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Annual Report and Accounts 2020

IMPELLAM GROUP PLC

STRATEGIC REPORT

The Company

Impellam is a leading Global Talent Acquisition and Managed Workforce Solutions provider

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Alternative Performance Measures

Words with the symbol Δ are defined in the Alternative Performance Measures section of the Annual Report on page 120.

Our Managed Services providers are supported by talent-focused Specialist Staffing brands with deep heritages, vertical sector expertise and loyal candidate networks. Clients across the world trust us to deliver Managed Services and Specialist Staffing in the UK, North America, Australasia and Europe. Working with them are 2,500 Impellam people, bringing a wealth of expertise through our 14 market-leading brands across 76 locations. Every year, we connect carefully chosen candidates with good work at all levels. They include technology and digital specialists, scientists, clinical experts, engineers, nurses, doctors, lawyers, teachers, receptionists, drivers, chefs, administrators, warehouse and call centre operatives.

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

OUR VISION

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

OUR MISSION

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

For more information visit **www.impellam.com**

1 By revenue (2019 published numbers)

Progress and performance

Headlines

A robust performance in the face of substantial global challenges to the business from the Covid-19 pandemic, with Group revenue down 11.3% at £2.0bn (2019: £2.3bn) and adjusted operating profit[Δ] reduced to £18.2m (2019: £31.1m after including separately disclosed items). Significant progress against strategy delivered in the period to enable our Virtuosos, transform our portfolio and improve our resilience, ready for when we emerge from the pandemic.

OPERATIONAL

1. A swift and decisive response to the global pandemic, keeping our people safe, moving to home working overnight and ensuring uninterrupted service for customers and candidates.
2. Accelerating our strategy through Covid-19 and re-organising our business to ensure we were well placed to adapt with speed and agility to volatile and uncertain markets.
3. Administered the UK Government's Job Retention Scheme, supporting the payment of more than 5,000 furloughed temporary workers to ensure their continuity of income. In addition, 800 Impellam colleagues were furloughed during the year to protect jobs for the long term.

FINANCIAL

1. Gross profit decline of 16.8%, primarily in Q2 during extensive global lockdowns. The UK was hit hardest with gross profit down 21.5% whilst APAC and North America showed more resilience, falling by 16.9% and 4.5% respectively (on a constant exchange rate basis).
2. Global Managed Services, representing nearly a third of the Group's gross profit, withstood the market challenges better than other segments, with gross profit declining by 8.6% (on a constant exchange rate basis).
3. Temporary recruitment, which represents 91.4% of gross profit, decreased by 13.2%. Lockdowns had a significant impact on Permanent recruitment, which was also slower to recover when restrictions eased, leading to a decline of 42.4%.
4. A relentless focus on costs included headcount reductions, salary reductions, furloughing of staff, support from government schemes and the curtailment of discretionary spend, resulting in total savings of £33.1m in the year.
5. The benefits of Q4 2019 headcount reductions flowed through the year, with a further 500 headcount reduction across 2020.
6. A solid result despite adverse and challenging conditions globally with adjusted operating profit[Δ] of £18.2m (2019: £31.1m).
7. Non-cash impairment charges on acquired goodwill and intangibles of £22.2m, reflecting the impact of Covid-19, leading to an operating loss of £15.0m (2019: £13.9m profit).
8. Net debt was reduced by £72.5m to £26.3m (2019: £98.8m). £48.0m of the reduction comprised of deferred UK VAT payments and US federal tax payments. Pre-IFRS 16 net debt of £4.1m (2019: £72.3m) brought the covenant leverage ratio to less than 1x (2019: 1.74x).

GROUP REVENUE_£m
£2,000.9m

GROUP GROSS PROFIT_£m
£228.1m

GROUP ADJUSTED OPERATING PROFIT[Δ]_£m
£18.2m

GROUP OPERATING PROFIT_£m
£(15.0)m

GROUP NET DEBT (BEFORE IFRS 16)_£m
£(4.1)m

GROUP NET CASH GENERATED FROM OPERATIONS_£m
£94.5m

For more information
Glossary: page_122

Δ As a result of the adoption of IFRS 16 in the previous financial year, the Group has adopted adjusted operating profit, in place of adjusted EBITDA, as its Alternative Performance Measure, to include depreciation and amortisation of assets but excluding amortisation of acquired intangibles.

STRATEGIC REPORT

Impellam at a glance

Our operating segments

GLOBAL TALENT ACQUISITION AND MANAGED WORKFORCE SOLUTIONS

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

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

OPERATING PERFORMANCE

REVENUE_£m

£709.7m

GROSS PROFIT_£m

£70.9m

For more information
page_18

GLOBAL SPECIALIST STAFFING

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

Our Global Specialist Staffing brands include the technology and telecommunications brand Lorien, and our life sciences brand, SRG. S.com and onezeero were rebranded to Lorien in 2020 to form a global business.

OPERATING PERFORMANCE

REVENUE_£m

£523.2m

GROSS PROFIT_£m

£45.8m

For more information
page_20

GROSS PROFIT BY SEGMENT_£m

REGIONAL SPECIALIST STAFFING

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

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

OPERATING PERFORMANCE

REVENUE_£m

£581.5m

GROSS PROFIT_£m

£69.6m

For more information
page_22

HEALTHCARE

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

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

OPERATING PERFORMANCE

REVENUE_£m

£231.3m

GROSS PROFIT_£m

£41.8m

For more information
page_24

STRATEGIC REPORT

Chairman's statement

A year of transformation

Lord Ashcroft KCMG PC
Chairman

"THE RESPONSE OF OUR PEOPLE WAS EXEMPLARY, ADAPTING TO WORK FROM HOME ALMOST OVERNIGHT."

We entered 2020 in a strong position following the moves we made in 2019; however, the world changed very quickly during the first quarter. The pandemic created uncertain market conditions, restrictions on our lives and corporate activities, and caused illness and bereavement amongst our customers, candidates and colleagues. The response of our people was exemplary, adapting to work from home almost overnight to deliver an uninterrupted service to our customers and candidates.

On behalf of the Board, I would like to thank our shareholders for their continued support and our people for their hard work and contribution during this challenging time. Julia and her team reacted decisively to secure the business, control costs and manage cash and, at the same time, continued to focus on our transformation to a streamlined, integrated business to ensure we emerge from the pandemic a stronger, leaner and more resilient organisation.

We saw one change to the Impellam Board in 2020. Tim Briant joined the Group on 1 October 2019 and was appointed to the Board on 3 February 2020 as Group Chief Financial Officer.

Our investment in people and technology proved an essential element in our response to new ways of working and collaborating during the pandemic and we will continue to enhance our IT infrastructure, systems and digital capabilities to ensure we are well prepared for the opportunities the year ahead will bring.

Virtuosity in action

2020 WAS THE YEAR VIRTUOSITY CAME INTO ITS OWN.

Virtuosity is a mindset that sees opportunities where others do not. Virtuosos look ahead to see how customers' and candidates' needs are changing and are always ready to adapt and innovate. Covid-19 presented the perfect, challenging environment to test our Virtuoso philosophy and our people. I am incredibly proud of how they have responded with resilience, perseverance and open-mindedness to extreme change both at work and at home. We adapted to working at home overnight, we continued to place large volumes of people into new and fulfilling work and we enjoyed a successful sales year, winning and implementing new managed services accounts remotely whilst supporting each other and our communities.

Our Virtuosos have demonstrated the power of our collective knowledge, mindset and experience as we stepped up to supply huge numbers of key workers and differentiated technology solutions in our response to the national Covid demands, collaborating across Impellam to deliver the right service to our customers. This included supporting Ambulance Services and the Nightingale Hospitals, vaccination programmes and helping our customers pivot their production lines to make PPE. It has been a year of Virtuosity in action.

Impellam's digital society

AS SOON AS LOCKDOWNS WERE ANNOUNCED BY REGIONAL GOVERNMENTS, OUR IT TEAMS TOOK SWIFT ACTION TO ENSURE OUR GLOBAL WORKFORCE WAS ABLE TO WORK EFFECTIVELY FROM HOME.

Almost overnight, our people adapted to a new virtual world, where recruitment and on-boarding all took place online, and our internal collaboration platform, Workplace, came into its own to support communications between teams and colleagues.

As part of our strategy to improve resilience, a significant investment in our core systems and digital technology is planned over the coming year, moving systems to the cloud and further digitalising the way we work using AI, automation and mobile solutions to support fast-changing ways of working for both customers and candidates.

STRATEGIC REPORT

CEO review

2020 was a year like no other

Julia Robertson
Group Chief Executive Officer

"WE DELIVERED ROBUST FINANCIAL RESULTS, RESTRUCTURED OUR BUSINESS IN LINE WITH OUR STRATEGY AND STREAMLINED OUR ORGANISATION."

OPERATING REVIEW

The impact of the Covid-19 pandemic on our business was dramatic. It impacted demand for our services – both positively and negatively – changed the way we communicated with clients, candidates and colleagues, and challenged our thinking and the way we operate. Against this backdrop, we delivered robust financial results, restructured our business in line with our strategy and streamlined our organisation. I am immensely proud of what we have achieved and the resilience, perseverance, creativity and commitment of all the Impellam people who made it happen.

The health and wellbeing of our colleagues and the talented people we find work for across the world has been front of mind throughout the year. Sadly, eight of our clinicians lost their lives to Covid-19 during 2020. A stark reminder of the importance of the work we do supporting the national efforts of the communities we serve across the world.

The impact of Covid-19 was felt across all our regions and markets but particularly in the UK, our largest region by revenue and gross margin, where catering, hospitality, education and aviation markets were all hard hit. Our healthcare businesses in the UK, Republic of Ireland and Australia were incredibly busy but suffered from the cancellation of elective surgery in all regions and the shortages of doctors and nurses. Many succumbed to the virus or had to self-isolate and PPE was in short supply. In Australia, these conditions were exacerbated by border closures, meaning that our doctors were not able to travel to undertake the work needed. Our North American businesses showed more resilience as they were not materially exposed to the most affected end markets.

Conversely, the pandemic created work for many of our people across the world. Along with our healthcare professionals who were, and still are, at the epicentre of the crisis, Impellam people have been engaged in the national efforts in all three of our main regions. In the UK, this work has included the construction of the Nightingale Hospitals, supporting the Ambulance Services, and providing clinical and non-clinical staff for testing and vaccination programmes. Throughout the year our life sciences business, SRG, has been centre stage working closely with its pharmaceutical clients and with the development of mobile testing centres. In North America, Corestaff provided the call centre operatives needed to mobilise a crisis management hotline and Bartech played a key role in enabling clients to produce masks and to deliver mass temperature checking programmes.

As we accelerated our transformation into a closely integrated business we benefitted from the collaborative culture we have nurtured and were able to redeploy colleagues and temporary workers from hard-hit sectors such as education, catering and hospitality into growth markets including life sciences and healthcare. Our Global Managed Services businesses worked closely with our Specialist Staffing brands to ensure that Impellam candidates fulfilled our customers' needs and this contributed £12.6m of Group Fill gross profit (2019: £12.6m). We also formed cross-Group sales and delivery collaborations, winning 11 new managed service programmes and delivering outstanding results for customers. This was the key to maintaining 98% of our top 50 customers. 2020 was certainly a year where everything that is wonderful about the Impellam culture came together to deliver the exceptional service that our customers and candidates expect.

We moved to a remote working model in the third week of March 2020 and, like most organisations, we remained in that formation for most of the year. I remain thankful and amazed in equal measure that the transition was so smooth and our investment in IT came into its own. In Q4 2019 we began a headcount and general cost reduction programme and took the decision in Q1 2020 to hold headcount flat, even before the Covid storm clouds gathered. That decision served us well and protected our performance in Q1 2020, giving us a good runway into further cost base management in Q2 and beyond. We made many difficult decisions during the year which meant that 800 colleagues were on full or part furlough at some point during the year, a large number, including the Board and the senior leadership teams, took pay reductions, others agreed to short time working arrangements but sadly we said goodbye to 500 colleagues. Everyone played their part in doing what they could to mitigate the decline in gross profit in Q2 and Q3 2020 and I am very grateful to them for their good humour and commitment to Impellam.

FINANCIAL PERFORMANCE

I am extremely proud of our financial results in this extraordinary year.

From a significant decline in sales during Q2, revenue recovered throughout the rest of the year to £2.0bn, ending 11.3% down on 2019 with gross profit at £228.1m, down by 16.7%, each on a constant exchange rate basis.

Despite cost mitigation of some £33.1m, adjusted operating profit^Δ at £18.2m fell 40.3% (on a constant exchange rate basis) compared to 2019, an improvement from H1 2020 which showed a decline of 54.1%. There were no separately disclosed items in 2020 and the 2019 items of £4.9m have been included within the 2019 adjusted operating profit^Δ.

Our closing headcount on 31 December was 2,491, 16.8% lower than the previous year. During Q2 2020, the Board and senior leaders across the Group took a 20% pay reduction and many colleagues reduced their working hours. In addition, 800 colleagues were furloughed for varying periods of time according to market dynamics. The combination of all these management actions led to a year-on-year reduction of salary and related costs of £21.9m.

Other areas of discretionary spend reduced significantly. These included travel, entertainment, accommodation and candidate attraction. We do not anticipate these returning to pre-Covid levels as virtual working becomes part of our new better way of being.

Our cash and net debt performance were outstanding and my heartfelt thanks must go to our tireless finance community, credit controllers and sales ledger staff across all our operations for the phenomenal job they did to make sure we collected our cash when all around were attempting to preserve it. We are also grateful for the support received from governments across our regions, which included the Job Retention Scheme, rates relief, retail grants and tax credits that benefitted adjusted operating profit^Δ by £7.4m and a cash benefit of £48.0m.

STRATEGIC REPORT

CEO review continued

Strategic priorities

1. Enabling our Virtuosos

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

2. Transforming our portfolio

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

3. Improving resilience

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

STRATEGIC REVIEW

Our strategic focus since 2018 has been the creation of a collaborative, high value, integrated business, where global managed services work in synchrony with our key talent verticals to create the future of good work.

The global pandemic shone a clear light on where we need to focus so we took the bold decision in April 2020 to accelerate the delivery of our strategy.

We simplified our business structure, reduced our management layers, and gave our Virtuosos a louder voice and greater span of control, all with the single purpose of creating a fighting fit Impellam ready for when we emerge from this crisis.

During 2020, we integrated our Managed Services businesses under single leadership whilst retaining our brand specialisms, Guidant Global and Comensura. This integration has delivered increased collaboration in the development of new services, technology, marketing, people services and best practice. In 2021 we will launch our newly formed Customer Office to formalise the coordination of key strategic accounts to encourage innovation, expand our service offering and drive Group Fill, ensuring our customers never have a reason to leave Impellam.

We also created a regional focus and appointed CEOs in our major territories (UK, North America and Asia Pacific) to bring us closer to our customers by reducing management hierarchies, speeding up decision-making and encouraging regional innovation. Our regional CEOs have specific responsibility for optimising and growing our specialist staffing businesses, working closely with Global Managed Services to increase Group Fill and developing regional shared services functions to create efficient and effective back office services, freeing up our Virtuosos to spend more time with customers and candidates.

1. ENABLING OUR VIRTUOSOS

2020 was an extraordinary year and the year when our Virtuoso strategy came into its own. Quite simply, we could not have achieved what we achieved without the Virtuoso behaviours of Impellam colleagues who not only delivered 'business as usual' from their homes, but also created innovative solutions for our customers and candidates and worked tirelessly on the transformation of our business.

In the spirit of giving our Virtuosos a louder voice, rather than hear from me, I have chosen to use their words to update on this strategic priority. In a series of interviews, I asked members of the Virtuoso Alliance (our shadow board) and other Virtuosos, how they thought we had done:

Q

WHAT HAS CHANGED AT IMPELLAM AS A DIRECT CONSEQUENCE OF THE VIRTUOSO ALLIANCE?

A

Having a forum to speak directly to the Group CEO, being encouraged to share thoughts and ideas and give direct and honest feedback is massively important especially when you see your ideas come to life and shape strategy. One example of this was encouraging Julia to give updates to the whole company by video rather than in writing, especially during lockdown. It was great to see the feedback as a result of this move. More strategically, the Virtuoso Alliance is passionate about diversity and inclusion and it has been brilliant to be involved at the heart of this initiative. So many organisations pay lip service to this and I couldn't authentically stand for that.

Rachel Myers, Digital Project Manager

Q

HOW DID WE GET THE WHOLE BUSINESS WORKING FROM HOME, VIRTUALLY OVERNIGHT?

A

Quite simply, everyone in IT was involved and pulled together with a shared goal to get it done. We had to challenge our normal way of doing things and focus on the fact that we only had days, if not hours, to achieve our goal and make sure our service to customers and candidates was not impacted. Nothing was out of bounds and we collected in laptops from everywhere and encouraged people to take desktops home. Whatever it took, we did it. It was really different from anything we had done before – we knew that the company was depending on us and we powered through any obstacles.

Rachel Tonks, IT Director

Q

TELL ME ABOUT THE VIRTUOSO COLLABORATION THAT LED TO THE TEST AND TRACE LAB STAFF PROGRAMME. WHICH BRANDS WERE INVOLVED AND HOW DID WE BRING IT TOGETHER?

A

In September we saw collaboration across the Group at its absolute best. MGG, the market leader in NHS Managed Services, won a multi-disciplinary Managed Services Programme to support the UK Government's response to Covid-19.

The scale of the challenge and the diversity of the staff required a truly innovative solution, with scientific and associated roles. The unique combination of MGG's healthcare experience, SRG's scientific footprint and Blue Arrow's surge recruitment capability ably supported by Guidant Global's MSP expertise resulted in a successful award to MGG. Quite simply, this collaboration would not have happened if MGG had not been integrated with the rest of Impellam.

Mick Whitley, Commercial Director, MGG

Q

HOW DID YOUR VIRTUOSO 'WAY OF BEING' ENABLE YOU TO DRIVE EXCEPTIONAL PERFORMANCE AND SERVICE EXCELLENCE DURING THE PANDEMIC?

A

As soon as Covid-19 struck, we knew we had to increase our focus on the beautiful basics, homing in on sparking joy and picking up the pace of change. Our promise meetings moved from weekly to daily and it really brought us together as a team. The global pandemic helped us see the art of the possible and our people stepped out of their silos in the service of our customers. As a result, Comensura had its best year ever.

Hoa Ngo, Managing Director, Comensura

Q

HOW HAS THE MOVE TO A REGIONAL STRUCTURE IMPACTED YOU IN ASIA PACIFIC?

A

The biggest difference is in the speed of decision-making. A good example of this is getting approval to hire. In the past we have missed out on hiring top talent but that's changed now. Four months ago, I identified a terrific person to join us and the hire was approved in 15 minutes. She is now our third highest fee earner. Our connections to the Group have been enhanced and investment in our region has been noticeable. Our people can see the positive results of this, for example our IT infrastructure and websites are now more robust, freeing up our teams to spend more time adding value to our customers and candidates.

Jayson Eichstad, Director, MGG Sydney

Q

WHAT CHANGED FOR YOU THIS YEAR AND HOW DID THAT DRIVE GROWTH, EVEN IN A COVID YEAR?

A

A number of things changed and, in particular, the move to a regional structure definitely led to bigger, better decisions more quickly and made collaboration so much easier. The re-brand to Lorien also paved the way for more growth in 2020/21 and gave us access to a whole new world of digital marketing capability. And finally, our Virtuosos really shone in a difficult market. We've been investing in them for three years or more and this year they each took care of a different part of the delivery of our strategy which meant that yet again we delivered on our promises.

Ryan McMahon, President, Lorien North America

STRATEGIC REPORT

CEO review continued

2. TRANSFORMING OUR PORTFOLIO

2020 was a year of transformation. By early April, we had settled into the new rhythm of working from home with new meeting and communication cadences and ways of working. We had early sight of the impact of the pandemic on our customers and, where this caused reductions in work, we assessed the support available to our Impellam colleagues and our temporary workers and put it in place. In addition, we administered and supported 5,000 temporary workers with the Job Retention Scheme made available by the UK Government and absorbed the costs and administrative burden, taking the view it was the right thing to do.

We then had a critical decision to make. Should we focus our efforts on riding out the storm, or should we push on with our transformation and accelerate the delivery of our strategy?

We chose to look forward and with a clear goal of transforming to a fighting fit virtuoso organisation, we set about re-organising our business into a regional structure where decisions are made quickly and closer to the customer. In addition, we integrated our Global Managed Services businesses under single leadership. With this new structure, investment decisions were clearer and more transparent.

We continued to carefully invest in our high growth regions – North America and Asia Pacific – and in our chosen markets – global managed services and high value talent verticals.

Specifically, we shone a light onto our STEM businesses, investing in UK leadership to create a compelling STEM offering, enabling cross-sell and collaboration and sharing best practice. We brought our portfolio of technology businesses together under a single brand, Lorien, both to give our customers access to scalable technology solutions and to provide more opportunity to colleagues and candidates.

We strengthened our capability in North America, Asia Pacific and the Republic of Ireland by investing in talented regional leadership teams and scalable regional shared services. One early outcome of this regional investment and flattening of structures is that we launched Flexy in Australia. Flexy is our digital employment platform which provides just-in-time staffing solutions to our customers, transforming candidate experience in the temporary staffing market.

To enhance our Managed Services offering we created a Managed Services Centre of Excellence to deliver best-in-class Managed Services Programme ('MSP') capabilities including technology to both specialist and full MSP customers. This is a dedicated function operating as an extension to our brands to reduce duplication, drive efficiency and increase service and innovation to customers.

This Centre of Excellence supported the rapid start-up and roll-out of a nationwide managed service to support the Department of Health's testing and vaccination programme and would not have been possible without our business transformation.

Finally, and at the core of our strategy, we launched our Customer Office. The Customer Office is a C-suite strategic function and will lead the enhancement and innovation of our customer experiences in collaboration with our brands. It will drive customer-led decisions and will support our Virtuosos with a best practice toolkit to enhance customer delight and retention and make sure that there is never a reason for a customer to leave Impellam.

3. IMPROVING RESILIENCE

Whilst our transformation programme was strategically focused on deliberate moves to build a fighting fit Impellam in the Virtuoso operating model, robust management of our property portfolio was equally important to improve our resilience.

With an overnight shift to virtual working in March, we realised a significant reduction in our property footprint in anticipation that these more flexible working arrangements would continue in the future, albeit in a hybrid way. We completed 39 property exits out of a total property portfolio of 177, delivering annualised savings of £1.92m, 14% of our total property costs. We have a three-year programme of property rationalisation driven by our integrated business model and in anticipation of a long-term shift to virtual and hub working.

We continued to invest in technology to increase efficiency and productivity and to drive collaboration and communication. Our earlier investment in Workplace by Facebook really paid back as it became our key internal communication and engagement platform. We became super users of Teams, Skype, Zoom and Google and encouraged our people to keep their cameras on and smile at each other all year long! We also invested in Condeco, an office management platform to manage office capacity and the health and safety of our colleagues. When we return to our offices once again, we will do so with a system which will simultaneously optimise our property usage and collaboration and give us the comfort of automated track and trace capability to mitigate against the spread of Covid-19.

At the end of 2020 we committed to investment in our core technology systems. This investment will centre on moving our systems to the cloud and will further digitise the way we work using AI, automation and mobile solutions. The focus will be the development of a 'digital core', improving integrity and integration between our transactions with customers and candidates. There will be a common global financial system to support our work in back office transformation, regional middle office bill and pay replacements and upgrades to help us digitise and automate our regional operations. Finally, new, digital front office systems will enable our people to deliver an enhanced experience for customers and candidates and will increase collaboration across the Group.

SEGMENTS

Global Talent Acquisition and Managed Services Workforce Solutions

Our Global Talent Acquisition and Managed Services Workforce Solutions (Global Managed Services) businesses were amongst the most resilient in the Group, notwithstanding the impact of Covid-19 on several of our core markets, including aviation and aerospace, travel, hospitality, oil & gas and manufacturing. Against this backdrop, and supported by positive hiring trends in healthcare, government, life sciences and online retail, revenue was down by just 6.2%, whilst gross profit declined by 8.6%, both on a constant exchange rate basis.

During 2020, Impellam unified its Managed Services brands under single leadership whilst retaining the distinct brand personalities and value propositions of Guidant Global and Comensura. This strategic move maximises collaboration, reduces duplication and contributed to the 10.6% reduction in administration expenses compared to 2019.

Continued investment in and adoption of technology together with a Virtuoso approach to business transformation and agility meant that several new business wins were secured whilst existing relationships were renewed at a record level. Following particularly strong performances from Comensura in the UK and Guidant Global in the US, our Managed Services businesses are very well placed for a strong recovery in 2021.

Global Specialist Staffing

Our Global Specialist Staffing brands in the UK and US faced two major challenges in 2020, Covid-19 and IR35, and consequently, revenue decreased by 19.4% and gross profit by 17.6% on a constant exchange rate basis.

The UK Government's decision to pause IR35 came too late to reverse the policies that many of our enterprise customers had made, leading to a significant reduction in the UK of the use of IT contractors during H1 2020. This coincided with the start of the pandemic, which had an immediate impact on permanent hiring in both the UK and US. The hiring of IT contractors returned quickly following the end of the initial lockdown phases in both territories and by Q4, business volumes were starting to recover towards pre-pandemic levels.

The UK life sciences business, SRG, was undoubtedly one of the most Covid-19 resilient parts of the Impellam portfolio. SRG delivered growth year-on-year due to the increased demand in Covid-19 related projects, with over 50% of scientific placements made in H2 2020 linked to pandemic-related projects, from R&D through to Covid testing projects across both the private and public sector.

We continued to selectively invest in our Global Specialist Staffing businesses during 2020 whilst keeping tight control of discretionary spend, reducing administration expenses by 14.1% compared to 2019.

In Q4, recognising the vital role our technology and life sciences businesses play in the future world of work, brought into sharp focus by the impact of the pandemic, we re-organised our STEM business in the UK into one portfolio to ensure continued focus and investment.

In addition, during 2020 we consolidated our technology staffing businesses across the world and rebranded as Lorien. The move to a single global business enables us to provide our customers with the scale, agility and expertise to meet all their technology and telecoms needs anywhere in the world.

Our STEM businesses are well positioned for future growth as we see a consistent increase in demand for developers and software engineers as businesses accelerate their digital transformation programmes coupled with an unprecedented recognition and demand for the work of our scientists.

Regional Specialist Staffing

Our Regional Specialist Staffing brands in the UK and US were amongst those hit hardest by Covid-19 in 2020. Whilst across the globe our white-collar workforces pivoted to working remotely, our light industrial and manufacturing workers were unable to do so and the well-documented decline of the travel, catering and hospitality sectors added to the challenge. This had a significant impact on gross profit, which declined by 25.8% compared with 2019, whereas the business mix and recovery throughout the year meant revenue ended the year only 11.0% down on last year (all on a constant exchange rate basis).

In response to these changing market conditions, as well as providing thousands of people to support vital Covid-19 work, decisive action was taken to reduce the cost base, cutting administration costs by 20.4%. This was achieved through thoughtful strategic management actions to share resources, reduce duplication and increase collaboration as well as headcount reduction and use of the UK Government's Job Retention Scheme. The focus on reducing our working capital and overdue debts also improved our cash flow.

In the UK, the uncertainties caused by the pandemic, combined with the potential impact of Brexit, meant that our customers approached future hiring plans with some caution.

In the US, restrictions were lifted more quickly, and businesses reopened and adapted to the new pandemic landscape by mid-year, meaning that our brands returned to pre-pandemic worker numbers by Q4.

