IMPELLAM GROUP plc

Impellam Group plc
Annual Report and Accounts 2013

A promising future

Who we are

Impellam Group plc, traded on the AIM (Symbol: IPEL), is a leading provider of Managed Services and Specialist Staffing expertise and is primarily based in the UK and North America, with smaller operations in Australasia, Ireland and mainland Europe. We provide fulfilling jobs to doctors, lawyers, accountants, nurses, teachers, scientists, receptionists, drivers, chefs, administrators, shop assistants and engineers through 14 specialist brands across a broad range of sectors. We manage them as teams or individually and help clients build better businesses in a changing world. Impellam Group plc is the 5th largest recruitment business in the UK, 11th in Europe and 17th worldwide and employs around 6,000 employees including 2,500 managers and consultants across 250 offices.

Vision

Our vision is to become 'the world's most trusted staffing business – trusted by our people, our customers and our investors in equal measure'.

Strategic report

Governance

Financial statements

Additional information

Highlights and financial summary

Group revenue

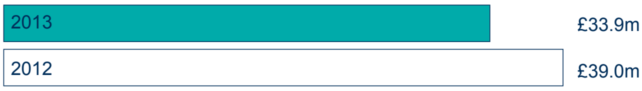
£1,206.2m

Group gross profit

£173.3m

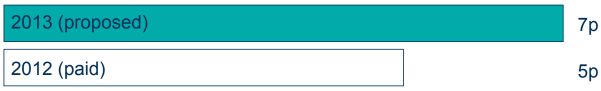
Group operating profit

£33.9m



Final dividend

7p (per share)



Financial results for the fifty-two weeks ended 27 December 2013

The table below sets out the financial results for the Group by segment for the fifty-two weeks ended 27 December 2013.

	Revenue			Gross profit			Operating profit/(loss)	
£m	2013	2012	% change	2013	2012	% change	2013	2012
Impellam United Kingdom	772.5	762.2	1.4	104.4	102.6	1.8	27.8	26.5
Impellam North America*	192.4	178.0	6.6	39.1	36.0	7.4	5.0	3.8
Medacs Healthcare Group	172.1	187.7	(8.3)	25.3	26.0	(2.7)	5.1	8.3
	1,137.0	1,127.9	0.8	168.8	164.6	2.6	37.9	38.6
Carlisle Support Services	74.0	82.9	(10.7)	4.5	9.5	(52.6)	(4.0)	0.4
Intra-group revenue	(4.8)	–	–	–	–	–	–	–
	1,206.2	1,210.8	(0.4)	173.3	174.1	(0.5)	33.9	39.0
Add back: Depreciation and amortisation							5.7	5.6
EBITDA							39.6	44.6
Corporate costs							(5.3)	(5.4)
Operating profit before non-recurring items							28.6	33.6
Non-recurring items							(23.2)	(5.7)
Goodwill impairment							(5.0)	(9.0)
Share-based payments							–	(1.6)
Operating profit							0.4	17.3

*Impellam North America percentage changes are measured in local currency.

A global provider of business solutions

	Impellam United Kingdom	Impellam North America
Performance	Revenue **£772.5m** Gross profit **£104.4m** Operating profit **£27.8m**	Revenue **£192.4m** Gross profit **£39.1m** Operating profit **£5.0m**
Principal operations	Impellam United Kingdom (UK) is a leading provider of Managed Services and Specialist Staffing expertise to a diverse range of small, medium and large organisations in the UK, Europe and Australasia.	Impellam North America (NA) is renowned for providing a specialist recruitment service to its clients. Core business revolves around the expert delivery of Managed Services and Specialist Staffing, providing quality talent where it is needed. We form strong, strategic partnerships with our clients and work in tandem to deliver bespoke solutions to solve workforce challenges.
Highlights	• Growth in Managed Services businesses • Growth in our Legal, Education and Science brands • Increased investment in headcount as a result of improving markets and increased activity	• Business broke the $300m revenue barrier for the first time since 2008 • Business has seen seven consecutive quarters of year on year revenue and gross profit growth • Continuing to drive greater client and candidate satisfaction
Read more	p14	p16

Medacs Healthcare Group

Revenue
£172.1m

Gross profit
£25.3m

Operating profit
£5.1m

Medacs Healthcare Group is a leading international provider, specialising in health and social care staffing solutions, for both the public and private sectors. Medacs Healthcare's expertise includes specialist medical recruitment services, a variety of Managed Services and innovative outsourced healthcare programmes.

- Performance in the second half of the year improved as benefits resulting from investments started to pay back
- Doctors' business returned to growth in early 2014 as candidate initiatives took effect

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Carlisle Support Services

Revenue
£74.0m

Gross profit
£4.5m

Operating loss
£(4.0)m

Carlisle Support Services is a supplier of outsourced workforce solutions to commercial and public sector clients. Our focus is on security and cleaning for the transport, retail and leisure sectors across the UK, Ireland and Mainland Europe.

- Returning trading performance in line with the market norms
- Shaping our long-term strategy in order to drive the business forward

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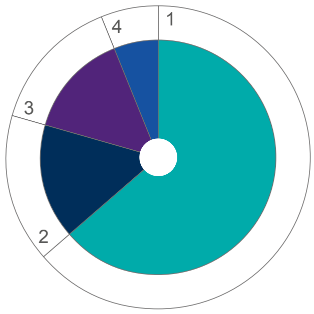
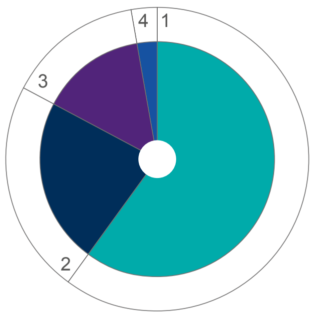
Revenue by sector



1.	Impellam United Kingdom	£772.5m
2.	Impellam North America	£192.4m
3.	Medacs Healthcare Group	£172.1m
4.	Carlisle Support Services	£74.0m

Gross profit by sector



1.	Impellam United Kingdom	£104.4m
2.	Impellam North America	£39.1m
3.	Medacs Healthcare Group	£25.3m
4.	Carlisle Support Services	£4.5m

The right steps for growth

The Impellam Group took a step forward in 2013 with the appointment of Julia Robertson as Group Chief Executive Officer in April.

Julia has successfully run our UK Staffing business since 2008. Her appointment to the Group role was a critical stage in Impellam's development as we look to build on efficiency improvements to develop a clear strategy and to drive growth organically and through possible acquisition across all segments and geographies in recovering markets.

As the 5th largest staffing business in the UK and the 17th in the world, we operate across a wide range of sectors and are able to deliver a comprehensive suite of services to clients. These range from market leading Specialist Staffing solutions in both permanent placement and temporary recruitment, to a range of Managed Services to suit the varied and complex demands of our clients.

In our staffing businesses, we are building long-term, sustainable partnerships with our clients by offering an increasingly diverse range of solutions to help them manage contingent labour requirements. These programmes operate with technology platforms optimised for their respective business models, whilst sharing common infrastructure and support. Importantly, our United Kingdom and North American operations are also looking at new ways to share ideas and best practice to ensure that we continue to offer optimal solutions to our clients.

Our Medacs business is the leading provider of locum doctors to the NHS, although changes to buying behaviour in the NHS provided challenging conditions for the business in the first half of the year. However, the business continues to expand rapidly in the supply of nurses and we increasingly work with private healthcare providers offering services outside of the NHS. We have expanded our geographic footprint with a small acquisition in Singapore and the expansion of our operation in South Africa. The supply of staff into the NHS is rapidly changing. Our business is at the forefront in offering Managed Service solutions to NHS Trusts, as they look to manage and deploy large-scale workforces with continued budgetary pressures.

The year was not without challenge, particularly in the Carlisle Support Services ('CSS' or 'Carlisle') business. Changes to the management structure announced at the half year are starting to deliver the benefits we anticipated in the mobilisation of high volume labour solutions to the retail, transport and logistics sectors. Whilst the trading result for the year was unacceptable, the underlying business is showing early signs of recovery and we believe the outlook is more favourable.

Following the appointment of a Group Corporate Development Director in June 2013, we are also reviewing potential acquisitions where they are accretive and fit with the Group's overall strategy to build a better business.

Career Teachers

I am pleased to report that the business acquired Career Teachers in March 2014 for a total consideration of £22.3 million comprising an initial cash consideration of £19.1 million, a deferred cash consideration of £1.5 million and the issue by Impellam of £1.7 million in Loan Notes. The acquisition, funded from existing bank facilities, is expected to be immediately earnings enhancing. The deferred cash consideration of £1.5 million is due in July 2014. The Loan Notes are redeemable in August 2017. In addition, a three year Long Term Incentive Plan has been put in place for the five key management shareholders.

Financial performance

The Group's revenue in the year was broadly unchanged at £1.2 billion compared to 2012. Revenue increases in the core UK and US staffing businesses were offset by reductions in Medacs and Carlisle, the former due in part to a change in the process by which certain locum doctors are now paid resulting in revenue recognition on an agency basis. Similarly, Group gross profit was also broadly flat, again with gains in the staffing businesses offset by a reduction in Carlisle. Gross profit margin has therefore remained flat with some evidence that pricing pressures are easing and we have also seen an increase in permanent recruitment activity, particularly in the second half.

The Board expects that the continued focus on the quality of the revenue base should position the Group favourably as markets recover, resolute action is taken to address Carlisle's onerous contracts and we enter a period of economic growth and reducing unemployment in our principal markets.

Business segment operating profit was £33.9 million against £39.0 million in 2012. Again, our UK and US staffing businesses increased operating profits whilst Medacs and Carlisle saw operating profit contraction. The Carlisle business saw a material reduction in operating profit driven by restructuring costs and further contractions in the retail marketplace and pressure on pricing for contract renewals and wins. Corporate costs were marginally lower at £5.3 million (2012: £5.4 million).

Group operating profit, before non-recurring items was £28.6 million, representing a £5.0 million reduction on the prior year (2012: £33.6 million). The conversion rate of gross profit into adjusted operating profit was 16.5% (2012: 19.3%). The Group businesses continue to focus on service delivery efficiencies to drive this key performance indicator and the target is to achieve Group conversion in excess of 20%.

Non-recurring items of £23.2 million in the current period comprised current year provisions for onerous contracts in the Carlisle business and the impairment of consequently impacted fixed assets directly associated with these contracts as previously highlighted.

Adjusted basic earnings per share were 62 pence for the year, compared to 59 pence in the comparable period in 2012.

"As the 5th largest staffing business in the UK and the 17th in the world, we operate across a wide range of sectors and are able to deliver a comprehensive suite of services to clients."

Board changes

In addition to the appointment of a Group Chief Executive Officer to the Board during the year, Lincoln Jopp MC and Mike Ettling joined the Board as Non-executive Directors. Both bring varied and valuable experience to the Group. Mike Ettling has also joined the Audit Committee and is assisting in the development of the Group's corporate governance processes and IT strategy.

Dividends and share capital

As announced in December 2012, a one-off special dividend of 35 pence per share, in total £15.4 million, was paid on 10 April 2013. This payment broadly equated to the cash flow in 2012 over and above that required for funding day-to-day operations, taxation and interest payments. During the year, a final dividend of 5 pence per ordinary share in respect of 2012 was declared and paid on 10 July 2013. Further, an interim dividend of 5 pence per ordinary share was declared and paid on 2 September 2013.

Subject to shareholder approval, the Board are proposing a final dividend in respect of 2013 of 7 pence per share, amounting to £3.1 million, to be paid on 25 July 2014 following the Annual General Meeting.

The final and interim dividends equate to an aggregate distribution to shareholders of £5.3 million in respect of 2013.

Total dividends of 12 pence in respect of 2013 are more than four times covered against adjusted earnings per share.

Conclusion

As we ended the year, the economic environment in our two principal markets had shown signs of improvement. Reducing unemployment rates, combined with a requirement for talent, are two of the principal catalysts that drive demand for our services.

With the strength of our balance sheet, coupled with the Board's clear strategic plan for growth, I believe that Impellam is now well placed to take advantage of market opportunities and improving economic conditions to drive the creation of shareholder value.

Finally, I would also like to acknowledge the contribution and support of the Board and all our employees, as the Group has continued its strategic development over the last year.

Andrew Wilson
Chairman

Chief Executive Officer's report

The right strategy

Our staffing businesses in the United Kingdom and North America have made consistent quarter-on-quarter progress in gradually improving markets. As a consequence we have increased market share, particularly in Managed Services.

Economic conditions in both the United Kingdom and North America during 2013 favoured the growth and development of our Managed Services operations.

From late Q3, our Specialist Staffing businesses, in particular those with a permanent placement orientation, began to accelerate. The improving economy also helped our branch based businesses, which in Q4 delivered the highest total gross profit since 2008.

Changes to buying behaviour in the NHS provided challenging conditions for our Medacs Healthcare business in the first half. Investments made in compliance, Managed Service sales, delivery capability and the expansion of our nursing business, resulted in Medacs delivering accelerating quarter-on-quarter growth in the second half of the year. The Board expects this growth to continue into 2014.

Notwithstanding the considerable progress made in our core staffing operations, which account for 94% of our revenue, we have had to deal with two operationally complex contracts in our CSS business. Following a change of management at the half year and a careful review of all our options, we have already exited one of these contracts and are in discussions with the other customer regarding remediation. These two contracts have had a serious impact on our overall financial performance in 2013 and a charge of £23.2 million has been taken as an exceptional item. In addition, as a consequence of the reduced profitability and smaller scale of the remaining CSS business, impairment to Group goodwill amounting to £5.0 million has also been taken.

Group strategy

Since becoming Group Chief Executive Officer in April 2013, my focus has been on a full strategic and operational review of each division and each brand within the Group. These reviews have helped my leadership team and I to define the strategy, which will take the business forward over the next few years. The Group now has a clear strategic direction; all individual brand plans have been shaped accordingly and I have personally discussed the changes with our people.

We will:

- Focus on Managed Services to give us long-term visibility of recurring revenues with higher group conversions
- Strengthen our portfolio of distinctive, premium priced Specialist Staffing businesses to improve margins
- Refine our portfolio through highly selective M&A activity
- Develop our brand strategy and our technology to make it easier for customers and candidates to do business with us
- Continue our organic growth by tuning into customers and seeing the world through their eyes
- Achieve distinctiveness by providing fulfilment and a sense of purpose to our people so that they make our customers' businesses better in a changing world
- Continue cost control and well thought through investment to give sustainable cash generation and reliable shareholder returns

Operational performance
During 2013 we changed the way we looked at the Group and we now view it through our customers' eyes.

On the one hand, we believe that customers are looking for visibility and control of large-scale workforces and recruitment campaigns, generating an increased requirement for a form of managed service or outsourcing programmes. On the other hand, in the fast emerging war for talent, customers are looking for a highly specialist, expert-to-expert recruitment service.

We have classed these two customer buying styles as 'Managed Services' and 'Specialist Staffing'.

During 2013 in our Managed Services businesses, we were delighted to win new accounts at United Airlines, BMW, Willis, British Airways, Eversheds, Kleinwort Benson, Westfield, Smith&Nephew and Hallmark, and we renewed important programmes at Jet Aviation, GE, Astrium and GSK. Importantly, we also secured the Group's first global managed service programme with Pitney Bowes.

In our Specialist Staffing businesses we made important progress. By deepening the value of the service we offered, we saw margin growth of 122bps, driven by increased average fees for permanent placements of 3.5% and an overall improvement in temporary and contract margin from 15.1% to 15.9%.

Anticipating increasing demands for specialist staffing we increased our fee-earning headcount by 3.8% in the second half of the year, without suffering a dilution of productivity as measured by margin per head.

Any review of the year would not be complete without discussion of the problems we have dealt with within our CSS business. Unlike the rest of the Group, CSS is not a staffing business, although it does engage and mobilise large-scale workforces for outsourced cleaning, security, retail and events contracts.

In conducting my review of this business, it soon became clear that it had two long-term contracts that were causing significant financial and operational problems in the business. Following a change of management at the half year and a careful review of all our options, we chose to exit one of these and are seeking remediation from the other.

Whilst the financial results of CSS are highly disappointing, as a Group we have learnt lessons, which will make us a better business.

Efficiency
In terms of efficiency initiatives, during 2013 we reduced the number of back offices we operate from five to three, with a resulting saving in headcount and property costs. This rationalisation has provided increased visibility, resilience and control of key processes such as contract review, forecasting, pricing and management information.

In addition, I appointed a new Chief Information Officer at the half year who has conducted a root and branch review of all IT infrastructures. As a consequence, we have invested in improved IT services to the business, enabling increased productivity and speed to market. In addition, in North America we implemented a completely new end-to-end order-to-pay technology system, whilst growing revenues and margins by 7%. Having dealt with infrastructure issues and with the North America transformation completed, our attention now turns to strategic projects to support our business strategy.

> "Since becoming Group Chief Executive Officer in April 2013, my focus has been on a full strategic and operational review of each division and each brand within the Group."

The main two measures of efficiency at Impellam are the conversion of gross margin into operating profit and the conversion of EBITDA to cash. Our staffing businesses excelled on both these measures with a conversion ratio of 22.4% (2012: 23.5%) and a conversion of EBITDA to cash of 57.6%, with DSO of 37.5 days.

Detailed finance reports on all of our businesses can be found on pages 14 to 21.

Vision, goals and themes
Context
The last 50 years has seen the staffing industry become increasingly commoditised with intense pressure on margins, price and cost. These factors in any business can drive poor behaviour and decision making, leading to an unsustainable business model. At Impellam, we are developing workforce solutions that provide richer, stable value for our clients and fulfilling work for our people. Our goal is to help our customers build better businesses in a changing world. In so doing, we believe we will create trust, shareholder value and good workplaces for our people. Our vision is to become **'the world's most trusted staffing company, trusted by our people, our customers and our investors in equal measure'.**

Strategic themes
We will know who and what we are and get better at it. Our focus is on our Managed Services and Specialist Staffing businesses, where on the one hand we will 'own the market' and on the other hand we will 'own the talent'. This will give us a balanced business portfolio, long-term visibility of earnings through our Managed Service contracts and higher margins through our premium priced, bespoke, Speciality Staffing offers.

