
Cash at bank and in hand	17	2,213	1,225
Income tax asset		88	88
Deferred tax asset	11	25	23
		20,499	22,832
Creditors: Amounts falling due within one year	18	(7,148)	(12,522)
Net current assets		13,351	10,310
Total assets less current liabilities		13,941	10,437
Creditors: Amounts falling due after more than one year	19	(345)	-
Provisions for liabilities	20	(61)	(37)
Net assets		13,535	10,400
Capital and reserves			
Called up share capital	22	-	-
Share premium reserve		756	756
Profit and loss account		12,779	9,644
Shareholders' funds		13,535	10,400

These financial statements were approved by the Board on 29 October 2020 and signed on its behalf by:

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T Briant
Director

Science Recruitment Group Limited

Statement of Changes in Equity for the 52 weeks ended 3 January 2020

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 30 December 2017	-	756	17,381	18,137
Prior period adjustment (note 26)	-	-	(374)	(374)
At 30 December 2017 (As restated)	-	756	17,007	17,763
Profit for the period	-	-	2,637	2,637
Total comprehensive income	-	-	2,637	2,637
Dividends	-	-	(10,000)	(10,000)
At 4 January 2019	-	756	9,644	10,400

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 5 January 2019	-	756	9,644	10,400
Profit for the period	-	-	3,135	3,135
Total comprehensive income	-	-	3,135	3,135
At 3 January 2020	-	756	12,779	13,535

1 General information

The company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

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

These financial statements were authorised for issue by the Board on 29 October 2020.

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.

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, tangible fixed assets and intangible assets;
• Disclosures in respect of transactions with wholly owned subsidiaries;
• Cash flow statement 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.

As the consolidated financial statements of Impellam Group Plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
• Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
• Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2 Accounting policies (continued)

Going concern

The directors have set out their business review 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.

This assessment has been carried out on the cash flows of the wider Impellam Group, which the company is a member of, as cash is managed by a centralised treasury function who ensure all parts of the Group have sufficient cash to meet their immediate needs. The company has also issued a guarantee over the Group revolving credit facility, which includes an overdraft arrangement, so the cash flows implicit in the company on a stand-alone basis are not the most appropriate when reviewing the going concern basis of the company. As part of the arrangement, the Group has issued a letter of support for a period of twelve months from the date of approval of these financial statements to the company which includes both making funds available if required and not to seek repayment of amounts due at the balance sheet date if this would be detrimental to the company.

The going concern assessment carried out has taken into account the impact of the COVID-19 pandemic on the worldwide Impellam Group. Impellam Group Plc, the ultimate parent company, has carried out various assessments over the Group's profit and cash flow plans for the 18 months after the date of approval of these financial statements. These assessments included adjusting assumptions which impact gross profit as well as administrative expenses and considering the related impact on our working capital requirements and covenant calculations. These tests resulted in the directors concluding that it is appropriate to continue adopting the going concern basis in preparing the financial statements. 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 the projections, as business activity increases, the working capital requirements and net debt levels would rise, but would remain within both the overall credit limit and the key covenant ratio of net debt being less than two and a half times the twelve months' earnings before exceptional, one off, non-recurring or extraordinary items, interest, tax, depreciation and amortisation at the quarterly testing points. 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, and given the uncertainty for Impellam Group Plc, if the impacts of COVID-19 on the Group are worse or more prolonged than the directors' expectations, and further mitigating actions are not sufficient, the Group may need to seek the support of its lenders. These events or conditions indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the going concern basis of preparation was no longer appropriate.

Changes resulting from adoption of IFRS 9 and IFRS 15

IFRS 9 Financial Instruments and *IFRS 15 Revenue from Contract with Customers* became mandatorily effective on 1 January 2018. The company has applied both for the first time in this accounting period which has resulted in changes to the accounting policies. The nature and effect of these changes are described below.

2 Accounting policies (continued)

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts (for further details, please refer to the accounting policies that form these financial statements).

The adoption of IFRS 9 has resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial instruments, combining the three aspects; classification and measurement; impairment; and hedge accounting.

IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 4 January 2019, but are recognised in the opening balance sheet on 5 January 2019.