During 2020 our Regional Specialist Staffing businesses continued to transform, embracing more flexible ways of working. Our teams became accustomed to working virtually and across geographic boundaries, enabled by the investment made in technology between 2017 and 2019. This gave us the confidence and operating model to make substantial inroads into reducing our property estate for this portfolio.

STRATEGIC REPORT

CEO review continued

Healthcare

The impact of the Covid-19 pandemic was felt most profoundly by our Healthcare business, MGG.

Not only were our colleagues and healthcare professionals caught up in the very epicentre of the battle, but we also had to deal with the significant impact on the financial performance of the business as waves of the virus drove up mortality rates and regional healthcare authorities took action to conserve and preserve mission critical resource. This resulted in the cancellation of elective surgery and non urgent clinical activity, the closure of international and domestic borders and gave rise to resource planning challenges as our health professionals succumbed to the virus or were forced to isolate. Within a turbulent overall healthcare market, our nursing business saw unprecedented demand and was able to respond heroically, achieving 25% growth over 2019.

Against this backdrop, MGG revenue fell by 5.8% on a constant exchange rate basis and gross profit fell by 9.6%. Much of the decline reflected the closure of borders and the impact on international migration of healthcare professionals whilst the UK business had a strong year.

During 2020, MGG became an integral part of Impellam's integrated business model and from this strategic move came collaboration at its best. The sharing of sales pipelines and collaborative bids has resulted in new wins for multiple brands including MGG. Additionally, recruiters from areas of the business hard hit by the pandemic were transferred to MGG to support the NHS in managing the impact of Covid-19.

OUTLOOK

Whilst the global fight against the Covid-19 pandemic is still underway across our major regions, causing restricted visibility, we are cautiously optimistic about a reasonable recovery in 2021.

Whilst we do not anticipate a return to 2019 performance levels on a full-year basis, we are seeing the benefit of the assertive cost management and strategic transformation actions we took in 2020 in our Q1 results to date. We are making selective investments in headcount in our attractive growing markets, particularly STEM and Managed Services, and we are also investing in a Customer Office and a digital core systems upgrade. Costs continue to be well managed and temp gross profits are recovering.

We anticipate further recovery when key markets such as hospitality, catering and aviation reopen at the end of lockdowns, but this will be offset to some degree by reducing levels of Covid-related revenue.

A bold promise

OUR STRATEGIC OBJECTIVE

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

OUR STRATEGIC ADVANTAGE

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

OUR STRATEGIC SCOPE

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

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

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

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

For more information
Business model: page_14

STRATEGIC REPORT

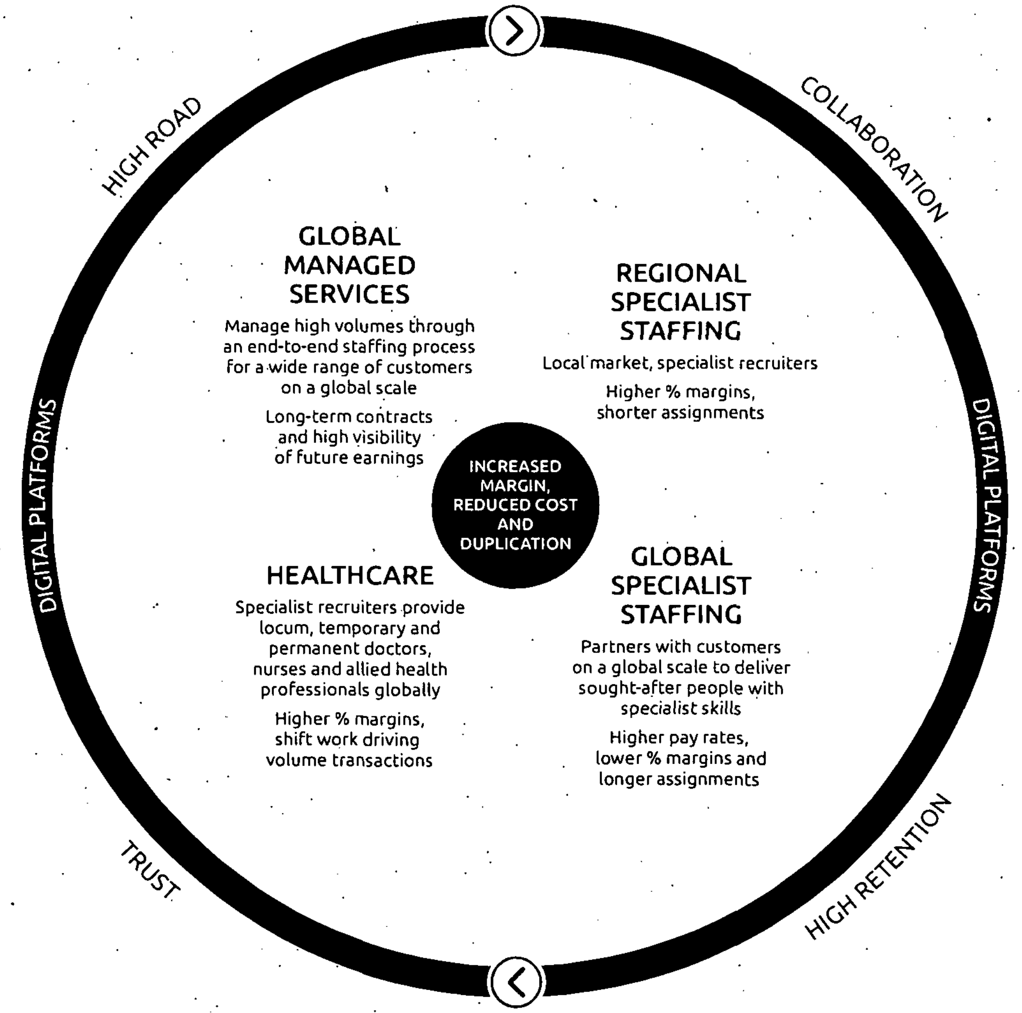
Our business model

At the heart of our business model is a virtuous circle

OUR INTEGRATED, COLLABORATIVE BUSINESS MODEL

Our Virtuoso culture is our key differentiator enabling us to see possibilities and collaborate to leverage Group Fill and cross-sell opportunities to improve the quality of our earnings. We constantly innovate to deliver the right service at the right time and at the right price to the customers we choose to work with, and by working together, our businesses share thinking, resources and execution which reduces duplication, re-work and waste.

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



ENHANCED VALUE MODEL

HOW WE DO IT

OUR CULTURE OF VIRTUOSITY

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

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

We make sure that

'the beautiful basics'

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

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

'high road'

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

All our businesses work in

'The Virtuoso Way'

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

For more information visit
www.impellam.com

OUR VALUE CREATION

CLIENTS

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

CANDIDATES

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

COLLEAGUES

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

INVESTORS

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

SUPPLIERS

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

STRATEGIC REPORT

Key performance indicators

We monitor our performance against our strategic priorities by using key performance indicators ('KPIs'). Our KPIs include a set of financial and non-financial measures and are discussed further in the CEO and CFO reviews.

Financial KPIs

GROUP REVENUE _£m

£2,000.9m

MEASUREMENT EXPLAINED
Revenue generated from sales of contract workers, permanent placement fees and other income generated from provision of staffing services.

RATIONALE
Indicates the volume of business generated in the year.

GROUP GROSS PROFIT _£m

£228.1m

MEASUREMENT EXPLAINED
Revenue less cost of sales, predominately the sum of contract gross profit and fees for the placement of permanent candidates, less any directly attributable adjustments or rebates.

RATIONALE
Indicates the volume of business generated in the year.

GROUP ADJUSTED OPERATING PROFIT[Δ]_£m

£18.2m

MEASUREMENT EXPLAINED
Underlying profitability of the Group before interest and taxes with adjustments for impairments and amortisations of acquired intangibles and impairment of right-of-use leased assets.

RATIONALE
Demonstrates the profitability of the Group and how efficient it is at managing its controllable cost base.

GROUP OPERATING PROFIT_£m

£(15.0)m

MEASUREMENT EXPLAINED
Profitability of the Group before tax and finance costs.

RATIONALE
Demonstrates the profitability of the Group.

CONVERSION RATIO – ADJUSTED OPERATING PROFIT[Δ] %

8.0%

MEASUREMENT EXPLAINED
Adjusted operating profit[Δ] expressed as a percentage of gross profit.

RATIONALE
Indicates the efficiency of fee earners in generating gross profit and the Group's ability to control central costs.

GROUP NET DEBT (PRE-IFRS 16) _£m

£(4.1)m

MEASUREMENT EXPLAINED
Total Group debt excluding lease liabilities, less any cash and cash equivalents, after capitalised financing costs.

RATIONALE
Net debt is a key element of the Group's capital structure.

GROUP NET CASH GENERATED FROM OPERATIONS_£m

£94.5m

MEASUREMENT EXPLAINED
The amount of cash generated from operating activities and after tax paid.

RATIONALE
Demonstrates how efficient the Group is in converting operating activities to cash and therefore the ability to manage its capital.

ADJUSTED EARNINGS PER SHARE _PENCE

18.2p

MEASUREMENT EXPLAINED
The amount of adjusted operating profit[Δ] per one share in the Group; calculated as the adjusted operating profit[Δ] attributable to the Group's shareholders, divided by the average number of shares in issue throughout the year.

RATIONALE
A strong indication as to the underlying profitability of a company for its shareholders.

Operational KPIs

INTERNATIONAL MIX %
40.8%

MEASUREMENT EXPLAINED
Total gross profit from business operations outside of the UK, expressed as a percentage of Group gross profit.

RATIONALE
Geographic diversification spreads risk and reduces reliance on any one economy.

GROSS PROFIT MIX %
31.1%

MEASUREMENT EXPLAINED
Total gross profit generated from Managed Services businesses expressed as a percentage of Group gross profit.

RATIONALE
Gross profit from Managed Services provides visibility of income and generates long-term relationships with our clients and aligns to our strategic priorities.

CLIENT RETENTION – TOP 50 CLIENTS %
98%

MEASUREMENT EXPLAINED
The percentage of the top 50 clients in 2019 who we continued to supply in 2020 and have not been exited during the year.

RATIONALE
Client retention links to improved profitability and efficiencies in service delivery alongside improved quality of service.

GROUP ADJUSTED EBITDA_£m
£27.6m

MEASUREMENT EXPLAINED
Operating profit of the Group before interest, tax, depreciation and amortisation and excludes IFRS 16 adjustments, separately disclosed items and share-based payments.

RATIONALE
The Group continues to measure EBITDA which is used for banking covenants and internal performance measures. It is also used externally for valuation purposes.

GROUP FILL %
17%

MEASUREMENT EXPLAINED
The percentage of Spend Under Management supplied from our Group brands into our Managed Services programmes.

RATIONALE
Enables our Specialist Staffing brands to support the Managed Services programmes and generate gross profit with an existing client.

AVERAGE GROSS PROFIT PER FTE £'000
£83,000

MEASUREMENT EXPLAINED
Total gross profit divided by the average number of full-time equivalents in the Group.

RATIONALE
Indicator of staff productivity and efficiency, with growth demonstrating improved efficiency or a higher percentage of fee earners at full capacity.

GROSS PROFIT PER £ STAFF COST
£1.52

MEASUREMENT EXPLAINED
Total gross profit divided by the annual staff costs.

RATIONALE
Indicator of staff productivity and reflecting the operational efficiency of the business as a whole.

CONVERSION RATIO – ADJUSTED EBITDA %
12.1%

MEASUREMENT EXPLAINED
Adjusted EBITDA expressed as a percentage of gross profit.

RATIONALE
Indicates the efficiency of fee earners in generating gross profit and the Group's ability to control direct costs.

For more information
Glossary: page_122

STRATEGIC REPORT

Performance reviews

Global Talent Acquisition and Managed Workforce Solutions

OPERATING IN A CHALLENGING WORLD

In a turbulent year for the global managed services market, several factors have impacted temporary, and permanent, staffing. Covid-19 was the most significant of these, severely affecting many of our core client and target industry sectors including aerospace and aviation, travel, hospitality, oil & gas and manufacturing. In contrast, hiring in other sectors such as healthcare, government, essential and online retail, business services and life sciences remained strong or increased during the pandemic. On balance, many more clients were forced to downsize their temporary workforces.

FINANCIAL AND OPERATING REVIEW

Despite the impact of Covid-19, the Managed Services business delivered a sound performance with revenue down 6.2% from 2019 (on a constant exchange rate basis) and gross profit falling 8.6% to £70.9m.

With cost savings of £6.8m, adjusted operating profit$^{\Delta}$ increased by 2.3% on 2019 (on a constant exchange rate basis). Additionally, conversion of gross profit to adjusted operating profit$^{\Delta}$ increased to 18.9%.

Our Managed Services businesses performed well in the context of the wider market. The uncertainty created by Covid-19 had a positive impact on customer retention. 29 of Comensura's customers, who contribute 32% of annual gross profit, were successfully retained during the year. During 2020, Guidant Global won several significant new customers and lost only one large client. These new contracts mean we are well positioned for a strong recovery and a robust performance in 2021.

We continued to deliver on our strategic priorities by bringing Guidant Global and Comensura under single leadership. Whilst retaining their distinct brand specialisms, the new portfolio structure maximises collaboration and further embeds best practice.

In response to rapidly changing market conditions, we have evolved our business model, streamlining processes, leveraging technology and realigning job roles to enable our Virtuosos to spend more time with customers and candidates. We expect these moves to have a significant impact on our operations, driving up margins and adjusted operating profit.

The Group continued to invest in technology, improving the recruitment experience for customers, candidates and supply chain partners. In 2019 the Group acquired Flexy, a SaaS digital employment platform at the forefront of flexible working in the UK. In 2020 we launched Flexy in Australia and it is now live in 27 different councils in the State of Victoria and delivers the payroll solution for eight different councils across other Australian states. This investment demonstrates our increased digital innovation and collaboration across our major territories.

We also expanded our adoption of Clientshare, a leading-edge customer engagement platform. This is currently deployed in all Guidant Global customers and provides market intelligence, industry insight and quarterly business reviews via an encrypted private network.

We continue to invest in c.net, our proprietary VMS platform, and develop our service offering. In 2020, we launched a new Statement of Work module on our c.net platform, built and deployed by Comensura. This new proposition gained its first UK customer in the year, Dorset Council, and we now have a total of 14 customers using Comensura SOW services, ten of whom are using the c.net platform. This supports Comensura's diversification strategy, to manage procurement categories outside of temporary and permanent recruitment.

Our Managed Services brands continue to win awards and achieve accolades. For the second year running, Everest Peak Matrix recognised our Global Managed Services and there were accolades for Guidant Global as best Managed Service Provider and for Diversity and Inclusion in the 2020 TALiNT International Awards. Five of our colleagues were also rated as influential staffing leaders in the Staffing Industry Analysts ('SIA') 2020 Staffing 100 list.

Equality, Diversity and Inclusion ('ED&I') is firmly on our agenda; Guidant's award-winning INfluence programme is helping clients with their ED&I strategies and to drive positive change.

Despite the challenging circumstances, our people have adapted seamlessly to a virtual working environment, remaining committed, resilient and productive throughout lockdowns across our regions. Our customers have played key roles in national responses to Covid-19 and we have been proud to support them in this mission critical work. As we emerge from Covid restrictions, we are well placed to support our customers in other industry sectors as they return to growth.

In this new era, external talent has become an inextricable part of an enterprise's strategic workforce plan and a critical competitive differentiator that can set businesses up for the best possible growth in a post-Covid world. The contingent workforce is delivering significant value for employers across a range of sectors and specialisms. There are three key contingent workforce trends that employers will look to further leverage in the next 12 months: increasing ED&I of the contingent workforce and talent within it; heightened scrutiny of Statement of Work spend and better management of outcome-based projects and deliverables; and giving a strong contingent voice a seat at the table to drive external workforce engagement and leverage opportunities for total talent management. Through the extension of our INfluence programme, ongoing investment in our proprietary VMS platforms to drive SoW solutions and the launch of the Impellam Customer Office, our Managed Services businesses are well positioned to guide our clients, providing consultative and fluid workforce solutions that give them the edge as they return to growth.

	Global Managed Services		
	2020 £m	2019 £m	% change* (LFL)
Revenue	**709.7**	757.1	(6.2)%
Gross profit	**70.9**	78.0	(8.6)%
Admin expenses	**(57.5)**	(64.3)	(10.6)%
Adjusted operating profit$^{\Delta}$	**13.4**	13.7	(2.3)%
Gross profit %	**10.0%**	10.3%	
Adjusted operating profit$^{\Delta}$ conversion ratio %	**18.9%**	17.6%	
Permanent fees %	**2.2%**	4.4%	

*Using constant exchange rates

"RAPID RESPONSE TO DEMAND FOR CONTINGENT WORKERS DURING THE COVID-19 PANDEMIC."

For more information
Glossary: page_122

STRATEGIC REPORT

Performance reviews continued

Global Specialist Staffing

OPERATING IN A CHALLENGING MARKET

The economic and pandemic conditions in 2020 impacted our global technology and life sciences brands to different degrees across our two core regions.

In both the UK and North America Covid-19 had an immediate effect. During Q2 2020 almost all clients ceased permanent hiring activity as they focused attention on the impact of the pandemic. Contract and temporary staffing was also affected significantly, although the fall in demand was not as immediate and also returned more quickly at the end of the initial lockdown phases in both regions, and particularly in the US where lockdowns eased earlier.

In the UK, the IT contractor business was also impacted by the planned implementation of IR35. Although this was subsequently deferred to April 2021, many businesses had already taken decisions which resulted in the reduced usage of contractors, coinciding with the start of the pandemic.

In both geographies the shift to remote working further highlighted the importance of technology to our customers and in Q4 we saw a consistent increase in demand for developers and software engineers as businesses accelerated their digital transformation programmes. In the US our contracts with hyperscale data centre operators remained buoyant throughout the year as their businesses benefitted from the spike in demand for cloud services as companies pivoted to remote working.

The UK life sciences business was undoubtedly one of the most Covid-19 resilient parts of the Impellam portfolio. The increase in demand linked to Covid-related projects contributed to year-on-year growth for SRG, with over 50% of scientific placements made in H2 2020 linked to Covid-related projects, across both the private and public sector.

FINANCIAL AND OPERATING REVIEW

The impact of Covid-19, combined with the proposed introduction of IR35, drove revenue down by 19.4% and gross profit by 17.6% on a constant exchange rate basis, primarily impacting Lorien in the UK. Although adjusted operating profit$^{\Delta}$ for the portfolio overall fell by 26.2%, our gross profit margin held up well at 8.8%, slightly ahead of 2019.

Within the portfolio, SRG in the UK and Lorien in the US both performed well. Notably, SRG in the UK improved adjusted operating profit$^{\Delta}$ conversion by 7.3% to 41.0% and productivity by 18.2%. There were significant new wins in the UK and US, including a strategic relationship built by SRG in the UK with a Covid-19 related organisation, as well as a large building society for Lorien and continued growth through a large financial services business.

Despite challenging conditions across our geographies, sector-based talent and skills shortages and legislative changes in the UK and US, we continued to invest in our Global Specialist Staffing portfolio in line with our strategic priorities.

These factors highlighted how critical STEM skills are for the future world of work and underlined our strong position in this market. Whilst we plan to launch a differentiated STEM proposition to the market in 2021, we made significant steps to build our scale and capabilities during the year.

Following the merger of our life sciences businesses in 2019 (SRG in the UK with SRG Woolf in the US), we consolidated our portfolio of technology staffing businesses across the UK and Europe and North America, rebranding onezeero, s.com and Lorien all as Lorien. The move to a single global business enables us to provide clients with the scale, agility and expertise to meet all their technology and telecoms needs anywhere in the world, particularly in the US, a key growth market for Impellam. This consolidation is already delivering results, with a measurable rise in the number of customers working with us internationally in 2020.

Our Global Specialist Staffing brands continued to drive collaboration with our Global Managed Services businesses. Together they are delivering key scientific, technology and telecommunications talent to support the requirements of our global customer base. This collaboration enabled us to deliver £6.5m in gross profit through Group Fill.

The international response to Covid-19 is a clear example of Virtuosity in action, including setting up a new Covid testing recruitment hub to support the significant increase in demand for scientists for Covid testing projects as well as a Covid-19 response team, delivering laboratory staff for Synergy and other new clients, placing over 440 candidates in this market.

Our customer focus was recognised once again in 2020 when Lorien UK won a Gold award at the In-House Recruitment Awards for the Total Talent Management Solution it provides for the Re-Assure Group and was highly commended at the Diversity and Inclusion awards.

The impact of the pandemic has brought the vital role of our technology and life sciences businesses into the spotlight and highlighted our strength and depth in STEM skills. We intend to build on this strategic advantage and will focus our investments to meet our customers' growing requirement for scientists, technologists and engineers in both the UK, Europe and US.

	Global Specialist Staffing		
	2020 £m	2019 £m	% change* (LFL)
Revenue	**523.2**	649.1	(19.4)%
Gross profit	**45.8**	55.5	(17.6)%
Admin expenses	**(34.6)**	(40.3)	(14.1)%
Adjusted operating profit$^{\Delta}$	**11.2**	15.2	(26.2)%
Gross profit %	**8.8%**	8.6%	
Adjusted operating profit$^{\Delta}$ conversion ratio %	**24.5%**	27.4%	
Permanent fees %	**16.9%**	19.6%	

*Using constant exchange rates

"STEM SKILLS ARE CRITICAL FOR THE FUTURE WORLD OF WORK AND UNDERLINE OUR STRONG POSITION IN THIS MARKET."

For more information
Glossary: page_122

STRATEGIC REPORT

Performance reviews continued

Regional Specialist Staffing

OPERATING IN A CHALLENGING MARKET

After a promising start in the first two months of the year across our regional businesses, Covid-19 severely impacted our clients and markets in both the US and UK.

In the UK, the healthcare market generated increased demand for cleaning, driving and ancillary services in contrast to the well-documented difficulties faced in the aviation, retail, catering and hospitality sectors. The uncertainty caused by the pandemic, combined with juggling the impact of Brexit, has resulted in clients remaining cautious about their future hiring plans. Temporary staffing has increased as companies are reluctant to make long-term staffing commitments, leading to a slower recovery in permanent recruitment and we face an increasingly competitive market with pressure on margins.

In North America, 2020 started strongly but, as in the UK, the impact of Covid-19 was swift, resulting in nationwide lockdowns in March. Whilst across the globe white-collar workforces pivoted to working remotely, our light industrial and manufacturing workers were unable to do so as manufacturing plants and retail businesses were closed.

US restrictions were lifted more quickly than those in the UK and by mid-May all 50 states had reopened to some degree. Some of our clients shifted their businesses to produce PPE and ventilators, resulting in increased demand for temporary labour benefitting Bartech's performance. Corestaff also benefitted from an immediate need for temperature takers, health screeners and Covid call centre skills. Both brands returned to pre-pandemic worker numbers by the end of the year.

FINANCIAL AND OPERATING REVIEW

Against a challenging backdrop we delivered £581.5m of revenue, down 11.0% (on a constant exchange rate basis) due to the impact of Covid-19 on our markets.

Gross profit fell by 25.8% to £69.6m (on a constant exchange rate basis) and despite reducing costs by 20.4%, adjusted operating profit[Δ] was significantly down from £6.3m in 2019 to a loss of £0.2m, with Catering (Blue Arrow), Office (Tate) and Education (Career Teachers and Celsian) particularly affected with hospitality, offices and schools all shut for large parts of the year. In response, decisive action was taken to reduce the cost base. This was achieved through improved efficiencies, sharing of resources, reducing duplication and driving collaboration. Total headcount was reduced from 956 to 748 and 450 colleagues in the UK were furloughed during the year.

As more flexible ways of working became the norm, our teams operated virtually across geographical boundaries. This gave us the opportunity to consolidate our property assets, closing 18 physical branches and offices whilst maintaining 14 virtual locations.

JobScience, our front office system, came into its own in 2020. It not only enabled the business to respond quickly to virtual working when the pandemic forced the closure of offices, but it also produced paperless timesheets for clients and candidates through the roll-out of client portals. It led to at least six significant client wins as it gave us greater agility to fill critical roles in exceptionally tight timescales. For example, JobScience was instrumental in enabling Blue Arrow to recruit more 'last mile' delivery drivers to satisfy the upturn in online shopping, supplying over 200% more driving hours in May 2020 compared with May 2019. More virtual ways of working accelerated the creation of a new Blue Arrow 'Customer Success Hub'. We now deliver our service to our National Accounts from this Hub, providing dedicated teams that cover their business nationally.

Against a challenging backdrop, the portfolio delivered client retention of 45.6% and significant new client contracts which will deliver strong returns in 2021.

A significant increase in collaboration both across the portfolio and with the wider Group yielded strong results in 2020. For example, our UK brands worked closely with our Healthcare business, MGG, to deliver services at the heart of the nation's response to Covid-19 by creating strong workforces for the testing and vaccination programme. Alongside this, working closely with our Global Managed Services brands to drive Group Fill delivered £5.4m gross profit.

As our customers responded to the demands of the pandemic, our brands have supplied people across the NHS, Ambulance Services and the Nightingale Hospitals in the UK. In North America, support was provided to an organisation that manufactures and distributes heart monitors. Customer service operatives were also in high demand, working at home dealing with patient queries for crisis management hotlines.

As Covid-19 restrictions begin to ease, we expect to see the hospitality, travel and retail sectors start to recover, staff return to offices and schools reopen, opening up demand for our services that have been on hold for much of the year. With our new streamlined business model and our investment in digital technology we are well placed to take advantage of the opportunities this will generate.

	Regional Specialist Staffing		
	2020 £m	2019 £m	% change* (LFL)
Revenue	**581.5**	650.3	(11.0)%
Gross profit	**69.6**	94.0	(25.8)%
Admin expenses	**(69.8)**	(87.7)	(20.4)%
Adjusted operating profit^Δ	**(0.2)**	6.3	(106.0)%
Gross profit %	**12.0%**	14.5%	
Adjusted operating profit^Δ conversion ratio %	**(0.3)%**	6.7%	
Permanent fees %	**8.6%**	14.3%	

*Using constant exchange rates

"A SIGNIFICANT INCREASE IN COLLABORATION BOTH ACROSS THE PORTFOLIO AND WITH THE WIDER GROUP."

For more information
Glossary: page_122

STRATEGIC REPORT

Performance reviews continued

Healthcare (MGG)

OPERATING IN A CHALLENGING MARKET

2020 has been dominated by the Covid-19 pandemic, with far-reaching effects on the Healthcare market. In Australia, New Zealand ('ANZ') and the UK and Ireland, elective surgery was cancelled along with non-urgent activities and international borders have been closed, as well as state borders in Australia. This contrasts with acute medical services, where demand remained significantly above the previous year throughout 2020. National healthcare systems were able to divert clinical resources to the most needed areas during peak Covid periods; however, candidate availability tightened with exposure to the virus on the frontline leading to significant numbers of health professionals isolating.

We were deeply saddened by the deaths of eight clinicians closely associated with MGG in the UK, which served as a stark reminder of the selfless role played by those on the frontline during this pandemic.

FINANCIAL AND OPERATING REVIEW

Although revenue fell by 5.8% (on a constant exchange rate basis) compared with 2019, gross profit was down 9.6%, reflecting the impact of Covid-19.

Whilst costs were held to support demand, filling vacancies was affected by supply side issues reflecting candidate availability and sickness. Although cost savings of 6.9% offset some of the gross profit loss, adjusted operating profit$^{\Delta}$ fell by £1.6m to a loss of £1.1m in 2020.