We are taking the high road. We will work with our carefully selected customers to help them build a better business. We will see the world through their eyes and will provide them with productive people with a sense of purpose.

Candidates are at the heart of our business model. We will make it easy and fulfilling to find work with us. Through an impeccable blend of people and process we will make sure that candidates are placed in the right job for them and are treated with dignity and respect.

We will have a promise-based culture. We will make and keep promises to our customers, our candidates, our investors and each other. When all our people do this consistently, we will be the world's most trusted staffing company.

Refine the portfolio and fill in the gaps. Through highly selective M&A activity, we will fill in the geographic and sector gaps in our portfolio, to enable us to take an increased share of the £1.6 billion of gross spend we handle on behalf of our Managed Service customers.

We are now one business with a clear plan; a Group with a growth and value strategy. Significant progress has already been made both in engagement and in the implementation of required changes to cultural practices.

We recognise when we are Impellam 'at our best', but equally we can identify areas that need improvement and seize the opportunity to make the appropriate changes. Executing this plan over the next three years will help us achieve our refreshed vision of being 'the world's most trusted staffing company'.

Impellam people

We continue to operate in a distinctive multi-branded environment, where we celebrate the differences of our market-facing businesses. We actively encourage our Managing Directors to develop personality businesses befitting their respective markets. By way of example, we do not want our science brand SRG to look and feel like our legal brand Chadwick Nott or our new engineering brand Carbon60 to look like our Healthcare brand Medacs. We believe that people like working with, and for, experts and specialists in their field. We believe our approach means that we attract, recruit, reward and retain the best people in the industry.

Notwithstanding the differences in our businesses, all Impellam people, wherever they work in the Group, are focused on four signature practices.

- **Tuning into customers:** We see the world through our customers' eyes and work with them to make their businesses better in a changing world
- **Producing stars:** We provide fulfilment and a sense of purpose to our people
- **Managing promises:** We make and keep promises to our customers, our candidates, our investors and each other and believe this will make us the world's most trusted staffing company
- **High integrity leadership:** We take a stand and lead our people with passion and purpose

I would like to take this opportunity to thank all Impellam people for their hard work, commitment and support during 2013. It has been a year of significant change and progress, which has laid the foundations for our future growth and success.

Career Teachers

We completed the acquisition of Career Teachers Limited, for a total consideration of £22.3 million on 6 March 2014.

Founded in 2004, Career Teachers is a specialist education recruitment business which sources short and long-term teaching staff from the UK and internationally, placing them in positions with over 450 primary and secondary schools across London and the surrounding boroughs.

I am delighted that the management team who have been responsible for the growth and success of Career Teachers will be staying with the business and will take it on to the next stage of its growth and development within the Group. Career Teachers is a market leader in the provision of teachers and is an excellent fit into our Specialist Staffing portfolio. Whilst Career Teachers complements our existing Celsian Education business, which is a leading regional player in the provision of teachers to schools and colleges, the personality and identity of the Career Teachers brand will be retained and the two businesses will continue to be managed separately.

This acquisition will strengthen the Group's position as a market leader in the education market in the United Kingdom.

Conclusion

As we emerge from a long period of global recession into a changed world, we believe the time is right for our plan to succeed. The explosion of digital, web and cloud based services means that we must continue to re-evaluate both the way we do business and our individual service propositions. We must learn lessons from other service sectors about building a better business; a business that is ethical, compliant, purposeful and trusted to deliver on its promises.

Julia Robertson
Group Chief Executive Officer

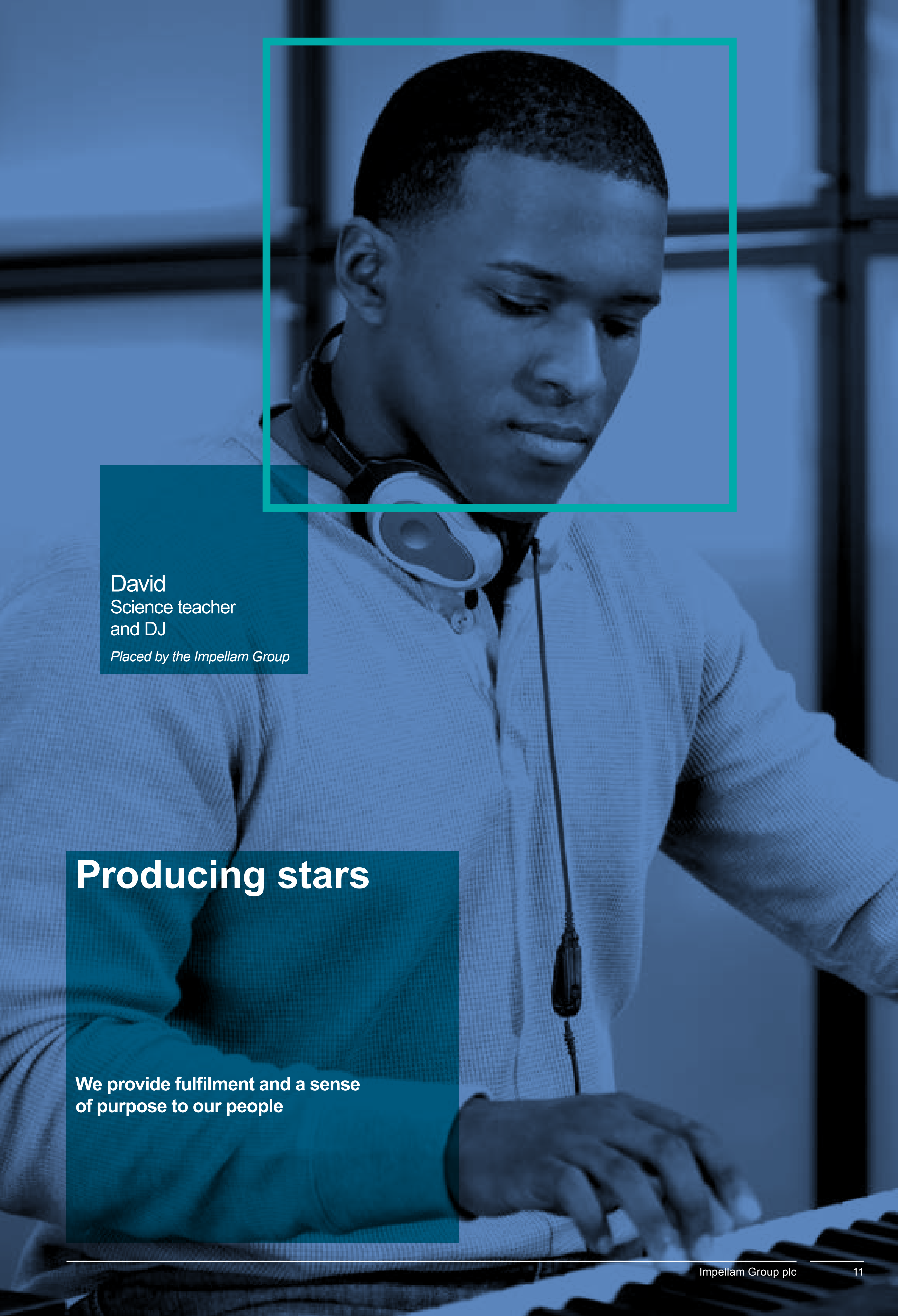
Our strategy

Creating long-term value

Andrea
Marine biologist and extreme sportswoman
Placed by the Impellam Group

Tuning into customers

We see the world through our customers' eyes and work with them to make their businesses better in a changing world



David
Science teacher
and DJ

Placed by the Impellam Group

Producing stars

We provide fulfilment and a sense of purpose to our people

Sarah
Nurse and violinist
Placed by the Impellam Group

Managing promises

We make and keep promises to our customers, our candidates, our investors and each other and believe this will make us the world's most trusted staffing company

Ty
Chef and skateboard enthusiast

Placed by the Impellam Group

Inspirational, high integrity leadership

We take a stand and lead our people with passion and purpose

A consultative approach, delivered by staffing professionals

Impellam United Kingdom (UK) is a leading provider of Managed Services and Specialist Staffing expertise to a diverse range of small, medium and large organisations in the UK, Europe and Australasia.

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m	% change
Revenue	**772.5**	762.2	1.4%
Gross profit	**104.4**	102.6	1.8%
Administrative expenses*	**76.6**	76.1	0.7%
EBITDA*	**30.8**	30.0	2.7%
Operating profit*	**27.8**	26.5	4.9%
Non-recurring items	**–**	1.7	
Gross profit %	**13.5%**	13.5%	
EBITDA return on sales %	**4.0%**	3.9%	
Conversion ratio	**26.6%**	25.8%	
Permanent fees % of gross profit	**17.0%**	16.6%	

*Before non-recurring items and corporate costs.

> “Impellam UK is well positioned to identify and respond to a wide variety of client needs.”

Business model and strategy for the division

With a consultative approach, delivered by staffing professionals, Impellam UK is well positioned to identify and respond to a wide variety of client needs, including flexible workforce planning, high volume labour supply and expert-to-expert Specialist Staffing. Our Managed Services programmes form strategic partnerships with clients. They are designed to meet a range of requirements, including labour flexibility, the need for visibility, control, improved efficiency and productivity, whilst enabling adherence to both the client’s internal and legislative compliance standards. In addition, the business is a market innovator, with its fixed price, statement-of-work and other client-specific business process outsourcing models.

Solutions provided to clients range from the attraction, engagement, mobilisation and management of large contingent workforces, or volume recruitment initiatives, through to the identification, sourcing and placing of specialists into a diverse range of organisations. By adopting a principle of ‘experts engaging with experts’ Impellam UK employs professional consultants from within the industries it serves who truly understand the precise nature of the work or projects to be completed.

Clients not only benefit from getting the right person for the job, but from insightful analysis, reliable cost management across a range of workforce related spend, compliance, workforce planning and sustainable efficiencies to support future growth. Impellam UK is a key partner for clients who depend on dynamic workforces, enabling them to optimise and gain more control of their investment in people. A strong orientation towards candidates means we focus on providing fulfilling work and a sense of purpose to the individual, which can only reflect well upon the businesses that we serve.

Market focus

Impellam UK operates in a distinctive multi-brand environment. Within each specialist recruitment brand our teams source and recruit specifically skilled personnel, such as lawyers, accountants, teachers, scientists, receptionists, drivers, chefs, administrators, shop assistants and engineers, to name but a few.

Likewise, each brand has the sector-specific knowledge, skills and talent management capabilities needed to attract, engage and mobilise candidates across the UK and increasingly in our professional and technical markets across Europe and beyond.

A national network of offices combined with on-site and virtual service capabilities provide geographic reach and high levels of engagement with our people.

Performance and results

Revenue growth in 2013 of £10.3 million represents a modest increase of 1.4% over the prior year. This growth was achieved principally in our Managed Services businesses and our specialist legal, education and scientific brands. Growth in these areas was offset by contraction in some businesses where clients' demands reduced or where talent became harder to source. Revenue growth in the final quarter had increased to 2.9%, reflecting increasing demand in the network business.

Gross profits increased by 1.8% (and by 6.9% in the last quarter of the year) on the back of a shift in business dynamics with permanent recruitment activity increasing at a faster rate than temporary recruitment activity.

A tight control of costs was again a focus of the business. The cost base was held broadly flat at £76.6 million compared to £76.1 million in 2012.

Cost efficiencies, arising from historic branch network streamlining in the Blue Arrow business, have been offset by selective investments made within our growth markets of Managed Services and our specialist legal, education and scientific brands.

Many of our businesses required increased investment in headcount towards the end of the year as a result of improving markets and increased activity. Accordingly, fee earning personnel within our Specialist Staffing brands ended the year at 791, up from 753 at the start of the year. They have been deployed in both our core UK markets and our burgeoning mobile global talent workforce.

Operating profits increased from £26.5 million in 2012 to £27.8 million in 2013 on the back of increased margins and controlled costs. Operating profit conversion rose from 25.8% to 26.6%, which we believe to be an industry leading figure.

Priorities for the year ahead

In 2014 Impellam UK will focus on:

- Gaining increased market share in Managed Services
- Enhancing our existing propositions in our Specialist Staffing businesses by delivering bespoke services, backed up by service promises and guarantees
- Getting better at making, keeping and delivering promises
- Providing easier access to fulfilling work for our candidates

Candidates at the heart of our business model – Blue Arrow

Blue Arrow has worked with the Government on back-to-work initiatives since 2009 and more recently worked with the Department for Work and Pensions on the Government's Youth Contract. Blue Arrow placed more Youth Contract candidates than any other company in the UK, and in the same year found jobs for more than 11,000 16–24 year olds and over 5,000 people over 50. Blue Arrow has also partnered with Jobcentre Plus and Learn Direct to provide practical skills-based pre-employment training for unemployed young people and Remploy to provide better employment opportunities for disabled people.

Sharmin Khan graduated in biomedical sciences in 2010 but had trouble finding work. After an eight-week work experience placement, she joined the Welfare to Work programme and became an agency worker for the county council. It was around this time that she met a recruitment consultant at Blue Arrow, who brought Sharmin in on a temporary basis. After completing the project, Blue Arrow kept Sharmin on as a support consultant. Sharmin said: "Joining Welfare to Work was a major step in my life because for the first time, I had one-to-one guidance." She learned how to improve her CV and get her professional career going. Sharmin commented that: "Blue Arrow had been a major part of my life and I don't know what I would have done without its support."

Blue Arrow is now also working with the Peter Jones Foundation to provide work experience placements that make a lasting impression on young people's lives.

By putting our candidates at the heart of our business model, we make it easy and fulfilling to find work. Through an impeccable blend of people and process, we will make sure that candidates are placed in the right job for them and are treated with dignity and respect.

Brands

Impellam North America

Renowned specialist recruitment service to our clients

Impellam North America (NA) is renowned for providing a specialist recruitment service to its clients. Core business revolves around the expert delivery of Managed Services and Specialist Staffing, providing quality talent where it is needed.

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m	% change in local currency
Revenue	**192.4**	178.0	6.6%
Gross profit	**39.1**	36.0	7.4%
Administrative expenses*	**34.1**	32.2	4.5%
EBITDA*	**6.6**	4.9	33.8%
Operating profit*	**5.0**	3.8	32.2%
Non-recurring items	**–**	0.9	
Gross profit %	**20.3%**	20.2%	
EBITDA return on sales %	**3.4%**	2.8%	
Conversion ratio	**12.8%**	10.6%	
Permanent fees % of gross profit	**1.1%**	1.8%	

*Before non-recurring items and corporate costs.

> Impellam NA has implemented a strategy that centres on the client.

We form strong, strategic partnerships with our clients and work in tandem to deliver bespoke solutions to solve workforce challenges.

Business model and strategy for the division

Having received direct feedback from our customers, Impellam NA has implemented a strategy that centres on the client. We provide them with a single contact, responsible for co-ordinating the delivery of services across multiple skill sets.

Impellam NA's internal organisation operates in a cohesive team environment, which empowers employees and celebrates performance. The flat structure is aligned with the business strategy of staying focused on client and candidate satisfaction and supporting an agile and entrepreneurial approach.

During 2013, Impellam NA transitioned into an integrated front and back office MS Dynamics solution, allowing the business to move to a disciplined client-centric operating model with unified sales and operations. This has created a strong, sustainable business model, improving divisional performance and economic value. Brand silos have been removed, creating a shared service support model and a competitive advantage. This has led to a more robust financial performance. Business integration is driving a wealth of corporate insight capabilities with standardised data, common metrics and operational efficiencies across the division.

Market focus

Impellam NA sells and delivers through two primary channels: Managed Services and Specialist Staffing, aligned by twelve identified verticals and nine major geographic markets. Services and solutions include: Temporary & Contractor Staffing Services, Resource Process Outsourcing (RPO), Managed Service Programmes, Direct Hire, Payroll Services, Independent Contract Compliance and Integrated Workforce Solutions.

Impellam NA's talent bank consists of multiple skill sets such as: IT, telecom, industrial, accounting/finance, admin/clerical, sales, call centre, scientific, clinical and other professional trades.

Performance and results

Impellam NA saw revenues increase by 6.6% from £178.0 million in 2012 to £192.4 million in 2013. In local currency, the business broke through the US$300.0 million revenue barrier, the first time that this has happened since 2008. Similarly, gross profit increased, up by 7.4% from £36.0 million in 2012 to £39.1 million in 2013.

Pleasingly, the gross profit per cent has been maintained at 20.3%. The business has now seen seven consecutive quarters of year-on-year revenue and gross profit growth. The business has increased administrative expenses by 4.5% driven by increased sales and client-facing positions, whilst continuing to reduce the property portfolio through increased use of delivery centres.

EBITDA has increased by 33.8%. The investment made in IT applications has resulted in an increase in depreciation and amortisation resulting in an operating profit increase of 32.2% to £5.0 million in 2013 from £3.8 million in 2012. Conversion has increased to 12.8% from 10.6% in 2012. The business will continue to improve conversion in 2014.

Priorities for the year ahead

In 2014 Impellam NA will focus on:

- Viewing the world from the client's perspective
- Continuing to drive greater client and candidate satisfaction
- Improving Group conversion of Managed Service revenue
- Increasing market share in Managed Services and RPO
- Tuning into customers and achieving organic growth in strategic accounts
- Expanding the Specialist Staffing portfolio

Managed Services – Guidant Group

A core part of our strategy is to see the world through our customers' eyes and make sure we are working with them to make their businesses better. United Airlines have been working with Impellam North America since 2000 through our CORESTAFF Services brand where we were the primary supplier of non-IT staff for the airline. Over the last three years, and as United Airlines' needs have changed, the Impellam North America team worked closely with stakeholders to evolve the service, firstly by adding IT staffing services and ultimately by rolling out our Managed Service Programme (MSP) for the IT division under the Guidant Group brand.