The adoption of IFRS 15 has resulted in changes in the company's accounting policies for the recognition and measurement of revenue.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, introducing a five step approach to revenue recognition and applies to all revenue arising from contracts with its customers. This is explained in more detail in the Revenue Recognition policy.

In accordance with the transition provisions in IFRS 15, the company has adopted the new rules on a fully retrospective basis and has restated comparatives for the 2017 financial year where appropriate. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient.

No adjustment to the prior period was required as a result of the adoption of either IFRS 9 or IFRS 15.

Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 5 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 5 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

2 Accounting policies (continued)

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 5 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:
• Applied a single discount rate to a portfolio of leases with similar characteristics;
• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application; and
• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets are measured at either:
• Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application; or
• An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The company recognised lease liabilities in relation to leases that were classified as 'operating leases" under the principles of IAS 17 - Leases. On transition, an additional £465,000 of right-to-use assets and £913,000 of lease liabilities were recognised. The difference between the amounts recognised on adoption arises from £525,000 of unrecognised asset as the lease was sub-let and so a debtor was recognised instead, £159,000 of end of lease payments which have been included in provisions rather than the lease liability and £82,000 of costs inherent in the lease which had been taken in prior periods and have offset the value of the asset.

	As originally reported 4 January 2019 £ 000
Operating lease commitments at 4 January 2019	999
Operating lease commitments discounted at the incremental borrowing rate	906
Recognition of leases from fellow Group companies	307
Adjustments resulting from the different treatment of extension and termination options	(300)
Lease liabilities recognised at 5 January 2019	913

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 5 January 2019. The weighted average rate applied was 3.18%.

Revenue recognition

Recognition

The company earns revenue from the provision of services relating to provision of staff. 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.

2 Accounting policies (continued)

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

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- Revenue derived from temporary staffing services is recognised and accrued by reference to hours worked (representing the service provided) in accordance with submitted authorised timesheets and pre-agreed charge rates (which include an element of salary and related costs) which are together used to determine the transaction price. This applies both when there is a direct supply as well as when there is supply of a Managed Service to the client, as the timing of performance obligations and the raising of invoices can vary. Timesheets are submitted mainly on a weekly basis, with a limited number being submitted either daily or monthly so any variable aspect of contract assets is limited due to the financial period finishing at the end of a week.
- Revenue derived from permanent placements is recognised and accrued when the employment of the individual commences with provision made for potential refunds which can be payable if the placement is terminated within a set period ranging from 14 to 100 days. Revenue recognised from a permanent placement uses a transaction price typically based on a percentage of the candidate's remuneration package and is recognised when the candidate commences work with the client which is the only performance obligation and point at which control was transferred involved in the supply.
- For revenue derived from both temporary staffing and permanent placements payment is due following the completion of the performance obligations and an agreed period of credit dependent on the agreed contract with the client.

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 receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional.

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.

Finance income and costs policy

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

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	over the term of the lease
Fixtures, fittings and equipment	over 3-10 years

Intangible assets

Intangible assets represent the carrying value of computer software and licences.

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

The development of internally generated computer software programs is capitalised to the extent that costs can be separately identified and attributed to particular software programs, measured reliably, and that the asset developed can be shown to generate future economic benefits. Capitalised development costs are not treated as a realised loss for the purpose of determining the company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Computer software and licences are defined as having finite useful lives and the costs are amortised on a straight-line basis over the estimated useful lives of each of the assets, considered to be between three to five years. The expense is taken to the income statement through the "depreciation and amortisation" line within administrative expenses.

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

All intangible assets are also reviewed for impairment whenever there is an indication that the carrying amount may be impaired. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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

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 receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

2 Accounting policies (continued)

Amounts owed by related parties

Amounts owed by related parties are assessed for impairment based upon the current financial position and expected future performance of the party to which they relate. Amounts due from related parties are interest free demand loans.

The company applies the IFRS 9 general approach to measuring expected credit losses. This approach requires an assessment at the initiation of the loan as to the risk of default, and a further assessment when the credit risk profile of the loans change. IFRS 9 applies a 3 stage model that is applied when calculating the expected credit losses:

• Stage 1 is defined as having no Significant Increase In Credit Risk ('SICR') – a 12 month expected credit loss is recognised at this point.