After a surge in demand in March 2020, demand in the UK healthcare staffing market declined, reflecting the postponement of elective procedures. Demand started to return during Q3 and stabilised after August 2020, whilst not returning to pre-Covid levels. This led to margin volatility, especially in the locum doctors business across the portfolio. In Australia, the State Health Departments handled the initial wave so efficiently this presented a new challenge of oversupply, and most of the medical recruitment industry directly felt the strain of contract cancellations and border closures, which impacted our locum business. Trading conditions were also challenging early in the year due to extensive bushfires resulting in office and business closures.

Conversely, demand for nursing staff has been strong, up 25% year-on-year, driven by the high nurse to patient ratios required in acute Covid-related units and the increased demand resulting from the high percentage of nurses self-isolating.

Across the portfolio, the negative impact of the pandemic on permanent hiring was felt throughout the year as international travel was restricted, although there was some margin recovery in Q4 as borders reopened.

In the UK, the profitability of the Health Assessment business has also been significantly impacted as face-to-face assessments were halted due to Covid. We responded by seconding clinical staff from the Health Assessment unit to support the efforts of the NHS.

Our Homecare business rapidly adapted to the pandemic, issuing PPE to our workers and ensuring all home carers were trained and equipped to deliver care to the most vulnerable in our community, in the safest possible way. In Ireland, trading was challenging throughout the year as the cancellation of elective surgery reduced demand for doctors.

Customer retention and new wins have remained strong during the period. In the UK, we have successfully maintained our status on all UK Staffing and Managed Service Frameworks and are now included on the NHS Occupational Health Framework.

The award of a substantial Managed Services Programme ('MSP') to provide clinical and non-clinical staff to support the Government's response to Covid-19, demonstrated collaboration across the Group at its best. The unique combination of MGG's NHS expertise, SRG's scientific footprint and Blue Arrow's surge recruitment expertise, ably supported by Guidant's MSP expertise, has enabled the recruitment of scientific and associated roles. We have also secured contracts to supply nurses, clinical leads, and associate roles, for a wide range of other Covid-19 related projects, supporting both public and private sector clients to track and control transmission and infection rates.

In December 2020, as a result of our expertise in mobilising healthcare workforces, we were awarded an MSP to support the national vaccination efforts, with MGG and Blue Arrow staffing the clinical and non-clinical requirements across Berkshire, Oxfordshire and Buckinghamshire.

We continued to invest in technology with the implementation of Robotic Process Automation to keep candidates engaged and databases refreshed. This enabled MGG to deliver over 200 more nurses every week to one NHS Trust alone.

Whilst we are tremendously proud of the way our people and our healthcare professionals have responded to supporting the fight against the pandemic, we look forward to the return of elective surgery and routine clinical activity in the NHS and other regional healthcare systems, where our expertise in this sector and the commitment of our dedicated loyal workforce means we are well positioned to return to growth.

During 2020, MGG became an integral part of Impellam's integrated business model and from this strategic move came significant collaboration. As a consequence, we are well placed to continue delivering strategic and financial benefits to MGG as well as other brands across the ANZ and the UK and Europe portfolio of businesses in 2021.

	Healthcare		
	2020 £m	2019 £m	% change* (LFL)
Revenue	**231.3**	245.8	(5.8)%
Gross profit	**41.8**	46.6	(9.6)%
Admin expenses	**(42.9)**	(46.1)	(6.9)%
Adjusted operating profit^Δ	**(1.1)**	0.5	(251.3)%
Gross profit %	**18.1%**	19.0%	
Adjusted operating profit^Δ conversion ratio %	**(2.6)%**	1.1%	
Permanent fees %	**10.0%**	12.9%	

*Using constant exchange rates

"WE ARE TREMENDOUSLY PROUD OF THE WAY OUR PEOPLE AND OUR HEALTHCARE PROFESSIONALS HAVE RESPONDED TO SUPPORTING THE FIGHT AGAINST THE PANDEMIC."

For more information
Glossary: page_122

STRATEGIC REPORT

CFO review

Financial performance impacted by Covid-19

Tim Briant
Chief Financial Officer

"CONTINUED FOCUS ON COST CONTROL AND CASH SUPPORTS RESULTS DURING A CHALLENGING YEAR."

INTRODUCTION

Revenue for the year was down 11.3% (11.3% at constant exchange rates) and gross profit decreased by 16.8% (16.7% at constant exchange rates) reflecting the impact of the Covid-19 pandemic on demand for temporary and permanent staff across our businesses. Q1 2020 started well with trading in line with prior year until the first lockdowns across our regions. Trading reductions were most severe in the second quarter when restrictions were at their highest level and improved steadily through the second half of the year as these were lifted and businesses adapted to new ways of working.

The decline in gross profit was mitigated by a £33.1m (13.6%) reduction in costs through savings from voluntary pay cuts, reduced bonus and commission payments, headcount reductions, property closures and reduced travel and facilities costs. In addition, we received £7.4m of government support through the Job Retention Scheme, rates deferrals and retail grants. These savings were offset by restructuring costs of £2m and a £3.6m increase in provisions for bad debt.

Adjusted operating profit[Δ] reduced by 41.5% to £18.2m due to the impact of Covid-19, with the UK experiencing the most significant declines.

In response to the challenges faced in the year the Group also impaired former acquisition intangibles by £22.2m (2019: £7.0m). This non-cash charge was recognised in the first half of the year. £14.3m was recognised against the Information Technology Cash Generating Unit ('CGU') in the GSS reporting segment. Just under £2.1m was recognised against the Engineering CGU, just under £0.3m against the Online platform CGU and £5.6m on the Education brand value, all of which are in the RSS reporting segment.

As a result of the impact of COVID-19 and the impairment charges, the Group recorded an operating loss in the year of £15.0m (2019: profit £13.9m).

The difference between adjusted operating profit[Δ] and operating profit is reconciled on page 120 and is principally due to the impairment of intangibles previously discussed, and the amortisation of acquired intangibles.

GOVERNMENT SUPPORT

In the UK, the Group received £5m under the Job Retention Scheme ('JRS') where almost 800 staff were furloughed between April and November. In addition, the Group received rates relief of £1.7m and retail grant income of £0.7m. From a cash flow perspective, the Group was able to defer VAT payments of £36.4m which will be repaid over 11 months from March 2021. In the US, $16m (£11.6m) of federal tax was deferred under the CARES initiative and will be repaid in two equal instalments in December 2021 and December 2022.

We have also administered the JRS for the temporary staff we provide to clients. The net effect of these programmes on our gross profit and cost of sales was not material as these programmes were used to compensate the temporary staff affected. It allowed us to maintain these temporary colleagues on our payroll without charging these to clients and preventing ending of their contracts.

FOREIGN EXCHANGE

Currency movements versus Sterling adversely impacted our reported performance. Over the course of the year to December 2020, the total impact of exchange movements on gross profit and adjusted operating profit[Δ] were £0.7m adverse and £0.5m adverse, respectively. Fluctuations in the rates of the Group's key operating currencies versus Sterling continue to represent a sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the US Dollar impacts gross profit by £0.5m per annum and adjusted operating profit[Δ] by £0.1m per annum. The rate of exchange between the US Dollar and Sterling over the year ended 1 January 2021 averaged US$1.2840 and closed at US$1.3494. As the Group expands further in overseas territories the impact of changes in exchange rates will be greater.

NET CASH GENERATED

£94.5m

(2019: £49.5m)

NET DEBT

£4.1m

(2019: £72.3m)

For more information
Glossary: page_122

STRATEGIC REPORT

CFO review continued

Whilst the year-on-year average strength of the US Dollar against Sterling positively affected trading results, the strength of Sterling at the balance sheet date (2020: US$1.3494; 2019: US$1.3093) led to a lower re-translation of cash balances denominated in foreign currencies and resulted in a £1.3m year-on-year increase in net debt.

CAPITAL INVESTMENT

Capital expenditure on tangible and intangible fixed assets in the period was £3.5m (2019: £10.4m), as we restricted our spending in response to the impact of Covid-19. The net repayment of finance leases amounted to £8.3m (2019: £9.2m).

INTEREST AND DEBT

Net cash generated from operations during the period was £94.5m, £46.5m after adjusting for the deferral of UK VAT and US Federal Taxes (2019: £49.5m). Strong underlying cash performance was the result of the continued focus on cash collections, overdue debt reduction and working capital management activities. Excluding the deferral of tax payments, the conversion of adjusted operating profit$^{\Delta}$ to net cash generated is 256% (2019: 138%). At the end of 2020, Days Sales Outstanding ('DSO') stood at 37.1 days (2019: 39.4 days).

Finance expenses were lower than the prior year at £5.7m (2019: £9.0m). Lease interest was lower at £0.8m (2019: £1.3m) and interest cost on facilities reduced to £4.6m (2019: £6.5m) as a result of reduced borrowings.

At the balance sheet date net debt was £26.3m. Excluding the adjustments for IFRS 16, net debt was £4.1m compared to £72.3m in 2019, a decrease of £68.2m. The net cash flow from operations was primarily utilised as follows:

- Investment in fixed assets and software development: £3.5m
- Net lease repayment: £8.3m
- Share buybacks: £4.3m
- Net interest paid on borrowings and leases: £5.4m

£3.0m of the share buyback was prior to the suspension of the programme due to Covid-19.

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

The Group has in place a £240m global revolving credit facility ('RCF') with an accordion element of an additional £50m which is available to 1 April 2021 and in March 2020 the Group exercised the option to extend £220m of the facility by one year to 1 April 2023. This provides the Group with the flexibility to fund its working capital as well as future potential acquisitions. Rates of interest for the RCF are based on LIBOR plus a margin calculated on the net debt to adjusted EBITDA$^{\Delta}$ leverage. The RCF also includes a letter of credit facility which amounted to £3.23m (2019: £3.35m) at the end of 2020.

The Group takes advantage of a number of non-recourse financing agreements organised by clients of the Group to allow for the acceleration of payment of the Group's receivables. At the end of 2020, these amounted to £6.3m (2019: £12.6m). These agreements accrue interest at between 0.65% and 1.75% over LIBOR.

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

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

The Group's financial liabilities are denominated primarily in Sterling. At December 2020, US$20m of the RCF was drawn in US Dollars to provide a natural hedge against the US operations' profit streams and net assets which, when reported at a Group level, are affected by movements in exchange rates. Exposure to currency risk at a transactional level is generally minimal, with most transactions being carried out in local currency.

TAXATION

The tax charge in the period of £1.0m (2019: £0.9m) represents an effective tax rate of -4.9% (2019: 15.8%). The tax charge is comprised of corporate tax charges arising on the Group's activities in the UK and overseas.

The overseas tax charge arises mainly in the US where the highest federal corporate income tax rate is 21% and also includes state taxes which range from 2%-9% on average.

The Group's contribution to the UK Treasury in the period amounted to £212.3m (2019: £288.0m) and consisted of VAT, income tax, national insurance and corporation tax.

Of this amount, employer's national insurance, apprenticeship levy, irrecoverable VAT and corporation tax of £24.5m (2019: £50.0m) was a cost to the business.

EARNINGS PER SHARE

Continuing basic earnings per share decreased to (46.2)p (2019: 9.8p) as underlying profit after tax from continuing operations reduced by £26.2m. This decrease was driven by the impact of Covid-19 and the increase in impairment of acquired intangible assets.

The weighted average number of shares in 2020 was 46.2m, 2.3m lower than 2019 due to the ongoing share buyback programme.

Continuing adjusted earnings per share decreased to 18.2p (2019: 39.2p) and reflects the underlying performance of the business, excluding impairment and amortisation of acquired intangibles and their respective taxation impact.

CAPITAL MANAGEMENT

The Group's capital base (note 29) is primarily used to finance its working capital requirement, the key component of which is trade receivables. Trade receivables in the staffing and support services sectors are managed according to a range of DSO targets. Terms of trade are monitored, and the approval of extended payment terms requires senior finance involvement. In some of the Group's Managed Services businesses, the amounts payable to third party suppliers are not due until shortly after the receipt of the client receivable. As noted above, the Group has committed facilities that ensure there is sufficient liquidity to meet ongoing business requirements.

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

GOING CONCERN

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

In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and in the light of the continued uncertainties related to the global pandemic, Covid-19, have run downside scenarios representing the potential impact on the trading performance and cash flows of the Group.

The projections assess our potential debt requirements against the Group's £240m of committed facilities and against the key covenant ratios over this period. The Group has cyclical working capital requirements which increase during periods of higher trading levels so if there is any short-term decline in trading, the working capital requirements and net debt would initially reduce, providing a natural hedge against any sudden downturn. In the projections, as business activity increases, working capital requirements and net debt levels would rise, but to levels well within our facility. There would be an initial increase in the Group's operating leverage but manageable against covenant requirements. These scenarios include cost mitigation actions that the Group can implement, such as reduced performance bonus, travel and entertainment, marketing activity, reduced capital expenditure and reductions in share buybacks, and, if required, a short period of reduced working hours.

The scenarios do not include headcount reductions. In the event that there is a more significant downturn than in these scenarios there are further mitigating actions which could include, but are not limited to, further reductions in capital expenditure and share buyback, further reductions in non-business critical expenditure as well as the potential to reduce working hours and headcount reductions.

Based on the above, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

DIVIDENDS AND SHARE BUYBACK

Following the outbreak of Covid-19, the Board suspended the share buyback programme whilst retaining the authorities to buy back shares on an ad hoc basis if deemed appropriate by the Board. In 2020 a total of 1,397,789, £4.3m of shares, were purchased and cancelled by the Company, of which £3m was purchased prior to the suspension of the programme.

In January 2021 the Board announced a reduced share buyback programme, where it will purchase ordinary shares in the Company up to an aggregate market value of £0.5m per calendar month until the next AGM to be held in June 2021.

INSURANCE

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

BREXIT

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

OUTLOOK

Through 2020 our focus on cost and cash management were key in delivering a robust financial performance against the backdrop of the global pandemic. Although the speed and extent of the economic recovery in our global markets remains uncertain, trading conditions have been improving. With the actions we took in 2020 underpinned by our strategies across our balanced portfolio, we are well placed to take advantage of a return to growth.

STRATEGIC REPORT

Principal risks

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

THREAT	MITIGATION	STATUS
STRATEGIC RISKS		
ECONOMIC ENVIRONMENT Global and regional economic conditions can be affected by numerous factors including political change or unrest, pandemic disease and weather events. There continues to be economic uncertainty in most nations due to the Covid-19 pandemic which is clearly a significant risk to our ability to maintain and grow gross profit, either through reduced requirements for temporary staff, by discouraging clients to hire permanent staff, or by encouraging clients to adopt cheaper delivery options. A prolonged delay in economic recovery and the re-introduction of more severe lockdown measures in the geographies in which we operate also poses significant risk.	Geographical diversity and the Group's mixed portfolio of Managed Services and Specialist Staffing businesses mitigate the potential impacts of economic changes in specific regions. Risk is further mitigated by the diversity of sectors in which the Group's clients operate and close management of operating costs across all brands and functions. The diversity and mixed portfolio of the Group has also supported continuing performance during the Covid-19 pandemic. Some of our clients and sectors have been able to operate relatively unaffected whilst others have been forced to shut down.	H
POLITICAL ENVIRONMENT The UK left the EU on 31 December 2020 and whilst an exit agreement was finalised there is some uncertainty regarding the arrangements. This leads to general economic uncertainty, along with a more specific risk regarding labour movement restrictions. In the public sector, ongoing financial constraints may limit growth and/or create pressure on margins on existing business.	Management maintain open dialogue with key clients in relation to both short and long-term plans generally, as well as with specific regard to Brexit. The Group continues to monitor Brexit-related exposures and developments and communicate with clients, employed staff and candidates.	M
ATTRACTING AND RETAINING TALENT Any constraints on the Group's ability to attract and retain key talent in an increasingly competitive market could result in loss or weakening of client relationships, lack of appropriate leadership and/or erosion of the Group's talent base, impacting achievement of both financial and other objectives. Planned business transformation initiatives will create a need for new skill sets in the Group in the medium term. Factors such as Brexit and changes to the UK immigration rules may impact on the availability of talent more generally.	The Group's high-retention business model ensures that brands and central functions are focused on talent management and development, performance review and succession planning. Leadership development programmes are in place and the Group's Virtuoso-based culture encourages talent development and progression. The Group's Equality, Diversity and Inclusion policy is outlined on page 37.	M

Risk trend

H ⊗ M ⊗ Increased compared to 2019 Annual Report
H ◎ M ◎ Stable compared to 2019 Annual Report
H ⊘ M ⊘ Decreased compared to 2019 Annual Report

THREAT	MITIGATION	STATUS
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. The outbreak of Covid-19 has created significant economic uncertainty for our clients.	Management discuss and review market conditions and sales and account management pipelines on an ongoing basis. 'Top customer' reporting includes analysis by sector and geography, highlighting any emerging exposures. Management also hold regular meetings with key customers to discuss sales pipelines, current service performance and opportunities to add new services lines or extend existing services. All clients are vetted and credit checked prior to trading and we hold credit insurance across the Group.	H ⊗
DELIVERY OF STRATEGIC PROJECTS The Group is committed to investing in a range of strategic transformation projects that will drive revenue growth and/or improve operational efficiency. Failure to operate rigorous control and oversight of such projects may result in returns on such investment being lower than expected.	Strategic projects, each owned by a senior leader directly accountable to the Group CEO, are managed using a promise management platform (Mosaic). A Group PMO oversees and governs our transformation programme. An assurance programme reports to the Audit Committee to ensure delivery of our IT Roadmap.	M ⊘
DISRUPTIVE TECHNOLOGY Use of digital technologies in the recruitment market is expanding rapidly and disrupting 'traditional' people-based processes. This trend is expected to accelerate as new technologies are developed and enable new ways of working. The relevance of relationships between candidates, clients and recruitment agencies is declining and any failure by the Group to adapt its business model appropriately could lead to competitive disadvantage.	The Group actively monitors and assesses emerging technologies through both IT and Origin, our innovation hub. The Origin team work closely with the Virtuoso Alliance and across regions. Origin runs pilots and experiments and partners with new service providers. During 2019 this led to the purchase of Flexy, an online marketplace for workers seeking temporary roles, which in 2020 was launched in Australia. The Group has developed a strategic IT Roadmap during 2020.	M ◎

STRATEGIC REPORT

Principal risks continued

THREAT	MITIGATION	STATUS
OPERATIONAL RISKS		
TECHNOLOGY SYSTEMS The Group is reliant on many different technology systems that may have limited useful life in a fast-changing business environment. The legacy nature of some systems may also hinder optimisation of end-to-end business processes. Systems may also be vulnerable to factors beyond the Group's control e.g. power failures or internet connectivity outages.	The Group has a stable systems infrastructure and an ongoing IT investment programme. Core systems are replicated across two geographically separate data centres and regular monitoring of systems performance is undertaken. An analysis of opportunities for development and standardisation of key systems was developed during 2019 and a cloud-based IT Roadmap was agreed in 2020 such that investment was given Board approval in December 2020.	M
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 Group's reputation.	A programme to enhance security of the Group's systems against cyber-attack has been implemented. Ongoing monitoring is in place and regular exercises are undertaken. A cyber security upgrade is underway including obtaining Cyber Essentials Plus certification in May 2021. The Group is already ISO 27001 and Cyber Essentials accredited. GDPR was implemented across the relevant parts of the Group in 2018 and regular reminders are published to staff to promote awareness of cyber risk.	H
BUSINESS CONTINUITY A major disruptive event, such as a fire, severe weather or the current Covid-19 pandemic affecting one or more of the Group's operating locations, could lead to loss of business and/or adverse impacts on staff and assets. The current focus on Covid-19 means attention is diverted from other potential business critical risks.	Comprehensive systems and operational business continuity plans are in place and tested on a regular basis. These are updated at least annually. Contingency plans such as remote working and redeployment of staff to other Group sites are in place to ensure minimal disruption.	M
SERVICE AND CONTRACTUAL COMPLEXITY In certain markets, the Group's clients are becoming increasingly sophisticated in their procurement and buying activity. Competitive tendering activity and commercial contracts are becoming increasingly complex, with longer lead times in decision-making. This necessitates constant development of the Group's service offer, the sophistication of our selling activities and the management of tendering processes. Complexity and changing client requirements also present challenges around measuring and monitoring service delivery and compliance with contract SLAs.	The Group has a standardised contract review process in place involving operational, commercial and legal oversight. The Group also continues to invest in specialist resource to support business development, implementation and service delivery activities.	M

Risk trend

H ⊗ M ⊗ Increased compared to 2019 Annual Report
H ◎ M ◎ Stable compared to 2019 Annual Report
H ⊘ M ⊘ Decreased compared to 2019 Annual Report

THREAT	MITIGATION	STATUS
REGULATORY, COMPLIANCE AND FINANCIAL RISKS		
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, which was delayed to April 2021, has caused some short-term disruption as both clients and contractors adapted. Expansion into new geographies in support of clients' needs brings exposure to unfamiliar regulatory environments.	Legal, Finance and Compliance functions at both Group and brand levels monitor risks and compliance, taking appropriate action where necessary. Appropriate policies and codes of conduct are in place across the Group and regular training is provided to colleagues. Process and system changes required to ensure effective management of IR35 changes have been identified and are being implemented. External professional advice is sought where insufficient knowledge exists within the Group.	H ⊗
CASH AND LIQUIDITY MANAGEMENT Poor cash and liquidity management may result in strain on the Group's credit facilities and/or operational cash flow issues. The outbreak of the Covid-19 pandemic now creates significant economic uncertainty for our clients which could impact their ability to settle outstanding liabilities.	The Group has a central Treasury function in place with regular forecasting, reporting and review procedures. The Group also maintains a revolving credit facility with a syndicate of banks to provide additional flexibility in its funding arrangements. This was renewed during 2019. A Group Credit Policy sets out the policies and procedures that must be implemented across the Group to mitigate credit risk.	M ◎
FINANCIAL CONTROL A failure of financial control could lead to a material loss to the business.	The Group operates several shared services arrangements where transaction processing and management accounting are independent of operations. A clearly defined schedule of delegated authority limits for various types of decisions and transactions is in place and appropriate segregation of duties is maintained in all finance processes. Key business processes are subject to periodic internal audit review with clearly defined action plans established to address any control weaknesses.	M ◎

STRATEGIC REPORT

Stakeholder engagement and our S172 statement

INTRODUCTION

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision-making. We believe we have a history of collaborative, informative stakeholder engagement and decision-making based on long-term success, and we maintain governance structures and processes that support good decision-making.

This section articulates how the Directors have acted to promote the success of the Group for the benefit of its stakeholders. In meeting this responsibility, the Directors have had regard, amongst other matters, to:

a) the likely consequences of any decisions in the long term;
b) the interests of the Group's colleagues;
c) the need to foster the Group's business relationships with suppliers, customers and others;
d) the impact of the Group's operations on the community and environment;
e) the Group's reputation for high standards of business conduct; and
f) the need to act fairly as between members of the Group.

STAKEHOLDER ENGAGEMENT

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

As part of this vision, our stakeholders' interests have been forefront when the Board of Directors set the strategic priorities of the Group. The strategic priorities of: Enabling our Virtuosos; Transforming our Portfolio; and Improving Resilience include consideration of the key stakeholder groups and how we engage with them.

In addition to regular stakeholder engagement, as the Board of Directors, our intention is to take into account our operational impacts 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.

PRINCIPAL DECISIONS IN 2020

The Board considered the interests of, and the impact on, all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples.

REOPENING OUR GLOBAL OFFICES IN LINE WITH COVID-19 SECURE GUIDANCE

As local lockdown measures were introduced around the world, we maintained operational capacity throughout long periods of remote working before reopening our offices safely.

Stakeholder considerations:

Colleagues

There have undoubtedly been operational, financial and environmental benefits from enabling our workforce to work remotely over this time. However, our people also thrive on face-to-face interaction, building collaboration and rapport. In addition, some individuals have struggled from a wellbeing perspective throughout this time.

We undertook a number of colleague surveys, assessing how people were coping as well as equipment and infrastructure requirements to understand how we could support our colleagues. We have also trained 55 mental health first aiders across the Group who are able to offer confidential support to any colleague.

We committed to supporting our colleagues where they need either access to an office environment to work from, or the ability to safely interact in person with colleagues. As local guidance was released regarding opening of offices, we reviewed this in detail and assessed each office against these requirements and undertook the necessary steps to make them 'Covid safe'. We then prioritised which offices could reopen and identified the colleagues who could use them. Whenever the local guidance changed, immediate action was taken to ensure we were operating within the updated rules. We offered continued support to our colleagues who remained working remotely.

Suppliers

Our property team worked with our landlords where necessary to ensure each property was Covid safe prior to reopening.

Clients, candidates, investors and lenders

By keeping our people safe in their working environment, we are able to continue to meet client requirements, support our candidates and deliver effective business results throughout the pandemic.

Outcome

Our offices have opened safely where possible, enabling suitable working environments for those struggling to work remotely. We continue to review our property requirements and are actively reducing the number of properties in our portfolio.

GOVERNMENT SUPPORT FOR COVID-19

As the pandemic continued, the UK Government offered support for affected companies which comprised of the Job Retention Scheme ('JRS'), retail grants and deferral of tax payments in the UK. The US government also allowed deferral of federal tax payments. As a Group we evaluated the options available and the benefit we and our stakeholders would gain from the various schemes. We took this action after the Board and leaders across the business had taken salary reductions.

Stakeholder considerations:

Colleagues

As demand from our clients fell drastically from the end of March due to the impact on some of our key industries – education, catering and hospitality, aviation and retail – we had to consider work we had available for our colleagues. As a result, we used the JRS for colleagues from April 2020 until November 2020, with up to 800 colleagues furloughed. This enabled us to protect jobs for as long as possible as we re-organised strategically and agreed our long-term structure.

Clients and candidates

We worked closely with our clients to understand their requirements during the pandemic, and in particular their requirements for our workers. Where applicable, we have administered the JRS for candidates.

Investors and lenders

Due to Covid-19 we re-assessed the share buyback programme whilst we considered the impact on our ability to deliver acceptable financial results both in 2020 and for the longer term. By using the available government support we ensured that we protected effective business outcomes whilst continuing to support colleagues and candidates.

Outcome

We have used the Government support schemes to protect jobs, manage cash flow and offset costs incurred when offices remain closed.

GROUP TRANSFORMATION

A decision was made in early 2020 to accelerate the transformation work which started in 2019. The transformation programme will deliver the Virtuoso operating model, an integrated and collaborative business. In 2020 our work has focused on the organisational design of the Group, including spans and layers and decision-making paths, and the supporting IT systems. As a result, strategic investments were approved for a Customer Office, a Managed Services Centre of Excellence and a new People Services function with the *intention of ensuring there is never a reason for a customer,* candidate or colleague to leave Impellam.

Stakeholder considerations:

Colleagues

The changes to the organisational design and structure of the Group due to the transformation programme, alongside the impact of Covid-19 on the business, led to a number of redundancies being required. In July we started a redundancy process that put up to 600 roles across the Group at risk through to the end of 2020 and into 2021. After identifying the 551 at-risk individuals we entered into the required consultation process. Alongside this we continued to consider using the JRS if appropriate.

We considered the impact this would have on the entire Group in line with our Company values. Our approach was to protect jobs for the long term by building a fighting fit Virtuoso business, so we consistently talked to colleagues about the benefits of an integrated business which has increased collaboration and enabled shared resource across the Group in a challenging period. Our people now have a greater voice, there are fewer layers, decision-making is quicker and internal mobility is increasing.