We now manage a workforce of some 1,000 temporary staff and contractors for United, 400 of which are IT contractors and the remainder across a wide spectrum of United's operations, including Airport Operations, Finance, Flight Operations, Human Resources, Technical Operations, and Reservations. In addition to fulfilling all United's contingent recruitment needs, Guidant Group is proactively engaged in running strategy sessions for retirees and voluntary early retirees, provides support for temporary workers between assignments and manages United's internship programmes. United benefit from an integrated recruitment programme and full visibility and control of their contingent workforce.

Brands

IMPELLAM NORTH AMERICA
Guidant group
Leafstone®
CORESTAFF SERVICES Work With All the Possibilities

Medacs Healthcare Group

A leading international provider of healthcare staffing solutions

Medacs Healthcare Group is a leading international provider of health and social care staffing solutions for both the public and private sectors. Medacs Healthcare's expertise includes specialist medical recruitment services, a variety of managed services and innovative outsourced healthcare programmes.

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m	% change
Revenue	**172.1**	187.7	(8.3)%
Gross profit	**25.3**	26.0	(2.7)%
Administrative expenses*	**20.2**	17.7	14.1%
EBITDA*	**5.8**	9.0	(35.6)%
Operating profit*	**5.1**	8.3	(38.6)%
Non-recurring items	**–**	0.3	
Gross profit %	**14.7%**	13.9%	
EBITDA return on sales %	**3.4%**	4.8%	
Conversion ratio	**20.2%**	31.9%	
Permanent fees % of gross profit	**7.1%**	7.8%	

*Before non-recurring items and corporate costs.

“Medacs Healthcare is renowned as a provider of business solutions.”

Business model and strategy for the division

Medacs Healthcare's specialist staffing business supplies the full range of medical professionals on a temporary or permanent basis. Clients include the NHS and the private healthcare sector in the UK, as well as hospitals and other health facilities in Europe, Australasia, Singapore, the Middle East and South Africa. Areas of recruitment specialisation include: doctors, nurses, social workers and allied health professionals such as pharmacists, dentists and therapists. They are almost exclusively supplied through framework agreements. Medacs Healthcare is renowned as a provider of business solutions.

The Managed Services business provides vendor management and staffing solutions to its clients, organising the supply and deployment of doctors and nurses. This enables Trusts to achieve significant savings on staffing costs through demand management, improved management information and the guidance of on-site specialist consultants. The 'Medacs Vantage' service offers the potential for further savings using the unique software platform 'Envoy'.

Medacs Healthcare's outsourced programmes include forensic medical and prison health, primary care, homecare, and occupational health. Medacs' contacts and reputation means it is well placed to respond to the increasing role of the NHS in the commissioning of these services. Working from one primary contact centre Medacs Healthcare has the flexibility of on-demand response combined with consistency of compliance through an extensive candidate database, supporting the fulfilment of contracts and individual job orders.

Market focus

Within the public and private sectors Medacs Healthcare's services are aligned to specific markets and clients. The predominant focus in the UK is on the NHS as well as a strong emphasis on Local Authorities and the Police. Sector focus is on doctors, nursing and allied health professionals globally, and on the social care sector specifically in the UK. Medacs Healthcare provides forensic services to the Police and medical resources for health assessments.

In overseas markets, Medacs Healthcare's focus is on the public and private sectors in equal measure.

Medacs Healthcare continues to develop more strategic relationships with clients through a partnership approach, introducing vendor management, managed service and demand management solutions to organisations looking to achieve savings and visibility on their staff costs, and improved efficiencies in the deployment of staff whilst maintaining the quality of care.

Performance and results

Medacs Healthcare experienced a headline 8.3% reduction in revenue in 2013. Some £12.0 million of this movement was attributable to the introduction of VAT mitigation schemes where Medacs becomes the agent rather than the principal in the supply chain. Only the gross profit of the underlying transaction is therefore recognised. The movement when this is taken into account was a 1.9% reduction. Medacs expects the penetration of such schemes to continue until such time as HMRC clarifies its policy, which currently results in the leakage of VAT from the Treasury.

Gross profit declined by 2.7% from £26.0 million in 2012 to £25.3 million in 2013, whilst the gross profit per cent moved up from 13.9% in 2012 to 14.7% in 2013. When adjusted for the impact of VAT mitigation schemes, the underlying gross profit per cent fell marginally to 13.8%. Given the pricing pressures arising from the new frameworks this is a creditable performance.

Administrative expenses rose by 14.1% in the year, from £17.7 million to £20.2 million.

The rise was partly driven by investment in addressing the escalation in market complexity and the increased focus on compliance, such as the introduction of doctor revalidation in the marketplace. These market driven investments represented about £1.1 million of the total movement in costs. The other part of the increase, representing about £1.7 million, was driven by investment in business growth, primarily in nursing, managed services and permanent recruitment. These investments, amounting to approximately £2.8 million, were offset by efficiency savings of £300k.

Operating profit reduced by £3.2 million from £8.3 million in 2012 to £5.1 million in 2013, primarily as a result of the increase in investment to support business growth and to address increased complexity and compliance in the marketplace.

Performance in the second half of the year improved as the benefits resulting from the investments started to pay back. Gross profit was 7.4% higher in the second half of the year whilst operating profit was 43% up on the first half.

Priorities for the year ahead

In 2014 Medacs Healthcare Group will focus on:

- Doctors' business to return to growth in 2014 as candidate initiatives take effect
- Providing further investment and accelerated growth in nursing and allied health professional businesses
- Increasing market share across all other recruitment sectors in the UK
- Moving our clients through the value chain and into vendor management, Managed Service and demand management solutions; reinforcing our market leading position
- Organic growth within existing territories for our overseas businesses, aided by our common technology platform
- Continuing to build strategic partnerships with our clients by providing long-term sustainable solutions

Specialist Staffing – Medacs Healthcare and the NHS Challenge

To meet a complex challenge you need a specialist.

Medacs Healthcare, a Government approved supplier with over 20 years' experience, delivered more than 4 million hours of care in 2013. We are one of the key healthcare experts the NHS is turning to.

Over recent years the NHS has been subject to some of the most wide ranging reforms since it was founded. Targeted with delivering improved quality of care and billions of pounds worth of efficiency savings, many Trusts have turned to Medacs to guide them. By combining our traditional medical staffing expertise with new and innovative solutions and technologies, Medacs is transforming the market and delivering tangible benefits such as real cost savings through efficiencies, rota management and consolidated invoicing.

Quality cannot be compromised in the healthcare market and will always remain at the heart of the proposition. Our rigorous selection process ensures that we deliver the very best talent to our customers. Fewer than half of applicants make it through our stringent recruitment process. As the leading supplier of locum doctors in the UK, Medacs Healthcare has led the way in locum revalidation, first running the NHS Revalidation pilot before establishing our own specialist internal revalidation team to give doctors the best support.

In challenging times, candidates and clients alike are turning to an expert for support and Medacs is the healthcare staffing specialist.

Brands

medacs HEALTHCARE

Carlisle Support Services

Supplier of outsourced workforce solutions to commercial and public sector clients

Carlisle Support Services (CSS) is a supplier of outsourced workforce solutions to commercial and public sector clients. Our focus is on security and cleaning for the transport, retail and leisure sectors across the UK, Ireland and mainland Europe.

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m	% change
Revenue	74.0	82.9	(10.7)%
Gross profit	4.5	9.5	(52.6)%
Administrative expenses*	8.5	9.1	(6.6)%
EBITDA*	(3.6)	0.7	(614.3)%
Operating (loss)/profit*	(4.0)	0.4	(1,000.0)%
Non-recurring charge	23.3	1.3	
Gross profit %	6.1%	11.5%	
EBITDA return on sales %	(4.8)%	0.8%	
Conversion ratio	(88.9)%	4.2%	
Permanent fees % of gross profit	7.1%	7.8%	

*Before non-recurring items and corporate costs.

> “CSS has the ability to mobilise quickly to reduce a client’s costs and time to market.”

Our primary services centre on: cleaning and ancillary services, security, crowd management and stewarding services for major transportation and event venues.

Secondary services include: on-demand merchandising support; managing customer returns for retail stores; shop fitting, specifically bespoke joinery and unitary manufacture; fit-out and installation services.

Business model and strategy for the division

CSS focuses on the provision of quality outsourced services, which are business critical to clients in the ultimate delivery of their products. CSS has the ability to mobilise quickly to reduce a client’s costs and time to market.

CSS's business model is based on the ability to support change management and client demand for capacity. We are able to quickly and effectively react to client requirements. Through working with Blue Arrow, an Impellam brand, CSS provides specific skills and services nationally, supported by a local delivery model.

A strategy has been adopted centred on CSS's target markets with services that are defined by people, optimised processes and technology. Discrete industry specific capabilities have been created for each vertical market served. In addition, CSS has developed strategic partnerships with clients that focus on client service drivers and key performance indicators, co-creating superior value and standards for their clients.

Market focus

CSS's outsourced workforce solutions are focused on dedicated target markets in transport (bus and rail), retail and leisure, providing service offerings that are designed and tailored to each chosen market.

Through close alignment and market focus CSS's outsourced service offering allows clients to control costs and focus on their core business activities. Fostering a close strategic relationship with their clients, CSS understands that key service drivers are the foundation of the partnership, allowing complex problems to be resolved whilst delivering high service standards.

CSS gives its clients the time they need to run their core business by eliminating the distraction of running non-core activities, delivering both cost savings and ongoing cost control. Most importantly, CSS's people align themselves to each client's culture and values, providing a seamless extension to, and integration with, any client team.

Performance and results

The financial performance for 2013 was unacceptable and management was changed at the half year.

The business had two long-term contracts, one a substantial first generation outsourcing agreement, which has proven to be operationally complex, badly priced and financially onerous. Full provision has been made for the costs of the exiting of one and expected future ongoing losses of the other whilst we seek remediation. In addition, there was an impairment of consequently impacted fixed assets directly associated with these contracts. The total charge of £23.3 million is to be taken as a non-recurring item.

As well as changing the divisional management team, accounting, legal and HR support functions have now been incorporated into the Group's shared services environment. This will provide improved visibility and control as well as resilience and the sharing of best practice.

The core security and cleaning business remains on a reasonably solid financial platform mainly in the transportation sector, whereas the retail, interiors and leisure divisions again experienced difficult trading conditions in 2013.

Priorities for the year ahead

In 2014 CSS will focus on:

- Returning trading performance in line with the market norms
- Shaping our long-term strategy in order to drive the business forward
- Strengthening our management team and galvanising our workforce with a renewed sense of purpose

Tuning into customers – CSS

Greater Anglia is a British train operating company owned by Abellio. It provides local, suburban and express services from London Liverpool Street station to destinations in Essex, Hertfordshire, Cambridgeshire, Suffolk and Norfolk in the East of England. Carlisle Support Services became the partner of choice to provide revenue protection and customer services people to support the Greater Anglia team in providing 88 'Making Travel Safer' officers and 120 'Gateline' personnel through a managed service model.

Their challenging business target was to reduce the levels of ticketless travel across the network from 9.9% to below 5% in its first year of operation. The pioneering 'Making Travel Safer' initiative integrated deployment of skilled agency staff alongside permanent revenue protection officers to improve customer satisfaction through making people feel safer and more secure when travelling. Greater Anglia, in partnership with Carlisle and the British Transport Police (BTP), reduced fare evasion to below 5% in the first year with a further reduction in the second. Total crimes reported to the BTP reduced by 14% and passenger perceptions of personal security across the network greatly improved. Consequently, the service was shortlisted in the Best Partnership of the Year category of the European Rail Congress Annual Awards for 'Working in Partnership – Making Travel Safe Officers (UK)'.

Quite simply, Carlisle tuned into Greater Anglia, saw the challenge through their eyes and helped them make their business better.

Brands

Carlisle Support Services

Robust results during a challenging year

The operational performance of the Group has been discussed on pages 4 to 21. This Finance report therefore focuses on the Group's cash flow, financing, going concern and the principal risks facing the business.

Cash flow

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
(Loss)/profit before taxation	(1.1)	15.8
Add back non-cash items:		
Net finance expense	1.5	1.5
Depreciation, amortisation and impairment	10.9	15.1
Other non-cash items	0.6	(0.2)
Cash from operations before working capital changes	11.9	32.2
Movements in working capital	10.9	0.7
Cash generated by operations	22.8	32.9
Taxation paid	(4.5)	(6.2)
Net finance expense	(1.1)	(1.2)
Investing activities	(5.7)	(4.4)
Free cash flow	11.5	21.1
Foreign exchange	(0.6)	(0.2)
Issue of shares	0.1	–
Share buy backs	–	(2.8)
Dividends	(19.8)	(3.1)
Movement in net cash	(8.8)	15.0

The net cash generated by operations before working capital changes in the period was £11.9 million after providing for onerous contract costs, contract exit costs and the associated impairment of fixed assets in Carlisle (2012: £32.2 million, including £4.2 million spent on the final aspects of the Group restructure and £1.5 million on capital reorganisation completed in the period).

The net cash generated from operations during the period was £22.8 million (2012: £32.9 million). Movements in working capital were again tightly managed during the period with working capital contributing £10.9 million to cash generated from operating activities.

The principal measure of working capital remains DSO. At the end of 2013, DSO stood at 37.2 days, an improvement of 1.2 days on the prior period. However, with recovering markets and increasing trading activity, it is expected that investment will be required in working capital going forward. Day-to-day control of cash and oversight of working capital sufficiency will therefore continue to be a priority for the Group finance functions underpinned through specific individual and team performance targets.

Net capital expenditure in the period was £5.8 million (2012: £4.9 million). In addition to further improvements in data centre operational efficiency, a significant investment has been completed in the back office systems in our US operations.

Existing pay and bill applications have been replaced with a single front to back office suite of tools. We are seeing the benefits with improved management information and a reduction in processing time.

In addition, investment has been made in our VMS platforms E-volution, C.Net and Envoy which are delivering significant benefits both in terms of client experience and front office efficiencies.

In the UK investments have been limited to contract-specific asset purchases, essential branch refurbishments and development of certain front office platforms.

Cash generated by the business was returned to shareholders in the form of dividends. In addition to a final dividend of 5 pence per share for 2012 and an interim dividend of 5 pence per share for the 2013 period, there was a special dividend of 35 pence per share, resulting in a total of £19.8 million paid

The net cash position of the Group was as follows:

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Cash and short-term deposits	35.1	37.8
Revolving credit facilities	(27.1)	(21.0)
Net cash	8.0	16.8

during the period. The return of cash to shareholders remains a primary objective of the Group where other earnings enhancing opportunities are not identified.

A net finance expense of £1.1 million (2012: £1.2 million) reflects continuing low borrowing costs in the UK linked to base rates. In the US interest costs were also marginally lower due to reduced levels of borrowing offset by higher costs for letters of credit related to workers' compensation obligations.

Treasury and capital structure

In February 2013 the Group successfully renewed the receivables finance agreement in the UK with Barclays Bank plc. The renewed facility has been increased to £70 million and is fully committed until February 2016. The facility provides the UK Group with continued operational flexibility.

The receivables financing facility includes a financial covenant linked to the Group's leverage. At 27 December 2013, and throughout the period, the Group was in compliance with this financial covenant.

In the US in February 2014 the Group had a $25 million receivables financing facility with CIT. This facility has been renewed on improved terms for a further three years following a competitive tender process in late 2013.

Rates of interest for the invoice discounting facilities are based on UK base rate plus a margin of 1.50% in the UK, and in the US, US Prime plus 1.75%.

In addition, at 27 December 2013 the Group had outstanding letters of credit drawn against its US borrowing facilities amounting to £4.2 million (2012: £3.8 million).

The focus for the Group in 2014 will be to build on the improvements made in the last few years in the conversion of EBITDA into sustained positive cash flow and the management of working capital as demand for temporary labour starts to increase in recovering markets. Cost control, DSO management and overall working capital efficiency are fully incorporated into business objectives.

Borrowing levels are controlled by the Group finance department which manages treasury risk in accordance with policies set by the Board. The Group finance department does not engage in speculative transactions nor does it operate as a profit centre. Short-term debt and cash are maintained at floating rates.

The Group's financial liabilities are denominated primarily in sterling. The US operations' profit streams and net assets when reported at a Group level are affected by movements in exchange rates, but the Group does not hedge this exposure. Exposure to currency risk at a transactional level is minimal, with most transactions being carried out in local currency.

Taxation

A tax credit of £0.1 million (2012: charge £6.0 million) was recorded in the period. A full tax deduction is available against the onerous contract provisions. The Group has limited UK trading tax losses brought forward, but has access to substantial tax losses in the US, the use of which is subject to certain restrictions.

Within the UK the Group is a major contributor to the UK Treasury. During the period the UK businesses collected and remitted payments to the UK Treasury amounting to £279.6 million (2012: £281.8 million) in the form of VAT, income tax and national insurance as well as corporation tax. Of this amount, employer's national insurance and corporation tax of £54.3 million (2012: £59.6 million) represented a cost to the business.

Capital management

The Group's capital base (note 26) is primarily used to finance 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 strictly adhered to and monitored with approval of extended payment terms requiring senior finance involvement in accordance with delegated authority policies. One of the primary drivers in the move to a shared services back office is to ensure adherence to these policies.

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 below 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.

Financial risk management

The Group's objectives and policies relating to financial risk management are fully explained in note 26 on pages 63 to 65.

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 plans for the coming period together with outline projections for 2015. Using this planned level of profit, expected returns to shareholders and planned capital expenditure, the amount of borrowing required to fund the Group's activities is determined. This is then compared to the bank lending facilities currently committed and expected to be available to the Group. The excess of facilities over and above the funding requirement is known as 'headroom'.

Also considered is the projection of compliance with the financial covenant implied by these plans. In addition, these figures are overlaid by various sensitivities to take account of possible changes to the economic environments in which the Group operates. The impact on Group headroom and covenant of each of these sensitivities is then considered together with the likelihood of each of these occurring either singly or in combination. The Directors' conclusions on going concern remain valid even when using the sensitised projections.