• Stage 2 is defined as having a SICR – a lifetime expected credit loss is recognised at this point.

• Stage 3 is defined as being credit impaired – a lifetime expected credit loss is recognised at this point.

There is no impact to any interest due to the Group company loans being interest free.

The company defines the following:

Definition of a default - A loan is considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient assets to repay the loan on demand.

SICR assessment – The risk that the borrower will default on a demand loan depends on whether the party has sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is very low and the loan is in Stage 1); or does not have sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is higher, and the loan could be in Stage 2 or Stage 3).

The company performs this assessment qualitatively by reference to the borrower's immediate cash flow and asset position. Credit impaired indicators - A loan is considered to be credit impaired if it meets the definition of a defaulted loan.

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.

Lessor accounting

Properties which are leased to other parties are de-recognised from the right of use assets where applicable, and a lease debtor is set up to reflect the present value of the remaining lease receipts, discounted using the incremental borrowing rate applicable to that lease.

Provisions

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

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.

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.

2 Accounting policies (continued)

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial instruments (post January 2018)

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.

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;
- financial assets at fair value through other comprehensive income (FVTOCI); 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 company's accounting policy for each category is as follows:

2 Accounting policies (continued)

Financial assets at amortised cost
These assets arise principally from the provision of services to customers (for example trade debtors), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. From time to time, the company elects to renegotiate the terms of trade debtors due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:
• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

The company does not have any such assets nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Financial assets at fair value through the profit or loss (FVTPL)
The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Financial liabilities at amortised cost
The company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss. The company's accounting policy for each category is as follows:
• Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

2 Accounting policies (continued)

Financial liabilities at fair value through the profit or loss
The company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Reclassifications
A number of reclassifications have been made in the prior year profit and loss and balance sheet to align with the current year presentation. None of these items are material and there is no profit or net asset impact.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

4 Turnover

The analysis of the company's turnover for the period by market is as follows:

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
UK	85,331	83,784
Europe	968	650
Rest of world	128	341
	86,427	84,775

5 Operating profit

Arrived at after charging/(crediting)

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Depreciation expense	52	50
Depreciation on right of use assets	160	-
Amortisation expense	6	19
Foreign exchange gains/(losses)	15	(5)
Operating lease expense - property	25	254
Operating lease expense - plant and machinery	15	27
Loss on disposal of fixed assets	11	-

Operating profit expenses above relate to payments in respect of short term leases of £25,000 and leases of low value items of £15,000.

6 Interest receivable and similar income

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Interest income on leases	12	-

7 Interest payable and similar expenses

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Interest expense on other financing liabilities	5	6
Interest expense on leases	26	-
Other finance costs	9	5
	40	11

8 Staff costs

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

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Wages and salaries	4,641	4,392
Social security costs	499	474
Pension costs, defined contribution scheme	137	104
Other employee expense	35	32
	5,312	5,002

8 Staff costs (continued)

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

	52 weeks 3 January 2020 No.	53 weeks 4 January 2019 No.
Administration and support	100	100

In addition to the above, the company employs some of the staff who are supplied to clients and whose costs are part of the company's cost of sales. The average number of full-time equivalents of these for 3 January 2020 was 859 (4 January 2019: 574) and the aggregate staffing costs for these was £73,820,000 (4 January 2019 : £73,250,000).

9 Directors' remuneration

The emoluments of the directors are paid by the ultimate parent company, Impellam Group Plc. The emoluments attributable to the services in relation to this company are £11,000 (4 January 2019: £12,000).

10 Auditors' remuneration

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Audit of the financial statements	12	12

11 Income tax

Tax charged/(credited) in the profit and loss account

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Current taxation		
UK corporation tax	737	626
UK corporation tax adjustment to prior periods	9	5
	746	631
Deferred taxation		
Arising from origination and reversal of temporary differences	(2)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	1
Total deferred taxation	(2)	1
Tax expense in the profit and loss account	744	632

11 Income tax (continued)

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (4 January 2019 - higher than the standard rate of corporation tax in the UK) of 19% (4 January 2019 - 19%).