Clients, candidates and suppliers

The Virtuoso operating model has been designed to accelerate the delivery of the strategy and to make sure that our Virtuosos are close to our clients, candidates and suppliers and can innovate our services to them. All restructuring and redundancy decisions were made with this at front of mind.

Investors and lenders

The Virtuoso operating model will drive increased shareholder value by accelerating margin growth through cross sell and Group Fill and reducing costs by reducing duplication and re-work. It will enable us to continue to meet our cash flow targets and manage our lender requirements accordingly.

Outcome

The transformation programme continued in 2020 despite the difficulties faced with Covid-19 and will continue into 2021 as we implement the new IT systems and further organisational changes. Combined with the impacts of Covid-19 on the business, the process resulted in 300 roles being made redundant. This will result in annualised savings of £15m across the Group and will contribute to delivery of the Group transformation programme.

STRATEGIC REPORT

Stakeholder engagement and our S172 statement continued

STAKEHOLDER GROUP	WHY THEY ARE IMPORTANT	HOW WE ENGAGE
Clients	We work with our clients to find people for good work to help them build better businesses. We retain them, continuing to understand their evolving requirements.	We review client satisfaction and our performance either quarterly, biannually or annually. This is supported by feedback via face-to-face meetings, Net Promoter Scores and surveys.
Colleagues	Our colleagues are fundamental to the delivery of our vision, mission, strategic and financial promises to our stakeholders.	Our mechanisms for engaging with colleagues include: a shadow board, the Virtuoso Alliance, colleague councils across the Group, surveys, Net Promoter Scores and Best Companies' surveys, and our communication and collaboration platform, Workplace.
Candidates	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 the candidates we provide to our customers.	We engage with our candidates using Net Promoter Scores, real-time feedback and surveys, via our websites and apps which digitise the job-seeking process.
Suppliers	We depend on a myriad of partners to meet our needs – whether they are supplying stationery or sourcing workers for our programmes. We place the highest expectations on our supply chain and, in turn, we treat them as real partners.	All suppliers are expected to abide by our Supplier Code of Conduct. In 2020 we introduced audits of key suppliers not only to measure their progress against the Code of Conduct but also to give them some coaching guidance, where necessary, in achieving the standards we expect.
Investors and lenders	Access to capital through the capital markets and our lenders is important to the long-term success of our business.	The Board has regular meetings with our institutional investors and lenders to explain the Company's strategy, progress and plans, and to share how we are addressing market challenges. Due to Covid-19 these meetings have continued through online forums rather than in person. The Annual General Meeting is open to all investors. Shareholders can view relevant information about Impellam in the Investors section of impellam.com.

Responsible business

Our commitment to sustainability underlines our responsibility to build long-term value for all our stakeholders, supported by sound policies, good governance and positive actions.

PEOPLE AND CULTURE

Colleague engagement and communications

All 2,500 Impellam people across the world are connected by Workplace, an internal social network. Workplace combines the structure of a traditional intranet with the capabilities of Enterprise-wide Social Networking software: a place to organise and disseminate information securely, and also a place for our people to connect, communicate and collaborate.

The Group CEO holds quarterly strategy cascades with leaders across the Group and connects with all 2,500 people on a regular basis through Workplace, using video and written updates, wellbeing check-ins, a monthly newsletter, live Q&A sessions, and other multimedia to provide strategic information and financial updates. Covid-19 has changed the way we work, and as a consequence we have increased the frequency and media we use to communicate with colleagues. Our managers hold regular 1:1 meetings with their people, team meetings, and wider business-area conferences and townhalls to facilitate sharing of information, consultation, and two-way communication, supported by tools like OpenBlend.

The Virtuoso Alliance (our shadow board) operates alongside the Leadership Team to provide opinions, ideas, insight and observations on the world in which we operate. Its purpose is to make sure the Group CEO and the Leadership Team remain connected to our colleagues and in turn our customers and candidates.

The Impellam communications model and associated technology means we can connect with our colleagues quickly, wherever they are. The platform and communication strategy facilitates faster knowledge sharing, communication and collaboration. This dynamic approach to communications is key to our strategy and culture of enabling our Virtuosos to achieve our vision of becoming the world's most trusted staffing company.

Covid-19 and our people

In order to keep our people safe and able to continue delivering services to customers and candidates, we formed an Incident Management Team and implemented Business Continuity protocols. National lockdowns and extensive restrictions resulted in our offices closing as well as client sites across multiple sectors in all key regions. In response, we mobilised operational support teams from IT to HR to ensure our people and candidates could rapidly move to working from home. Our day-to-day ways of working changed and technology was used extensively. Collaboration and telecommunications technologies enabled team working, virtual recruitment platforms enabled our people to interview and onboard candidates remotely and robotic process automation helped to keep candidates engaged and databases refreshed. We held Microsoft Teams training events to support all Impellam people with the virtual tools they need to work efficiently and we continued to make significant investment in the modernisation of our IT systems, further digitalising the way our people work using AI, automation and mobile solutions. Over 400 Impellam managers attended 'Leadership in a Changed World' sessions to enable them to think, behave and act like Virtuosos at a time of intense uncertainty, so they could support their teams in the right way.

Equality, Diversity and Inclusion ('ED&I')

We actively encourage diversity in the workplace and have a wide and varied colleague base with a variety of social and ethnic groups represented at all levels of the business. We believe that breaking down the barriers that have traditionally restricted access to the labour market will encourage job opportunities for all. Our global Impellam Group ED&I team includes representation from our key regions: North America, Australia and New Zealand, and the UK and Europe. Under the direction and leadership of the Group CEO and People Directors it brings together leadership and governance balanced with Group-wide, regional and brand-specific actions. Our strategy is based on data, qualitative intelligence from a global survey, participation from regional committees and aims to make Impellam a more diverse and inclusive business wherever we operate. In 2020, our progress has received several accolades. For the second year running, Everest Peak Matrix recognised Guidant Global and Lorien for Diversity and Inclusion in the 2020 TALiNT International Awards. ED&I is firmly on our agenda; Guidant's award-winning INfluence programme is helping clients with their ED&I strategies and to drive positive change.

Training

We provide our people with a multi-faceted and agile development pathway to enable high performance and increase retention of our people and customers alike. We focus on freeing our people from old habits, unlocking their potential and enabling them to thrive through change. In response to Covid-19 and fast-changing ways of working, we launched our 'Leadership through Change' live training programme with over 400 managers logging on across the world. We reinvigorated our Mental Health and Wellbeing network with mental health first aiders supporting our people globally, along with campaigns running through Workplace every week to signpost advice, helplines and the contact details of trained colleagues who are well placed to help and listen. Our people also had access to Gladis, our online training platform, where the most accessed courses were digital and IT, wellbeing and managing change.

STRATEGIC REPORT

Responsible business continued

Our culture of Virtuosity

At the heart of our integrated, collaborative business model is a virtuous circle of making and keeping promises, engendering trust and loyalty. By keeping our promises, we retain clients, candidates, colleagues and investors for longer, and reap the benefits of that longevity. Our culture of Virtuosity is created by passionate people who are committed and driven to find better ways to deliver the right solutions. We make sure that 'the beautiful basics' are in place and deeply embedded in all of our businesses, all of the time, and we make investment promises to sustain, enhance and innovate our combined portfolio.

Modern slavery

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

HEALTH AND SAFETY

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

Anti-bribery

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

COMMUNITY

Impellam people work extensively with their local communities. This includes supporting national and local charities through volunteer work and raising funds. During the pandemic, Impellam people across the world undertook a wide range of initiatives including doorstep pick-ups and drop-offs of food, the crafting of masks and visors, reading to children and the elderly online and delivering medication to those in need as well as collecting and distributing food to schools and the vulnerable. In the UK, NHS frontline workers received donations of hand creams and balms as skin was badly affected by wearing PPE. Our consultants provided support to those who had lost their jobs due to Covid-19 via webinars and virtual briefings, helping them identify their transferable skills and move into roles in active industry sectors. Guidant Global also launched the Superstar Home-schooling Programme with colleagues volunteering to teach science, maths, PE and language lessons to support working parents when schools were closed.

ENVIRONMENT

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

2020 energy and carbon reporting

This year we have calculated our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on a location basis (using the UK grid emissions intensity) and our emissions are 1,082,778 $kgCO_2e$, which is an average impact of 715 $kgCO_2e$ per £m revenue. We have calculated the emission intensity metrics on both a revenue and colleague basis, which we will monitor to track performance in our subsequent environmental disclosures.

The methodology used to calculate the Greenhouse Gas ('GHG') emissions is in accordance with the UK Government GHG Conversion Factors for Company Reporting (2020).

Energy and carbon action

Whilst the Covid-19 pandemic has artificially deflated our emissions during 2020, it has also helped us accelerate our transformation strategy, which in turn aids meeting our environmental objectives. This includes the rationalisation of our property portfolio, reducing our physical footprint. We had already moved to predominantly online communications throughout the business pre-pandemic but continued to centralise our operational teams.

We continued planned capital investment, for example replacing all lighting at our Head Office with efficient LEDs. This will save 159,500KwH and approximately 21 tCO_2e annually as identified in ESOS Stage 2 reporting. We have also completed the roll-out of smart printers across the estate.

All new and existing colleagues are required to undertake mandatory environmental awareness training in Q1 of 2021 and new communication channels are in place to provide regular information and feedback on the Group's environmental objectives.

Whilst the Group's objective is to reduce UK carbon emissions from 2019 levels by 10% by the end of the 2022 financial year, this is kept under regular review and we intend to increase that reduction target during 2021 as work location and travel protocols are reviewed and refined post pandemic restrictions. The Group will also begin environmental audits of key suppliers throughout 2021 and seek to positively engage and influence environmental behaviours.

We recognise that reliance on estimated readings provided by the energy brokerage or suppliers is not sufficient and have taken measures to roll out automated meters across the estate to provide accurate, easy-to-monitor data.

Emissions and energy usage

	Emissions source	2020
Scope 1 ($kgCO_2e$)	Natural gas	**154,496**
	Company and leased vehicles	**306,146**
	Heating oil	**5,516**
Total Scope 1 ($kgCO_2e$)		**466,158**
Scope 2 ($kgCO_2e$)	Electricity	**557,263**
Scope 3 ($kgCO_2e$)	Colleague cars	**59,357**
Total $kgCO_2e$		**1,082,778**
Total energy usage (kWh)		**4,904,605**
Normaliser	$kgCO_2e$ per £m revenue	**715**
Normaliser	$kgCO_2e$ per FTE	**436**

This Strategic Report from pages 1 to 39 was approved by the Board on 7 April 2021 and signed on its behalf by:

Rebecca Watson
Company Secretary

800 The Boulevard, Capability Green, Luton, Bedfordshire LU1 3BA

The **Impellam** Board is committed to a high standard of corporate governance

CORPORATE GOVERNANCE

For more information visit
www.impellam.com

Governance report

Corporate governance

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

AUDIT COMMITTEE

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

Audit Committee
page_48

BOARD OF DIRECTORS

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

REMUNERATION COMMITTEE

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

Remuneration Committee
page_50

STRATEGY AND DEVELOPMENT TEAM (VUCA)

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

SENIOR LEADERSHIP TEAM (WAR ROOM)

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

VIRTUOSO TEAM (THE VIRTUOSO ALLIANCE)

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

INVESTMENT COMMITTEE

- Reviews and monitors strategic investments and makes investment decisions.

CORPORATE GOVERNANCE

Board of Directors

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

Lord Ashcroft is an international businessman, philanthropist, author and pollster. His many, varied business interests include significant investments and participation in both public and private companies in the UK, US and the Caribbean. He was appointed Non-Executive Chairman of the Company in December 2014. In 2012, he was appointed a member of the Privy Council and was made the Prime Minister's Special Representative for Veterans' Transition, working with all departments to ensure military personnel receive the support they need when making the transition to civilian life. He stepped down from this role in 2018. Lord Ashcroft supports a wide range of charities, including those dealing with crime prevention and education. He is the founder and Chairman of Trustees of both Crimestoppers and the Ashcroft Technology Academy, Patron of the Forces in Mind Trust Research Centre, Vice Patron of the Intelligence Corps Museum and a Trustee of the Cleveland Clinic in the US. He resigned from the House of Lords in 2015 to concentrate on other areas of his work. He is a former Trustee and President of the West India Committee, a former Trustee of the Imperial War Museum and former Chancellor of Anglia Ruskin University (which awarded him an Honorary Doctorate in 1999). In 2016, Lord Ashcroft was made Knight Grand Cross of The Imperial Order of The Holy Trinity (Ethiopia) and a Fellow of the Royal Canadian Geographical Society. In 2017, he was made a Senior Fellow of the International Strategic Studies Association and in the same year he became an Honorary Belize Rotarian. He has written 21 books, mainly on politics and bravery, and is widely respected for his political polling.

JULIA ROBERTSON
Group Chief Executive Officer
Appointed: April 2013

Julia was appointed as Group Chief Executive Officer in April 2013 having previously been responsible for the Group's UK operations between 2008 and 2013.

Julia's career in recruitment spans some four decades, always driven by the burning belief that there has to be a 'better way'. This belief has guided her through her entire career which has included founding her own recruitment business in 1986 which was sold to the Group alongside Tate in 2000, and also serving as Chief Executive of the Institute of Employment Consultants (now known as the REC), the professional body for the UK recruitment industry.

TIM BRIANT
Chief Financial Officer
Appointed: February 2020

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

MIKE ETTLING
Independent Non-Executive Director
Appointed: September 2013

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

Key to Committee membership

Audit Committee — Chair of Audit Committee

Remuneration Committee — Chair of Remuneration Committee

ANGELA ENTWISTLE
Non-Executive Director
Appointed: September 2012

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

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

MICHAEL LAURIE
Independent Non-Executive Director
Appointed: July 2014

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

BARONESS TINA STOWELL OF BEESTON MBE PC
Independent Non-Executive Director
Appointed: October 2017

Tina Stowell has held a number of senior positions in media and government throughout her career. Since 2011, she has been a member of the House of Lords and was Leader of the House from 2014 to 2016. Before entering the House of Lords, she worked at the BBC between 2001 and 2010 and was Head of Corporate Affairs. She is a Non-Executive Director of ABTA and was Chairman of the Charity Commission for England and Wales until February 2021.

REBECCA WATSON
Group Company Secretary and General Counsel and Portfolio CEO
Appointed: May 2008

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

CORPORATE GOVERNANCE

Corporate governance statement

QCA Code compliance

QCA PRINCIPLE	EXPLANATION	FURTHER READING
Deliver growth		
Establish a strategy and business model which promote long-term value for shareholders.	By providing staffing solutions and support to both clients and candidates across a wide spectrum of markets, we provide good work for our candidates and good people for our clients.	For more information **page_14**
Seek to understand and meet shareholder needs and expectations.	The CEO and CFO communicate regularly with shareholders, investors and analysts. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders.	For more information **https://investors.impellam.com/corporate-governance/**
Take into account wider stakeholder and social responsibilities and their implications for long-term success.	In addition to our shareholders, our clients, candidates, contractors, suppliers and colleagues are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests.	For more information **page_15**
Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Ultimate responsibility for risk management rests with the Board, but day-to-day management of risk is delivered through the way we do business and our culture.	For more information **pages_30 to 33**
Maintain a dynamic management framework		
Maintain the Board as a well-functioning, balanced team led by the chair.	The Board has two established Committees for Audit and Remuneration. The composition and experience of the Board is reviewed regularly.	For more information **pages_48 to 51**

QCA PRINCIPLE		EXPLANATION	FURTHER READING
	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities.	For more information **pages_42 and 43**
	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team.	For more information **page_47**
	Promote a corporate culture that is based on ethical values and behaviours.	Our internal social network (Workplace) sets out our corporate values and behaviours, which are reinforced via training and performance management.	For more information **page_37**
	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	The Board is responsible for the Group's overall strategic direction and management, and for the establishment and maintenance of a framework of delegated authorities and controls to ensure the efficient and effective management of the Group's operations.	For more information **page_41**
Build trust			
	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Investors section of our website includes our results, presentations and communications to shareholders. We release the results of general meetings through a regulatory news service and also on the Regulatory News section of our website.	For more information **https://investors.impellam.com/**

CORPORATE GOVERNANCE

Corporate governance statement continued

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

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

During the period ended 1 January 2021, the Board met on nine occasions. Relevant high-quality information, consisting of detailed reports and presentations, is circulated to the Directors in advance of meetings by the Company Secretary. The number of scheduled Board meetings and Committee meetings attended as a member by each Director during the period are set out below:

	Board	Audit Committee	Remuneration Committee
Lord Ashcroft	9 (9)	n/a	n/a
Julia Robertson	9 (9)	n/a	n/a
Tim Briant	9 (9)	3 (3)	n/a
Angela Entwistle	9 (9)	n/a	1 (1)
Mike Ettling	9 (9)	3 (3)	n/a
Michael Laurie	9 (9)	3 (3)	1 (1)
Baroness Stowell	9 (9)	n/a	n/a

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

The Non-Executive Chairman and Angela Entwistle are not considered to be independent due to their links with the Company's major shareholder. All the other Non-Executive Directors are considered to be independent.

The role of the Chairman is to lead the Board and ensure its effective operation. In chairing the Board the Chairman is responsible for setting the agenda, style and tone of the Board discussions and ensuring that all Directors receive clear, accurate and timely information. The Chairman is responsible for ensuring effective communications with shareholders.

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

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

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

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

The Company Secretary acts as the secretary to the Board and its Committees, provides legal and governance support to the Board as a whole and Directors individually, and ensures the Group complies with all relevant legal, regulatory and governance requirements.

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

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision-making. Within our Section 172 report we set out how the Directors have addressed key decisions that are consistent with the Company's objectives, strategy and the overall culture. We believe we have a history of collaborative, informative stakeholder engagement and decision-making based on long-term success, and we maintain governance structures and processes that support good decision-making.

This Section 172 report articulates how the Directors have acted to promote the success of the Group for the benefit of its stakeholders. In meeting this responsibility, the Directors have had regard, amongst other matters, to:
- the likely consequences of any decisions in the long term;
- the interests of the Group's colleagues;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and environment;
- the Group's reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

Results of the AGM appear on the Company investor website: www.investors.impellam.com with between 99.67% and 100% of votes cast being for the resolutions.

BOARD TENURE AS AT MARCH 2021

Lord Ashcroft KCMG PC	6 years, 3 months
Julia Robertson	7 years, 11 months
Tim Briant	1 year, 1 month
Angela Entwistle	8 years, 6 months
Mike Ettling	7 years, 6 months
Michael Laurie	6 years, 8 months
Baroness Tina Stowell	3 years, 5 months
Rebecca Watson	12 years, 10 months

RE-ELECTION OF DIRECTORS AT THE 2021 AGM

In accordance with the Company's Articles of Association and the principles of the Code, all Directors of the Company will offer themselves for re-election by shareholders at the 2021 AGM. The Board is satisfied that each Director is qualified for re-election by the quality of their skills, experience and commitment to the Board.

THE BOARD AND ITS COMMITTEES

Board evaluation

The performance of the Board, its Committees and individual Directors will be reviewed at the Board meeting in April 2021. The Board recognises the importance of the evaluation to help the Board continuously improve its and the Company's performance and to address any areas where necessary. In its evaluation the Board considers a number of areas including the balance of the membership, its effectiveness as a team, strategy and purpose and stakeholder engagement. Objectives going forward are agreed and a review of succession planning undertaken.

The roles of the Chairman and Chief Executive are separate, with a clear division of responsibilities between them. This separation of roles enhances the independent oversight of executive management by the Board and more closely aligns the Board with shareholders. It also means that no one individual within the Company has unfettered powers of decision-making.

CORPORATE GOVERNANCE

Corporate governance statement continued

Audit Committee

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

COMMITTEE MEMBERS

Mike Ettling (Chair)
Michael Laurie

MEETINGS ATTENDED

Mike Ettling	3/3
Michael Laurie	3/3

MEETINGS

The Committee operates under written Terms of Reference, and during the period ended 1 January 2021 it met on three occasions. The Audit Committee invites the Chief Financial Officer to all of its meetings and senior representatives of the external auditor are routinely invited to Committee meetings, although it reserves the right to request any of these individuals to withdraw from the meeting. The Audit Committee comprises two Non-Executive Directors: Mike Ettling (Chair) and Michael Laurie.

FINANCIAL AND BUSINESS REPORTING

During the year, the Audit Committee has reviewed the 2019 and 2020 financial statements, the 2020 interim statement (unaudited) and carried out a going concern review. Reviews of the financial statements included the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements. For the areas discussed, the Committee was satisfied with the assumptions made and the accounting treatments adopted.

Risk management and internal control

Risk management is the responsibility of the Board. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the Strategic Report on pages 1 to 39. The Audit Committee keeps under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

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

The internal controls are reviewed by the Group Finance function.

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

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

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

External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Terms of Reference assign responsibility to the Audit Committee for overseeing the relationship with the external auditor. During 2020, the Audit Committee managed the relationship with the external auditor, reviewed and monitored their independence and objectivity and the effectiveness of the audit process.

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

Assessment of the Audit Committee

The Board will conduct an assessment of the Audit Committee's performance at the April 2021 meeting. The Chair of the Audit Committee will be available at the 2021 Annual General Meeting to answer any questions about the work of the Audit Committee.

CORPORATE GOVERNANCE

Corporate governance statement continued

Remuneration Committee

The Board has a Remuneration Committee that is responsible for making recommendations to the Board on Directors' remuneration. It also reviews recommendations from the Group Chief Executive Officer on other senior executives' remuneration, including performance-related remuneration. The Committee operates under written Terms of Reference, and during the period ended 1 January 2021 it met on one occasion. The Remuneration Committee comprises two Non-Executive Directors: Angela Entwistle (Chair) and Michael Laurie.

COMMITTEE MEMBERS

Angela Entwistle (Chair)
Michael Laurie

MEETINGS ATTENDED

Angela Entwistle	1/1
Michael Laurie	1/1

REMUNERATION PRACTICES

The Remuneration Committee recommends and monitors the level and structure of remuneration for senior management as well as monitoring remuneration trends across the Group and periodically reviews the ongoing appropriateness and relevance of the remuneration policy; no review was conducted during the year.

Assessment of the Remuneration Committee

The Board will conduct an assessment of the performance of the Remuneration Committee at the April 2021 meeting. The Chair of the Remuneration Committee will be available at the 2021 Annual General Meeting to answer any questions about the work of the Remuneration Committee.

Remuneration policy for the Executive Directors

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

Link between business objectives and remuneration policy

It is the Group's policy for performance-related pay of Executive Directors to be linked to key performance indicators of the Group. The Group's key objectives include developing sustainable growth in earnings and profits, through a combination of organic growth and investments, and increase in share price. The key performance measures chosen in 2020 to link executive remuneration to the achievement of these objectives were profits, organic growth and a cash-related target.

Directors' contracts and letters of appointment

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

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

The Effective date of contract and Notice period for Julia Robertson were 5 April 2013 with 12 months' notice from either party. The Effective date of contract and Notice period for Tim Briant were 1 October 2019 with six months' notice from either party. Non-Executive Directors serve under letters of appointment, which either party can terminate on three months' written notice. The Non-Executive Directors have no right to compensation on the termination of their appointments.

Annual fees of Directors

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

Annual bonus

The Remuneration Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to the Executive Directors. Based on the Remuneration Committee's assessment of the performance against those targets, it was determined that there was £0.2m bonus payment for delivery of key performance indicators ('KPIs').

Shareholding guidelines

There are no requirements for Executive Directors or senior executives to hold shares in the Company. Details of the shareholdings of Directors who served during the year are set out on page 53.

INTERNAL CONTROL

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

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

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

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

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

DIALOGUE WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE

Directors' report

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and auditor's reports, for the period ended 1 January 2021.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The audited consolidated financial statements for the period ended 1 January 2021 are set out on pages 66 to 119. The Group loss for the period was £21.4m (year ended 3 January 2020: £5.5m profit). On 31 July 2020 the Company suspended the Share Purchase Plan due to the Covid-19 pandemic. On 25 January 2021 the Group announced a new Share Purchase Plan to buy back shares, whereby it will purchase Ordinary shares in the Company up to an aggregate market value of £0.5m per calendar month until the next AGM to be held in June 2021.

FUTURE DEVELOPMENTS

The Group's future developments are outlined within the Strategic Report. Key areas are covered within the Strategic review, Strategic priorities and Outlook sections of the Chief Executive Officer's review and within the Outlook section of the Chief Financial Officer's review.

CAPITAL STRUCTURE

The Company 'Impellam Group plc' has no limit to its authorised share capital. At 1 January 2021, there were 45,919,871 (2019: 47,333,660) allotted, fully paid shares of 1p in issue.

POST BALANCE SHEET EVENTS

Between the end of the year and 30 March 2021, a further 78,916 Ordinary shares of 1p each have been repurchased in the market for total consideration of £0.2m and have been cancelled.

POLITICAL DONATIONS

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

MAJOR SHAREHOLDINGS

As at 23 March 2021, the Company had been notified of the following disclosable interests representing 3% or more of the issued Ordinary share capital of the Company:

Lombard Trust	56.15%
Hof Hoorneman Bankiers	10.37%
Hendrik M. Van Heijst	7.17%
Lord Ashcroft	4.96%
Schroder Investment Management Limited	4.04%
InsingerGilissen Bankiers	3.62%

DIRECTORS

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

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

To read all of our Directors' biographies, see pages 42 and 43.

DIRECTORS' SHAREHOLDINGS

As at 23 December 2020, the following Directors held shares in the Company:

	Number of shares held
Lord Ashcroft (Non-Executive Chairman)	2,273,755
Julia Robertson (Group Chief Executive Officer)	153,910
Mike Ettling (Non-Executive Director)	10,860
Angela Entwistle (Non-Executive Director)	13,800

CONTROL

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

FINANCIAL RISK MANAGEMENT

The Group's objectives and policies relating to financial risk management are fully explained in note 29 on pages 108 to 110.

PRINCIPAL RISKS

The Board's assessment of the principal risks and uncertainties, the Group's policy and its mitigations are detailed on pages 30 to 33.

ENGAGEMENT WITH COLLEAGUES AND OTHER STAKEHOLDERS

The Directors have given much focus as to how they engage and build relationships with colleagues, suppliers, customers and other stakeholders; and how these stakeholders' interests are considered when making significant decisions. The Group's engagement with colleagues and other stakeholders is explained in the Stakeholder Engagement and Responsible business sections of the Strategic Report, on pages 34 to 39.

We actively encourage diversity in the workplace and have a wide and varied colleague base with a variety of social and ethnic groups represented at all levels of the business. We believe that breaking down the barriers that have traditionally restricted access to the labour market will encourage job opportunities for all. We see it as our responsibility both to understand and to address the root causes of gender pay gaps. We are pleased that Impellam is leading by example by appointing and promoting women into senior roles. We are one of only a small number of AIM listed companies to be led by a woman, and in addition, 43% of our Board members and 50% of our Senior Leadership Team are women. With this in mind, we work hard to help our clients and suppliers achieve their diversity objectives.

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

STRATEGIC REPORT

Information in respect of the Group's approach to Colleague Engagement & Communications (including in respect of Modern Slavery), Health & Safety, Anti-Bribery, Community and Environment are not shown within the Directors' Report because they are presented within the Responsible business section of the Strategic Report on pages 37 to 39.

CORPORATE GOVERNANCE

Directors' report continued

ENVIRONMENTAL AND SUSTAINABLE OPERATIONS

Environmental

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

Modern slavery

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

ANNUAL GENERAL MEETING

The Notice of AGM, to be held at 3.00pm on Tuesday 29 June 2021 at the Impellam offices, 9 Devonshire Square, London EC2M 4HP, is contained in a separate circular to shareholders. It is being mailed or otherwise provided to shareholders, after the publication of the Annual Report. The Notice of Meeting sets out the resolutions to be proposed at the AGM and gives details of the voting record date and proxy appointment deadline for that meeting. The meeting may be held virtually if Covid-19 restrictions are in place.