On a regular basis, and at least quarterly, the Board review updated projections of future borrowing requirements, facility usage and resulting headroom, together with projected covenant compliance; these are based on the latest actual results and borrowing position supplemented by regularly updated profit forecasts.

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

Insurance

The Group maintains a comprehensive insurance programme with a number of 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.

Principal risks facing the business

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

The principal risks and uncertainties are discussed below.

Market risks

Risk area	Impact	Mitigation
Economic conditions	The performance of the Group has a close relationship with the underlying employment trends, economic trends, economic environment, and government policy of the countries in which we operate. Not being flexible to current economic conditions could have a negative impact on the performance of the business.	Part of the Group's strategy is to grow the size of the business in order to reduce the Group's exposure and dependence on any one specific market sector in any one economy. In addition, the balance of Managed Services and Speciality Staffing within the business portfolio provides some hedge against the economic cycles.
Public sector	The public sector markets in which the Group operates are directly dependent on funding from local and national government organisations. Any change in policies could have an adverse effect on certain sectors of the Group's business.	The Group monitors the industry trends in these sectors very closely and flexes its cost base as appropriate to manage peaks and troughs in demand.
Competition	The recruitment industry, in the countries in which the Group operates, is highly competitive and fragmented. Competitor risk manifests itself in continued competition for clients and candidates and in pricing pressures.	The Group continues to innovate in terms of both service offerings and service delivery. The Group strategy is more fully outlined in the Chief Executive Officer's Report on pages 6 to 8. Through the use of technology and process our offerings can become embedded in client businesses.
Investment in new sectors and new geographical markets	Failure to grow into new sectors could result in saturation point in current sectors. Failure to grow into new geographical markets could affect the business growing globally which is part of our strategy.	The Group continues to monitor developments in the marketplace and responds to opportunities. The corporate development strategy also targets new sectors and new geographies.
Attraction of candidates	A failure to attract skilled candidates in the marketplace will limit the growth of the business.	Through the use of distinctive specialist brands with 'experts recruiting experts' and use of the latest candidate attraction software, coupled with the creation of the Impellam talent bank, will ensure that the right candidates can be sourced for clients.

Operational risks

Risk area	Impact	Mitigation
Attracting and retaining talent	Our people are important assets to us. To retain them in a competitive market can be challenging.	We provide training to develop our people to the best of their abilities. We also aim to provide competitive remuneration packages and a professional working environment. Our specialist brands' strategy is in place to attract and retain the best people.
Technology systems including data security	IT systems can become out of date quite quickly. The Group is also reliant on many different technology systems which can be vulnerable to matters beyond the Group's control such as natural disasters, power failures etc.	The Group has undertaken a review of its technology. We have a plan in place to leverage efficiency and competitive advantage with our IT and continue to develop and enhance controls and associated disaster recovery systems. Data protection remains a key priority and specific contractual provisions exist to ensure safety and security of confidential data.

Financial and compliance risks

Risk area	Impact	Mitigation
Contractual complexity	In certain marketplaces, the Group's customers and clients are becoming increasingly sophisticated in procurement and buying activity. This manifests itself in the form of complex and detailed competitive tendering activity and longer lead times in decision making. This requires increasing investment in our tendering processes and the sophistication of our selling activities.	The Group has centralised and expanded the central contract review and compliance department. New roles have been created to respond to this risk and improve tender response and risk review.
Contract tendering	Failure to properly negotiate and price long-term for all aspects of service delivery, contract risk and contract performance obligations can lead to contracts which become operationally complex and/or financially onerous.	The Group has centralised contract pricing and tendering in a shared services function. This more clearly separates and delineates roles and responsibilities to provide more oversight and challenge. A sophisticated risk scoring system has been introduced with escalation processes to ensure that complex contracts are reviewed by the Group Board where appropriate.
Compliance and regulatory environment	The provision of staffing and support services requires an ever increasing number of checks for compliance, whether it is on a client contractual basis which in turn can vary depending on sector and geography.	The Group takes its responsibilities very seriously and is committed to meeting all of its regulatory responsibilities and regularly reviews its policies, processes and systems to reflect best practice. All employees are trained and informed on any new requirements. The Group also has a compliance team who regularly conduct checks to ensure standards are being maintained.
Financial control	A failure of financial control could lead to a material loss to the business.	We are creating a shared services environment for finance processing and have reduced the number of back offices. Transactional and management accounting are now independent of operations to reduce the incentives to distort results. A larger function also provides more scope for the segregation of duties.

Andrew Burchall
Group Finance Director

This Strategic Report was approved by the Board on Thursday 6 March 2014.

RJ Watson
Company Secretary

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Impellam Group plc

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 auditors' reports for the fifty-two weeks ended 27 December 2013.

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, Australia, New Zealand, Singapore and South Africa.

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 fifty-two weeks ended 27 December 2013 are set out on pages 32 to 69. The Group loss for the period was £1.0 million (52 weeks ended 28 December 2012: profit £9.8 million), which is transferred to reserves.

As announced in December 2012, a one-off special dividend of 35 pence per share, £15.4 million in total, was paid on 10 April 2013. This payment broadly equated to the cash flow in 2012 over and above that required for funding day-to-day operations, taxation and interest payments. During the year a final dividend of 5 pence per ordinary share in respect of 2012 was declared and paid on 10 July 2013. Furthermore an interim dividend of 5 pence per ordinary share was declared and paid on 2 September 2013.

Subject to shareholder approval, the Board are proposing a final dividend in respect of 2013 of 7 pence per share, amounting to £3.1 million to be paid on 25 July following the Annual General Meeting.

The final and interim dividends equate to an aggregate distribution to shareholders of £5.3 million in respect of 2013.

Total dividends of 12 pence in respect of 2013 are more than four times covered against adjusted earnings per share.

Directors

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

Andrew Wilson	Non-executive Director and Chairman
Julia Robertson	Chief Executive Officer (appointed 8 April 2013)
Andrew Burchall	Group Finance Director
Angela Entwistle	Non-executive Director
Mike Ettling	Independent Non-executive Director (appointed 2 September 2013)
Lincoln Jopp MC	Independent Non-executive Director (appointed 23 January 2013)
Eileen Kelliher	Independent Non-executive Director
Shane Stone	Independent Non-executive Director

Board of Directors

Andrew Wilson
(Chairman)

Andrew Wilson was appointed as Chairman of the Company in November 2012. Andrew has served as a Non-executive Director of the Company since May 2008. Prior to that, Andrew was a Non-executive Director of The Corporate Services Group plc since March 2003 until its merger with Carlisle Group Limited created Impellam. Andrew is Chairman of Jaywing plc, Dods plc and Local World Limited and a Non-executive Director of TLA plc, Shellshock Limited and Gusbourne plc. He is also a Non-executive Director of a number of private companies. Andrew is not considered to be independent due to his informal links with the major shareholder.

Julia Robertson
(Chief Executive Officer)

Julia Robertson was appointed Group Chief Executive Officer of the Company in April 2013. Julia joined Carlisle in 2000 following the acquisition of the Tate business. Following the 2008 Impellam merger, she was appointed as the divisional CEO of Impellam's UK Staffing businesses. Prior to working for the Group, Julia was Chief Executive of the Institute of Employment Consultants (now known as the Recruitment Employment Confederation), the professional body for the UK recruitment industry in the UK and founded her own recruitment business, which was sold to Carlisle alongside Tate. Julia is also a Non-executive Director, and sits on the Board of Trustees, for Trinity Hospice.

Andrew Burchall
(Group Finance Director)

Andrew Burchall was appointed as Group Finance Director of the Company in May 2008. Previously, Andrew was Group Finance Director of The Corporate Services Group plc since September 2007. Andrew joined CSG as Finance Director of Comensura in 2001. In April 2004, he became the Finance Director of Medacs Healthcare. Andrew qualified as a Chartered Accountant with PricewaterhouseCoopers.

Angela Entwistle
(Non-executive Director)

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 Impellam Ventures Limited (formerly Bearwood Corporate Services Limited) and Dunkeld International Investments Limited. She 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. Angela is significantly involved in a number of charities including acting as Trustee of both Crimestoppers, the only UK charity dedicated to solving crimes, and Prospect Education (Technology) Trust Limited, the umbrella charity of the Ashcroft Technology Academy. Angela is not considered to be independent due to her links with the major shareholder.

Mike Ettling
(Independent Non-executive Director)

Mike Ettling was appointed an Independent Non-executive Director of the Company in September 2013. Mike is a qualified accountant with over 20 years' experience of executive management, particularly in the technology and HR outsourcing sector. Most recently he was appointed Head of Global Cloud HR for SAP AG. Prior to this, he was Chief Executive of NorthgateArinso, a global HR services company and also served as Vice President, Global BP Strategy and Operations with Unisys. Mike is also a Director of Backoffice Associates and Business Connexion Limited.

Lincoln Jopp MC
(Independent Non-executive Director)

Lincoln Jopp was appointed a Non-executive Director of the Company in January 2013. Lincoln served 26 years in the British Army and throughout his career has served in a wide variety of leadership and advisory based roles, including Commanding Officer of the 1st Battalion Scots Guards, Strategic Planner for the Ministry of Defence and Assistant Head of the Ministry of Defence's Strategy Unit. He is the Chief Operating Officer of the AIM-listed, global trading network, Tungsten Corporation plc.

Eileen Kelliher
(Independent Non-executive Director)

Eileen Kelliher was appointed a Non-executive Director of the Company in May 2012. Eileen is a solicitor with over 20 years of merger and acquisitions, corporate and fundraising experience. She joined Allen & Overy LLP, one of the world's leading law firms, as an associate in 1996 and later became an equity partner in the firm in 2001 where she practised until 2012.

Shane Stone
(Independent Non-executive Director)

Shane Stone was appointed a Non-executive Director of the Company in September 2011. Shane is Chairman of the diversified Group Mayfair (UK) Australia and Executive Chairman of the APAC Group. He Chairs ASX listed Regalpoint Resources Limited. Shane is on the Advisory Board of Thiess, one of Australia's and Indonesia's largest mine contractors. He is Chairman of the Queensland power utility ENERGEX. He formerly served as Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. He is a barrister by profession, an admitted legal practitioner in Australia and ASIC compliant Financial Planner.

Rebecca Watson
(Group Company Secretary and General Counsel)

Rebecca Watson was appointed as Group Company Secretary and General Counsel of the Company in May 2008. Prior to that, Rebecca was Company Secretary and General Counsel for The Corporate Services Group Plc since April 2003. She joined the Group in 1998 as Company Solicitor. Previously, she practised in a major City and West End law firm acting for a range of corporate clients having qualified as a solicitor in 1993.

Corporate governance

As a Company whose shares are traded on the AIM market of the London Stock Exchange, it is not necessary for the Company to comply with the requirements of the UK Corporate Governance Code 2012 (the 'Code'). However, the Board believe that it is accountable to the Company's shareholders and others for good corporate governance and is committed to the same. Where appropriate, taking into account the Company's size and nature, the Company complies with the Code and it also follows the corporate governance guidelines of the Quoted Companies Alliance for companies whose shares are traded on AIM.

Board of Directors

The Board of Directors comprise the Chairman, two Executive Directors and five Non-executive Directors. The Board are responsible for overseeing the management of the Group's strategy and its businesses, reviewing trading performance, ensuring adequate funding, risk assessment, maintaining a system of internal controls, corporate governance matters and reporting to shareholders.

The Board meet when required and at least 10 times per annum. During the period ended 27 December 2013, the Board met on 15 occasions. They have a formal schedule of matters specifically reserved to them for decisions aligned to their oversight responsibilities. All Directors are subject to election by shareholders at the first opportunity after their appointment and subject to re-election every year.

The Board consider that the Non-executive Directors bring a range of business and financial experience to the Group. They are responsible for scrutinising the performance of management, determining appropriate levels of remuneration of Executive Directors and have a key role in appointing, and where required, removing Executive Directors.

There exists a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman's primary role includes ensuring that the Board function properly, that they meets their obligations and responsibilities and that their organisation and mechanisms are in place and are working effectively. The Chief Executive Officer's primary role is to provide overall leadership and vision in developing, with the Board, the strategic direction of the Company. Additionally, the Chief Executive Officer is responsible for the management of the overall business to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the Board, and financial and operational objectives are attained.

Audit Committee

The Board have an Audit Committee whose responsibilities include oversight of the Group's internal risk and controls strategy, including whistle-blowing arrangements, review of the interim and Annual Report and financial statements prior to their submission to the full Board, and review of reports from the external auditors, the examination and review of, on behalf of the Board, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements and the financial judgements therein.

The Committee ensures that arrangements are in place for staff of the Group to raise, confidentially or publicly, concerns about any possible improprieties and ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action. The Committee also reviews the independence, objectivity, performance, behaviour and effectiveness of the external auditors and the nature of any non-audit services provided by them.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken. The Audit Committee meets with the Company's auditors at least twice a year. The Committee operates under written terms of reference. The Audit Committee meets at least twice each year and during the period ended 27 December 2013 met on three occasions. The Audit Committee comprises three Non-executive Directors – Eileen Kelliher (Chairman), Andrew Wilson and Mike Ettling.

Remuneration Committee

The Board have a Remuneration Committee which is responsible for making recommendations to the Board of Directors' remuneration and reviews recommendations from the Chief Executive Officer on other senior executives' remuneration including performance-related remuneration. The Remuneration Committee operates under written terms of reference and during the period ended 27 December 2013, the Remuneration Committee met on one occasion. The Remuneration Committee comprises three Non-executive Directors – Andrew Wilson (Chairman), Angela Entwistle and Lincoln Jopp MC.

Internal control

The Directors have responsibility for the Group's overall system of internal controls and for reviewing its effectiveness. The Directors recognise that the system of internal control is designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives. The system can provide only reasonable and not absolute assurance against material financial misstatement or loss.

The Directors have established an organisational structure with clear terms of reference which all subsidiaries must operate to. 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 performance monitoring. Each business has defined financial performance plans that are agreed by the Board at the beginning of each financial period to meet Group objectives. These plans contain measurable performance targets which are continuously monitored to identify shortfalls such that corrective actions can be taken. In addition, the Company maintains a risk register that is updated and reviewed by the Audit Committee and Board on a regular basis.

The Board and Audit Committee have reviewed during the period the effectiveness of the Company's system of internal control. As a result, further controls relating to the entering into of significant commercial contracts have been implemented, including increased reporting and approval by the executive team and the Board. The system of auditing of existing contracts will also be further enhanced during the current financial period. The Audit Committee has also considered during the period the requirement for an internal audit function. Whilst the Company does have a number of departments carrying out elements of this role, it has in addition utilised external resource during the period to provide internal audit activities. Further internal audit work will be carried out in the current financial period using both internal and external expertise and the Board and the Audit Committee will continue to consider the resourcing of this.

Environmental, health & safety, social and communication matters

Environmental and sustainable operations

The Group's direct environmental impact as a service-based organisation, with no manufacturing facilities and limited transportation requirements, is minimal. The Group is, however, committed to following best practices in the day-to-day conduct of its business including the use of sustainable and/or recyclable materials when available. A review of the potential impacts on the various businesses is undertaken with parts of the Group already having achieved accreditation to ISO 14001 in relation to their environment management systems.

Health and safety

The Group is committed to meeting all the requirements of relevant health and safety legislation. Formal policies are in place throughout the Group which are regularly reviewed and updated for changes in legislation and best practice. The Group requires all employees to comply with Group policies in relation to health and safety.

Inclusion and diversity

The Group actively encourages diversity in the workplace. It has a wide and varied employee base with employees from a variety of social and ethnic groups at all levels of the business.

The Group believes that by breaking down the barriers that traditionally have restricted access to the labour market it will encourage job opportunities for all. The Group works to support the communities in which it operates and to help its clients and suppliers achieve their diversity objectives. It is committed to provide all employees with a work environment free of discrimination related to sex, race, colour, religion, age, ethnic or national origin, disability or other inappropriate basis.

Applications for employment by disabled persons are always fully considered, 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 with the Group continues and that appropriate adjustments are made. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be the same as for all other employees.

Involvement and communications

In the UK, Europe and Australasia there is a corporate intranet and a number of brand-specific intranets for employees that provide communication for policies and procedures as well as the sharing of information, document storage and specific news. In the US, employee communications are also provided by way of a dedicated intranet that is updated regularly. Regular meetings are held between management and employees to allow sharing of information and consultation.

Political donations

There were no political donations during either period.

Non-recurring items

These costs are not considered to be part of the normal course of business and are of sufficient size to be identified separately on the face of the income statement and analysed by segment in note 6.

Goodwill impairment

The goodwill impairment relates to a further reduction in the carrying value of the Carlisle Support Services business. Following the trading and onerous contract losses in 2013 a review of the business is ongoing. While we expect profitability to improve, the reduced size of the business and level of profitability does not support the current Group goodwill carrying value; hence impairment is required.

Substantial shareholdings

As at Thursday 6 March 2014, the Company had been notified of the following disclosable interests representing 3% or more of the issued ordinary share capital of the Company.

	Percentage held
Lombard Trust	58.6%
Schroder Investment Management Limited	4.9%
Hof Hoorneman Bankiers	4.3%
Hendrik Van Heijst	3.7%

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 period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent 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 the Company and of the profit or loss of the Group for that period. 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

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

The Directors are responsible for the maintenance and integrity of the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Disclosure of information to auditors

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 auditors are unaware, and

(b) He/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be put to the shareholders at the forthcoming Annual General Meeting.

This report was approved by the Board on Thursday 6 March 2014.

RJ Watson
Company Secretary

800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

Registered number: 6511961

Independent auditors' report to the members of Impellam Group plc

Report on the Group financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 27 December 2013 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements (the 'financial statements'), which are prepared by Impellam Group plc, comprise:

- the consolidated balance sheet as at 27 December 2013;
- the consolidated income statement for the period then ended;
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the parent Company financial statements of Impellam Group plc for the fifty-two week period ended 27 December 2013.

