

# Changing times, trusted people

Impellam Group plc

Annual Report and Accounts 2017

### The Company





Strategy in action page 16\_21

Performance review for operating segments

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# Impellam is the second largest<sup>1</sup> staffing company in the UK and the sixth largest<sup>2</sup> managed service provider worldwide.

Clients across the world look to us for Managed Services and Specialist Staffing in the UK, North America, Australasia, the Middle East and Europe. Working with them are 3,200 Impellam people, bringing a wealth of expertise through our 18 market-leading brands across 168 locations.

Every year, we connect carefully chosen candidates with fulfilling jobs at all levels. They include doctors, lawyers, accountants, nurses, teachers, cleaners, scientists, receptionists, security guards, drivers, chefs, administrators, engineers, warehouse operatives and technology specialists.

Underpinning everything we do is our 'high-retention strategy'. It is centred on making and keeping promises to deliver better results and experiences to our customers, candidates, employees and investors.

### Our vision

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

### Our mission

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

### Notes

- 1 By revenue (2016 published numbers)
- 2 By SUM (confirmed by Staffing Industry Analysts). Spend Under Management (SUM) is the total amount of client expenditure which our Managed Service brands manage on behalf of their clients whether acting as a principal or agent. Management use this measure as it reflects the total value of the client spend to the Group and not just the revenue generated

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### Highlights

# Progress and performance

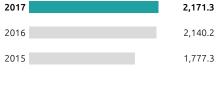
### Group strategic highlights

- Managed Services gross profit increased to 39% of the total Group and adjusted EBITDA<sup>1</sup> to 52% of the total Group.
- Group supply<sup>2</sup> increased by 0.7pps to 25.2% delivering an additional £3.7m gross profit.
- Increase in top 50 customer retention from 94% to 96%, demonstrating we are delivering on our highretention strategy.
- Investment in developing 96 of our Virtuoso managers delivered a ten-fold return in only nine months at £2.5m adjusted EBITDA.
- Collaboration initiatives across the Group delivered £2.5m incremental gross profit in the UK and \$1.2m in North America.

- Geographical diversification delivered an increase in non-UK gross profit to 38.1% (2016: 35.1%) and adjusted EBITDA to 50.2% (2016: 38%) with a 183% increase of adjusted EBITDA in Australasia.
- UK market share gains for Medacs Global Group and seven new Managed Services wins underpinned by ShiftWise technology.
- Synergy cost savings of \$5.9m in our US business following Bartech acquisition in 2016.
- Strong cash conversion<sup>3</sup> at 123% (2016: 99.4%) and net debt reduction of 20.4%.

### Financial highlights

### Group revenue £m



### Profit before tax £m



### **Net debt**\_£m

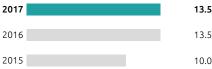


### Group gross profit £m



### 59.4 2016 70.1





### Notes

- Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48 Group supply is the value of the Spend Under Management supplied from our Group brands into our Managed Services programmes
- Cash conversion of operating profit to net cash from operating activities

### Impellam at a glance

# Robust and diverse portfolio



### **Managed Services**

Our Managed Services businesses optimise the productivity of people by designing, implementing, coordinating and reporting on the whole staffing process. This frees our customers to focus on their core business. They provide multi-disciplinary workforce solutions, including all forms of partial and complete outsourcing.















### Specialist Staffing

When organisations are operating and building their businesses, they need specialist help to find the right people. With a deep understanding of our customers' markets, and an extensive network of specialist candidates, our dedicated teams provide expert recruitment services and skilled workers for permanent, temporary, contract and fixed-price work.



























CAREER TEACHERS

### Operating segments performance

### **Managed Services Managed Services** UK, Europe, Middle East and Australasia US Revenue\_£m Revenue\_£m 2017 1,019.4 2017 990.0 188.4 876.5 101.3 Gross profit\_£m Gross profit\_£m 49.5 62.7 2016 48.8 61.4 2015 56.5 2015 19.9 For more information page\_34 For more information page\_37



### Chairman's statement

# Good strategic progress



In 2017, Impellam Group made good strategic progress and delivered a robust set of results despite continued challenging market conditions in the UK, particularly in the education and healthcare sectors.