DIRECTORS' INDEMNITY PROVISIONS

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

REAPPOINTMENT OF AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of BDO LLP as auditor of the Company is expected to be proposed at the Annual General Meeting being held on 29 June 2021.

DIRECTORS' REPORT

This report was approved by the Board on 7 April 2021 and is signed on its behalf by:

RJ Watson
Company Secretary

800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union (Group) or under UK GAAP (Parent), subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

WEBSITE PUBLICATION

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

Financial statements

FINANCIAL STATEMENTS

For more information visit
www.impellam.com

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 January 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Impellam Group plc ('the Parent Company') and its subsidiaries ('the Group') for the 52-week period ended 1 January 2021 which comprise:

	Composition	Financial reporting framework
Group	• Consolidated Income Statement • Consolidated Statement of Comprehensive Income • Consolidated Balance Sheet • Consolidated Statement of Changes in Equity • Consolidated Cash Flow Statement • Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.
Parent Company	• Company Balance Sheet • Company Statement of Changes in Equity • Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

Conclusion	Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:
Approach	• Review and challenge, through enquiry and consideration of historical performance, of key assumptions applied by the Directors in preparation of cash flow forecasts, including growth assumptions and movements in headcount and base costs, and the Group's ability to meet working capital requirements over the going concern period. • Review of management's stress tested forecasts, including the impact of the 'downside' scenarios on covenant and cash 'headroom' and consideration of the likelihood of occurrence and feasible actions to increase headroom. • Consideration of the adequacy of the Group's banking facilities and ability to meet key financial covenants. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

FINANCIAL STATEMENTS

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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group has diverse international operations. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We designed an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion (ISA 600 (UK)). Components were scoped in to address aggregation risk and to ensure sufficient coverage was obtained of Group balances on which to base our audit opinion. The coverage of our audit procedures is summarised graphically below and then detailed in the following table.

Absolute calculations are the total sum of losses and profits together, but with negative amounts (losses) converted to positive amounts.

Significant components	• We focused our Group audit scope primarily on the audit work at nine significant components, which were subject to full scope audit procedures. • These significant components contribute 67% (2019: 84%) of the Group Absolute Adjusted Operating Profit[Δ], 83% (2019: 82%) of the Group Absolute Profit/Loss before Tax, 82% (2019: 77%) of the Group revenue and 86% (2019: 82%) of Group Gross Assets. • The nine components considered significant were Impellam Group Plc, Impellam UK Limited, Impellam Holdings Limited, Carlisle Staffing Plc, Lorien Resourcing Limited, Blue Arrow Limited, Comensura Limited, Carbon60 Limited and the US division (incorporating all US entities). • BDO UK audited all significant components with the exception of the US division, which was audited by BDO US. Significant components are subject to full scope audit procedures. • For the US division, following involvement in risk assessment and setting the overall audit approach and strategy with the component auditor (a BDO Member Firm) at the planning stage, we performed a detailed review of the testing performed and attended remote meetings with local management and the component auditor to challenge the conclusions reached.
Full scope audits	• One further component – Science Recruitment Group Limited – was subject to full scope audit procedures in addition to the nine identified significant components to ensure sufficient coverage over financial statement areas was obtained for the purposes of the Group audit opinion (ten in total). • This component contributes 7% (2019: 5%) of the Group Absolute Adjusted Operating Profit[Δ], 5% (2019: 5%) of the Group Absolute Profit before Tax, 4% (2019: 10%) of the Group revenue and 2% (2019: 7%) of Group Gross Assets. • Full scope audit procedures were performed on this component located in the UK, with the audit performed by the Group audit team.

Specified audit procedures	• Specified audit procedures were performed to address the risk of material misstatement arising from key balances in non-significant components, with testing performed on all material balances within these components. • All testing was performed by BDO Member Firms under direction and supervision of the Group audit team. • This specific scope testing was performed on components that contribute 11% (2019: 6%) of the Group Absolute Adjusted Operating Profit$^{\Delta}$, 3% (2019: 6%) of the Group Absolute Profit before Tax, 9% (2019: 9%) of the Group revenue and 9% (2019: 8%) of Group Gross Assets. • These components included: – Global Medics PTY Limited – Global Medics IRL Limited – Medacs Healthcare Plc – Comensura Pty Limited • The Senior Statutory Auditor and Group audit team directed work for the specified procedures via detailed instructions, briefings and via review of selected working papers on significant risk areas.
Remaining components	• All other components were scoped in for analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.
Parent Company and consolidation	• The Parent Company is located in the UK and was audited by the Group audit team. The Parent Company is treated as a significant component for the Group. • The Group audit team have performed testing of the consolidation and related consolidation adjustments posted in preparation of the Group financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description	How we addressed the key audit matter in the audit
Fraud in revenue recognition – incomplete temporary contractor revenue *(Notes 2, 3 and 17)*	The Group processes a large volume of data in relation to contractor revenue involving a number of systems that operate independently from each other. The risk in relation to temporary contractors is that the judgements and estimates applied by management concerning the completeness and accuracy of revenue cut off are materially misstated, in order to meet financial targets or commissions in relation to candidate placements.	On a sample basis focused around the year end, we agreed the revenue recognised was in agreement with underlying supporting evidence (such as customer-approved timecards, evidence of payment to the contractor and evidence of receipt of cash from the end customer). Where there were judgements involved in the estimate of revenue for timesheets relating to the period but not received, these have been corroborated to evidence supporting these judgements. We considered the appropriateness of the cut-off adjustments made by management by agreeing a sample of temporary placements to timesheets with reference to the period worked. We inspected a sample of credit notes raised subsequent to the year end in order to assess the validity of the sales invoices raised in the financial period. **Key observations communicated to the Audit Committee** We identified no matters to report concerning the completeness and accuracy of temporary contractor revenue. The judgements and estimates applied were consistent with our expectations.

FINANCIAL STATEMENTS

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

Key audit matter	Description	How we addressed the key audit matter in the audit
Revenue recognition – complex contract accounting on global managed service contracts *(Notes 2, 3 and 17)*	Certain entities within the Group provide managed services to their clients, which can be complex. The applicable contracts usually span several financial periods, and have costs incurred prior to the contract revenue being recognised. These contracts also contain associated rebate agreements. The risk relates to the accounting and potential understatement of these rebate agreements that could result in a material error within the revenue stated for the period. There is also management judgement involved in appropriately recognising implementation costs in relation to the upfront implementation costs and subsequent release over the contract life. The audit risk includes all aspects noted above.	We audited a sample of contract terms covering the significant revenue streams in the business. We understood the types of costs included in implementation costs with reference to timecards and the job roles of the individuals. We ensured that these met the IFRS 15 criteria to be recognised as implementation costs and the appropriateness of the release period. We considered the completeness of the rebate liability by, on a sample basis, vouching estimates to key contracts and/or correspondence. Our analysis of the customers compared against the rebates payable in the current and prior year allowed us to form an expectation as to the liability position at period end. We re-calculated the rebate liability with reference to the terms of the supplier contracts/correspondence and volume of placements obtained from the information held on the audited entity's system. **Key observations communicated to the Audit Committee** We found no matters to report concerning the judgemental areas surrounding the implementation costs and the rebates noted within the global managed service contracts.

Key audit matter	Description	How we addressed the key audit matter in the audit
Goodwill, brand intangibles *(Notes 2, 14 and 15)* and Parent Company investment recoverability *(Note 3)*	**Group risk** The Group's consolidated balance sheet includes goodwill and brand intangibles, principally arising from historical acquisitions. The risk is that the goodwill and brand values allocated to cash-generating units are not recoverable and should be impaired. Management prepare assessments at a cash-generating unit ('CGU') level, and assess whether the present value of cash flows over a terminal period support the assets held. Due to the inherent uncertainty involved in forecasting and discounting cash flows, which are the basis of the assessment of recoverability, this is a key judgemental area of the audit. The financial statements disclose the sensitivity estimated by the Group in note 14. **Company risk** Related to the goodwill risk noted above, the carrying amount of the investment in subsidiaries held by the Parent Company is a significant balance that in the current economic environment may be at greater risk of impairment. There is a risk that the judgements and estimate applied to the impairment model may not be congruent with the underlying data and facts available to management.	**Group risk** Our work was focused on the Education, Healthcare and UK General Staffing CGUs due to the sensitivity of the discounted cash flow model inputs. The key sensitivities in the model relate to the revenue growth rate, profitability assumptions and the discount rate. We have also focused on the CGUs for which impairments were realised during the interim reporting and considered the possibility of error within the interim calculations. Due to the impact of Covid-19 on the budgeting process, we compared interim forecasts against the Group's results, to gain an understanding of the Group's ability to produce robust and accurate forecasts. We challenged the robustness of key assumptions, including revenue growth rates, profitability assumptions and the discount rate, based on our understanding of the CGUs. We also compared the assumptions used with other, similar, recruitment firms. Where appropriate, we have sensitised management's judgements to consider the impact of these not being achieved. We utilised an auditor's internal valuation expert to assess management's key assumption inputs noted above. This was done with comparison to industry standard data points that are utilised in such models. **Parent Company investment** We compared the investment value held to the market capitalisation of the Group, adjusting for factors that would affect the valuation of the shares. This work was assisted by the auditor's valuation expert. We utilised underlying discounted cash flow forecasts to form an expectation of the recoverable amount, and in addition considered the asset position of the subsidiary entities and current performance. **Key observations communicated to the Audit Committee** We have confirmed the estimates and judgements utilised within the models applied in relation to the impairment of goodwill, brand intangibles and company investment impairments are within acceptable ranges.

FINANCIAL STATEMENTS

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

Key audit matter	Description	How we addressed the key audit matter in the audit
Compliance with laws and regulations *(Notes 2, 6 and 22)*	The Group is subject to both local and international legal and regulatory requirements that vary between the different industries that the Group operates. The Group has an in-house legal team who assist management in the determination of its financial obligations. The Group holds a number of balances in relation to its ongoing obligations to comply with the regulatory and legal environment – varying levels of judgement are required to estimate the impact of these on the financial statements. The key areas of compliance relate to workers' rights, such as holiday pay, and retention of customer unclaimed payments. Any non-compliance may result in fines, unrecorded liabilities and reputational damage to the Group – a combination of these may affect the Group's ability to continue trading.	We held meetings with the Group's legal counsel both in the UK and in the USA to understand areas of non-compliance with laws or regulation and the progress of any significant ongoing legal areas. We circulated legal confirmations to key external counsel to confirm the existence of any potential claims or areas of non-compliance. We assessed whether the disclosures in relation to the liabilities and judgements made within the consolidated financial statements are complete and accurate in relation to the ongoing legal claims and compliance matters. We specifically assessed by brand, the Group's policies and practices in relation to holiday pay, in the context of relevant legal requirements. We reviewed the basis and appropriateness of holiday pay accruals and level of payout by sampling contractors and employees to underlying contracts and system generated reports. We assessed the Group's treatment of the provision for client credits and unclaimed payments. **Key observations communicated to the Audit Committee** We have no matters to report concerning compliance with key laws and regulations applicable to the Group.
New accounting treatments as a result of Covid-19 *(Notes 2, 4 and 5)*	The Group utilised certain government support schemes in the year as a direct result of Covid-19. The utilisation of these schemes required the Group to comply with the requirements of the scheme. Any non-compliance may result in fines, unrecorded liabilities and reputational damage to the Group – a combination of these may affect the Group's ability to continue trading. There is a risk that these new accounting treatments are incorrectly accounted for.	We understood the underlying government support schemes utilised by the Group and the terms attached to these – the most significant scheme to the Group was support for the ongoing employment of both contractors working for clients and internal staff members. For any other material schemes utilised by the Group, we have agreed compliance to the underlying rule governing these schemes. Our work ensured that the financial statements correctly disclosed the support as required by the relevant reporting standards. On a sample basis, we agreed the calculation for individual employee claims to supporting scheme documentation and correspondence to determine compliance with the underlying rules. This covered both internal employees and external temporary contractors. **Key observations communicated to the Audit Committee** We have no matters to communicate in respect of the government support received relating to the continued employment of employees and contractors.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group	Parent Company
Materiality	£1.10m (2019: £1.25m)	£1.04m (2019: £1.19m)
Basis for determining materiality	c.3.5% of Adjusted Operating Profit$^{\Delta}$ (see note 3 and page 120 for definition)	Capped at 95% of Group materiality
Rationale for the benchmark applied	Adjusted Operating Profit$^{\Delta}$ is considered the most appropriate benchmark based on market practice and investor expectations. An average of three years has been applied to normalise results for the atypical impact of Covid-19 in the year. Our materiality metric has changed from Adjusted EBITDA in the prior year, to Adjusted Operating Profit$^{\Delta}$ in the current year. This reflects the change in reporting metric by the Group that is the primary focus of a user of the financial statements. The materiality applied equates to 0.5% of Group Gross Profit, 0.5% of Group Net Assets and 3.5% of adjusted EBITDA.	Net assets is considered the most appropriate benchmark as the Parent Company does not trade.

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

	Measure	Application
Performance materiality	£715k (65% of materiality) (2019: £687k – 55% of materiality)	The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. The audit team selected 65% for the current period due to it being our second year audit and as a result of their assessment of the control environment.
Component materiality	The range of materiality used for components ranged from £1,045k to £150k. (2019: £1,200k to £625k).	Our audit work at each component has been executed at levels of materiality applicable to each individual entity based on its size and risk as approved by the Group audit team and in each case, lower than that applied to the Group.
Clearly trivial	£22k (2019: £18.75k)	All audit differences in excess of 'clearly trivial' are reported to the Audit Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
Quantitative and qualitative disclosures	We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	

FINANCIAL STATEMENTS

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Comment	We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Companies Act 2006	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES

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

Auditors	Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.
Extent to which the audit was capable of detecting irregularities, including fraud	Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below: We obtained an understanding of the legal and regulatory frameworks that are applicable to Impellam Group plc. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IAS, UK GAAP and the Companies Act 2006), labour regulations and tax in key territories in which the Group operates. Please refer to the Key Audit Matter section of this report for our response to the compliance with laws and regulations, as well as the procedures listed below: • We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, legal correspondence or confirmations (where relevant) and specific audit testing within significant component and full scope entities. • We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it is considered there was a susceptibility of fraud. Our considerations included enquiries with component management and component auditors. • We also considered potential fraud drivers, including: financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and key areas of estimation uncertainty or judgement, for example: cut off of revenue, revenue rebate accruals, expected credit loss provisions, provisions in relation to ongoing legal cases, inputs to the models utilised in Goodwill and Brand Intangible value-in-use models and certain key assumptions underpinning the IFRS 16 right-of-use asset and lease liability calculations. • We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. A further description of our responsibilities is available 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 Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Cardiff (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
7 April 2021

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

FINANCIAL STATEMENTS

Consolidated income statement

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

	Notes	1 January 2021 £m	3 January 2020 £m
Revenue	3	**2,000.9**	2,254.8
Cost of sales		**(1,772.8)**	(1,980.7)
Gross profit		**228.1**	274.1
Administrative expenses		**(239.5)**	(261.4)
Impairment losses from receivables	17	**(3.6)**	1.2
Operating (loss)/profit	3 & 4	**(15.0)**	13.9
Operating profit before impairments, amortisation of brand value and customer relationships		**18.2**	31.1
Amortisation of brand value and customer relationships	15	**(11.0)**	(10.2)
Impairment of goodwill	14	**(16.6)**	(1.6)
Impairment of other intangible assets	15	**(5.6)**	(5.4)
Operating (loss)/profit	3 & 4	**(15.0)**	13.9
Finance income	7	**0.3**	0.8
Finance expense	8	**(5.7)**	(9.0)
(Loss)/profit before tax		**(20.4)**	5.7
Tax charge	9	**(1.0)**	(0.9)
(Loss)/profit from continuing operations		**(21.4)**	4.8
Profit from discontinued operation, net of tax	11	**–**	0.7
(Loss)/profit for the period		**(21.4)**	5.5
(Loss)/profit for the period attributable to:			
Equity holders of the Parent Company		**(21.4)**	5.8
Non-controlling interest	26	**–**	(0.3)
		(21.4)	5.5
Earnings per share	10		
Attributable to equity holders of the Parent Company:			
– basic		**(46.2)p**	11.2p
– diluted		**(46.2)p**	11.2p

Consolidated statement of comprehensive income

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

	Notes	1 January 2021 £m	3 January 2020 £m
(Loss)/profit for the period		**(21.4)**	5.5
Other comprehensive income:			
Items that may be subsequently reclassified into income:			
Foreign currency translation differences – foreign operations		**(2.0)**	(4.3)
Total comprehensive income for the period, net of tax		**(23.4)**	1.2
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		**(23.4)**	1.5
Non-controlling interest	26	–	(0.3)
		(23.4)	1.2

FINANCIAL STATEMENTS

Consolidated balance sheet

AS AT 1 JANUARY 2021

	Notes	1 January 2021 £m	(Restated) 3 January 2020 £m
Non-current assets			
Property, plant and equipment	12	**5.1**	6.6
Right-of-use assets	13	**21.3**	27.6
Goodwill	14	**129.1**	148.0
Other intangible assets	15	**96.2**	117.8
Financial assets	16	**1.6**	1.5
Deferred tax assets	23	**10.3**	13.6
Trade and other receivables	17	**3.3**	5.7
		266.9	320.8
Current assets			
Trade and other receivables	17	**563.9**	574.7
Tax receivable		**2.8**	2.5
Cash and cash equivalents	18	**117.9**	132.3
		684.6	709.5
Total assets		**951.5**	1,030.3
Current liabilities			
Short-term borrowings	20	**0.1**	24.7
Lease liabilities	13	**9.2**	10.7
Trade and other payables	19	**558.0**	550.4
Tax payable		**0.5**	1.8
Provisions	22	**7.2**	3.6
		575.0	591.2
Net current assets		**109.6**	118.3
Non-current liabilities			
Long-term borrowings	21	**119.0**	140.9
Lease liabilities	13	**17.3**	23.1
Other payables	19	**–**	1.6
Provisions	22	**3.3**	5.5
Deferred tax liabilities	23	**18.1**	21.5
		157.7	192.6
Total liabilities		**732.7**	783.8
Net assets		**218.8**	246.5
Equity			
Issued share capital	24	**0.5**	0.5
Share premium account	24	**30.1**	30.1
		30.6	30.6
Other reserves	25	**118.3**	120.3
Retained earnings		**70.2**	95.9
Total equity attributable to equity holders of the Parent Company		**219.1**	246.8
Non-controlling interest	26	**(0.3)**	(0.3)
Total equity		**218.8**	246.5

The consolidated financial statements of Impellam Group plc (registered number: 06511961) on pages 66 to 112 were approved by the Board on 7 April 2021.

Tim Briant
Chief Financial Officer

Consolidated statement of changes in equity

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

	Total share capital and share premium (note 24) £m	Other reserves (note 25) £m	Retained earnings £m	Total equity attributable to equity owners of the parent £m	Non-controlling interest (note 26) £m	Total equity £m
5 January 2019	30.6	124.6	110.7	265.9	–	265.9
Profit for the period	–	–	5.8	5.8	(0.3)	5.5
Other comprehensive income (note 25)	–	(4.3)	–	(4.3)	–	(4.3)
Total comprehensive income in period	–	(4.3)	5.8	1.5	(0.3)	1.2
Transactions with owners, recorded directly in equity						
Purchase and cancellation of own shares (note 24)	–	–	(10.8)	(10.8)	–	(10.8)
Demerger charge (note 11)	–	–	(9.8)	(9.8)	–	(9.8)
3 January 2020	30.6	120.3	95.9	246.8	(0.3)	246.5
4 January 2020	**30.6**	**120.3**	**95.9**	**246.8**	**(0.3)**	**246.5**
Loss for the period	–	–	**(21.4)**	**(21.4)**	–	**(21.4)**
Other comprehensive income (note 25)	–	**(2.0)**	–	**(2.0)**	–	**(2.0)**
Total comprehensive income in period	–	**(2.0)**	**(21.4)**	**(23.4)**	–	**(23.4)**
Transactions with owners, recorded directly in equity						
Purchase and cancellation of own shares (note 24)	–	–	**(4.3)**	**(4.3)**	–	**(4.3)**
1 January 2021	**30.6**	**118.3**	**70.2**	**219.1**	**(0.3)**	**218.8**

FINANCIAL STATEMENTS

Consolidated cash flow statement

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

	Notes	1 January 2021 £m	(Restated) 3 January 2020 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(20.4)**	5.7
Adjustments for:			
Depreciation of property, plant and equipment	12	**2.8**	3.2
Amortisation of right-of-use assets	13	**9.5**	9.0
Amortisation of other intangible assets	15	**17.6**	17.2
Impairment of goodwill	14	**16.6**	1.6
Impairment of other intangible assets	15	**5.6**	5.4
(Profit)/loss on disposal of property, plant and equipment	4	**(0.2)**	0.2
Finance income	7	**(0.3)**	(0.8)
Finance expense	8	**5.7**	9.0
Discontinued operations	11	**–**	0.7
		36.9	51.2
Decrease/(increase) in trade and other receivables		**8.1**	(8.1)
Increase in trade and other payables		**50.8**	6.0
Increase in provisions	22	**1.4**	4.8
Cash from operations		**97.2**	53.9
Tax paid		**(2.7)**	(4.4)
Net cash from operating activities		**94.5**	49.5
Cash flows from investing activities			
Acquisition of subsidiary		**–**	(2.9)
Purchase of property, plant and equipment	12	**(1.2)**	(3.6)
Purchase of intangible assets	15	**(2.3)**	(6.8)
Receipt from lease debtors	28	**3.2**	2.9
Increase in other financial assets	16	**(0.1)**	(0.1)
Interest received	7	**0.3**	0.8
Net cash from investing activities		**(0.1)**	(9.7)
Cash flows from financing activities			
Drawdown of short-term borrowings	28	**167.1**	260.0
Repayment of short-term borrowings	28	**(213.4)**	(243.2)
Decrease in overdraft	28	**(36.1)**	(0.9)
Purchase and cancellation of own shares	24	**(4.3)**	(10.8)
Interest paid on lease liabilities	8	**(0.8)**	(1.3)
Interest paid on borrowings	8	**(4.6)**	(6.8)
Repayment of lease liabilities	28	**(11.5)**	(12.1)
Cash flow on discontinued operations, net of cash disposed of	11	**–**	(2.5)
Net cash from financing activities		**(103.6)**	(17.6)
Net (decrease)/increase in cash and cash equivalents		**(9.2)**	22.2
Opening cash and cash equivalents		**132.3**	117.1
Effect of foreign exchange rate movements	28	**(5.2)**	(7.0)
Closing cash and cash equivalents	18	**117.9**	132.3

Notes to the consolidated financial statements

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

1. CORPORATE INFORMATION

The financial statements of Impellam Group plc and all of its subsidiaries ('the Group') for the 52 weeks ended 1 January 2021 were authorised for issue by the Board of Directors on 7 April 2021 and the balance sheet was signed on behalf of the Board by Tim Briant.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and going concern

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006. In coming to their conclusion, the Directors have considered the Group's profit and cash flow plans for the coming period, and have run various downside 'stress test' scenarios. These scenarios assess the speed that economies in our key trading markets of the UK, USA and Australia expand as current restrictions on business are relaxed. These stress tests indicate the Group can withstand the increased working capital commitments that arise as a result of increased business in the staffing industry.

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

In preparing these stress test scenarios, we have included the cash outflows from various government programmes, across the jurisdictions in which the Group operates, to account for the deferral of certain tax payments during the current period, which was a cash benefit of £48.0m at the end of the current period. The scenarios include certain cost mitigation actions, such as reduced performance bonus, travel and entertainment, marketing activity, reduced capital expenditure and postponement in share buybacks that may be required to ease the working capital impact as trading levels recover. In the event that there is a more significant cash requirement than in these scenarios there are further mitigating actions which could include, but are not limited to, further reductions in capital expenditure and further reductions in non-business critical expenditure.

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

Any references to 2020 in these statements refer to the 52-week financial period ended 1 January 2021. Any references to 2019 in these statements refer to the 52-week financial period ended 3 January 2020.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 1 January 2021. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company. Each company, including the parent, uses locally applicable generally accepted accounting practice ('GAAP') for the preparation of their individual financial statements. Adjustments are made to bring these into line with the IFRS policies adopted by the Group, as required.

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

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

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

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

A) Changes in accounting policies and disclosures

New standards, amendments and interpretations effective in financial year 2020

- IFRS 3 Business combinations – Amendments
- Amendments to IAS 1 Presentation of financial statements and IAS 8 Changes in accounting policies
- Amendments to IFRS 9, IAS 39 and IFRS 7 on financial instruments
- IFRS 16 Leases – Covid-19 related rent concessions

The above amendments have not materially impacted the Group's results.

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting and effective for the Group as follows, which are all effective for periods starting on or after 1 January 2021:

- Amendments to IFRS 4 Insurance contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7 on financial instruments, IFRS 4 Insurance contracts and IFRS 16 Leases

The above amendments are not expected to materially impact the Group's results.

B) Significant accounting judgements and estimates

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

i) Judgements

Agent versus principal

The Group assesses whether it is acting as agent or principal depending on whether the client has a direct relationship with the Group, whether the Group has the primary responsibility for providing the services and whether the Group contracts directly with either the worker placed or any other recruitment agency. Account is also made of the degree of latitude the Group has in establishing the charging rates with all parties.

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

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

Ageing of borrowing
The Group has signed up to a revolving credit facility which is committed until at least April 2023 (note 29). Borrowings made under this facility are over a set period, which is usually less than a year, but are available to be renewed as and when they fall due. The Group assesses an element of this borrowing to be due in less than one year based upon optimal cash holding positions and planned repayments of the debt, in total, over the coming 12 months.

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

ii) Estimates
Impairment of goodwill and other intangible assets
The Group determines whether goodwill and other intangible assets are permanently impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details of the carrying value and impairment review, including sensitivities, are given in notes 14 and 15.

Legal provision
The Group measures and recognises provisions related to pending litigation or other outstanding claims subject to negotiated settlement, mediation and arbitration. A significant level of estimation is required to quantify the possible ranges of financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision (see note 22).

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

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

Change in critical estimates and critical judgements
During the year, the Group reviewed the critical estimates and critical judgements and removed the judgements over discontinued operations and brand value amortisation as the judgements over these areas were completed in the prior period.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

C) Currencies and foreign currency translation

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

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

The exchange differences arising from this retranslation are recognised in the consolidated statement of comprehensive income and accumulated to a foreign currency translation reserve in equity.

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

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

D) Property, plant and equipment

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

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

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

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

E) Goodwill

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

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

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

F) Other intangible assets

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

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

Brands are defined as having finite useful lives and the costs are amortised on a straight-line basis over the estimated useful lives of each of the assets (ranging between three and 20 years). The expense is taken to the income statement through the 'depreciation and amortisation' line within administrative expenses.

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

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

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

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

G) Implementation costs

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

H) Financial assets

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Investments

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

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

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

I) Other non-current financial assets

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

Impairment

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

J) Trade and other receivables

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

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

The expected loss provision is based on the Group's expectation of future credit losses over the current receivables balance. These expectations are based upon known issues effecting specific debtors as well as general forward-looking information on factors affecting the Group's customers as a whole as well as an awareness of the economic conditions in the countries where the Group operates. These risk factors are considered both on initial recognition of the receivable and as part of the ongoing assessment. If there has been a significant increase in the credit risk since the initial recognition then an increased loss provision is recognised.