Stephen Mount
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
Friday 7 March 2014

Consolidated income statement

For the fifty-two weeks ended 27 December 2013

	Notes	27 December 2013 £m	28 December 2012 £m
Revenue	3	**1,206.2**	1,210.8
Cost of sales		**(1,032.9)**	(1,036.7)
Gross profit		**173.3**	174.1
Administrative expenses		**(172.9)**	(156.8)
Operating profit	3 & 4	**0.4**	17.3
Operating profit before non-recurring items		**28.6**	33.6
Non-recurring items	6	**(23.2)**	(5.7)
Goodwill impairment	6 & 11	**(5.0)**	(9.0)
Share-based payment		**–**	(1.6)
Operating profit		**0.4**	17.3
Finance expense	7	**(1.5)**	(1.5)
(Loss)/profit before taxation		**(1.1)**	15.8
Taxation credit/(charge)	8	**0.1**	(6.0)
(Loss)/profit for the period attributable to owners of the parent Company		**(1.0)**	9.8
(Loss)/earnings per share	9		
Attributable to equity holders of the parent Company			
– basic		**(2.3)p**	22.2p
– diluted		**(2.3)p**	22.1p

Consolidated statement of comprehensive income

For the fifty-two weeks ended 27 December 2013

	27 December 2013 £m	28 December 2012 £m
(Loss)/profit for the period	**(1.0)**	9.8
Other comprehensive income:		
Items that may be subsequently reclassified into income:		
Currency translation differences (net of tax)	**(0.7)**	0.3
Total comprehensive income for the period, net of tax attributable to owners of the parent Company	**(1.7)**	10.1

Consolidated balance sheet

For the fifty-two weeks ended 27 December 2013

	Notes	27 December 2013 £m	28 December 2012 £m
Non-current assets			
Property, plant and equipment	10	**4.3**	5.2
Goodwill	11	**46.8**	51.1
Other intangible assets	12	**47.2**	47.7
Deferred tax assets	19	**2.9**	3.1
Financial assets	13	**1.7**	1.8
		102.9	108.9
Current assets			
Trade and other receivables	14	**225.3**	227.8
Cash and short-term deposits	15	**35.1**	37.8
		260.4	265.6
Total assets		**363.3**	374.5
Current liabilities			
Trade and other payables	16	**192.9**	197.3
Taxation liabilities		**–**	3.3
Short-term borrowings	17	**27.1**	21.0
Provisions	18	**7.0**	3.8
		227.0	225.4
Net current assets		**33.4**	40.2
Non-current liabilities			
Other payables		**–**	0.1
Provisions	18	**15.3**	5.5
Deferred tax liabilities	19	**8.9**	10.0
		24.2	15.6
Total liabilities		**251.2**	241.0
Net assets		**112.1**	133.5
Equity			
Issued share capital	20	**0.4**	0.4
Share premium account	20	**15.6**	15.5
		16.0	15.9
Other reserves	22	**92.3**	93.0
Retained earnings		**3.8**	24.6
Total equity attributable to equity holders of the parent Company		**112.1**	133.5

The financial statements on pages 32 to 67 were approved by the Board on Thursday 6 March 2014.

Andrew Burchall
Group Finance Director

Consolidated cash flow statement

For the fifty-two weeks ended 27 December 2013

	Notes	27 December 2013 £m	28 December 2012 £m
Cash flows from operating activities			
(Loss)/profit before taxation		**(1.1)**	15.8
Adjustments for:			
Net finance expense	7	**1.5**	1.5
Goodwill impairment	6	**5.0**	9.0
Depreciation and impairment of property, plant and equipment	10	**2.1**	2.5
Amortisation of software and client relationships	12	**3.8**	3.6
Loss/(profit) on disposal of property, plant and equipment	4	**0.6**	(0.2)
		11.9	32.2
Decrease/(increase) in trade and other receivables		**1.5**	(35.2)
(Decrease)/increase in trade and other payables		**(3.2)**	36.3
Increase/(decrease) in provisions	18	**12.6**	(0.4)
Cash generated by operations		**22.8**	32.9
Taxation paid		**(4.5)**	(6.2)
Net cash generated by operating activities		**18.3**	26.7
Cash flows from investing activities			
Acquisition of subsidiary		**(0.6)**	–
Purchase of property, plant and equipment	10	**(1.9)**	(2.0)
Purchase of intangible assets	12	**(3.4)**	(3.2)
Proceeds of disposal of property, plant and equipment		**0.1**	0.3
Net movement in other financial assets	13	**0.1**	0.5
Net cash utilised by investing activities		**(5.7)**	(4.4)
Cash flows from financing activities			
Shares issued on exercise of options		**0.1**	–
Net movement in short-term borrowings	25	**6.1**	0.5
Purchase and cancellation of own shares		**–**	(2.8)
Dividends paid		**(19.8)**	(3.1)
Finance expense paid	7	**(1.1)**	(1.2)
Net cash outflow from financing activities		**(14.7)**	(6.6)
Net (decrease)/increase in cash and cash equivalents	25	**(2.1)**	15.7
Opening cash and cash equivalents		**37.8**	22.3
Foreign exchange losses on cash and cash equivalents	25	**(0.6)**	(0.2)
Closing cash and cash equivalents	15*	**35.1**	37.8

*Unrestricted cash, available to the Group.

Consolidated statement of changes in equity

For the fifty-two weeks ended 27 December 2013

	Total share capital and share premium £m	Other reserves (note 22) £m	Retained earnings £m	Total equity £m
31 December 2011	15.9	92.7	20.7	129.3
Currency translation differences (net of tax)	–	0.3	–	0.3
Total other comprehensive income	–	0.3	–	0.3
Profit for the period	–	–	9.8	9.8
Total comprehensive income in period	–	0.3	9.8	10.1
Purchase of treasury shares	–	–	(2.8)	(2.8)
Dividends paid	–	–	(3.1)	(3.1)
28 December 2012	15.9	93.0	24.6	133.5
29 December 2012	15.9	93.0	24.6	133.5
Currency translation differences (net of tax)	–	(0.7)	–	(0.7)
Total other comprehensive income	–	(0.7)	–	(0.7)
Loss for the period	–	–	(1.0)	(1.0)
Total comprehensive income in period	–	(0.7)	(1.0)	(1.7)
Exercise of share options	0.1	–	–	0.1
Dividends paid	–	–	(19.8)	(19.8)
27 December 2013	**16.0**	**92.3**	**3.8**	**112.1**

Notes to the consolidated financial statements

For the fifty-two weeks ended 27 December 2013

1. Corporate information

The financial statements of Impellam Group plc ('the Group') for the fifty-two weeks ended 27 December 2013 were authorised for issue by the Board of Directors on Thursday 6 March 2014 and the balance sheet was signed on behalf of the Board by Andrew Burchall.

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

Impellam Group plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom 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

a) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Committee (IFRIC) interpretations as endorsed by the European Union and those parts of the Companies Acts 2006 applicable to companies reporting under IFRS. 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 pounds sterling and all values are rounded to the nearest £0.1 million (£m) except where otherwise indicated. Foreign operations are included in accordance with note 2(d) below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Impellam Group plc and all of its subsidiaries as at 27 December. 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 and cease to be consolidated from the date on which the Group ceases its control.

Accounting policies have been applied consistently.

b) Changes in accounting policies and disclosures

- *Standards, amendments and interpretations effective in 2013*
  - Annual improvements 2009–2011
    A collection of amendments to five standards as part of the IASB program of annual improvements with minimal impact to the Group.
  - IAS 1 'Financial Statement Presentation – Presentation of items of other comprehensive income' – amendment
    Requires items shown under Other comprehensive income to be split between items that will be, and those that will not be, reclassified to the income statement.
- *Standards, amendments and interpretations effective in 2013 but not relevant for the Group*
  The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:
  - IAS 19 'Employee benefits (Amendment)' (effective 1 January 2013)
  - IFRS 1 'First-time adoption of IFRS – government loans' (effective 1 January 2013)
  - IFRS 7 'Financial instruments: disclosures – offsetting' (effective 1 January 2013)
  - IFRS 13 'Fair value measurement' (effective 1 January 2013)

2. Summary of significant accounting policies continued

- *New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*
  The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting, which the Group does not expect to have significant impact on its accounting policies or disclosures:
  – IAS 27 'Separate financial statements (as revised in 2011)' (effective 1 January 2014)
  – IAS 28 'Investments in associates and joint ventures (as revised in 2011)' (effective 1 January 2014)
  – IAS 32 'Financial instruments: presentation' (effective 1 January 2014)
  – IFRS 10 'Consolidated financial statements' (effective 1 January 2014)
  – IFRS 11 'Joint arrangements' (effective 1 January 2014)
  – IFRS 12 'Disclosure of involvement with other entities' (effective 1 January 2014)
  – IFRS 9 'Financial instruments: classification and measurement' (not yet effective)

c) Significant accounting judgements

In applying the Group's accounting policies the following judgements have been made that may have a significant effect on the amounts recognised in the financial statements:

Impairment of goodwill and other intangible assets
The Group determines whether goodwill and other intangible assets are permanently impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets are allocated. Estimating the value in use requires the Group to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details of the carrying value and impairment review, including sensitivities, are given in note 11.

Onerous contract
Where obligations on long-term supply contracts exceed the expected economic benefit to be derived from them, full provision is made for the lower of the cost to exit the contract or for the expected cash outflow anticipated over the contract life. This requires the Group to estimate the future cash flows from the contract and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Workers' compensation
The Group's US operations maintain insurance policies with significant excesses, below which claims are borne by operations. A provision is recorded for estimated costs of claim or losses arising from past events.

The level of provision required 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 policy inception and December 2013, the period covered by these self-insurance arrangements. An allowance is made for claims incurred but not reported in line with standard actuarial practice (see note 18).

Doubtful debt provision
Provision is made for all amounts included within trade receivables to the extent that recoverability is in doubt either due to the adverse ageing of the amount recoverable or where circumstances with respect to individual clients and customers suggest that recoverability is in question.

d) Currencies and foreign currency translation

The functional and presentation currency of Impellam and its UK subsidiaries is sterling. Foreign operations are located in North America, Europe, Australia, New Zealand, Singapore and South Africa 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 weighted average exchange rates for the period, as this is considered a reasonable approximation to actual translated rates. The exchange differences arising from this retranslation are recognised in the 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.

2. Summary of significant accounting policies continued

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 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.

e) Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and any impairment in value. Historic 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:	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 assets' life
Computer equipment:	between three and seven 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.

f) Goodwill

Goodwill acquired in a business combination represents the excess of the fair value of the cost of acquisition (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.

g) 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 indefinite useful lives and are subject to an annual impairment review, more frequent if circumstances indicate that there may be impairment. 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 reducing balance basis over the estimated useful lives of each of the assets (see note 12). 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 that the asset developed can be shown to generate future economic benefits.

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

2. Summary of significant accounting policies continued

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

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

h) 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 meet the criteria for recognition as an asset under the IASB framework. 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 no 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.

i) Financial assets

Financial assets are classified as 'financial assets at fair value through the income statement'; 'loans and receivables'; 'held to maturity investments'; or as 'available-for-sale financial assets', as appropriate. The Group determines the classification of its financial assets at initial recognition and where allowed and appropriate re-evaluates this designation at each financial period-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs.

Investments

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

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 twelve 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.

j) Trade and other receivables

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

Impairment

A provision for impairment is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognised when they are assessed as uncollectible.

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, net of outstanding bank overdrafts. Bank overdrafts are shown with other short-term borrowings on the consolidated balance sheet.

l) Trade and other payables

Trade payables are non-interest bearing and, as they are short term, are stated at invoiced value, being the fair value.

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.

2. Summary of significant accounting policies continued

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

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.

Sales taxes

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

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

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

n) Provisions

Provisions 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.

2. Summary of significant accounting policies continued

o) Financial liabilities

Financial liabilities are classified as either ‘financial liabilities at fair value through income statement’ or ‘other financial liabilities’. All Group borrowings have initially been recognised as ‘other financial liabilities’ 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.

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 in the liability passing through the administrative expenses line (salaries and wages) in the income statement.

q) Leases

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

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

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

r) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the provision of services, net of value-added tax, rebates and discounts and after eliminating sales made within the Group.

Revenue for temporary staffing services is recognised and accrued by reference to hours worked in accordance with approved and submitted weekly timesheets and agreed charge rates.

The Group recognises the income derived from permanent placements when the employment of the individual commences with provision made for potential refunds which can be payable if the placement is terminated within a short period.

Where the Group provides a managed 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 amounts payable under gain-share arrangements.

Revenue from other services provided by the Group is recognised in accordance with work performed.

Interest income receivable on deposits with financial institutions is recognised on an accrued basis.

s) Non-recurring items

Items of income and expense that are considered by management to be of significant size and to be of an unusual nature, not arising from the normal operating activities of the Group, are separately disclosed as non-recurring items on the face of the consolidated income statement and in the notes, as appropriate.

2. Summary of significant accounting policies continued

t) Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are qualifying assets under IAS 23 when they would be 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 re-issued. 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.

3. Segment information

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

- Identify its 'Chief operating decision maker' ('CODM'), which has currently been assessed as the Group Chief Executive Officer who, along with the Group Finance Director and segmental executive management, 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 identify its operating segments and from these to identify its reportable segments

The CODM discusses performance with management of the following four reportable segments:

- Impellam United Kingdom
- Impellam North America
- Medacs Healthcare Group
- Carlisle Support Services

Although the Group does have operations in Ireland, mainland Europe, Australia, New Zealand, Singapore and South Africa, the results are included under the UK headings as they are not of material size, and are reported as such to the CODM.

Corporate costs are primarily incurred in the UK and represent the costs associated with being a public company, including the costs of the Directors of Impellam Group plc, and certain functions managed centrally for the Group as a whole such as treasury and IT.

The CODM receives balance sheet reports and discusses financial position and cash flows with management of the following five reportable segments:

- Impellam United Kingdom
- Impellam North America
- Medacs Healthcare Group
- Carlisle Support Services
- Corporate and unallocated

Corporate and unallocated are treated as relating wholly to the UK.

Unallocated assets and liabilities represent cash and borrowings, which are considered to be funding for the Group as a whole, plus deferred tax and corporation tax balances.

3. Segment information continued

Fifty-two weeks ended 27 December 2013

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Intra-group £m	**Group total £m**
Revenue	772.5	192.4	172.1	74.0	(4.8)	**1,206.2**
EBITDA	30.8	6.6	5.8	(3.6)		**39.6**
Depreciation & amortisation*	(3.0)	(1.6)	(0.7)	(0.4)		**(5.7)**
Segment operating profit/(loss) before non-recurring items	27.8	5.0	5.1	(4.0)		**33.9**
Non-recurring items# (note 6)	–	–	–	(23.3)		**(23.3)**

*A further £0.2 million of depreciation relating to the Carlisle Support Services business is charged above the line in cost of sales.
#Non-recurring items comprise onerous contract and contract exit costs in the Carlisle Cleaning business.

Included within the United Kingdom sales are sales of £13.8 million to the European Union, £8.0 million in Switzerland and £6.3 million in Australasia.

Reconciliation of segment operating profit to profit after tax is as follows:

	£m
Segment operating profit/loss before non-recurring items	**33.9**
Corporate costs	**(5.3)**
Operating profit before non-recurring items	**28.6**
Non-recurring items# (note 6)	**(23.2)**
Goodwill impairment^ (note 6)	**(5.0)**
Operating profit	**0.4**
Finance expense	**(1.5)**
Taxation credit	**0.1**
Loss for the period	**(1.0)**

#Non-recurring items comprise onerous contract and contract exit costs in the Carlisle Cleaning business and a net credit on certain corporate property exit costs.
^Goodwill impairment relates to a write down in the carrying value of the Carlisle Support Services business.

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Corporate and unallocated £m	**Group total £m**
Non-current assets	59.1	11.5	20.8	6.2	5.3	**102.9**
Total assets	211.3	75.9	48.9	22.2	5.0	**363.3**
Total liabilities	146.8	51.0	18.7	28.5	6.2	**251.2**

Additions to non-current assets other than deferred taxation

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Corporate and unallocated £m	Group total £m
Property, plant & equipment	0.6	0.5	0.4	0.1	0.3	1.9
Intangible assets	0.1	2.0	0.2	0.5	0.6	3.4

3. Segment information continued

Fifty-two weeks ended 28 December 2012

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Group total £m
Revenue	762.2	178.0	187.7	82.9	1,210.8
EBITDA	30.0	4.9	9.0	0.7	44.6
Depreciation & amortisation*	(3.5)	(1.1)	(0.7)	(0.3)	(5.6)
Segment operating profit before non-recurring items	26.5	3.8	8.3	0.4	39.0
Non-recurring items# (note 6)	(1.7)	(0.9)	(0.3)	(1.3)	(4.2)

*A further £0.2 million of depreciation relating to the Carlisle Support Services business is charged above the line in cost of sales and £0.3 million of impairment charges relating to Impellam United Kingdom is included in non-recurring items.
#Non-recurring items comprise restructuring costs in all business segments.

Included within the United Kingdom sales are sales of £12.5 million to the European Union, £11.3 million in Switzerland and £5.1 million in Australasia.

Reconciliation of segment operating profit to profit after tax is as follows:

	£m
Segment operating profit before non-recurring items	39.0
Corporate costs	(5.4)
Operating profit before non-recurring items	33.6
Non-recurring items# (note 6)	(5.7)
Goodwill impairment^ (note 6)	(9.0)
Share-based payment	(1.6)
Operating profit	17.3
Finance expense	(1.5)
Taxation charge	(6.0)
Profit for the period	9.8

#Non-recurring items comprise restructuring costs in all business segments and certain legal costs relating to capital restructuring and reorganisation attributed to corporate costs.
^Goodwill impairment relates to a write down in the carrying value of the Carlisle Support Services business.