Our portfolio of Specialist Staffing and Managed Services businesses continued to diversify geographically to reduce our exposure to ongoing challenging conditions in the UK with strong growth delivered in Australasia. We also made investments in people, innovation, technology and growth markets, whilst keeping tight controls on costs and cash. In particular, investment in developing and retaining our managers has had a positive impact, ensuring that our people are equipped to adapt and thrive in the changing world of work.

As a result of our continued performance, the Board is proposing a final dividend in respect of 2017 of 13.5p per share, amounting to £6.8m to be paid on 9 August 2018 to those shareholders on the share register on 6 July 2018 and to be approved by shareholders at the Annual General Meeting on Thursday 21 June 2018 at 9.00 am. The shares will be marked ex-dividend on 5 July 2018.

During 2017, there were some changes to the Impellam Board. In October, we welcomed a new Non-Executive Director; Baroness Tina Stowell. Her expertise and experience will be valuable to the Board. Please see page 55 for Tina's full biography. In November, The Honourable Shane Stone stepped down from the Board after seven years' service, but I am pleased he will continue to serve as an advisor to the Company in its Australian markets. In December, Sir Paul Stephenson left the Board and I thank him for his contribution to Impellam.

Finally, I would like to thank our shareholders for their continued support and our people for their hard work and contribution through the year. We enter 2018 with confidence and we look forward to reporting our progress in the coming year.

### Our investment proposition

# Trusted through changing times

### The changing world of work provides significant opportunity

The world of work is changing rapidly: the demographics of the workforce are shifting and new generations are demanding work with more purpose and meaning; clients and candidates are seeking to work ever more flexibly, and the increasingly rapid adoption of technology is challenging our view of the workplace – the need for trust and transparency has never been greater.

## Our vision, mission and culture of virtuosity aligned with our unique business model mean Impellam is ideally placed to deliver

We operate a differentiated and sustainable high-road business model that builds customer loyalty, trust and advocacy.

Our deep heritage in contingent staffing provides a clear competitive advantage as clients increasingly seek more flexible ways to work. Our Managed Services businesses deliver long-term contracted revenues which provide earnings visibility and sustainable value. This is complemented by our portfolio of higher margin, expert-to-expert Specialist Staffing brands. We create incremental value for our stakeholders through our collaborative, cross selling culture across the portfolio.

We provide our Virtuoso leaders with the autonomy to deliver these solutions to our clients and entrepreneurially identify new opportunities. We continue to empower and enable our Virtuosos with technology to free them up to build more meaningful relationships with our clients and candidates.

### Leverage our core markets and remain agile to new opportunities

We have market-leading positions and capabilities in many of our core markets which provide a significant competitive advantage. We leverage these capabilities to expand into new markets and develop new revenue streams.

We focus on identifying and executing earnings-enhancing, strategic acquisitions that support the ambitions of our high-road clients, expand the geographic footprint of the business and provide further resilience across the portfolio.

### Long term sustainable financial performance and shareholder returns

Our balanced portfolio and high-retention business model delivers sustainable financial performance throughout the economic cycle.

Our strong focus on cash generation enables us to reinvest in the portfolio and continue to deliver dependable dividends to shareholders.

### Market overview

# The changing world of work





Confidence is the major driver of the global staffing market, underlying organisations' decisions to hire permanent or temporary workers, and candidates' decisions to move between jobs. Confidence is affected by cyclical economic and political dynamics, and this has impacted some of our markets in 2017 and will continue to do so in 2018. Structural factors in the staffing market are also impacted by the macroeconomic trends of digital and technological advances, changing workforce demographics, and skills shortages. Combined, these are changing the world of work; changes we are anticipating in our portfolio structure and strategic priorities.

### Economic and political dynamics

Our main geography, the UK, experienced political volatility and economic uncertainty that resulted in a lack of business confidence in some sectors. Uncertainty around Brexit will continue to impact this market; although employment is growing and part-time and temporary work is increasing. Public sectors such as medical, care and teaching, continue to be affected by government austerity and a globally mobile workforce who seek better opportunities elsewhere in the world.

In mainland Europe, America and Australia, economic factors are more encouraging. Jobs are being created, and employment is rising. Changes in the world of work are leading to shifting employment patterns, and employers are increasingly open to working with staffing providers who are experienced in managing contingent employment models. Demand for science, engineering, technology and healthcare skills is growing in these markets.