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

K) Cash and cash equivalents

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

L) Trade and other payables

Trade and other payables are classified as financial liabilities and measured at amortised cost which approximates to the fair value. The balances are not interest-bearing.

M) Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Deferred tax liabilities are not recognised on unremitted earnings from subsidiaries where the Group can control the timing of the reversal and the temporary difference is not expected to reverse in the foreseeable future.

Sales taxes

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

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

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

N) Provisions

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

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

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

O) Financial liabilities

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

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

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

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

P) Employee benefits

Short-term benefits – bonus arrangements

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

Defined contribution pension obligations

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

Other post-employment obligations

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

Q) Leases

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

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

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

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

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

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

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

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

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

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

Where the Group recognises an asset from a finance lease, such asset replaces the right-of-use asset arising from the head lease and is recorded as a receivable called net investment in the lease. Subsequent to initial measurement, the net investment in the lease increases as a result of interest charged at a constant rate on the balance outstanding and is reduced for lease payments made. These assets are reviewed for recoverability using the simplified arrangements under the expected credit loss model creating a lifetime expected credit loss provision.

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

R) Revenue

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

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

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

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.

Other revenue, including fees received for one-off services which are not dependent on hours worked or placed workers, is recognised when all parties agree the relevant performance obligations have been performed.

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.

S) Separately disclosed items

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

T) Borrowing costs

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

U) Equity instruments

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

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

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

W) Government grants
Government grants are recognised against expenses in the period in which they are intended to compensate. Grants are only recognised when there is reasonable assurance that any conditions attached to the grant will be complied with and that the grant will be received.

X) Prior year adjustment
A prior year adjustment has been made in relation to the timing of recognition of leases under IFRS 16 and a reclassification of receipts in relation to lease debtors within the cash flow statement (see note 13).

3. SEGMENT INFORMATION

The Group is reporting under IFRS 8 Operating Segments which requires that the Group firstly:
- identifies its 'Chief Operating Decision Maker' ('CODM'), which has currently been assessed as the Group Chief Executive Officer who, along with the 'Leadership Team', reviews the Group's internal reporting in order to assess performance and allocate resources

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

The CODM discusses performance with management of the following reportable segments plus an allocation of shared costs and corporate costs:
- Global Talent Acquisition and Managed Workforce Solutions
- Global Specialist Staffing
- Regional Specialist Staffing
- Healthcare

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

	Revenue £m	Gross profit £m	Adjusted operating profit £m
1 January 2021			
Global Talent Acquisition and Managed Workforce Solutions	**709.7**	**70.9**	**13.4**
Global Specialist Staffing	**523.2**	**45.8**	**11.2**
Regional Specialist Staffing	**581.5**	**69.6**	**(0.2)**
Healthcare	**231.3**	**41.8**	**(1.1)**
Inter-segment revenues	**(44.8)**	**–**	**–**
Operating segments	**2,000.9**	**228.1**	**23.3**

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

3. SEGMENT INFORMATION CONTINUED

(Restated)	Revenue £m	Gross profit £m	Adjusted operating profit £m
3 January 2020			
Global Talent Acquisition and Managed Workforce Solutions	757.1	78.0	13.7
Global Specialist Staffing	649.1	55.5	15.2
Regional Specialist Staffing	650.3	94.0	6.3
Healthcare	245.8	46.6	0.5
Inter-segment revenues	(47.5)	–	–
Operating segments	2,254.8	274.1	35.7

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

	1 January 2021 £m	(Restated) 3 January 2020 £m
Segment adjusted operating profit	**23.3**	35.7
Corporate costs	**(5.1)**	(4.6)
Adjusted operating profit	**18.2**	31.1
Amortisation of brand value and customer relationships (note 15)	**(11.0)**	(10.2)
Impairment of goodwill (note 14)	**(16.6)**	(1.6)
Impairment of intangible assets (note 14)	**(5.6)**	(5.4)
Operating (loss)/profit from continuing operations	**(15.0)**	13.9
Finance income (note 7)	**0.3**	0.8
Finance expense (note 8)	**(5.7)**	(9.0)
Tax charge (note 9)	**(1.0)**	(0.9)
(Loss)/profit from continuing operations	**(21.4)**	4.8

Where the Group places workers between operational segments, the relevant segments each record the gross revenue for placing the worker on an arm's-length basis. An adjustment has been made to remove the impact of inter-segment revenues from the Group results.

As disclosed in the prior year and as a result of the adoption of IFRS 16 in the previous financial year, the Group has adopted adjusted operating profit as its Alternative Performance Measure, to include depreciation and amortisation of assets but excluding amortisation of acquired intangibles, and comparatives have been restated accordingly. The Group has also allocated separately disclosed items into the comparative results, rather than showing them separately as in the prior year, as this is now considered a more inclusive view of the segmental results for the period.

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

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

1 January 2021	Global Talent Acquisition and Managed Workforce Solutions £m	Global Specialist Staffing £m	Regional Specialist Staffing £m	Healthcare £m	Inter-segment revenues £m	Total £m
Primary geographic markets						
UK	**546.1**	**450.7**	**383.5**	**130.1**	**(44.8)**	**1,465.6**
Europe	**15.3**	**1.1**	**9.8**	**47.7**	**–**	**73.9**
North America	**142.2**	**71.4**	**187.9**	**–**	**–**	**401.5**
Australasia	**6.1**	**–**	**0.3**	**53.5**	**–**	**59.9**
Total	**709.7**	**523.2**	**581.5**	**231.3**	**(44.8)**	**2,000.9**
Major service lines						
Temporary placements	**702.1**	**510.1**	**574.1**	**224.8**	**(44.8)**	**1,966.3**
Permanent placements	**2.7**	**8.0**	**6.0**	**6.0**	**–**	**22.7**
Other	**4.9**	**5.1**	**1.4**	**0.5**	**–**	**11.9**
Total	**709.7**	**523.2**	**581.5**	**231.3**	**(44.8)**	**2,000.9**
Timing of revenue recognition						
Service transferred at a point in time	**709.7**	**523.2**	**581.5**	**231.3**	**(44.8)**	**2,000.9**
Total	**709.7**	**523.2**	**581.5**	**231.3**	**(44.8)**	**2,000.9**

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

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

3. SEGMENT INFORMATION CONTINUED

Non-current assets

	1 January 2021 £m	3 January 2020 £m
UK	**126.8**	167.7
North America	**119.0**	124.9
Europe	**12.5**	13.7
Australasia	**8.2**	12.3
Total	**266.5**	318.6

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

4. OPERATING (LOSS)/PROFIT

a) Operating (loss)/profit has been arrived at after charging:

	1 January 2021 £m	3 January 2020 £m
Separately disclosed items (note 6)	**–**	4.9
Depreciation of property, plant and equipment (note 12)	**2.8**	3.2
Amortisation of right-of-use assets (note 13)	**9.5**	9.0
Amortisation of intangible assets (note 15)	**17.6**	17.2
Impairment of goodwill (note 14)	**16.6**	1.6
Impairment of intangible assets (note 15)	**5.6**	5.4
Loss on disposal of property, plant and equipment	**(0.2)**	0.2
Minimum lease payments recognised as an operating lease expense (note 13)	**0.3**	1.9
Charge/(release) for bad and doubtful trade receivables (note 17)	**3.6**	(1.2)

Operating profit is stated net of £7.4m income received from governments globally in respect of various support schemes following the Covid-19 pandemic.

b) Auditor's remuneration

	1 January 2021 £m	3 January 2020 £m
Fees payable to the auditor for the audit of the Group's annual financial statements	**0.3**	0.2
Fees payable to the Group's auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**0.8**	0.7
Total	**1.1**	0.9

5. EMPLOYMENT COSTS

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

Costs of employment

	1 January 2021 £m	3 January 2020 £m
Wages, salaries and bonuses	**134.3**	155.5
Social security costs	**12.2**	14.9
Expenses related to defined contribution plan	**3.4**	3.2
Total	**149.9**	173.6

Monthly average number of employees

	1 January 2021 Number	3 January 2020 Number
Global Talent Acquisition and Managed Workforce Solutions	**745**	808
Global Specialist Staffing	**396**	448
Regional Specialist Staffing	**1,006**	1,197
Healthcare	**588**	669
Corporate staff (including Directors)	**8**	11
Total	**2,743**	3,133

The table above includes a monthly average of 262 staff who were placed on furlough during the period.

b) Employees whose costs are included in cost of sales

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

Costs of employment

	1 January 2021 £m	3 January 2020 £m
Wages, salaries and bonuses	**557.4**	577.7
Social security costs	**40.1**	41.0
Expenses related to defined contribution plan	**2.3**	2.1
Total	**599.8**	620.8

The costs above are net of government grants in respect to job support schemes that have been administered for staff supplied to clients. A prior year adjustment has been made to social security costs following the calculation this year which revealed that £22.3m of expenses within cost of sales had been omitted from the disclosure.

Monthly average number of employees

	1 January 2021 Number	3 January 2020 Number
Global Talent Acquisition and Managed Workforce Solutions	**4,730**	6,399
Global Specialist Staffing	**1,338**	1,550
Regional Specialist Staffing	**12,476**	14,107
Total	**18,544**	22,056

c) Information on Directors' remuneration

The total emoluments for all Directors during the period were:

	1 January 2021 £000	3 January 2020 £000
Emoluments (including benefits)	**1,102**	684
Contribution to defined contribution pension plans	**91**	68
	1,193	752

Total emoluments excluding pension contributions:

	1 January 2021 £000	3 January 2020 £000
Lord M Ashcroft	**46**	42
J Robertson	**544**	477
T Briant	**358**	–
AE Entwistle	**38**	40
ME Ettling	**40**	45
M Laurie	**38**	40
Baroness T Stowell	**38**	40
Total	**1,102**	684

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

5. EMPLOYMENT COSTS CONTINUED

Pension contributions

	1 January 2021 £000	3 January 2020 £000
J Robertson	**68**	68
T Briant	**23**	–
	91	68

All pension payments relate to defined contribution schemes.

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

	1 January 2021 £000	3 January 2020 £000
Emoluments (including benefits)	**544**	477
Pension contributions	**68**	68
	612	545

The total emoluments for J Robertson and T Briant include benefits, both non-cash and cash, to the value of £95,000 (2019: £95,000) and £36,000 (2019: £nil) respectively, and bonuses for J Robertson and T Briant of £90,000 (2019: £nil) and £83,000 (2019: £nil) respectively. The £38,000 (2019: £40,000) paid for the services of AE Entwistle as a Non-Executive Director is paid to Deacon Street Partners Limited. No Director has been in receipt of either a loan from the Group or a long-term incentive plan in the current or prior periods.

6. SEPARATELY DISCLOSED ITEMS

	1 January 2021 £m	3 January 2020 £m
Group transformation costs[a]	–	3.8
Group demerger costs[b]	–	0.7
Adjustments to contingent consideration[c]	–	(0.3)
Legal claim costs[d]	–	0.7
Total included in operating (loss)/profit	–	4.9
Finance expense – separately disclosed[e]	–	0.9

a) In 2019 the Group commenced a transformation programme looking at all aspects of the business including structure, people, IT and individual businesses. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business.
b) The Group demerged Carlisle Support Services Group in 2019, incurring costs of £0.7m. These costs are one-off in nature and have been disclosed in order not to distort the underlying trading performance of the business.
c) Contingent consideration payments linked to individuals' continuing employment in the business generated a £0.3m credit in relation to the acquisition of Global Group (UK) Ltd (2015: £0.5m). These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses.
d) In 2018 the Group had an ongoing litigation matter for which a provision for settlement and associated legal costs of £3.0m has been made. Following further legal advice, in 2019 the provision has been reduced to £1.0m. The Group is also considering a settlement in relation to a contract for which a provision of £2.3m has been made. These are disclosed separately due to their one-off nature and significance.
e) Finance costs previously capitalised have been written off due to the negotiation of a new revolving credit facility during the period.

The Group has allocated separately disclosed items into the comparative results, rather than showing them separately as in the prior year, as this is now considered a more inclusive view of the segmental results for the period.

7. TOTAL FINANCE INCOME

	1 January 2021 £m	3 January 2020 £m
Bank interest receivable	**0.2**	0.5
Interest on lease debtors	**0.1**	0.3
Total finance income	**0.3**	0.8

8. TOTAL FINANCE EXPENSE

	1 January 2021 £m	3 January 2020 £m
Revolving credit facilities	**4.4**	6.5
Write off capitalised finance costs (note 6)	**–**	0.9
Lease interest payable	**0.8**	1.3
Unwind discount on provisions	**0.3**	–
Other interest expense	**0.2**	0.3
Total finance expense	**5.7**	9.0

9. TAXATION

a) Tax charge in the income statement

	1 January 2021 £m	3 January 2020 £m
Current income tax		
UK Corporation Tax on results for the period	**0.8**	0.8
Adjustments in respect of previous periods	**(0.9)**	(0.1)
	(0.1)	0.7
Foreign tax in the period	**2.1**	1.3
Adjustments in respect of previous periods	**(0.8)**	–
Total current income tax	**1.2**	2.0
Deferred tax credit	**(0.2)**	(1.1)
Total tax charge in the income statement	**1.0**	0.9

The deferred tax credit comprises the following:

	1 January 2021 £m	3 January 2020 £m
Utilisation of tax losses brought forward	**5.4**	2.4
Recognition of assets not previously recognised	**–**	(3.0)
Origination and reversal of other temporary differences	**(7.6)**	(0.1)
Change in tax rate used for deferred tax carried forward	**1.6**	(0.2)
Adjustment in respect of previous periods	**0.4**	(0.2)
Total deferred tax credit (note 23)	**(0.2)**	(1.1)

b) Reconciliation of the total tax charge

The standard rate of Corporation Tax in the UK is 19%. Accordingly, the Group's result from this period is taxed at an effective rate of 19.0% (2019: 19.0%). The tax charge for the period is £0.6m (2019: £0.9m) for the Group. A tax reconciliation explaining differences from the expected statutory rate is summarised below:

	1 January 2021 %	3 January 2020 %
Tax charge at UK standard rate	**19.0**	19.0
Differences in tax rates in other countries	**(1.2)**	8.9
(Income)/expenses not taxable/allowable in determining taxable profits	**(22.8)**	43.5
Losses in period carried forward but not recognised as assets	**1.2**	5.8
Recognition of losses not previously recognised (note 23)	**–**	(52.6)
Change in tax rate used for deferred tax carried forward	**(7.7)**	(3.2)
Adjustments to deferred tax in respect of previous periods	**(1.8)**	(4.4)
Adjustments in respect of previous periods	**8.4**	(1.2)
Effective total tax rate	**(4.9)**	15.8

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

9. TAXATION CONTINUED

Adjustments in respect of previous periods (current and deferred) arise as a result of a reduction in non-tax-deductible expenses and estimated timing differences in the prior year filed UK tax returns. See note 23 for an explanation of deferred tax balances.

Factors affecting tax charges in future periods

A change to the main UK Corporation Tax rate was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The UK deferred tax balances at 1 January 2021 have been calculated at 19%, as the relevant rate enacted at the balance sheet date.

On 3 March 2021 it was announced that the UK Corporate Tax rate would increase to 25% from 1 April 2023. This is likely to result in an increase in the Group's UK tax charge from that date. UK deferred tax balances will also be calculated at the increased rate from that date. The most significant impact on this is expected to be in relation to the deferred tax liability carried on intangible assets. Based on the current net book value of intangible assets and the related expected future amortisation charge to 1 April 2023, the deferred tax liability is expected to increase by approximately £2.5m.

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of Ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated on the same basis but after adjusting the denominator for the effects of dilutive options. The only dilutive effect relates to 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust which hold the shares remaining after various historic option plans lapsed. Excluding these shares, the weighted average number of shares in 2020 is 46,208,380 (2019: 48,543,107) and the fully diluted average number of shares is 46,228,221 (2019: 48,562,948). The calculations of both basic and diluted earnings per share ('EPS') are based upon the following consolidated income statement data:

	1 January 2021 £m	(Restated) 3 January 2020 £m
Continuing profit for the period	**(21.4)**	4.8
Discontinued profit for the period	**–**	0.7
Profit for the period	**(21.4)**	5.5
Impairment of goodwill	**16.6**	1.6
Impairment of other intangible assets (net of tax)	**4.5**	4.4
Acquired intangibles amortisation (net of tax)	**8.6**	8.2
Total adjusted profit for the period	**8.3**	19.7
Continuing adjusted profit	**8.3**	19.0
Discontinued adjusted profit	**–**	0.7

EPS – basic calculation

	1 January 2021 Pence	(Restated) 3 January 2020 Pence
Continuing unadjusted basic earnings per share	**(46.2)**	9.8
Discontinued unadjusted basic earnings per share	**–**	1.4
Total unadjusted basic earnings per share	**(46.2)**	11.2
Impairment of goodwill	**36.0**	3.3
Impairment of other intangible assets (net of tax)	**9.8**	9.2
Customer relationship and brand amortisation (net of tax)	**18.6**	16.9
Adjusted basic earnings per share[1]	**18.2**	40.6
Continuing adjusted basic earnings per share	**18.2**	39.2
Discontinued adjusted basic earnings per share	**–**	1.4

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

EPS – diluted calculation

	1 January 2021 Pence	(Restated) 3 January 2020 Pence
Continuing unadjusted diluted earnings per share	**(46.2)**	9.8
Discontinued unadjusted diluted earnings per share	**–**	1.4
Total unadjusted diluted earnings per share	**(46.2)**	11.2
Impairment of goodwill	**36.0**	3.3
Impairment of other intangible assets (net of tax)	**9.8**	9.2
Customer relationship and brand amortisation (net of tax)	**18.6**	16.9
Adjusted diluted earnings per share[1]	**18.2**	40.6
Continuing adjusted diluted earnings per share	**18.2**	39.2
Discontinued adjusted diluted earnings per share	**–**	1.4

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

11. DISCONTINUED OPERATIONS

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

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

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

Results from discontinued operations

	3 January 2020 £m
Revenue	9.6
Cost of sales	(8.7)
Gross profit	0.9
Administrative expenses	(0.2)
Profit from operating activities	0.7
Taxation	–
Profit from discontinued operations	0.7

Cash flows relating to discontinued operations

	3 January 2020 £m
Net cash generated by operating activities	0.5
Net cash (outflow) from financing activities	(0.1)
Net cash flows for discontinued operations	0.4

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

11. DISCONTINUED OPERATIONS CONTINUED

Effect of disposal on the financial position of the Group

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

The demerger charge of £9.8m is comprised of the net assets disposed of (£8.1m) and the value of the intercompany amounts (£1.7m).

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Short leasehold property £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Net carrying value – 5 January 2019	0.2	1.5	2.9	2.1	6.7
Cost – 5 January 2019	0.2	2.6	6.8	6.1	15.7
Additions	–	0.5	2.0	1.1	3.6
Disposals	–	(0.2)	(0.9)	(0.5)	(1.6)
Foreign exchange	–	(0.1)	–	(0.2)	(0.3)
Cost – 3 January 2020	0.2	2.8	7.9	6.5	17.4
Accumulated depreciation – 5 January 2019	–	1.1	3.9	4.0	9.0
Charge for the period	–	0.6	1.3	1.3	3.2
Disposals	–	(0.2)	(0.7)	(0.4)	(1.3)
Foreign exchange	–	–	–	(0.1)	(0.1)
Accumulated depreciation – 3 January 2020	–	1.5	4.5	4.8	10.8
Net carrying value – 3 January 2020	0.2	1.3	3.4	1.7	6.6
Cost – 4 January 2020	**0.2**	**2.8**	**7.9**	**6.5**	**17.4**
Additions	**–**	**0.2**	**0.6**	**0.4**	**1.2**
Disposals	**–**	**(0.1)**	**(1.0)**	**(1.6)**	**(2.7)**
Foreign exchange	**–**	**0.1**	**–**	**0.1**	**0.2**
Cost – 1 January 2021	**0.2**	**3.0**	**7.5**	**5.4**	**16.1**
Accumulated depreciation – 4 January 2020	**–**	**1.5**	**4.5**	**4.8**	**10.8**
Charge for the period	**–**	**0.4**	**1.3**	**1.1**	**2.8**
Disposals	**–**	**(0.1)**	**(1.0)**	**(1.6)**	**(2.7)**
Foreign exchange	**–**	**0.1**	**–**	**–**	**0.1**
Accumulated depreciation – 1 January 2021	**–**	**1.9**	**4.8**	**4.3**	**11.0**
Net carrying value – 1 January 2021	**0.2**	**1.1**	**2.7**	**1.1**	**5.1**

Included in computer equipment are assets with net carrying value of £0.2m (2019: £0.3m) held under a finance lease. Depreciation of £0.1m (2019: £0.1m) was charged on these assets.

13. LEASES

During the period, the Group accounted for 149 leased properties (2019: 157) 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 judgements 2(B)i). The Group also leased 125 vehicles (2019: 201), all of which have a fixed lease fee over the term. The weighted average incremental borrowing rate used to calculate the lease liability was 2.80% (2019: 3.15%).

Of the 149 property leases accounted for under IFRS 16 during the period, 10% recognised future uplifts in rent. Should the lease payments on these increase by 5% there could be a resulting increase in the right-of-use asset of £0.3m.
Following the publication on the amendment to IFRS 16 in relation to rent concessions, the Group has applied the practical expedient in all cases where the relevant conditions were met. These concessions totalled a credit to the result for the period of £0.1m. Changes in leases which do not fulfil the criteria of the practical expedient have been treated as additions or disposals in line with normal IFRS 16 accounting.

A prior year adjustment has been made affecting cost and liabilities which relates to the impact of modifications to leases which were effective from dates during 2020 which should have been reflected in the 2019 financial statements. The adjustment resulted in an increase of £2.2m to right-of-use assets, £2.1m to lease liabilities and £0.1m to property provisions (see note 22). The adjustment had no effect on balances at 4 January 2019. A prior year adjustment has also been made to reclassify the receipts from lease debtors within the cash flow statement from financing activities to investing activities to better reflect the nature of these amounts in line with IAS 7. There is no impact to the results or balance sheet position from this reclassification.

Right-of-use assets

	Land and buildings £m	Vehicles £m	Total £m
Net carrying value – 4 January 2019	–	–	–
Cost – 5 January 2019	39.8	1.4	41.2
Additions – restated	6.5	0.4	6.9
Disposals	(11.2)	(0.4)	(11.6)
Foreign exchange	(0.2)	–	(0.2)
Cost – 3 January 2020 – restated	34.9	1.4	36.3
Accumulated depreciation – 5 January 2019	–	–	–
Charge for the period	8.5	0.5	9.0
Disposals	(0.2)	(0.1)	(0.3)
Foreign exchange	–	–	–
Accumulated depreciation – 3 January 2020	8.3	0.4	8.7
Net carrying value – 3 January 2020 – restated	**26.6**	**1.0**	**27.6**
Cost – 4 January 2020 – restated	**34.9**	**1.4**	**36.3**
Additions	**5.0**	**-**	**5.0**
Disposals	**(4.6)**	**(0.2)**	**(4.8)**
Foreign exchange	**-**	**-**	**-**
Cost – 1 January 2021	**35.3**	**1.2**	**36.5**
Accumulated depreciation – 4 January 2020	**8.3**	**0.4**	**8.7**
Charge for the period	**8.9**	**0.6**	**9.5**
Disposals	**(2.8)**	**(0.2)**	**(3.0)**
Foreign exchange	**-**	**-**	**-**
Accumulated depreciation – 1 January 2021	**14.4**	**0.8**	**15.2**
Net carrying value – 1 January 2021	**20.9**	**0.4**	**21.3**

£1.4m (2019: £10.4m) of the disposals relate to the de-recognition of lease assets of various Group properties which have been sub-let on similar terms for the remaining period of the lease. Such disposals have been recognised as lease receivables.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

13. LEASES CONTINUED

Lease receivables

	Land and buildings £m	Vehicles £m	Total £m
Net carrying value – 4 January 2019	–	–	–
On adoption	10.4	–	10.4
Interest	0.3	–	0.3
Receipts	(2.9)	–	(2.9)
Foreign exchange	(0.5)	–	(0.5)
Net carrying value – 3 January 2020	7.3	–	7.3
Additions	**1.4**	**–**	**1.4**
Interest	**0.1**	**–**	**0.1**
Receipts	**(3.2)**	**–**	**(3.2)**
Disposals	**(1.4)**	**–**	**(1.4)**
Foreign exchange	**0.1**	**–**	**0.1**
Net carrying value – 1 January 2021	**4.3**	**–**	**4.3**

	1 January 2021 £m	3 January 2020 £m
Due in year 1	**2.5**	2.9
Due in year 2	**1.3**	1.9
Due in year 3	**0.7**	1.9
Due in year 4	**–**	1.0
Undiscounted lease payments	**4.5**	7.7
Unearned finance income	**(0.2)**	(0.4)
Total lease receivables (note 17)	**4.3**	7.3

	1 January 2021 £m	3 January 2020 £m
Current	**2.4**	2.7
Non-current	**1.9**	4.6
Total lease receivables (note 17)	**4.3**	7.3

Lease liabilities

	Land and buildings £m	Vehicles £m	Total £m
Net carrying value – 4 January 2019	–	–	–
On adoption	37.9	1.4	39.3
Additions – restated	6.0	0.4	6.4
Interest	1.2	0.1	1.3
Payments	(11.5)	(0.6)	(12.1)
Disposals	–	(0.3)	(0.3)
Foreign exchange	(0.8)	–	(0.8)
Net carrying value – 3 January 2020 – restated	32.8	1.0	33.8
Additions	**6.1**	**–**	**6.1**
Interest	**0.8**	**–**	**0.8**
Payments	**(10.8)**	**(0.7)**	**(11.5)**
Disposals	**(3.0)**	**–**	**(3.0)**
Foreign exchange	**0.3**	**–**	**0.3**
Net carrying value – 1 January 2021	**26.2**	**0.3**	**26.5**

	1 January 2021 £m	(Restated) 3 January 2020 £m
Current	**9.2**	10.7
Non-current	**17.3**	23.1
Total lease liabilities (notes 28 and 29)	**26.5**	33.8

Included in operating lease expenditure for 2020 are expenses relating to leases which have not been recognised under IFRS 16. The value of expense recognised for low-value leases for the period is £0.3m (2019: £0.2m) and for short-term leases is £nil (2019: £1.6m).

14. GOODWILL

	Cost £m	Impairment £m	Net carrying value £m
Opening balance at 4 January 2019	178.8	(22.6)	156.2
Additions in the period	0.3	–	0.3
Impairment in the period	–	(1.6)	(1.6)
Disposals in the period	(18.8)	14.0	(4.8)
Foreign exchange and other movements	(2.1)	–	(2.1)
Closing balance at 3 January 2020	158.2	(10.2)	148.0
Impairment in the period	**–**	**(16.6)**	**(16.6)**
Foreign exchange and other movements	**(2.3)**	**–**	**(2.3)**
Closing balance at 1 January 2021	**155.9**	**(26.8)**	**129.1**

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

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

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

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

Due to the challenging trading period as a result of Covid-19, an impairment of £14.3m was recognised against the Information technology CGU which is in the Global Specialist Staffing reporting segment. Just under £2.1m was recognised against the Engineering CGU and just under £0.3m against the Online platform CGU, both of which are in the Regional Specialist Staffing reporting segment. An impairment of £5.6m (2019: £3.4m) was also recognised against the brand value of the Education CGU (note 15). As noted, these impairments have been driven by Covid-19 and the subsequent revisions to our assumptions on discount factors, which have increased due to changes in the risk premium, and future growth assumptions.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

14. GOODWILL CONTINUED

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

	1 January 2021 £m	3 January 2020 £m
Engineering	–	2.1
Healthcare	**7.9**	7.9
Information technology	**11.4**	25.7
Online platform	–	0.3
Science and clinical	**8.5**	8.5
UK General staffing	**28.6**	28.6
US Staffing	**72.7**	74.9
Total	**129.1**	148.0

The recoverable amount of the Information technology CGU is £48.6m, the Engineering CGU is £12.9m, the Education CGU is £3.2m and the Online platform CGU is £nil using the value-in-use model. The Group tests this and other assets (note 15) for impairment on an annual basis, and otherwise when changes in events or situations indicate that the carrying value may not be recoverable. If such a test indicates that the carrying amount is too high, a recoverable amount is established for the asset, which is the higher of the fair value less costs to sell and the value in use.