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Corporate and unallocated £m	Group total £m
Non-current assets	60.1	10.9	20.2	11.9	5.8	108.9
Total assets	221.1	69.0	49.8	30.5	4.1	374.5
Total liabilities	149.2	46.5	21.2	10.4	13.7	241.0

Additions to non-current assets other than deferred taxation

	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	Corporate and unallocated £m	Group total £m
Property, plant & equipment	0.2	0.3	0.1	0.8	0.6	2.0
Intangible assets	0.2	1.8	0.2	0.2	0.8	3.2

4. Operating profit

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

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Goodwill impairment (note 6)	**5.0**	9.0
Non-recurring items (note 6)	**23.2**	5.7
Depreciation and impairment of property, plant and equipment (note 10)	**2.1**	2.5
Amortisation of software and client relationships (note 12)	**3.8**	3.6
Loss/(profit) on disposal of property, plant and equipment	**0.6**	(0.2)
Minimum lease payments recognised as an operating lease expense	**10.1**	11.3
Charge for bad and doubtful trade receivables (note 14)	**0.4**	0.9
Employee costs excluding pension costs (note 5)	**100.9**	98.3
Cost of defined contribution pension plans (note 5)	**1.2**	1.0

b) Auditors' remuneration

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Fees payable to the Auditors for the audit of the Group's annual financial statements	**0.1**	0.1
Fees payable to the Group's Auditors and their associates for other services:		
• The audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
• Other services supplied pursuant to legislation	**0.1**	0.1
• Other non-audit services	**0.1**	0.2
	0.5	0.6
	0.6	0.7

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

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Wages, salaries and bonuses	**92.0**	88.3
Social security costs	**8.9**	8.4
Pension costs	**1.2**	1.0
Share-based payment	**–**	1.6
Costs of employment	**102.1**	99.3

	52 weeks ended 27 December 2013 Number	52 weeks ended 28 December 2012 Number
Impellam United Kingdom	**1,392**	1,395
Impellam North America	**377**	342
Medacs Healthcare Group	**432**	393
Carlisle Support Services	**107**	113
Corporate staff (including Directors)	**19**	17
Monthly average number of employees	**2,327**	2,260

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. The average monthly number of full-time equivalents for these employees is as follows:

	52 weeks ended 27 December 2013 Number	52 weeks ended 28 December 2012 Number
Impellam United Kingdom	**17,735**	18,035
Impellam North America	**5,970**	5,804
Medacs Healthcare Group	**103**	119
Carlisle Support Services	**3,136**	3,519
	26,944	27,477

The aggregate staffing costs for the above employees included in Cost of Sales for the period ended December 2013 was £666.0 million, including £34.2 million of social security costs and £1.1 million of pension costs (2012: £615.3 million, including £32.9 million of social security costs and £0.3 million of pension costs).

c) Information on Directors' remuneration
The total emoluments of all Directors during the period was:

	52 weeks ended 27 December 2013 £000	52 weeks ended 28 December 2012 £000
Emoluments (including benefits)	**996**	1,954
Compensation for loss of office (KD Mahoney)	**–**	69
	996	2,023
Contribution to defined contribution pension plans	**38**	24
	1,034	2,047

5. Employment costs continued

Total emoluments excluding pension contributions:

	52 weeks ended 27 December 2013 £000	52 weeks ended 28 December 2012 £000
AS Wilson	**70**	53
J Robertson	**359**	–
AJ Burchall	**345**	289
AE Entwistle	**50**	12
ME Ettling	**17**	–
L Jopp	**50**	–
EP Kelliher	**55**	33
SL Stone	**50**	50
CC Jones	**–**	1,454
KD Mahoney	**–**	132
	996	2,023

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

	52 weeks ended 27 December 2013 £000	52 weeks ended 28 December 2012 £000
Emoluments (including benefits)	**359**	1,454

The total emoluments for J Robertson and AJ Burchall include benefits, both non-cash and cash, to the value of £24,000 (2012: £nil) and £17,000 (2012: £16,000) respectively.

The £50,000 (2012: £12,000) paid re AE Entwistle is paid directly to Anne Street Partners Limited for the provision of her services as a Non-executive Director.

On 7 May 2013 the former Executive Chairman, CC Jones, received £690,000 in consideration for the cancellation of options awarded as part of her emoluments in 2012 (note 21).

Pension contributions

	52 weeks ended 27 December 2013 £000	52 weeks ended 28 December 2012 £000
J Robertson	**12**	–
AJ Burchall	**26**	24
	38	24

All pension payments relate to defined contribution schemes.

Directors' options

Options held by the Directors relate to AJ Burchall, movements in these options during the period are as follows:

Scheme	Date of grant	Date from which exercisable	Expiry date	Exercise price in pence	29 December 2012	Exercised	**27 December 2013**
No 1	4-4-2003	5-5-2004	3-4-2013	252	6,786	6,786	**–**
No 2	4-4-2003	5-5-2004	3-4-2013	252	10,179	10,179	**–**

During the period Mr Burchall exercised share options and realised a gain of £34,000.

6. Non-recurring items and goodwill impairment

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Net credit on property exit costs less provision release – Corporate	**(0.1)**	–
Contract exit costs and onerous contract provision – Carlisle	**23.0**	–
Impairment of assets associated with onerous contracts – Carlisle	**0.3**	–
Legal costs associated with capital reorganisation and group restructuring – Corporate	**–**	1.5
Restructuring and relocation – Impellam United Kingdom	**–**	1.7
Restructuring and relocation – Impellam North America	**–**	0.9
Restructuring and relocation – Medacs Healthcare Group	**–**	0.3
Restructuring and relocation – Carlisle Support Services	**–**	1.3
	23.2	5.7
Group goodwill impairment re Carlisle Support Services	**5.0**	9.0
	28.2	14.7

The corporate exceptional item is consequent on decisions taken at Group level to reoccupy a property previously provided for the Carlisle staff, who were moved out of their existing property. This decision resulted in a release of £1.2 million of property previously provided for, offset by a new provision of £0.7 million for office closure and relocation. In addition a further £0.4 million of tangible asset write downs and dilapidation costs are associated with this property being exited. There is no cash impact of this exceptional item in 2013.

The Carlisle Support Services exceptional item arises from the write-off of start-up costs previously capitalised on a contract found to be onerous and the provision for future losses on this contract extending for a further 4.25 years, together with the cost of early exit from a second contract. The cash impact of these items in 2013 has been £7.0 million.

The goodwill impairment relates to a further reduction in the Group's carrying value of the Carlisle Support Services business. Following the trading and onerous contract losses in 2013 a review of the business is ongoing. While we expect profitability to improve, the reduced size of the business and level of profitability does not support the current Group goodwill carrying value; hence an impairment is required.

A tax credit has been recognised for the onerous contract costs in Carlisle.

7. Finance expense

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Revolving credit facilities	**0.9**	0.9
Other interest expense	**0.2**	0.3
Total interest payable for financial liabilities not at fair value through the income statement	**1.1**	1.2
Unwinding of discount on provisions (note 18)	**0.4**	0.3
Finance expense	**1.5**	1.5

8. Taxation

a) Taxation (credit)/charge in the income statement

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Current income tax		
UK corporation tax on results for the period	**0.7**	5.9
Adjustments in respect of previous periods	**(0.4)**	–
	0.3	5.9
Foreign tax in the period	**0.2**	0.3
Total current income tax	**0.5**	6.2
Deferred tax credit	**(0.6)**	(0.2)
Total taxation (credit)/charge in the income statement	**(0.1)**	6.0

The deferred tax credit comprises the following:

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Utilisation of tax losses brought forward	**0.1**	0.4
Recognition of assets not previously recognised	**–**	(0.1)
Origination and reversal of other temporary differences	**(0.2)**	0.1
Change in tax rate used for deferred tax carried forward	**(0.5)**	(0.7)
Adjustment in respect of previous periods	**–**	0.1
Total deferred tax credit	**(0.6)**	(0.2)

Total credited in other comprehensive income:

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Current tax	**(0.1)**	(0.5)
Deferred tax	**–**	–
Total tax credit	**(0.1)**	(0.5)

8. Taxation continued

b) Reconciliation of the total tax charge

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profit from this period is taxed at an effective rate of 23.3%.

The tax credit for the year is £(0.1 million) (2012: tax charge of £6.0 million) for the Group. A tax reconciliation explaining differences from the expected statutory rate of 23.3% (2012: 24.5%) is summarised below:

	52 weeks ended 27 December 2013 %	52 weeks ended 28 December 2012 %
Tax charge at UK standard rate	**23.3**	24.5
Differences in tax rates in other countries	**(59.4)**	0.7
Expenses not deductible for tax purposes	**(202.0)**	20.0
Utilisation of losses brought forward not recognised as assets	**6.0**	(0.8)
Losses in period carried forward but not recognised as assets	**(88.6)**	11.3
Movement in other deferred tax asset not recognised	**244.6**	(15.0)
Change in tax rate used for deferred tax carried forward	**47.9**	(3.2)
Adjustments in respect of previous periods	**36.8**	0.5
Effective total tax rate	**8.6**	38.0

See note 19 for explanation of deferred tax assets and liabilities.

9. (Loss)/earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the equity holders 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 potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans and those associated with the former Chairman. There were 83,165 options outstanding at 28 December 2012 under the former arrangement and 250,000 under the latter, however, these were exercised or cancelled during the period and there are none now outstanding, see note 21.

Excluding the 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust, the weighted average number of shares in 2013 is 43,893,143 (2012: 44,204,842) and the fully diluted average number of shares is 44,004,826 (2012: 44,360,810).

The calculations of both basic and diluted earnings per share ('EPS') are based upon the following consolidated income statement data:

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
(Loss)/profit for the period	**(1.0)**	9.8
Non-recurring items (pre-tax)	**23.2**	5.7
Goodwill impairment	**5.0**	9.0
Share-based payment	**–**	1.6
Adjusted profit for the period	**27.2**	26.1

9. (Loss)/earnings per share continued

EPS – Basic calculation

	52 weeks ended 27 December 2013 Pence	52 weeks ended 28 December 2012 Pence
(Loss)/profit for the period	**(2.3)**	22.2
Non-recurring items (pre-tax)	**52.9**	12.9
Goodwill impairment	**11.4**	20.3
Share-based payment	**–**	3.6
Adjusted earnings per share*	**62.0**	59.0

EPS – Diluted calculation

	52 weeks ended 27 December 2013 Pence	52 weeks ended 28 December 2012 Pence
(Loss)/profit for the period	**(2.3)**	22.1
Non-recurring items (pre-tax)	**52.7**	12.8
Goodwill impairment	**11.4**	20.3
Share-based payment	**–**	3.6
Adjusted earnings per share*	**61.8**	58.8

*Additional EPS calculations have been presented in order to provide information on the underlying performance of the Group before non-recurring expenditure.

10. Property, plant and equipment

	Freehold property £m	Short leasehold property £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Net carrying value – 30 December 2011	0.2	1.6	2.5	1.5	5.8
Cost – 31 December 2011	0.2	2.5	7.7	5.4	15.8
Additions	–	0.1	1.0	0.9	2.0
Disposals	–	(0.5)	(3.3)	(2.9)	(6.7)
Cost – 28 December 2012	0.2	2.1	5.4	3.4	11.1
Accumulated depreciation – 31 December 2011	–	0.9	5.2	3.9	10.0
Charge for the period	–	0.4	0.8	1.0	2.2
Impairment	–	0.1	0.2	–	0.3
Disposals	–	(0.5)	(3.2)	(2.9)	(6.6)
Accumulated depreciation – 28 December 2012	–	0.9	3.0	2.0	5.9
Net carrying value – 28 December 2012	0.2	1.2	2.4	1.4	5.2
Cost – 29 December 2012	0.2	2.1	5.4	3.4	11.1
Additions	–	0.7	0.8	0.4	1.9
Disposals	–	(0.4)	(2.7)	(0.7)	(3.8)
Cost – 27 December 2013	0.2	2.4	3.5	3.1	9.2
Accumulated depreciation – 29 December 2012	–	0.9	3.0	2.0	5.9
Charge for the period	–	0.4	0.9	0.8	2.1
Disposals	–	(0.1)	(2.3)	(0.7)	(3.1)
Accumulated depreciation – 27 December 2013	–	1.2	1.6	2.1	4.9
Net carrying value – 27 December 2013	**0.2**	**1.2**	**1.9**	**1.0**	**4.3**

11. Goodwill

	Cost £m	Impairment £m	Net carrying value £m
Opening balance at 31 December 2011	60.1	–	60.1
Additions to cost and provision in period	–	(9.0)	(9.0)
Closing balance at 28 December 2012	60.1	(9.0)	51.1
Opening balance at 29 December 2012	60.1	(9.0)	51.1
Additions to cost and provision in period	0.7	(5.0)	(4.3)
Closing balance at 27 December 2013	**60.8**	**(14.0)**	**46.8**

Goodwill acquired through business combinations has been allocated for impairment testing purposes to four principal cash-generating units, which are also reporting segments, as follows:

- Impellam United Kingdom
- Impellam North America
- Medacs Healthcare Group
- Carlisle Support Services

The £0.7 million addition to goodwill arises from the acquisition of Latitudes Group International Management Pte Limited in June 2013. In summary, £0.1 million of net liabilities was acquired for consideration of £0.6 million. No identifiable intangible assets were recognised resulting from this acquisition. The acquisition has contributed £0.1 million to Group revenues in the period and £nil to Group operating profit. In a full year the Company would have contributed £0.2 million to Group turnover.

11. Goodwill continued

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

At 27 December 2013

	Goodwill £m	Other intangible assets (note 12) £m	Total Intangible assets £m
Impellam United Kingdom	39.1	19.7	58.8
Impellam North America	0.6	9.0	9.6
Medacs Healthcare Group	2.3	17.7	20.0
Carlisle Support Services	4.8	0.8	5.6
	46.8	**47.2**	**94.0**

At 28 December 2012

	Goodwill £m	Other intangible assets (note 12) £m	Total Intangible assets £m
Impellam United Kingdom	39.1	20.8	59.9
Impellam North America	0.6	8.4	9.0
Medacs Healthcare Group	1.6	18.0	19.6
Carlisle Support Services	9.8	0.5	10.3
	51.1	47.7	98.8

The Group tests goodwill 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 net realisable value and value in use.

The recoverable amount for each of the above segments has been determined based upon a value-in-use calculation. Value-in-use is established by discounting anticipated future cash flows attributable to each cash-generating unit ('CGU') that is expected to benefit from the business combination in which the goodwill arose. Pre-tax cash flow projections are based on financial budgets approved by management covering the next financial period. The discount rate applied to the cash flow projections is 12.0% (December 2012: 12.0%), with a lower rate of 10.7% (December 2012: 9.2%) for the Carlisle Support Services segment, reflecting the different risk profile of this business. Cash flows beyond the two-year period have been extrapolated using long-term growth rates of 2.0% (December 2012: 2.0%).

As previously noted, the profitability of the Carlisle Support Services segment has been adversely impacted by trading and onerous contract losses in 2013, a review of the business is ongoing. Whilst the Board expect profitability to improve, the reduced size of the business and level of profitability does not support the current Group goodwill carrying value. As a consequence, the Board have concluded that a further impairment charge of £5.0 million (2012: £9.0 million) should be recognised for this business segment this period. This charge is recognised on the administrative expenses line in the Group income statement.

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 margin – this is based on the average margin achieved in the two years preceding the start of the plan period. These have been amended as appropriate over the plan period for anticipated changes to business mix.
- 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.
- Growth rate used to extrapolate beyond the plan period and terminal values are based upon the long-term average growth rate of the UK and US economies. Management recognises that the staffing and support services market growth rates fluctuate both above and below this rate.
- 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.

11. Goodwill continued

Sensitivity to changes in assumptions

The impairment calculation is sensitive to changes in the above assumptions; however management believes that, with the exception of Carlisle Support Services, the forecasts are achievable and that no reasonably possible change to these assumptions would lead to further impairment. The Carlisle Support Services business has encountered substantial market pressures and has entered into unprofitable contracts. With a change in management the Board believe that the business can deliver a return to profitability such that the goodwill value can be supported. Should the business not deliver a minimum of £1.0 million of EBITDA within the next two years, a further impairment to the goodwill carrying value will be required.

12. Other intangible assets

	Software £m	Brand values £m	Client relationships £m	Total £m
Net carrying value – 30 December 2011	3.9	40.3	3.9	48.1
Cost – 31 December 2011	11.1	40.3	14.7	66.1
Additions	3.2	–	–	3.2
Disposals	(3.3)	–	–	(3.3)
Foreign exchange	(0.2)	–	–	(0.2)
Cost – 28 December 2012	10.8	40.3	14.7	65.8
Accumulated amortisation – 31 December 2011	7.2	–	10.8	18.0
Charge for the period	2.2	–	1.4	3.6
Disposals	(3.3)	–	–	(3.3)
Foreign exchange	(0.2)	–	–	(0.2)
Accumulated amortisation – 28 December 2012	5.9	–	12.2	18.1
Net carrying value – 28 December 2012	4.9	40.3	2.5	47.7
Cost – 29 December 2012	10.8	40.3	14.7	65.8
Additions	3.4	–	–	3.4
Disposals	(5.7)	–	–	(5.7)
Foreign exchange	(0.3)	–	–	(0.3)
Cost – 27 December 2013	8.2	40.3	14.7	63.2
Accumulated amortisation – 29 December 2012	5.9	–	12.2	18.1
Charge for the period	2.7	–	1.1	3.8
Disposals	(5.7)	–	–	(5.7)
Foreign exchange	(0.2)	–	–	(0.2)
Accumulated amortisation – 27 December 2013	2.7	–	13.3	16.0
Net carrying value – 27 December 2013	**5.5**	**40.3**	**1.4**	**47.2**

Included in software additions for the period ended December 2013, are internally generated software development costs of £1.3 million (December 2012: £1.8 million) which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years (December 2012: three and five years) and are amortised, from the date the software is available for use, on a straight-line basis over this period.

Client relationships have resulted from business combinations and have been assessed as having a finite life remaining of between one and four years. They are amortised, from the date of acquisition, on a reducing balance basis over this period. Brand values, also resulting from business combinations, are assessed as having an indefinite life and are not amortised on a regular basis, rather they are subject to an annual impairment test. Brand values are considered to have an indefinite life because the Group will be investing in developing these brands such as to maintain their value over time.