The differences are reconciled below:

	52 weeks 3 January 2020 £ 000	53 weeks 4 January 2019 £ 000
Profit before tax	3,879	3,269
Corporation tax at standard rate	737	621
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	8	3
(Decrease)/increase from transfer pricing adjustments	(10)	2
Increase in current tax from unrecognised tax loss or credit	9	5
Deferred tax expense from unrecognised temporary difference from a prior period	-	1
Total tax charge	744	632

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 1 April 2020) was substantively enacted on 6 September 2017 and was used as the basis of calculation for the deferred tax balance at 3 January 2020, as the relevant rate enacted at the balance sheet date. On 19 March 2020 the UK Corporation Tax was held at 19% under the Finance Act 2020. This change will affect the tax charge in future periods.

Deferred tax

Deferred tax assets and liabilities

2019	Asset £ 000
Accelerated tax depreciation	20
Provisions	3
	23

2020	Asset £ 000
Accelerated tax depreciation	22
Provisions	3
	25

11 Income tax (continued)

Deferred tax movement during the period:

	At 5 January 2019 £ 000	Recognised in income £ 000	At 3 January 2020 £ 000
Accelerated tax depreciation	20	2	22
Provisions	3	-	3
Net tax assets	23	2	25

Deferred tax movement during the prior period:

	At 30 December 2017 £ 000	Recognised in income £ 000	At 4 January 2019 £ 000
Accelerated tax depreciation	20	-	20
Provisions	4	(1)	3
Net tax assets	24	(1)	23

12 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 5 January 2019	209	209
Disposals	(187)	(187)
At 3 January 2020	22	22
Amortisation		
At 5 January 2019	201	201
Amortisation charge	6	6
Amortisation eliminated on disposals	(187)	(187)
At 3 January 2020	20	20
Carrying amount		
At 3 January 2020	2	2
At 4 January 2019	8	8

13 Tangible assets

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 5 January 2019	10	227	237
Additions	-	40	40
Disposals	(2)	(88)	(90)
At 3 January 2020	8	179	187
Depreciation			
At 5 January 2019	3	115	118
Charge for the period	2	50	52
Eliminated on disposal	(1)	(78)	(79)
At 3 January 2020	4	87	91
Carrying amount			
At 3 January 2020	4	92	96
At 4 January 2019	7	112	119

14 Right of use assets

	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
At 5 January 2019	436	29	465
Additions	27	-	27
At 3 January 2020	463	29	492
Depreciation			
At 5 January 2019	-	-	-
Charge for the period	146	14	160
At 3 January 2020	146	14	160
Carrying amount			
At 3 January 2020	317	15	332
At 4 January 2019	-	-	-

15 Investments

Details of the subsidiaries as at 3 January 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held 3 January 2020	4 January 2019
Guidant Group Switzerland AG (formerly Science Recruitment Group AG)*	Employment services	Martin-Disteli-Strasse 9 4600 Olten, Switzerland	Ordinary	100%	100%

* indicates direct investment of the company

The investment in Science Recruitment Group AG is held at a carrying value of £Nil (4 January 2019: £Nil).

16 Trade and other receivables

	3 January 2020 £ 000	(As restated) 4 January 2019 £ 000
Trade receivables	14,233	14,467
Receivables from related parties	1,844	5,342
Accrued income	1,849	1,535
Prepayments	114	152
Lease debtor due within one year	293	-
	18,333	21,496
Less non-current portion	(160)	-
	18,173	21,496

Receivables from related parties are interest free, unsecured and repayable on demand.

Details of non-current trade and other receivables
£160,000 (4 January 2019: £Nil) of the lease debtor is classified as non current. Lease debtors represent the present value of leased property which has been sub-let.

During the period the company received £187,000 against leases debtors (4 January 2019: £Nil). Of the amounts due in more than 1 year, £130,000 are due within 1 to 2 years and £30,000 are due within 2 to 3 years. £196,000 of the total lease debtors are due from related parties.