The recoverable amount for each of the above CGUs has been determined based upon a value-in-use calculation. Value-in-use is established by discounting anticipated future cash flows attributable to each CGU that goodwill has been allocated to. Pre-tax cash flow projections are based on financial budgets approved by the Board covering the next financial period and high level management forecasts for the following four years.

Key assumptions

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

- Gross profit – this takes the average gross profit achieved in the two years preceding the start of the five plan years and adjusts, as appropriate, for anticipated changes to business mix and market conditions over the five plan years and range from 5.1% to 27.9% depending on the CGU;
- Discount rate – this reflects the Directors' estimate of an appropriate market rate of return taking into account the relevant risk factors; this has been adjusted to reflect current and expected future economic conditions as well as to account for geographic influences (see table below for rates);
- Growth rate used to extrapolate beyond the plan year and terminal values are based upon the long-term average growth rate of the UK and US economies and range from 2.0% to 15.0% depending on how long it is anticipated the CGU will take to recover from the impacts of Covid-19. Management recognises that the staffing and support services market growth rates fluctuate both above and below this rate; and
- Terminal value growth rate – the cash flow projections include growth rates that are not expected to exceed the long-term growth rates of the UK and US economies, currently 2.0% (2019: 2.0%).

Sensitivity to changes in assumptions

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

	Excess of recoverable amount over carrying value £m	Pre-tax discount rate	0.5% increase in discount rate £m	Long-term growth rates decrease by 0.5% £m	Combined sensitivity £m	Increase in impairment using combined sensitivity £m
Education	1.4	14.9%	(0.2)	(0.9)	(1.1)	–
Healthcare	2.5	14.9%	(1.4)	(6.8)	(7.8)	(5.3)
Information technology	7.5	14.9%	(2.4)	(4.1)	(6.2)	–
Science and clinical	14.7	14.9%	(1.8)	(2.6)	(4.2)	–
UK General staffing	19.0	14.9%	(5.7)	(10.1)	(15.0)	–
US Staffing	46.4	18.0%	(5.0)	(12.7)	(16.9)	–

The pre-tax discount rate used for management's best estimates in 2019 was between 14.0% and 18.7%. Management continue to monitor closely the performance of all CGUs and consider the impact of any changes to the key assumptions.

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

15. OTHER INTANGIBLE ASSETS

	Software £m	Brand values £m	Client relationships £m	Total £m
Net carrying value – 4 January 2019	16.6	87.9	26.6	131.1
Cost – 5 January 2019	28.6	88.4	55.1	172.1
Additions	6.8	–	–	6.8
On acquisition	3.2	–	–	3.2
Disposals	(1.8)	–	–	(1.8)
Impairment	(2.0)	(3.4)	–	(5.4)
Foreign exchange	(0.1)	(0.4)	(0.4)	(0.9)
Cost – 3 January 2020	34.7	84.6	54.7	174.0
Accumulated amortisation – 5 January 2019	12.0	0.5	28.5	41.0
Charge for the period	7.0	6.3	3.9	17.2
Disposals	(1.6)	–	–	(1.6)
Foreign exchange	(0.1)	–	(0.3)	(0.4)
Accumulated amortisation – 3 January 2020	17.3	6.8	32.1	56.2
Net carrying value – 3 January 2020	17.4	77.8	22.6	117.8
Cost – 4 January 2020	**34.7**	**84.6**	**54.7**	**174.0**
Additions	**2.3**	**–**	**–**	**2.3**
Disposals	**(1.3)**	**–**	**–**	**(1.3)**
Impairment	**–**	**(5.6)**	**–**	**(5.6)**
Foreign exchange	**(0.2)**	**(0.5)**	**(0.5)**	**(1.2)**
Cost – 1 January 2021	**35.5**	**78.5**	**54.2**	**168.2**
Accumulated amortisation – 4 January 2020	**17.3**	**6.8**	**32.1**	**56.2**
Charge for the period	**6.6**	**6.1**	**4.9**	**17.6**
Disposals	**(1.3)**	**–**	**–**	**(1.3)**
Foreign exchange	**–**	**(0.2)**	**(0.3)**	**(0.5)**
Accumulated amortisation – 1 January 2021	**22.6**	**12.7**	**36.7**	**72.0**
Net carrying value – 1 January 2021	**12.9**	**65.8**	**17.5**	**96.2**

Included in software additions for the 52 weeks ended 1 January 2021 are internally generated software development costs of £0.7m (2019: £3.4m) which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years (2019: three and five years) and are amortised, from the date the software is available for use, on a straight-line basis over this period.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

15. OTHER INTANGIBLE ASSETS CONTINUED

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

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

These assets are all reviewed for impairment when there are changes in events or situations that indicate the carrying value may not be recoverable. Details of the sensitivities over such impairment reviews are included in note 14.

Following on from the challenging trading performance around the Education CGU an impairment of £5.6m (2019: £3.4m) was recognised against the value of the Education brand values which are within the Regional Specialist Staffing reporting segment.

16. FINANCIAL ASSETS

	1 January 2021 £m	3 January 2020 £m
Financial assets – non-current		
Marketable investments designated at fair value through the income statement	**1.2**	1.0
Other financial assets (loans and receivables) – non-current		
Deposits with non-financial institutions	**0.4**	0.5
Total	**1.6**	1.5

Financial assets include:

- The marketable investments at fair value through the income statement represent investments held in trust on behalf of certain US employees (see note 2(P)). The plan allows certain key employees to defer receipt of a portion of their compensation. These deferred compensation liabilities are funded by making contributions into a trust. The employees' entitlements are limited to the market value of the fund. Investments in the trust comprise shares in US mutual funds. At 1 January 2021, these investments have been adjusted to the market value of £1.2m (2019: £1.0m). This movement is matched by an equivalent movement in other payables as disclosed in note 19; and
- Deposits with non-financial institutions represent amounts held by suppliers, clients and landlords as security for provision of facilities and services.

Information on fair values and credit risks is given in notes 29 and 30.

17. TRADE AND OTHER RECEIVABLES

Current assets

	1 January 2021 £m	3 January 2020 £m
Trade receivables (note 2(J))	**496.5**	511.7
Other receivables	**5.1**	2.3
Lease debtor (note 13)	**2.4**	2.7
Prepayments	**5.5**	6.9
Contract assets	**54.4**	51.1
Total	**563.9**	574.7

- Trade receivables also include gross receivables of £274.7m (2019: £231.7m) under master-vendor agency arrangements in the UK and US where the Group only recognises the management fee element of the receivable as revenue – note 2(R);
- Contract assets comprise accrued income and costs incurred in the implementation of new contracts; and
- The above trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

Non-current assets

	1 January 2021 £m	3 January 2020 £m
Contract assets	**1.4**	1.1
Lease debtor (note 13)	**1.9**	4.6
Total	**3.3**	5.7

Information on fair values and credit risks is given in notes 29 and 30.

Contract balances

	Contract assets	
	1 January 2021 £m	3 January 2020 £m
At the beginning of the period	**52.2**	69.0
Net amounts recognised as revenue in the period	**3.6**	(16.8)
At the end of the period	**55.8**	52.2

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

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

The expected loss provision is based on the Group's expectation of future credit losses over the current receivables balance. These expectations are based upon known issues effecting specific debtors as well as general forward-looking information on factors affecting the Group's customers as a whole as well as an awareness of the economic conditions in the countries where the Group operates. These risk factors are considered both on initial recognition of the receivable and as part of the ongoing assessment. If there has been a significant increase in the credit risk since the initial recognition then an increased loss provision is recognised.

The lifetime expected loss provision for trade receivables is as follows:

3 January 2020	Current £m	<60 days past due £m	60–120 days past due £m	>120 days past due £m	Total £m
Expected loss rate (%)	0.1%	1.8%	4.3%	5.3%	0.4%
Gross carrying amount	437.1	56.6	7.0	13.2	513.9
Loss provision	0.2	1.0	0.3	0.7	2.2

1 January 2021	Current £m	<60 days past due £m	60–120 days past due £m	>120 days past due £m	Total £m
Expected loss rate (%)	**0.3%**	**4.5%**	**7.3%**	**6.3%**	**1.0%**
Gross carrying amount	**428.5**	**51.0**	**6.1**	**16.1**	**501.7**
Loss provision	**1.4**	**2.3**	**0.4**	**1.1**	**5.2**

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

17. TRADE AND OTHER RECEIVABLES CONTINUED

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

	1 January 2021 £m	3 January 2020 £m
Balance at beginning of period	**2.2**	3.4
Charged/(released) for the period	**3.6**	(1.2)
Utilised for the period	**(0.5)**	–
Foreign exchange	**(0.1)**	–
Balance at end of period	**5.2**	2.2

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

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

	1 January 2021 £m	3 January 2020 £m
Trade receivables (note 2(J))	**312.9**	285.9
Other receivables	**3.9**	2.0
Lease debtors	**4.1**	7.2
Prepayments	**2.3**	4.7
Accrued income	**15.8**	16.4
Total	**339.0**	316.2

18. CASH AND CASH EQUIVALENTS

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

	1 January 2021 £m	3 January 2020 £m
Cash	**117.9**	132.3

Included within cash is £2.5m (2019: £1.6m) of cash which has restrictions on its use.

Information on fair values, credit risks and interest rates is given in notes 29 and 30.

19. TRADE AND OTHER PAYABLES

Current liabilities

	1 January 2021 £m	(Restated) 3 January 2020 £m
Bank overdraft	**2.9**	39.0
Trade payables	**375.2**	366.7
Other tax and social security costs	**86.5**	47.2
Accruals	**54.7**	44.5
Contract liabilities	**0.6**	0.4
Other payables	**38.1**	52.6
Total	**558.0**	550.4

Trade payables include £341.0m (2019: £324.5m) of amounts payable under master-vendor arrangements in the UK and US, which are related to certain of the trade receivables – note 17. Arrangements are such that the payable amount is not due by the Group until a few days after receipt of the receivable.

Other tax and social security costs include £48.0m of taxes deferred under government schemes across various jurisdictions.

Included in other payables and accruals are:
- £1.2m (2019: £1.0m) in respect of liabilities accruing to certain US employees in respect of a deferred compensation plan. These amounts are payable to members of the plan on retirement (note 16);
- £3.5m (2019: £2.3m) for contributions due to be made to defined contribution pension schemes on behalf of certain employees of the Group;
- £4.2m (2019: £4.4m) for customer unclaimed payments, which includes a re-analysis of £4.2m from trade payables in the prior period; and
- Remaining amounts within other payables are largely payroll-related creditors.

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

Non-current liability

	1 January 2021 £m	3 January 2020 £m
Other payables	–	1.6
Total	–	1.6

- Included in other payables is £nil (2019: £1.6m) representing monies held on deposit from a client relating to a sub-let property.

Information on fair values and credit risks is given in notes 29 and 30.

20. SHORT-TERM BORROWINGS

	1 January 2021 £m	3 January 2020 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	–	24.6
Hire purchase – secured	**0.1**	0.1
Total	**0.1**	24.7

Information on fair values, credit risks, interest rates and security is given in notes 29 and 30.

21. LONG-TERM BORROWINGS

	1 January 2021 £m	3 January 2020 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**118.9**	140.7
Hire purchase – secured	**0.1**	0.2
Total	**119.0**	140.9

Information on fair values, credit risks, interest rates and security is given in notes 29 and 30.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

22. PROVISIONS

	Property £m	Workers' compensation £m	Legal £m	Total £m
Current – 3 January 2020	0.8	0.5	2.3	3.6
Non-current – 3 January 2020 – restated (see note 13)	3.9	–	1.6	5.5
At 3 January 2020 – restated (see note 13)	4.7	0.5	3.9	9.1
Additions in the period	**0.4**	**0.2**	**1.7**	**2.3**
Reversals of unused amounts	**(0.2)**	**–**	**–**	**(0.2)**
Utilised during the period	**(0.5)**	**(0.5)**	**–**	**(1.0)**
Unwind of discount	**0.3**	**–**	**–**	**0.3**
Foreign exchange	**–**	**–**	**–**	**–**
At 1 January 2021	**4.7**	**0.2**	**5.6**	**10.5**
Current – 1 January 2021	**1.4**	**0.2**	**5.6**	**7.2**
Non-current – 1 January 2021	**3.3**	**–**	**–**	**3.3**
Total	**4.7**	**0.2**	**5.6**	**10.5**

Property

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

Workers' compensation

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

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

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

Legal

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

With reference to the prejudicial exemption in IAS 37, the Group will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and settled claims. The disclosure of such information is believed to be detrimental to the Group in connection with the ongoing confidential negotiations and could inflict financial losses on the Group and its shareholders.

Contingent liabilities

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

23. DEFERRED TAXATION

	1 January 2021 £m	3 January 2020 £m
Non-current deferred tax assets:		
Total deferred tax asset – UK	**1.9**	1.6
Total deferred tax asset – overseas	**8.4**	12.0
Total deferred tax asset	**10.3**	13.6

	1 January 2021 £m	3 January 2020 £m
Deferred tax liabilities:		
Non-current deferred tax liabilities	**18.1**	21.5
Total deferred tax liabilities	**18.1**	21.5

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

	Property, plant and equipment £m	Intangible assets £m	Provisions £m	Tax value of loss carry-forwards £m	Total deferred taxation £m
At 5 January 2019	1.1	(21.1)	3.3	8.9	(7.8)
Recognised in income	0.4	1.6	0.1	(1.0)	1.1
Acquired in business combination	–	(0.5)	–	–	(0.5)
Disposal	(0.1)	–	(0.2)	–	(0.3)
Foreign exchange	–	–	(0.1)	(0.3)	(0.4)
At 3 January 2020	1.4	(20.0)	3.1	7.6	(7.9)
Deferred tax assets – 3 January 2020	1.4	0.2	4.4	7.6	13.6
Deferred tax liabilities – 3 January 2020	–	(20.2)	(1.3)	–	(21.5)
	1.4	(20.0)	3.1	7.6	(7.9)
At 4 January 2020	**1.4**	**(20.0)**	**3.1**	**7.6**	**(7.9)**
Recognised in income	**0.1**	**2.1**	**3.4**	**(5.4)**	**0.2**
Foreign exchange	**–**	**(0.2)**	**(0.2)**	**0.3**	**(0.1)**
At 1 January 2021	**1.5**	**(18.1)**	**6.3**	**2.5**	**(7.9)**
Deferred tax assets – 1 January 2021	**1.5**	**–**	**6.3**	**2.5**	**10.3**
Deferred tax liabilities – 1 January 2021	**–**	**(18.1)**	**–**	**–**	**(18.1)**
	1.5	**(18.1)**	**6.3**	**2.5**	**(7.8)**

The Group has gross deductible temporary differences relating to provisions and deferred capital allowances of £33.0m (2019: £13.5m). Deferred tax assets of £7.8m (2019: £6.0m) have been recognised in respect of these temporary differences, leaving £4.1m (2019: £0.5m) as unrecognised differences. They have no expiry date.

The Group has gross tax losses that arose in the UK of £33.5m (2019: £33.5m) and tax losses that arose outside the UK (mostly in the US) of £13.5m (2019: £47.4m) that are available for offset against future taxable profits of the right type arising in the companies in which the losses arose. The reduction in tax losses in the US at the end of the current period compared to the previous period is due to the utilisation of these losses against taxable profits in the current period. There is no expiry date on the UK losses, but the US losses expire between 2028 and 2033. The Group has performed sensitivity analysis on the utilisation of US losses looking at forecasts of profitability and these show that the tax losses will be fully utilised within two or three years, well in advance of their expiry. All losses are subject to legislation restricting the right to offset them. Deferred tax assets of £2.5m (2019: £7.6m) have been recognised as they relate to companies that are trading profitably or can expect to have taxable profits in the foreseeable future. Deferred tax assets have not been recognised in respect of UK losses of £33.5m (2019: £33.5m) and outside the UK of £1.8m (2019: £11.2m) as they may not be used to offset taxable profits elsewhere in the Group and they have either arisen in subsidiaries where future use is uncertain, or are capital losses for which there is limited scope for future offset.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

24. ISSUED SHARE CAPITAL

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
5 January 2019	49.7	0.5	30.1	30.6
Shares repurchased	(2.4)	–	–	–
3 January 2020	47.3	0.5	30.1	30.6
4 January 2020	**47.3**	**0.5**	**30.1**	**30.6**
Shares repurchased	**(1.4)**	**–**	**–**	**–**
1 January 2021	**45.9**	**0.5**	**30.1**	**30.6**

Dividend and dividend policy

In 2020, 1,413,789 Ordinary shares of 1p each (2019: 2,410,855), representing 3.0% (2019: 4.8%) of the opening number of issued shares, were repurchased in the market for consideration of £4.3m (2019: £10.8m), and cancelled.

On 27 April 2020 the Board announced the suspension of the share buyback programme, though maintained authority to acquire shares on an ad hoc basis if deemed appropriate by the Board. On 30 June 2020, the Company announced it would reinstate the Share Purchase Plan for the period to the release of the interim statement and during this period purchased 77,411 shares at a cost of £0.2m. From 31 July 2020, the Share Purchase Plan was once again suspended, though the Company retained the authorities to buy back shares in the future.

On 25 January 2021 the Company announced a new Share Purchase Plan allowing the Company to purchase Ordinary shares to the value of £0.5m per calendar month up to the date of the Company's next Annual General Meeting, currently due to be held on 29 June 2021.

Impellam Group plc

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

25. OTHER RESERVES

	Merger reserve £m	Other reserve £m	Foreign currency translation reserve £m	Total other reserves £m
5 January 2019	19.0	92.2	13.4	124.6
Currency translation differences	–	–	(4.3)	(4.3)
3 January 2020	19.0	92.2	9.1	120.3
4 January 2020	**19.0**	**92.2**	**9.1**	**120.3**
Currency translation differences	**–**	**–**	**(2.0)**	**(2.0)**
1 January 2021	**19.0**	**92.2**	**7.1**	**118.3**

Merger reserve

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

Other reserve

The other reserve comprises £92.2m contributed surplus arising on a historical demerger transaction (2019: £92.2m). It also contains £41,000 contributed surplus arising on a historical demerger transaction and a special reserve arising from the capital reduction in December 2012 (2019: £41,000); and £47,000 capital redemption reserve arising from the purchase and cancellation of treasury shares (2019: £32,000). This reserve is not distributable.

Foreign currency translation reserve

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

26. NON-CONTROLLING INTEREST

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

	Individual immaterial subsidiaries £m	**Total £m**
1 January 2021		
Net assets attributable to NCI	**(0.3)**	**(0.3)**
Loss allocated to NCI	–	–
Other comprehensive income allocated to NCI	–	–

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

The individually immaterial subsidiaries include the share of results for Barpellam Inc, Bartech Belgium NV and Younifi Limited which are not wholly owned by the Group (note 27).

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

27. RELATED PARTY DISCLOSURES

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

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

Anna-Schneider-Steig 22 50678 Cologne, Germany	– Guidant Global Germany GmbH[c]
Beethovenplatz 2 80336 Munich, Germany	– Impellam GmbH[c]
57/63 Line Wall Road, Gibraltar	– Kenard Investments Limited
Block 9, Blackrock Business Park Blackrock Co. Dublin, A94 E4X2 Ireland	– Carlisle Security (Holdings) Limited[e] – Carlisle Security Limited[e] – Carlisle Staffing Services Ireland Limited[e] – Irish Recruitment Consultants Limited[e] – Litmus Workforce Solutions Ireland Limited [h] – Medacs Global Group Limited[h]
Via Filippo Turati 29 20121 Milan, Italy	– Guidant Global Italy SRL[h]
Rio Tiber 40 102 Col Cuauhtemoc 06500 Cuauhtemoc, Distrito Federal, Mexico	– Bartech Mexico S, de RL de CV[c]
Level 6, 3 Ferncroft Street Graft, Auckland 1010 New Zealand	– Global Medics NZ Limited[f] – Healthlink New Zealand Group Limited[f] – Medacs Healthcare Limited[f]
Oriental Center, Suite P1 254 Muñoz Uñoz Rivera Avenue San Juan PR 00918 Puerto Rico	– Guidant Global Puerto Rico Inc[c]
133 New Bridge Road #10-05, Chinatown Point Singapore 059413	– Guidant Global SG Pte Ltd[g] – Latitudes Group International Management Pte Limited[g]
Martin-Disteli-Strasse 9 4600 Olten, Switzerland	– Carbon60 AG[d] – Guidant Global Switzerland AG[d]
2711 Centerville Road Suite 400 Wilmington Delaware 19808 USA	– Barpellam Inc (49% owned)[c] – CER Canada Holding Inc.[c] – Corestaff Support Services Inc.[c] – Corporate Employment Resources Inc.[c] – Corporate Services Group Holdings Inc.[c] – Guidant Global Canada Holding Inc.[c] – Guidant Global Holding Corporation[c] – Guidant Global Inc.[c] – Guidant Group Inc.[c]
17199 N Laural Park Drive Suite 224 Livonia Michigan 48152 USA	– Bartech Mexico Holding LLC[c] – Bartech Technical Services LLC[c]

Companies marked with a * above are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 480 of the Act relating to dormant companies.

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

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

27. RELATED PARTY DISCLOSURES CONTINUED

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

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

	Registered number	Class of shares held	Ownership 1 January 2021	Ownership 3 January 2020
Flexy Corporation Limited	09524785	Ordinary	**100%**	100%
Guidant Global-Europe Limited	07130856	Ordinary	**100%**	100%
Medacs Healthcare Australasia Group Limited	03120991	Ordinary	**100%**	100%
OneTrue Limited	01189888	Ordinary	**100%**	100%

Compensation of key management personnel of the Group

The Directors have considered the levels of responsibility delegated to senior management of the Group and have concluded that, in addition to the Directors themselves, disclosure should include the Senior Leadership Team which comprises the Company Secretary, the Chief Executives of Medacs Global Group, Lorien, Guidant Group, Impellam North America, Comensura and Impellam Australasia as well as the Chief Financial Officer, Chief Commercial Officer, the Chief Information Officer, the Group Marketing Director and the Group Director of Talent. The total number of positions included in the disclosure is 17 (2019: 15). The Directors receive dividends in proportion to their shareholdings held during the current and prior periods.

	1 January 2021 £m	3 January 2020 £m
Short-term employment benefits	**4.3**	3.0
Post-employment benefits	**0.2**	0.2
Compensation for loss of office	**–**	0.2
Total	**4.5**	3.4

Angela Entwistle is also a Director of a company called Deacon Street Partners Limited. The Group pays Deacon Street Partners Limited for its provision of Angela Entwistle's services as a Non-Executive Director – £38,000 (2019: £40,000). The Group owed £4,000 to Deacon Street Partners Limited at the end of the period (2019: £8,000). Also, a company within the Impellam Group provides a payroll bureau service to Deacon Street Partners Limited for which no charge is made as the arm's-length cost of such service is negligible.

In 2016, a company within the Group advanced a loan of $1,300,000 to David Barfield, a Director of various Group companies. This loan is due for repayment on or before 25 January 2021 and $725,000 was outstanding at the period end (2019: $1,051,000). Interest accrues at a rate of 1.81% per annum and during the period $14,000 (2019: $23,000) interest had been accrued. David Barfield is also a significant shareholder in Bartech Acquisition Corporation LLC to whom the Group provides accounting and management services at an arm's length rate. During the period, the Group charged Bartech Acquisition Corporation LLC $10,000 (2019: $249,000). At the end of the period, the Group wrote off $193,000 owed by Bartech Acquisition Corporation LLC leaving an amount owed to the Group $nil (2019: $183,000). Bartech Acquisition Corporation LLC is a shareholder in TechCentral LLC and the Group provides accounting and programme management services at an arm's length rate to TechCentral LLC. During the period, the Group charged TechCentral $175,000 (2019: $155,000) for these services. At the end of the period, TechCentral LLC owed the Group $155,000 (2019: $133,000).

During the period the Company entered into the following transactions with related parties who are not 100% owned by the Group.

	Sale of services to related parties £m	Purchase of services from related parties £m	Amounts owed to related parties £m	Amounts owed by related parties £m
1 January 2021				
Barpellam Inc	**–**	**36.5**	**26.1**	**18.8**
Bartech Belgium NV	**–**	**0.2**	**–**	**0.2**
Younifi Limited	**0.1**	**–**	**–**	**4.2**
Total	**0.1**	**36.7**	**26.1**	**23.2**

	Sale of services to related parties £m	Purchase of services from related parties £m	Amounts owed to related parties £m	Amounts owed by related parties £m
3 January 2020				
Barpellam Inc	–	40.4	33.7	17.2
Bartech Belgium NV	–	0.1	–	0.2
Younifi Limited	1.1	–	–	3.8
Total	1.1	40.5	33.7	21.2

Sales to related parties relate to expenditure transferred at cost to encourage the expansion of the related party. As these companies are controlled by the Group, no allowance has been made for bad and doubtful debts.