13. Financial assets

	27 December 2013 £m	28 December 2012 £m
Financial assets – non-current		
Marketable investments designated at fair value through the income statement	**0.7**	0.7
Other financial assets (loans and receivables) – non-current		
Restricted access bank accounts	**0.1**	0.2
Deposits with non-financial institutions	**0.9**	0.9
	1.0	1.1
	1.7	1.8

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' entitlement is limited to the market value of the fund. Investments in the Trust comprise shares in US mutual funds. At 27 December 2013 these investments have been adjusted to the market value of £0.7 million (December 2012: £0.7 million). This movement is matched by an equivalent movement in other payables as disclosed in note 16.
- The restricted access bank account represents funds deposited into an escrow account under the self-insurance arrangements for US workers' compensation obligations.
- Deposits with non-financial institutions represent amounts held by suppliers, clients and landlords as security for provision of facilities and services.

Information on fair values and credit risks are given in notes 26 and 27.

14. Trade and other receivables

	27 December 2013 £m	28 December 2012 £m
Trade receivables – current (note 2(j))	**197.2**	198.7
Other receivables – current	**1.3**	2.6
Prepayments and accrued income – current	**26.8**	26.5
	225.3	227.8

- 65.3% (December 2012: 72.7%) of trade receivables are subject to revolving credit arrangements under which the Group is entitled to receive a substantial proportion of the receivable balance shortly after they have been invoiced. The Group retains the credit risk (note 26).
- Trade receivables also include gross receivables of £39.1 million (December 2012: £42.0 million) 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).
- The above trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

Information on fair values and credit risks are given in notes 26 and 27.

14. Trade and other receivables continued

As at 27 December 2013 trade receivables at a nominal value of £1.3 million (December 2012: £1.8 million) were impaired and fully provided for. The principal factor considered in calculating the impairment is the ageing of the receivable balance.

The ageing of these impaired receivables is as follows:

		27 December 2013 £m	28 December 2012 £m
Impaired:	<60 days	**0.1**	0.4
	60 – 120 days	**1.1**	0.9
	>120 days	**0.1**	0.5
Total		**1.3**	1.8

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

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Balance at beginning of period	**1.8**	1.4
Charged for the period	**0.4**	0.9
Amounts written off	**(0.9)**	(0.5)
Balance at end of period	**1.3**	1.8

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

The ageing analysis of trade receivables that were past due but unimpaired is as follows:

		27 December 2013 £m	28 December 2012 £m
Past due but not impaired:	<60 days	**24.3**	27.1
	60 – 120 days	**7.0**	6.5
	>120 days	**0.1**	0.8
Total		**31.4**	34.4

The other classes within 'trade and other receivables' do not contain impaired assets.

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

	27 December 2013 £m	28 December 2012 £m
Trade receivables – current	**54.1**	46.7
Other receivables – current	**0.1**	0.8
Prepayments and accrued income – current	**1.7**	2.1
	55.9	49.6

15. Cash and cash equivalents

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

	27 December 2013 £m	28 December 2012 £m
Cash and short-term deposits	**35.1**	37.8
Cash and cash equivalents	**35.1**	37.8

Information on fair values, credit risks and interest rates are given in notes 26 and 27.

16. Trade and other payables

	27 December 2013 £m	28 December 2012 £m
Trade payables – current	**108.9**	99.5
Other tax and social security costs – current	**36.3**	44.4
Other payables and accruals – current	**47.7**	53.4
	192.9	197.3

Trade payables include £80.7 million (December 2012: £82.4 million) of amounts payable under master-vendor arrangements in the UK and US, which are related to certain of the trade receivables – note 14. Arrangements are such that the payable amount is not due by the Group until a few days after receipt of the receivable.

Included in other payables and accruals are:

- £0.7 million (December 2012: £0.7 million) 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 13).
- £0.8 million (December 2012: £0.2 million) for contributions due to be made to defined contribution pension schemes on behalf of certain employees of the Group.

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.
- Other payables and accruals are non-interest bearing and have an average term of three months.

Information on fair values, credit risks and interest rates are given in notes 26 and 27.

17. Short-term borrowings

	27 December 2013 £m	28 December 2012 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**27.1**	21.0

Information on fair values, credit risks, interest rates and security are given in notes 26 and 27.

18. Provisions

	Onerous contract £m	Vacant properties £m	Workers' compensation £m	Total £m
Current – 28 December 2012	–	2.6	1.2	3.8
Non-current – 28 December 2012	–	4.2	1.3	5.5
	–	6.8	2.5	9.3
At 28 December 2012	–	6.8	2.5	9.3
Charged to income in the period	17.8	1.0	1.5	20.3
Utilised during the period	(2.1)	(2.4)	(2.0)	(6.5)
Released in the period	–	(1.2)	–	(1.2)
Unwinding of discount (note 7)	0.2	0.2	–	0.4
At 27 December 2013	**15.9**	**4.4**	**2.0**	**22.3**
Current – 27 December 2013	**4.9**	**1.4**	**0.7**	**7.0**
Non-current – 27 December 2013	**11.0**	**3.0**	**1.3**	**15.3**
	15.9	**4.4**	**2.0**	**22.3**

Onerous contract

Where obligations on long-term supply contracts exceed the expected economic benefit to be derived from them, full provision is made for the lower of the cost to exit the contract or for the expected cash outflow anticipated over the contract life. Provision has been made in respect of the expected cash outflows to the end of two contracts with an average expiry date of four years.

Vacant properties

When a property ceases to be used for the purposes of the business, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover the future obligations relating to the lease. A provision is made in respect of the expected holding costs to the estimated disposal dates on vacant properties under leases with a weighted average period until settlement of four years (December 2012: four years).

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, obtained at least twice yearly. 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 December 2013, 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.

19. Deferred taxation

	27 December 2013 £m	28 December 2012 £m
Non-current deferred tax assets		
Total deferred tax asset – UK	**2.9**	3.1

	27 December 2013 £m	28 December 2012 £m
Deferred tax liabilities		
Current	**–**	–
Non-current	**8.9**	10.0
Total deferred tax liabilities	**8.9**	10.0

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

The Group has deductible temporary differences relating to provisions and deferred capital allowances of £55.1 million (December 2012: £43.4 million). Deferred tax assets of £2.6 million (December 2012: £2.8 million) have been recognised in respect of these temporary differences, leaving £42.6 million (December 2012: £31.0 million) as unrecognised differences as they have arisen in subsidiaries that had been loss-making for tax purposes for some time. They have no expiry date.

The Group has tax losses that arose in the UK of £65.1 million (December 2012: £65.1 million) and tax losses that arose outside the UK (mostly in the US) of £182.6 million (December 2012: £168.4 million) that are available for offset against future taxable profits of the right type arising in the companies in which the losses arose. There is no expiry date on the UK losses but the US losses expire between 2018 and 2033. All losses are subject to legislation restricting the right to offset them. Deferred tax assets of £0.3 million (December 2012: £0.3 million) have been recognised in respect of the former as they are in 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 £63.8 million (December 2012: £63.8 million) and in the US of £182.6 million (December 2012: £168.4 million) as they may not be used to offset taxable profits elsewhere in the Group and they have either arisen in subsidiaries that have been loss-making for tax purposes for some time, or are capital losses for which there is limited scope for future offset.

20. Issued share capital

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
31 December 2011	44.7	0.4	15.5	15.9
Cancelled shares	(0.7)	–	–	–
Capital reorganisation	(0.1)	–	–	–
28 December 2012	43.9	0.4	15.5	15.9
29 December 2012	43.9	0.4	15.5	15.9
Shares issued	–	–	0.1	0.1
27 December 2013	**43.9**	**0.4**	**15.6**	**16.0**

31,845 shares were issued following exercise of share options for consideration of £80,249.

Impellam Group plc

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

Notes to the consolidated financial statements

For the fifty-two weeks ended 27 December 2013 continued

21. Share-based compensation – employee share incentive plans

Share option schemes

Between April 2003 and April 2006 The Corporate Services Group plc ('CSG') granted share awards to certain senior executives. Certain of these awards lapsed in 2008 whilst the liabilities for the remaining awards have been assumed by Impellam Group plc as part of the merger transaction. The remaining awards (the 'New CSG Options') maintain the economic position held by the original CSG awards with the right to a reduced number of shares at a higher exercise price. The CSG options have been granted under The Corporate Services Group plc No 1 Executive Share Option Scheme 2000 and The Corporate Services Group plc No 2 Executive Share Option Scheme. All of these shares have fully vested.

In November 2012 Impellam Group plc granted share awards to Cheryl Jones (former Chairman). Fair value of these awards was calculated as the share price at date of grant less the exercise price.

At the end of the period options under the schemes were outstanding as follows:

Date of grant	Exercise period	Exercise price Pence	**27 December 2013 Number of shares**	28 December 2012 Number of shares
The Corporate Services Group plc – No 1 scheme				
2003	2004 to 2013	252	**–**	30,952
The Corporate Services Group plc – No 2 scheme				
2003	2004 to 2013	252	**–**	31,512
2005	2006 to 2015	469	**–**	10,119
2006	2007 to 2016	486	**–**	10,582
			–	83,165
2012	2013	40	**–**	250,000
			–	333,165

No options were granted in 2013.

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

	27 December 2013		28 December 2012	
	Average exercise price Pence	**Options Thousands**	Average exercise price Pence	Options Thousands
Outstanding at beginning of period	**106.9**	**333**	308.2	83
Granted	**–**	**–**	39.0	500
Cancelled	**40.0**	**(250)**	–	–
Cancelled	**343.0**	**(51)**	–	–
Exercised	**252.0**	**(32)**	38.0	(250)
Outstanding at end of period	**–**	**–**	106.9	333
Exercisable at end of period	**–**	**–**	106.9	333

In 2013 options over 250,000 at an exercise price of 40 pence were cancelled in the period in consideration of £690,000 in cash; the average trading price on the three trading days prior to cancellation was £3.82. A further 51,320 options at an average price of £3.43 were also cancelled and satisfied by cash payments of £52,500, in addition a total of 31,845 options were exercised in the period at an average exercise price of £2.52; the average trading price on the three trading days prior to exercise and cancellation of these options was £3.54.

In 2012 options over 250,000 at an exercise price of 38 pence were exercised in the period, the average price on the three trading days prior to exercise was £3.16.

There are no options outstanding as at 27 December 2013; the weighted average remaining contractual life for outstanding options at 28 December 2012 was 1.0 year.

22. Other reserves

	Other reserve £m	Foreign currency translation reserve £m	Total other reserves £m
31 December 2011	92.2	0.5	92.7
Currency translation differences	–	0.3	0.3
28 December 2012	92.2	0.8	93.0
29 December 2012	92.2	0.8	93.0
Currency translation differences	–	(0.7)	(0.7)
27 December 2013	**92.2**	**0.1**	**92.3**

Other reserve
The other reserve comprises contributed surplus arising on a historical demerger transaction.

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.

23. Commitments and contingencies

Operating lease commitments – Group as lessee
The Group has entered into commercial leases for short leasehold premises, office machinery, computer equipment and motor vehicles. Due to the nature of the business, where the location of office premises needs to change on a frequent basis, and the short lived nature of office equipment, computers and motor vehicles, the Group has decided that it is not in its best interest to purchase these assets.

Office premises are held under non-cancellable operating leases with lives ranging from 1 to 18 years (December 2012: 1 to 19 years). The leases have various terms, escalation clauses and renewal rights.

Non-cancellable operating leases for other assets have an average life of between one and three years (December 2012: one and three years) with no renewal terms included in the contracts.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	27 December 2013 £m	28 December 2012 £m
Within one year	**9.3**	9.7
After one year but not more than five years	**23.0**	23.1
More than five years	**10.3**	11.7
	42.6	44.5

Operating lease commitments – Group as lessor
If a property becomes vacant and ceases to be used for the purposes of the business then the Group will seek an exit route from the property or seek to sub-let the property to a new tenant.

The future aggregate minimum sub-lease receipts expected to be received under non-cancellable sub-leases are less than £0.1 million.

Capital commitments
At 27 December 2013 the Group had commitments of £0.1 million (December 2012: £nil) relating to computer equipment.

24. Related party disclosures

The consolidated financial statements include those of the holding Company, Impellam Group plc and all of its subsidiaries. All subsidiaries are wholly owned at the period-end. The principal subsidiaries are listed below:

Impellam United Kingdom

UK – Blue Arrow Limited

– Carlisle Staffing plc

– Celsian Group Limited

– Chadwick Nott (Holdings) Limited

– Comensura Limited[(a)]

– Carbon60 Limited (formerly S.Com Group Limited)

– Science Recruitment Group Limited

Europe – S.Com Computer System Engineers (AG)[(b)]

– Irish Recruitment Consultants Limited[(c)]

Impellam North America

Corporate Employment Resources Inc[(d)]

Corestaff Support Services Inc.[(d)]

Guidant Group Inc.[(d)]

Medacs Healthcare Group

UK – Chrysalis Community Care Group Limited[(e)]

– Medacs Healthcare plc

New Zealand – Medacs Healthcare Limited[(f)]

Australia – Medacs Healthcare Australia (Pty) Limited[(g)]

– Allied Employment Group (Pty) Limited[(g)]

Singapore – Latitudes Group International Management Pte Limited[(h)]

Carlisle Support Services

UK – Carlisle Cleaning Services Limited

– Carlisle Security Services Limited

– Carlisle Retail Services (Luton) plc

Europe – Carlisle Cleaning Services Spain SL[(i)]

Shares have a nominal value of £1 per share except as disclosed below.

(a) ‘A’ ordinary shares of £1

(b) Ordinary shares of 1000 CHF

(c) Ordinary shares of €1.27

(d) Common stock with no par value

(e) Deferred shares of £1 and ordinary shares of US$1

(f) Ordinary shares of NZ$1

(g) Ordinary shares of A$1

(h) Ordinary shares of SG$1

(i) Ordinary shares of €1

Other related party transactions

Shane Stone is also a Director of a company called Anne Street Partners Limited. The Group pays Anne Street Partners Limited for its provision of Angela Entwistle’s services as a Non-executive Director. Also, a company within the Impellam Group provides a payroll bureau service to Anne Street Partners Limited for which no charge is made.

24. Related party disclosures continued

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 Company Secretary, the Chief Executives of the operating segments and the IT Director for the Group.

	52 weeks ended 27 December 2013 £m	52 weeks ended 28 December 2012 £m
Short-term employment benefits	**2.7**	3.0
Post-employment benefits	**0.1**	0.1
Termination benefits	**0.1**	0.1
Share-based payment expense	**–**	1.6
	2.9	4.8

25. Net cash

	29 December 2012 £m	Cash flow £m	Foreign exchange £m	**27 December 2013 £m**
Cash and short-term deposits	37.8	(2.1)	(0.6)	**35.1**
Revolving credit	(21.0)	(6.1)	–	**(27.1)**
Net cash	16.8	(8.2)	(0.6)	**8.0**

26. Financial risk management objectives and policies

The Group's principal financial liabilities comprise: bank overdrafts, revolving credit facilities, operating 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 review and agree 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. There is, therefore, no exposure to cash flow interest rate risk. All borrowings are subject to changes in market interest rates, primarily invoice discounting facilities, which are 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.

26. Financial risk management objectives and policies continued

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
December 2013			
Sterling	**+50**	**(0.2)**	**(0.2)**
	-25	**0.1**	**0.1**
US dollar	**+50**	**–**	**–**
	-25	**–**	**–**
December 2012			
Sterling	+50	(0.2)	(0.2)
	-25	0.1	0.1
US dollar	+50	(0.1)	(0.1)
	-25	–	–

Liquidity risk

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

Under the Group's revolving credit facilities (invoice discounting) in the UK £70.0 million (December 2012: £50.0 million) and in the US $25.0 million (December 2012: $24.8 million) was available for drawdown against trade receivable balances at 27 December 2013. The amounts not utilised at this date were £39.4 million (December 2012: £26.4 million) in the UK and $18.0 million not utilised in the US (December 2012: $18.6 million). There are restrictions to the free transfer of funds between the US and UK, although not from the UK to the US.

The facility in the UK is committed until at least February 2016. The US facility has been renewed in February 2014 for a further three-year period. The providers of these facilities may amend the commercial terms of the facilities at any time.

The receivables financing facilities include financial covenants linked to the Group's leverage cover. At 27 December 2013, and throughout the period, the Group was in compliance with its financial covenants and expects to continue to do so.

The table below summarises the maturity profile of the Group's financial liabilities at 27 December 2013 and 28 December 2012 based on contractual undiscounted payments. In the table below interest rates on variable rate loans have been based on a forward curve.

27 December 2013

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Short-term interest bearing loans and borrowings	27.1	–	–	–	27.1
Trade and other payables	–	149.6	6.9	0.1	156.6
	27.1	**149.6**	**6.9**	**0.1**	**183.7**

28 December 2012

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Short-term interest bearing loans and borrowings	21.0	–	–	–	21.0
Trade and other payables	–	140.8	12.0	0.2	153.0
	21.0	140.8	12.0	0.2	174.0

26. Financial risk management objectives and policies continued

Credit risk

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

Group policies are aimed at minimising such losses; it only trades with recognised, creditworthy third parties. 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 14.

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 minimised by restricting deposits and investments to those available from well-established reputable, financial institutions.

There are no significant concentrations of credit risk within the Group by either geography or sector.

Foreign currency risk

The Group has a significant investment in its operations in the United States with some smaller interests in Europe and Australasia. The Group's consolidated balance sheet can be affected significantly by the movements in the US$ exchange rate, however, movements in Euro, Australian $, Swiss Franc, New Zealand $, or Singapore $ exchange rate 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 US$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	% change in rate	Decrease/(increase) in profit before tax £m	Effect on equity £m
December 2013	**+20**	**0.5**	**(0.2)**
	-20	**(0.6)**	**0.2**
December 2012	+25	0.1	(0.2)
	-20	(0.1)	0.2

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 13).