17 Cash at bank and in hand

	3 January 2020 £ 000	4 January 2019 £ 000
Cash at bank	2,213	1,225

18 Trade and other payables

	3 January 2020 £ 000	(As restated) 4 January 2019 £ 000
Trade payables	601	563
Accrued expenses	1,528	1,100
Amounts due to related parties	1,724	7,726
Social security and other taxes	2,064	2,127
Outstanding defined contribution pension costs	79	45
Other payables	877	961
Current portion of long term lease liabilities	275	-
	7,148	12,522

Payables to related parties are interest free, unsecured and repayable on demand.

19 Leases

During the period the company accounted for 6 leased properties under IFRS 16 across the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or at a fixed rate and in others to be reset periodically to market rental rates whilst in others the periodic rent is fixed over the lease term. Some leases have provisions for early termination (see lease end dates judgments in note 3). The company also leased 3 vehicles, all which have a fixed lease fee over the term. The weighted average Incremental Borrowing Rate used to calculate the lease liability was 3.17%.

None of the property leases accounted for under IFRS 16 during the period recognised future uplifts in rent.

Leases included in creditors

	3 January 2020 £ 000	4 January 2019 £ 000
Current portion of long term lease liabilities	275	-
Long term lease liabilities	345	-

Included within lease liabilities are £292,000 due to related parties (4 January 2019: £:Nil).

19 Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	3 January 2020 £ 000	4 January 2019 £ 000
Less than one year	279	-
2 years	249	-
3 years	98	-
4 years	25	-
5 years	25	-
6 years	24	-
7 years	24	-
8 years	24	-
9 years	24	-
10 years	24	-
Total lease liabilities (undiscounted)	796	-

Within the payments listed above is £176,000 which will be recognised as interest on the lease liability.

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	3 January 2020 £ 000	4 January 2019 £ 000
Right of use assets	320	-
Interest	26	-
Low value leases	15	-
Short term leases	25	-
Total cash outflow	386	-

20 Other provisions

	Other provisions £ 000	Total £ 000
At 5 January 2019	37	37
Additional provisions	42	42
Provisions used	(11)	(11)
Unused provision reversed	(7)	(7)
At 3 January 2020	61	61
Non-current liabilities	61	61

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

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £137,000 (4 January 2019 - £104,000).

Contributions totalling £79,000 (4 January 2019 - £45,000) were payable to the scheme at the end of the period and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

	3 January 2020 No.	3 January 2020 £	4 January 2019 No.	4 January 2019 £
Ordinary of £1 each	100	100	100	100

23 Dividends

	3 January 2020 £ 000	4 January 2019 £ 000
Final dividend of £Nil (4 January 2019 - £100,000) per ordinary share	-	10,000

24 Contingent liabilities

The company has given cross guarantees as part of the Group's revolving credit facility of which the company is a member; the aggregate amount outstanding against this facility at 3 January 2020 was £167,193,000 (4 January 2019: £186,265,000).

25 Parent of group in whose consolidated financial statements the company is consolidated

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 the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF14 3UZ.

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

26 Prior period adjustments

In relation to the balance sheets adjustments has been made to prior year in relation to customer unclaimed payments. An adjustment of £462,000 was made to increase trade creditors and reduce retained earnings in the prior period 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 the comparative and pre-comparative periods, the revised treatment had no material impact on prior reported profits in those periods. A related adjustment of £88,000 has been made to recognise the corporation tax on this adjustment that can now be reclaimed.

An adjustment has been made to increase the receivables from related parties in the prior period by £701,000, with a similar increase in amounts due to related parties and with no impact on profit.

27 Non adjusting events after the financial period

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

Intangible assets
The company has intangible assets which if downside scenarios were applied may become impaired. 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.

Right of use asset
Right of use assets largely relate to property leases which, at present and in downside planned scenarios, the company expect to continue 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 timing differences between depreciation and the tax writing down allowance. 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 company supply to a range of customers and, at the date of these financial statements, there had been no specific issues identified in the recoverability of amounts due from the company's customers. Furthermore, the company 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.

Receivables from related parties and their recoverability
The company holds various receivables from related parties, including the lease debtor which is an amount which will fall due from various Group companies. At the date of these financial statements there had been no specific issues identified in the recoverability of amounts due from the relates parties.