28. NET DEBT

	3 January 2020 £m	IFRS 16 adoption £m	Cash flow £m	Interest charged £m	Interest paid £m	Drawdown £m	Foreign exchange £m	1 January 2021 £m
Cash and short-term deposits (note 18)	**132.3**	**–**	**(9.2)**	**–**	**–**	**–**	**(5.2)**	**117.9**
Bank overdraft (note 19)	**(39.0)**	**–**	**36.1**	**–**	**–**	**–**	**–**	**(2.9)**
Revolving credit (notes 20 and 21)	**(165.3)**	**–**	**46.2**	**(4.4)**	**4.4**	**–**	**0.2**	**(118.9)**
Hire purchase (notes 20 and 21)	**(0.3)**	**–**	**0.1**	**–**	**–**	**–**	**–**	**(0.2)**
Lease liabilities (note 13)	**(33.8)**	**–**	**11.5**	**(0.8)**	**0.8**	**(3.9)**	**(0.3)**	**(26.5)**
Lease debtors (note 13)	**7.3**	**–**	**(3.2)**	**0.1**	**(0.1)**	**–**	**0.2**	**4.3**
Net debt	**(98.8)**	**–**	**81.5**	**(5.1)**	**5.1**	**(3.9)**	**(5.1)**	**(26.3)**

	4 January 2019 £m	IFRS 16 adoption £m	Cash flow £m	Interest charged £m	Interest paid £m	Drawdown £m	Foreign exchange £m	3 January 2020 £m
Cash and short-term deposits (note 18)	117.1	–	22.2	0.2	(0.2)	–	(7.0)	132.3
Bank overdraft (note 19)	(39.9)	–	0.9	–	–	–	–	(39.0)
Revolving credit (notes 20 and 21)	(148.5)	–	(16.9)	(7.4)	6.5	–	1.0	(165.3)
Hire purchase (notes 20 and 21)	(0.4)	–	0.1	–	–	–	–	(0.3)
Lease liabilities (note 13)	–	(39.3)	12.1	(1.3)	1.3	(7.4)	0.8	(33.8)
Lease debtors (note 13)	–	10.4	(2.9)	0.3	(0.3)	–	(0.2)	7.3
Net debt	(71.7)	(28.9)	15.5	(8.2)	7.3	(7.4)	(5.4)	(98.8)

The Group takes advantage of a number of non-recourse financing agreements organised by clients of the Group to allow for the acceleration of payment of the Group's receivables. At the end of 2020, these amounted to £6.3m (2019: £12.6m). These agreements accrue interest at between 0.65% and 1.75% over LIBOR.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

Interest rate risk table

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

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
1 January 2021			
Pound Sterling	**+50**	**(0.6)**	**(0.5)**
	-25	**0.3**	**0.2**
US Dollar	**+50**	**(0.1)**	**(0.1)**
	-25	**0.1**	**0.1**
3 January 2020			
Pound Sterling	+50	(0.8)	(0.6)
	-25	0.4	0.3
US Dollar	+50	(0.2)	(0.1)
	-25	0.1	0.1

Liquidity risk

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

Under the Group's revolving credit facilities, £240m was available for drawdown (2019: £240m). The amount not utilised at 1 January 2021 was £114.9m (2019: £69.9m). This facility also includes an accordion element of an additional £50m which could be added to the facility. There are no restrictions to the free transfer of funds between fully owned subsidiaries. The facility covers all territories the Group operates in. On 10 March 2020, the Group exercised the option to extend £220m of the facility by one year to 1 April 2023. The revolving credit facility includes financial covenants linked to the Group's debtor cover, leverage cover and interest cover using adjusted EBITDA (before separately disclosed items and share-based payment) – note 3. At 3 January 2020, and throughout the period, the Group was in compliance with its financial covenants and expects to continue to be so.

The table below summarises the maturity profile of the Group's financial liabilities at 1 January 2021 and 3 January 2020 based on contractual discounted payments.

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	5 years or more £m	Total £m
1 January 2021						
Revolving credit facilities (notes 20 and 21)	–	–	–	**118.9**	–	**118.9**
Trade and other payables (note 19)	**2.9**	**446.5**	**22.1**	–	–	**471.5**
Finance lease liabilities (notes 20 and 21)	–	–	**0.1**	**0.1**	–	**0.2**
Lease liabilities (note 13)	–	**2.3**	**6.9**	**13.0**	**4.3**	**26.5**
Total	**2.9**	**444.4**	**28.7**	**134.9**	**4.3**	**617.1**

Restated	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	5 years or more £m	Total £m
3 January 2020						
Revolving credit facilities (notes 20 and 21)	–	1.4	23.2	140.7	–	165.3
Trade and other payables (note 19)	39.0	444.7	19.5	1.6	–	504.8
Finance lease liabilities (notes 20 and 21)	–	–	0.1	0.2	–	0.3
Lease liabilities (note 13)	–	2.8	7.9	18.1	5.0	33.8
Total	39.0	448.9	50.7	160.6	5.0	704.2

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides services on deferred terms (note 17).

Group policies are aimed at minimising such losses. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is kept to a minimum. The maximum exposure is the carrying amount as disclosed in note 17.

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

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

At 1 January 2021, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

	1 January 2021 £m	3 January 2020 £m
UK	**228.4**	264.1
North America	**295.0**	267.9
Europe	**20.0**	20.7
Australasia	**23.8**	27.7
Total	**567.2**	580.4

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency risk

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

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

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

	Percentage change in rate	Effect on profit before tax £m	Effect on equity £m
1 January 2021			
US Dollars	**+10**	**0.8**	**0.3**
	-10	**(1.0)**	**(0.4)**
3 January 2020			
US Dollars	+10	0.9	0.3
	-10	(1.1)	(0.4)

Price risk

The Group has investments in marketable securities and as such is exposed to price risk. These securities are held in trust on behalf of certain US employees and the underlying risk is borne by those employees. The Group's liability is limited to the market value of the securities (note 16).

Capital management

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

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

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

	1 January 2021 £m	3 January 2020 £m
Net debt (note 28)	**26.3**	98.8
Equity per balance sheet	**218.8**	246.5
Funding: total capital less net cash	**245.1**	345.3

The revolving credit facility included a financial covenant linked to the Group's leverage. At 1 January 2021, and throughout the period, the Group was in compliance with this financial covenant whilst this facility was in place.

30. FINANCIAL INSTRUMENTS

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

	1 January 2021		3 January 2020	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Investments (note 16)	**1.2**	**1.2**	1.0	1.0
Other financial assets (non-current) (note 16)	**0.4**	**0.4**	0.5	0.5
Other debtors	**0.5**	**0.5**	0.8	0.8
Cash and cash equivalents (note 18)	**117.9**	**117.9**	132.3	132.3
Financial liabilities				
Bank overdraft (note 19)	**2.9**	**2.9**	39.0	39.0
Short-term borrowings (notes 20 and 21)	**0.1**	**0.1**	24.7	24.7
Long-term borrowings (notes 20 and 21)	**119.0**	**119.0**	140.9	140.9

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

Fair value estimation hierarchy:

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
1 January 2021				
Investments (note 16)	**1.2**	**–**	**–**	**1.2**
Other debtors	**0.5**	**–**	**–**	**0.5**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
3 January 2020				
Investments (note 16)	1.0	–	–	1.0
Other debtors	0.8	–	–	0.8

Level 1

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

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

30. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

At 1 January 2021 and 3 January 2020, none of the Group's borrowings are at fixed rates of interest. The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	Within 1 year £m	1–2 years £m	Total £m
1 January 2021			
Floating rate			
Cash and short-term deposits (note 18)	**117.9**	**–**	**117.9**
Bank overdrafts (note 19)	**(2.9)**	**–**	**(2.9)**
Revolving credit facilities (notes 20 and 21)	**–**	**(118.9)**	**(118.9)**
Hire purchase (notes 20 and 21)	**(0.1)**	**(0.1)**	**(0.2)**

	Within 1 year £m	1–2 years £m	Total £m
3 January 2020			
Floating rate			
Cash and short-term deposits (note 18)	132.3	–	132.3
Bank overdrafts (note 19)	(39.0)	–	(39.0)
Revolving credit facilities (notes 20 and 21)	(24.6)	(140.7)	(165.3)
Hire purchase (notes 20 and 21)	(0.1)	(0.2)	(0.3)

The effective interest rate on bank balances and other short-term deposits was less than 0.5% (2019: less than 0.5%). US deposit interest rates were less than 0.5% (2019: less than 0.5%).

Bank overdrafts and revolving credit borrowings are secured by a guarantee and debenture with a fixed charge over certain assets of the Company and the subsidiary undertakings concerned plus a floating charge over all other assets of the Company and those subsidiary undertakings, supported by a cross guarantee given by the Company and the various subsidiary undertakings. Borrowings under these facilities incurred interest (including margin) between 1.35% and 2.30% over LIBOR rate (2019: between 1.35% and 2.30% over LIBOR rate). All interest is charged monthly in arrears (note 29).

Collateral pledged

The self-insured workers' compensation liability described in note 22 is covered by insurers on the basis that collateral is provided sufficient to cover all potential claims. This collateral takes two forms:

- £3.2m – $4.4m (2019: £3.4m – $4.4m) in the form of letters of credit drawn upon the revolving credit facility in the US; and
- £0.4m – $0.5m (2019: £0.4m – $0.5m) in the form of cash deposits, shown on the balance sheet as non-current other financial assets (note 16).

31. POST BALANCE SHEET EVENTS – SHARE PURCHASE AND CANCELLATION

Between the end of the year and 30 March 2021, a further 78,916 Ordinary shares of 1p each have been repurchased in the market for total consideration of £0.2m and have been cancelled.

32. CONTROL

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

Company balance sheet

AS AT 1 JANUARY 2021

	Notes	1 January 2021	3 January 2020
Non-current assets			
Investments	3	**150.1**	150.1
Current assets			
Other receivables	4	**250.1**	261.6
Cash at bank and in hand		**1.2**	0.8
		251.3	262.4
Other payables: amounts falling due within one period	5	**(178.2)**	(153.3)
Net current assets		**73.1**	109.1
Total assets less current liabilities		**223.2**	259.2
Other payables: amounts falling due in more than one period	6	**(118.9)**	(140.7)
Net assets		**104.3**	118.5
Capital and reserves			
Called-up share capital	8	**0.5**	0.5
Share premium account	8	**30.1**	30.1
Merger reserve	9	**19.0**	19.0
Other reserves	9	**–**	–
Retained profit	9	**54.7**	68.9
Total shareholders' funds	10	**104.3**	118.5

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

The loss dealt with in the financial statements of the Company for the 52 weeks ended 1 January 2021 was £9.9m (2019: £11.4). Dividends totalling £nil (2019: £1.7m) were declared and paid during the period. As allowed by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Parent Company.

The financial statements on pages 113 to 119 were approved by the Board on 7 April 2021 and are signed on its behalf by:

Tim Briant
Chief Financial Officer

Registered number: 06511961

FINANCIAL STATEMENTS

Statement of changes in equity

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

	Share capital and premium (note 8) £m	Other reserves (note 9) £m	Retained profit £m	Total reserves £m
5 January 2019	30.6	19.0	92.8	142.4
Loss for the period	–	–	(11.4)	(11.4)
Purchase and cancellation of own shares (note 8)	–	–	(10.8)	(10.8)
Demerger charge	–	–	(1.7)	(1.7)
3 January 2020	30.6	19.0	68.9	118.5
4 January 2020	**30.6**	**19.0**	**68.9**	**118.5**
Loss for the period	**–**	**–**	**(9.9)**	**(9.9)**
Purchase and cancellation of own shares (note 8)	**–**	**–**	**(4.3)**	**(4.3)**
1 January 2021	**30.6**	**19.0**	**54.7**	**104.3**

The Company has considered the profits available for distribution to shareholders. At 1 January 2021, the Company had retained earnings of £54.7m which were all available for distribution.

The Group also has retained profits in its subsidiary companies which are expected to flow up to the Company in due course to further supplement its distributable reserves position.

Notes to the Company balance sheet

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of accounting

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Summary of disclosure exemptions

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

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

As the consolidated financial statements of Impellam Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of investments
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior years including the comparative year reconciliation for goodwill
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments Disclosures.

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

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

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted under Section 408 of the Companies Act.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

Accounting policies have been applied consistently.

B) Investments

Shares in subsidiary companies are held as fixed assets and are stated at cost less provision for impairment. Impairment reviews are conducted when changes in events or situations indicate that the carrying value may not be recoverable. More details of the impairment methodologies are given in note 14 of the consolidated accounts.

FINANCIAL STATEMENTS

Notes to the Company balance sheet continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

C) Other receivables

Other receivables include amounts owed by Group companies which are assessed for impairment based upon the current financial position and expected future performance of the subsidiary to which they relate. The transactions with Group companies are interest-free demand loans.

The Company 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 three-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 subsidiary has sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is very low and the loan is in Stage 1); or does not have sufficient cash or other assets to repay the loan immediately (meaning that the risk of default is higher, and the loan could be in Stage 2 or Stage 3).
- The Company performs this assessment qualitatively by reference to the borrower's immediate cash flow and asset position.
- Credit-impaired indicators – A loan is considered to be credit impaired if it meets the definition of a defaulted loan.

D) Deferred taxation

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

E) Employee benefits

Short-term benefits – bonus arrangements

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

Pension obligations

The Company provides pension arrangements for its UK-based Directors and employees through defined contribution schemes. Contribution costs are expensed to the income statement as they become due.

2. OPERATING COSTS

- The amount payable to the auditor in respect of the audit of the Company is £20,000 (2019: £20,000), all of which is payable to BDO LLP.
- Details of emoluments for Directors can be found in note 5 of the consolidated financial statements.
- Monthly average staff numbers (including Directors) for the Company during 2020 was 28, eight Directors/Company Secretary, nine managers and 11 administrators (2019: 32, eight Directors/Company Secretary, eight managers and 16 administrators).
- The total amount of employee costs charged to the Company's income statement in the period is £4.5m (2019: £3.4m).

3. INVESTMENTS

	Subsidiary undertakings £m
Cost – 4 January 2020	**150.1**
Cost – 1 January 2021	**150.1**
Impairment provision – 4 January 2020	–
Charge for the period	–
Disposals	–
Accumulated amortisation – 1 January 2021	–
Net carrying value – 1 January 2021	**150.1**
Net carrying value – 3 January 2020	150.1

Details of the principal subsidiary undertakings are given in note 27 of the consolidated financial statements. All of these companies are unlisted.

Subsidiary undertakings

The carrying values of investments were tested against discounted future cash flows during the period using a discount rate of between 14.9% to 18.0% (2019: between 14.0% to 18.7%), which include a country risk premium. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2021 financial period (2019: 2020 financial period). Management believes the forecasts are reasonably achievable. No impairment in carrying value was identified.

4. OTHER RECEIVABLES

	1 January 2021 £m	3 January 2020 £m
Amounts owed by subsidiary undertakings	**238.7**	246.2
Other receivables	**10.9**	14.9
Prepayments	**0.5**	0.5
Total	**250.1**	261.6

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and are not interest-bearing. These have been reviewed for any expected credit loss and a charge of £0.4m (2019: £1.3m) has been recorded in the period, bringing the total charge to £1.7m (2019: £1.3m).

FINANCIAL STATEMENTS

Notes to the Company balance sheet continued

FOR THE 52 WEEKS ENDED 1 JANUARY 2021

5. OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE PERIOD

	1 January 2021 £m	3 January 2020 £m
Bank overdraft	**2.9**	39.0
Revolving credit facilities	**–**	24.6
Amounts owed to subsidiary undertakings	**171.6**	86.7
Contract liabilities	**1.3**	1.2
Accruals and other payables	**2.4**	1.8
Total	**178.2**	153.3

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and are not interest-bearing. Contract liabilities relate to amounts recharged to subsidiary undertakings for which the service has not been completed.

6. OTHER PAYABLES: AMOUNTS FALLING DUE IN MORE THAN ONE PERIOD

	1 January 2021 £m	3 January 2020 £m
Revolving credit facilities	**118.9**	140.7

Details of security given over these liabilities are described in notes 29 and 30 to the consolidated accounts.

7. DEFERRED TAXATION

	1 January 2021 £m	3 January 2020 £m
Opening balance	**–**	0.2
Charged to profit and loss account in the period	**–**	(0.2)
Deferred tax asset	**–**	–

The total recognised and unrecognised deferred tax is as follows:

Assets	Recognised 1 January 2021 £m	Unrecognised 1 January 2021 £m	Recognised 3 January 2020 £m	Unrecognised 3 January 2020 £m
Losses	**–**	**0.2**	–	0.2
Other short-term timing differences	**–**	**–**	–	–
Total	**–**	**0.2**	–	0.2

8. CALLED-UP SHARE CAPITAL

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
4 January 2019	49.7	0.5	30.1	30.6
Purchase and cancellation of own shares	(2.4)	–	–	–
3 January 2020	**47.3**	**0.5**	**30.1**	**30.6**
Purchase and cancellation of own shares	**(1.4)**	**–**	**–**	**–**
Total – 1 January 2021	**45.9**	**0.5**	**30.1**	**30.6**

In 2020, 1,413,789 Ordinary shares of 1p each (2019: 2,410,855), representing 3.0% (2019: 4.8%) of the opening number of issued shares, were repurchased in the market for consideration of £4.3m (2019: £10.8m), and cancelled.

Impellam Group plc

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

Dividend and dividend policy

In 2020, 1,413,789 Ordinary shares of 1p each (2019: 2,410,855), representing 3.0% (2019: 4.8%) of the opening number of issued shares, were repurchased in the market for consideration of £4.3m (2019: £10.8m), and cancelled.

On 27 April 2020 the Board announced the suspension of the share buyback programme, though maintained authority to acquire shares on an ad hoc basis if deemed appropriate by the Board. On 30 June 2020, the Company announced it would reinstate the Share Purchase Plan for the period to the release of the interim statement and during this period purchased 77,411 shares at a cost of £0.2m. From 31 July 2020, the Share Purchase Plan was once again suspended, though the Company retained the authorities to buy back shares in the future.

On 25 January 2021 the Company announced a new Share Purchase Plan allowing the Company to purchase Ordinary shares to the value of £0.5m per calendar month up to the date of the Company's next Annual General Meeting, currently due to be held on 29 June 2021.

9. RESERVES

	Merger reserve £m	Retained profit £m	Total reserves £m
3 January 2020	**19.0**	**68.9**	**87.9**
Loss for the period	**–**	**(9.9)**	**(9.9)**
Purchase and cancellation of own shares	**–**	**(4.3)**	**(4.3)**
1 January 2021	**19.0**	**54.7**	**73.7**

Merger reserve

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

Other reserves

Other reserves comprise the following:

- £41,000 contributed surplus arising on a historical demerger transaction and a special reserve arising from the capital reduction in December 2012 (2019: £41,000); and
- £47,000 capital redemption reserve arising from the purchase and cancellation of treasury shares (2019: £32,000).

These reserves are non-distributable. All other reserves are distributable.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	3 January 2021 £m	4 January 2020 £m
Loss for the financial period	**(9.9)**	(11.4)
Purchase and cancellation of own shares	**(4.3)**	(10.8)
Demerger charge	**–**	(1.7)
Opening shareholders' funds	**118.5**	142.4
Closing shareholders' funds	**104.3**	118.5

11. RELATED PARTY TRANSACTIONS

The Board is not aware of any related party transactions other than those disclosed in note 27 to the consolidated financial statements.

12. POST BALANCE SHEET EVENTS – SHARE PURCHASE AND CANCELLATION

Between the end of the year and 30 March 2021, a further 78,916 Ordinary shares of 1p each have been repurchased in the market for total consideration of £0.2m and have been cancelled.

FINANCIAL STATEMENTS

Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURES

Certain discussions and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measurements, is useful to investors because it provides a basis for measuring our operating performance on a comparable basis. Our management uses these financial measures, along with the most directly comparable IFRS financial measures, in evaluating our operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

ADJUSTED OPERATING PROFIT

Definition: The Group calculates adjusted operating profit as operating profit before amortisation of acquired intangibles and impairment.

Closest equivalent IFRS measure: Operating profit.

Rationale for adjustment: The Directors believe that adjusted operating profit is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance, including Directors' remuneration, and also reflects the starting profit measure used when calculating the Group's banking covenants. All discussions within the Group on segmental and individual brand performance refer to adjusted operating profit.

Following the adoption of IFRS 16 in 2019 the Group has moved from adjusted EBITDA to adjusted operating profit as its Alternative Performance Measure, to include depreciation and amortisation of assets but excluding amortisation of acquired intangibles.

Reconciliation of adjusted operating (loss)/profit to operating profit:

	2020 £m	2019 £m
Segmental adjusted operating profit	**23.3**	35.7
Corporate costs	**(5.1)**	(4.6)
Adjusted operating profit	**18.2**	31.1
Amortisation of brand value and customer relationships	**(11.0)**	(10.2)
Impairment of intangible assets	**(22.2)**	(7.0)
Operating profit	**(15.0)**	13.9

In 2019 a number of items were reported as separately disclosed items, however due to ongoing review these have been restated as costs either within the relevant segment or corporate costs.

The amortisation of acquired intangibles (brand value and customer relationships) charge due to its size and nature is disclosed separately to give a comparable view of the year-on-year trading financial performance.

The impairment charge due to its size is disclosed separately to give a more comparable view of the year-on-year underlying financial performance.

SPEND UNDER MANAGEMENT^Δ ('SUM')

Definition: Total amount of client expenditure which our Managed Services brands managed on behalf of their clients. This equates to revenue earned where Impellam acts as principal plus gross billings to customers where Impellam acts as agent.

Closest equivalent IFRS measure: Group revenue.

Rationale for adjustment: The Group uses this measure as it reflects the total value of the client spend to the Group, not just the revenue generated.

CONTINUING ADJUSTED EARNINGS PER SHARE ('EPS')

Definition: Continuing adjusted profit divided by the weighted average number of Ordinary shares outstanding during the year.

Closest equivalent IFRS measure: Continuing basic earnings per share.

Rationale for adjustment: The Group uses this measure alongside the basic EPS calculation as it reflects the underlying trading performance of the business.

Reconciliation of adjusted EPS to basic EPS:

	2020 £m	2019 £m
Continuing profit for the period	**(21.4)**	4.8
Impairment of goodwill	**16.6**	1.6
Impairment of other intangibles (net of tax)	**4.5**	4.4
Customer relationship and brand value amortisation (net of tax)	**8.6**	8.2
Continuing adjusted profit	**8.3**	19.0
Weighted average number of shares	**46,208,380**	48,543,107
Unadjusted continuing EPS	**(46.2)**	9.8
Adjusted continuing EPS	**18.2**	39.2

NET DEBT EXCLUDING IFRS 16 'LEASES'

Definition: The Group calculates net debt as the total of cash and short-term deposits, revolving credit and hire purchase. Following the adoption of IFRS 16 the calculation also includes lease liabilities and debtors.

Rationale for adjustment: The Group has used this measure to maintain alignment to the covenant reporting during 2020.

Reconciliation of net debt excluding IFRS 16 to net debt:

	2020 £m	2019 £m
Cash and short-term deposits	**117.9**	132.3
Bank overdraft	**(2.9)**	(39.0)
Revolving credit	**(118.9)**	(165.3)
Hire purchase	**(0.2)**	(0.3)
Net debt excluding IFRS 16	**(4.1)**	(72.3)
Lease liabilities	**(26.5)**	(33.8)
Lease debtors	**4.3**	7.3
Net debt	**(26.3)**	(98.8)

FINANCIAL STATEMENTS

Glossary

Adjusted EBITDA	EBITDA before separately disclosed items and impairment of goodwill
Adjusted EBITDA Conversion Ratio	Adjusted EBITDA divided by NFI/gross profit
Adjusted Operating Profit	Operating profit before amortisation of, and impairment in, acquired intangibles
Beautiful Basics	Every brand in Impellam makes a simple promise to its customers and candidates and then backs that promise up with whatever activities are needed to fulfil, sustain and deliver the brand promise. We call these promises the Beautiful Basics
Business Process Outsourcing ('BPO')	Solutions which help businesses address back office needs strategically and increase operational efficiency
Cash Conversion	Net cash from operating activities divided by operating profit
Constant Exchange Rates	Calculated by multiplying the prior year functional currency amount by the current year foreign currency exchange rate
Contingent Labour	Temporary and contract workers
Cross-sell	All Impellam people are encouraged to refer new business leads to one another. This happens when a consultant identifies an opportunity that is outside the scope of the brand specialism and it will be referred to a brand within the Group which is aligned to the requirement
CRM	Customer relationship management
Days Sales Outstanding ('DSO')	Total trade receivables divided by average daily invoiced sales
EBITDA	Earnings before interest, tax, depreciation and amortisation
Facilities Management	Providing cleaning, security, events and retail facilities support services
GDPR	General Data Protection Regulation which came into force on 5 May 2018
Group Fill	The percentage of Spend Under Management$^{\Delta}$ supplied from our Group brands into our Managed Services programmes
High Road	Impellam provides good work for people and people for good work. We focus on partnering with organisations that value engaged, fulfilled people which serves to drive clear market segmentation and a compelling price point
Hybrid Vendor	Assignments are filled by a combination of suppliers that we manage for the client and are filled directly by the Managed Services provider (including Group supply)
IFRS	International Financial Reporting Standards
Ignite	CRM (customer relationship management), our recruiter operating system
Independent Contractor Solutions	Helping to reduce the risk and cost of worker misclassification
Managed Services	These businesses optimise the productivity of people by designing, implementing, coordinating and reporting on the whole staffing process. They provide multi-disciplinary workforce solutions, including all forms of partial and complete outsourcing
Managed Services Programme ('MSP')	The outsourcing of contingent labour
Master Vendor	The majority of assignments are filled by the Managed Services provider (including Group supply) and second-tier agencies are used when the Managed Services provider is unable to supply
Net Debt	Total debt of the Group less cash in hand
Net Fee Income ('NFI')	Equivalent to gross profit
Neutral Vendor	Assignments are filled by suppliers that we manage for the client, where the Managed Services provider does not form part of the supply chain

Non-UK	All countries Impellam operates in outside of the UK. This is the US, Australasia and Europe (excluding the UK)
Origin	Our innovation hub that acquires, invests in and partners with disruptive start-ups in our markets as well as backing our Virtuosos' ideas
Payroll Services	Provide access to a fully compliant framework for managing and paying contingent staff
Productivity	Gross profit divided by Full Time Equivalent ('FTE') heads
Recruitment Process Outsourcing ('RPO')	Where a client outsources the management of the recruitment function (in whole or part) to a third party expert
ShiftWise	Technology solution for the NHS to build our Managed Services capability
Specialist Staffing	Dedicated brands which provide expert recruitment services and skilled workers for permanent, temporary, contact and fixed-price work
Spend Under Management ('SUM')	Total amount of client expenditure which our Managed Services brands managed on behalf of their clients. This equates to revenue earned where Impellam acts as principal plus gross billings to customers where Impellam acts as agent
Statement of Work ('SOW')	Solutions for spend in complex categories of service which include supplier management, requisition facilitation, contract writing, negotiations and invoicing and settlement support services
Value Chain	Different parts of our business share the belief that meaningful work really matters to individuals, communities, societies and economies so they can work together to create value that is greater than the sum of the parts
Vendor Management System ('VMS')	VMS technology enables the full procure-to-pay process, while providing robust reporting and analytics
Vertical Specialist Managed Services	Our brands which have specialist focus and expertise delivering sector or function staffing solutions
Virtuosity	Virtuosity is the art of seeing possibilities where others see none. It is a mindset that enables our people to adapt with agility to changing market conditions
Virtuoso	People who see possibilities and can tune in to the needs of our customers and candidates
Virtuous Circle	A virtuous circle is at the core of our high-retention model. It provides the continuous loop of making and keeping promises, which engenders trust and ultimately builds loyalty
Virtuoso Way	Our consistent, collaborative Group-wide culture, based on trusted behaviours, delivered by entrepreneurial leaders. At the heart of building trust is the everyday practice in which people make promises to each other to bring about a future that benefits all

FINANCIAL STATEMENTS

Company information

Impellam is a leading Global Talent Acquisition and Managed Workforce Solutions provider supported by talent-focused specialist staffing brands with deep heritages, vertical sector expertise and loyal candidate networks.

Clients across the world trust us to deliver Managed Services and talent-focused Specialist Staffing in the UK, North America, Australasia and Europe. Working with them are 2,500 Impellam people, bringing a wealth of expertise through our 14 market-leading brands across 76 locations. Every year, we connect carefully chosen candidates with good work at all levels. They include technology and digital specialists, scientists, clinical experts, engineers, nurses, doctors, lawyers, teachers, receptionists, drivers, chefs, administrators, warehouse and call centre operatives.

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

For more information about Impellam Group, please visit: www.impellam.com

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Principal solicitors
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Registrars
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800 The Boulevard
Capability Green
Luton
Bedfordshire LU1 3BA

Registered number
06511961

LSE symbol
IPEL

1 By revenue (2019 published numbers)

Revive Silk is a white triple coated sheet, manufactured from FSC® Recycled certified fibre derived from 100% pre and post-consumer waste.

Revive 50 Silk is a high white triple coated paper manufactured a combination of 50% FSC® Recycled and 50% FSC® Mix virgin fibre pulp.

Designed and produced by **emperor**
Visit us at **emperor.works**

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Registered number: 06511961

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