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 earnings before interest, tax, depreciation and amortisation.

	27 December 2013 £m	28 December 2012 £m
Net cash (note 25)	**(8.0)**	(16.8)
Equity per balance sheet	**112.1**	133.5
Funding: total capital less net cash	**104.1**	116.7

The receivables financing facility includes a financial covenant linked to the Group's leverage. At 27 December 2013, and throughout the period, the Group was in compliance with this financial covenant.

27. 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.

		27 December 2013		28 December 2012	
	Level	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and short-term deposits	3	**35.1**	**35.1**	37.8	37.8
Investments	1	**0.7**	**0.7**	0.7	0.7
Other financial assets (non-current)	3	**1.0**	**1.0**	1.1	1.1
Financial liabilities					
Short-term borrowings – UK	3	**27.1**	**27.1**	21.0	21.0

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)
- Level 3 – Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs)

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.

Level 3
Other than those items identified as Level 1, all items are classified as Level 3.

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

Interest rate risk
At 27 December 2013 and 28 December 2012 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.

27 December 2013

	Within 1 year £m	1-2 years £m	**Total £m**
Floating rate			
Cash and short-term deposits	35.1	–	**35.1**
Short-term borrowings	(27.1)	–	**(27.1)**

28 December 2012

	Within 1 year £m	1-2 years £m	Total £m
Floating rate			
Cash and short-term deposits	37.8	–	37.8
Short-term borrowings	(21.0)	–	(21.0)

27. Financial instruments continued

- The effective interest rate on bank balances and other short-term deposits was less than 0.5% (December 2012: less than 0.5%). US deposit interest rates were less than 0.5% (December 2012: less than 0.5%).
- Bank loans 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) at 1.50% over UK base rate (December 2012: 1.85% over UK base rate) and 1.75% (December 2012: 1.75%) over Prime rate in the US and is charged monthly in arrears (note 26).

Collateral pledged

The self-insured workers' compensation liability described in note 18 is covered by insurers on the basis that collateral is provided sufficient to cover all potential claims. This collateral takes two forms:

- £4.2 million – $7.0 million (December 2012: £3.8 million – $6.1 million) in the form of letters of credit drawn upon the revolving credit facility in the US, and
- £0.1 million – $0.2 million (December 2012: £0.2 million – $0.4 million) in the form of cash deposits, shown on the balance sheet as non-current other financial assets (note 13).

28. Dividends

	2013 £000	2012 £000
Special paid: 35.0 pence (2012: nil)	**15,372**	–
Final paid (2012): 5.0 pence (2012: nil)	**2,196**	–
Interim paid: 5.0 pence (2012: 7.0 pence)	**2,196**	3,089
Paid in period	**19,764**	3,089

Subject to shareholder approval, the Board are proposing a final dividend in respect of 2013 of 7 pence per share, amounting to £3.1 million, to be paid on 25 July to all shareholders on the register at 4 July 2014, following the Annual General Meeting.

29. Post balance sheet event

On 6 March 2014, the Group completed the acquisition of Career Teachers for a total consideration of £22.3 million comprising an initial cash consideration of £19.1 million, a deferred cash consideration of £1.5 million and the issue by Impellam of £1.7 million in Loan Notes. The acquisition, funded from existing bank facilities, is expected to be immediately earnings enhancing. The deferred cash consideration of £1.5 million is due in July 2014. The Loan Notes are redeemable in August 2017.

Independent auditors' report on the parent Company to the members of Impellam Group plc

Report on the parent Company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent Company's affairs as at 27 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent Company financial statements (the 'financial statements'), which are prepared by Impellam Group plc, comprise:

- the Company balance sheet as at 27 December 2013; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the group financial statements of Impellam Group plc for the fifty-two week period ended 27 December 2013.

Stephen Mount
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
Friday 7 March 2014

Company balance sheet

As at 27 December 2013

	Notes	27 December 2013 £000	28 December 2012 £000
Fixed assets			
Investments	3	**151,748**	151,748
Current assets			
Debtors	4	**24,223**	21,731
Cash at bank and in hand		**231**	–
		24,454	21,731
Creditors: amounts falling due within one year	5	**(59,812)**	(35,423)
Net current liabilities		**(35,358)**	(13,692)
Total assets less current liabilities		**116,390**	138,056
Net assets		**116,390**	138,056
Capital and reserves			
Called-up share capital	7	**439**	439
Share premium account	7	**15,594**	15,514
Capital redemption reserve	9	**2**	2
Other reserves	9	**41**	41
Retained profit	9	**100,314**	122,060
Total shareholders' funds	10	**116,390**	138,056

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

The financial statements on pages 70 to 75 were approved by the Board on Thursday 6 March 2014 and are signed on their behalf by:

Andrew Burchall
Group Finance Director

Notes to the Company balance sheet

As at 27 December 2013

1. Summary of significant accounting policies

a. Basis of accounting

The Company balance sheet has been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

The balance sheet is presented in pounds sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

A separate profit and loss account or statement of total recognised gains and losses dealing with the results of the Company only has not been presented as permitted under section 408 of the Companies Act 2006.

The Company is the parent of the Impellam Group plc and its subsidiaries, its results and cash flows are included in the consolidated financial statements of the Group, which are publicly available and as such it has taken advantage of the exemption under FRS 1 (Revised 1996) ‘Cash flow statements’ not to publish a cash flow for the Company.

The consolidated financial statements produced by Impellam Group plc are the only financial statements in which the results of the Company are included. During the period in the normal course of trade the Company transacts with other wholly owned Group companies. These transactions are not disclosed as the Company has taken advantage of paragraph 3 of FRS8 ‘Related party disclosures’.

Accounting policies have been applied consistently.

b. Investments

Shares in subsidiary companies are held as fixed assets, they are stated at cost less provision for impairment. Impairment reviews are conducted annually.

c. Deferred taxation

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised may include accelerated capital allowances, unrelieved tax losses and short-term timing differences. Timing differences not recognised include: those relating to the revaluation of fixed assets in the absence of a commitment to sell the revalued assets; the gain on sale of assets rolled over into replacement assets in the absence of a commitment to sell the replacement assets; and the distribution of profits from overseas subsidiaries in the absence of any commitment by the subsidiary to make the distribution.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

d. Employee benefits

Short-term benefits – bonus arrangements

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

Pension obligations

The Company provides pension arrangements for its UK-based Directors and employees through defined contribution schemes. Contribution costs are expensed to the income statement as they become due.

2. Operating costs

- The amount payable to the Auditors in respect of the audit of the Company is £20,000 (December 2012: £20,000) all of which is payable to PricewaterhouseCoopers LLP. The Company is exempt from providing details of non-audit fees as it prepares consolidated financial statements in which the details are required to be disclosed on a consolidated basis (see note 4 to the consolidated financial statements).
- Details of emoluments for Directors can be found in note 5 of the consolidated financial statements.
- Monthly average staff numbers (including Directors) for the Company during 2013 was 19, 7 Directors/Company Secretary, 7 managers and 5 administrators (2012: 17, 7 Directors/Company Secretary, 6 managers and 4 administrators).
- The total amount of employee costs charged to the Company’s income statement in the period is £2,027,000 (December 2012: £4,401,000 including a £1,645,000 share-based payment charge).

Notes to the Company Balance sheet

As at 27 December 2013 continued

3. Investments

	Subsidiary undertakings £000
Cost	
At 28 December 2012 and 27 December 2013	151,748
Impairment provision	
At 28 December 2012 and 27 December 2013	–
Net carrying value	
At 27 December 2013	**151,748**
At 28 December 2012	151,748

Details of the principal subsidiary undertakings are given in note 24 of the consolidated financial statements. All these companies are unlisted.

Subsidiary undertakings

The carrying value of investments were tested against discounted future cash flows during the period using a discount rate of 12%. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2014 financial period. Management believe the forecasts are reasonably achievable. No impairment in carrying value was identified.

4. Debtors

	27 December 2013 £000	28 December 2012 £000
Amounts owed by subsidiary undertakings	**23,286**	20,196
Other debtors	**78**	119
Prepayments and accrued income	**582**	1,046
Deferred taxation (note 6)	**277**	370
	24,223	21,731

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and are not interest bearing.

5. Creditors: amounts falling due within one year

	27 December 2013 £000	28 December 2012 £000
Bank overdraft	**–**	60
Amounts owed to subsidiary undertakings	**59,776**	33,935
Other creditors and accruals	**36**	1,428
	59,812	35,423

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and are not interest bearing.

6. Deferred taxation

	27 December 2013 £000	28 December 2012 £000
Opening balance	**370**	408
Charged to profit and loss account in the period	**(93)**	(38)
Deferred tax asset	**277**	370

The total recognised and unrecognised deferred tax is as follows:

Assets	Recognised 2013 £000	Unrecognised 2013 £000	Recognised 2012 £000	Unrecognised 2012 £000
Losses	**260**	**–**	285	–
Deferred capital allowances	**17**	**–**	22	–
Other short-term timing differences	**–**	**–**	63	–
	277	**–**	370	–

7. Share capital

	Number of issued shares Thousands	Issued share capital £000	Share premium account £000	Total share capital £000
28 December 2012	43,888	439	15,514	15,953
Shares issued	32	–	80	80
27 December 2013	**43,920**	**439**	**15,594**	**16,033**

31,845 shares were issued following exercise of share options for consideration of £80,249.

Impellam Group plc

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

8. Share-based compensation – employee share incentive plans

Full details of share options are given in note 21 to the consolidated financial statements. The options outstanding relating to awards granted by the parent Company to its employees and Directors for services rendered to the parent Company are as follows:

Date of grant	Exercise period	Exercise price Pence	27 December 2013 Number of shares	28 December 2012 Number of shares
The Corporate Services Group plc – No 1 scheme				
2003	2004 to 2013	252	**–**	10,357
The Corporate Services Group plc – No 2 scheme				
2003	2004 to 2013	252	**–**	21,488
			–	31,845
2012	2013	40	**–**	250,000
			–	281,845

No options were granted in 2013.

Notes to the Company Balance sheet
As at 27 December 2013 continued

8. Share-based compensation – employee share incentive plans continued
The following table illustrates the number and weighted average exercise prices of share options outstanding at the end of each period.

	27 December 2013		28 December 2012	
	Average exercise price Pence	**Options Thousands**	Average exercise price Pence	Options Thousands
Outstanding at beginning of period	**64.0**	**282**	252.0	32
Granted	**–**	**–**	39.0	500
Cancelled	**40.0**	**(250)**	–	–
Exercised	**252.0**	**(32)**	38.0	(250)
Outstanding at end of period		**–**	64.0	282
Exercisable at end of period		**–**	64.0	282

In 2013 options over 250,000 at an exercise price of 40 pence were cancelled in the period in consideration of £690,000 in cash; the average trading price on the three trading days prior to cancellation was £3.82. A further 31,845 options were exercised in the period at an average exercise price of £2.52; the average trading price on the three trading days prior to exercise of these options was £3.54.

In 2012 options over 250,000 at an exercise price of 38 pence were exercised in the period, the average price on the three trading days prior to exercise was £3.16.

There are no options outstanding as at 27 December 2013; the weighted average remaining contractual life for outstanding options at 28 December 2012 was 1.0 year.

9. Reserves

	Capital redemption reserve £000	Other reserves £000	Retained profit £000	Total reserves £000
29 December 2012	2	41	122,060	122,103
Loss for the period	–	–	(1,982)	(1,982)
Dividends paid	–	–	(19,764)	(19,764)
27 December 2013	**2**	**41**	**100,314**	**100,357**

Other reserves
The remaining other reserves comprise contributed surplus arising on a historical demerger transaction and a special reserve arising from the capital reduction in December 2012. These reserves are non-distributable.

Capital redemption reserve
This reserve has been created on the cancellation of shares repurchased by the Company in 2012. This reserve is non-distributable.

Profit attributable to the parent Company
The loss dealt with in the financial statements of the Company for the 52 weeks ended 27 December 2013 was £1,982,000 (December 2012: profit £469,000). In 2013 this amount does not include any dividends received from subsidiary undertakings (December 2012: includes dividends received £5,000,000). Dividends totalling £19,764,000 (2012: £3,089,000) were declared and paid during the period. As allowed by s.408 of the Companies Act 2006, no separate profit and loss account is presented for the parent Company.

9. Reserves continued
Dividends

	2013 £000	2012 £000
Special paid: 35.0 pence (2012: nil)	**15,372**	–
Final paid (2012): 5.0 pence (2012: nil)	**2,196**	–
Interim paid: 5.0 pence (2012: 7.0 pence)	**2,196**	3,089
Paid in period	**19,764**	3,089

Subject to shareholder approval, the Board are proposing a final dividend in respect of 2013 of 7 pence per share, amounting to £3.1 million, to be paid on 25 July to all shareholders on the register at 4 July 2014, following the Annual General Meeting.

10. Reconciliation of movements in shareholders' funds

	27 December 2013 £000	28 December 2012 £000
(Loss)/profit for the financial period	**(1,982)**	469
Shares issued	**80**	–
Shares repurchased	**–**	(2,821)
Dividend paid	**(19,764)**	(3,089)
Opening shareholders' funds	**138,056**	143,497
Closing shareholders' funds	**116,390**	138,056

11. Contingent liabilities
Cross guarantees
The Company has given cross guarantees as follows:

a) As part of the invoice discounting facility of the Group; the net aggregate amount outstanding against this facility at 27 December 2013 was £27.1 million (December 2012: £21.0 million).

b) As part of the Group's overdraft facility; the net aggregate amount outstanding against this facility at 27 December 2013 was £nil (December 2012: £nil).

12. Related party transactions
The Board are not aware of any related party transactions other than those disclosed in note 24 to the consolidated financial statements.

Company information

Impellam Group plc, traded on the AIM (Symbol: IPEL), is a leading provider of Managed Services and Specialist Staffing expertise and is primarily based in the UK and North America, with smaller operations in Australasia, Ireland and mainland Europe.

Impellam Group plc provides fulfilling jobs to doctors, lawyers, accountants, nurses, teachers, scientists, receptionists, drivers, chefs, administrators, shop assistants and engineers through 14 specialist brands across a broad range of sectors.

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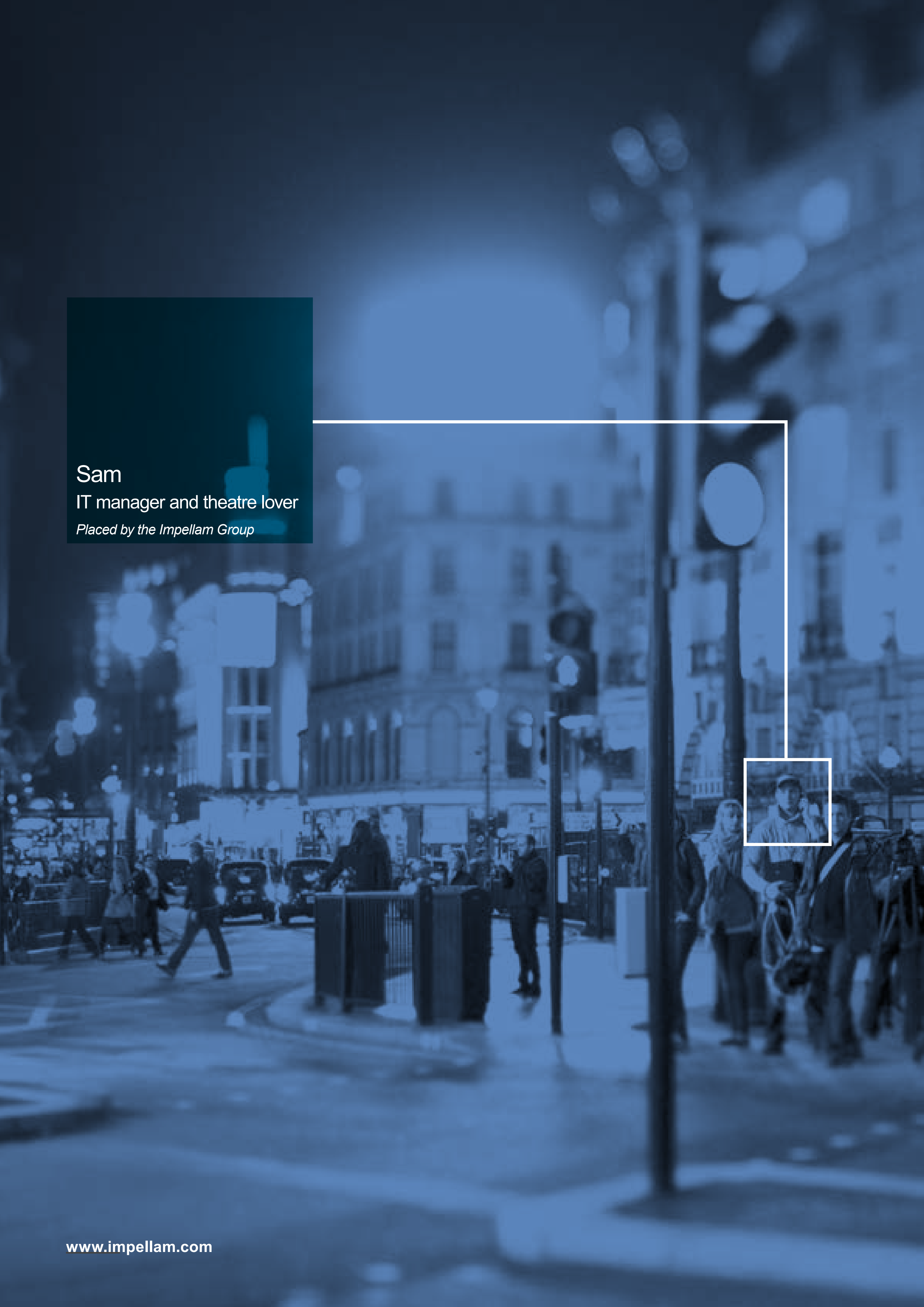

Sam

IT manager and theatre lover

Placed by the Impellam Group