### Digital and technology

Digital and technology continues to have a global impact on how we work and live. As machines and artificial intelligence increase in sophistication, many industries anticipate relieving humans of manual and repetitive tasks, while skills in the uniquely human domain such as creativity and the ability to connect with others increase in value.

"Our vision and mission are compelling to our multi-generational workforce."

Inevitably this will shift the type and frequency of work available; we are in a window of opportunity for individuals, business and government to understand and proactively manage the transition to a new future.

The staffing industry, like its clients, is already adapting to the changes and opportunities afforded by increased automation and the digitisation of our candidates' lives outside, as well as inside, the world of work. Impellam sees and is creating opportunities for digitisation to improve the experience we offer to clients and candidates. We see a critical opportunity to empower and free up our Virtuosos to focus on building relationships and trust – using technology to allow our people to focus on more meaningful interactions with high-road customers in growth markets.

Digital technology is also challenging societal concepts of trust and reliability, causing many governments and institutions to review how data is stored and managed, and how online views and opinions can impact on society. Against this backdrop, the need for trust and transparency has never been greater.

### Changing workforce demographics

An ageing population, particularly in Northern hemisphere countries, has impacted on economies and work patterns. Economic uncertainty means employers are less likely to guarantee a role for life, and changing societal norms mean the generation born after the millenial generation are less likely to seek one. Contingent and contracting work – the 'gig economy' – now accounts for up to a third of the global workforce.

Economic and societal shifts, technological advancement, talent shortages and new business models mean that people's expectation of work and the way they choose to work are evolving.

The 'gig economy' has borne two simultaneous but distinct trends. The first is a cohort of professionals who were denied the job stability enjoyed by the previous generation.

They have shunned more traditional career paths and tend to be younger people who prioritise fulfilment and purpose. The second trend is lower-skilled employees who, caught up in technological and legislative change, have ended up in more insecure and low-paid employment.

There are now five generations working side by side in the workplace. At Impellam 66% of our workforce are millennials<sup>1</sup> and 10% are generation Z<sup>2</sup>. Many of them have a dissimilar view from previous generations of what they want from work. Our vision and mission are compelling to our own workforce, and it will continue to allow us to attract and keep the best talent.

As permanent workforces contract over the coming years, reliance on flexible workers will increase so employers will have to work hard to attract and retain these people. We have a deep history and knowledge of temporary workforces and our point of difference is to provide fulfilment and purpose to an increasingly flexible workforce.

### Skills shortages

These trends are compounding the skills shortage already at play in some global sectors, with employers recognising that the ability to attract the right talent, both today and for the future, will provide competitive advantage. Lower skilled jobs will decrease in significance and numbers; roles requiring intuition and relationship building will grow, including skill short areas such as healthcare and education, alongside hospitality and the creative industries. Technology, will grow as a sector and transform the roles required in others.

The ability to navigate change and uncertainty is a requirement for any business today. Impellam's diversified portfolio, our deep legacy managing and mobilising flexible workforces, and adoption of new technology to enable our high-retention strategy, will underpin our growth.

- Millnenials are born between 1982 2004
- 2 Generation Z starts after the year 2000

### Our business model

### Our businesses

By collaborating closely, our Managed Services and Specialist Staffing businesses provide market-leading positions across our core markets.

This means that, within the Group, we are always equipped to deliver the right service at the right time to the customers we choose to work with.

### Managed Services

- Long-term contracts.
- High visibility of future earnings.
- Manage the end-to-end staffing process for a wide range of high-road customers.
- Meeting high-volume need.
- Effective process management and innovation.
- Public, private and not-forprofit sectors.



### Specialist Staffing

- Higher gross profit, more cyclical business.
- Provides specialist workers for permanent, temporary, contract and fixed price work.
- Specialist recruiters delivering bespoke recruitment services to high-road customers.
- Specialisms: healthcare, social care, legal, engineering, catering, driving, office, industrial, science, clinical, education, finance and accountancy, sales, IT, aviation and cleaning.

### Our shared culture

All of our businesses work in 'The Impellam Way', which embeds a consistent Group-wide culture, based on trusted behaviours delivered by entrepreneurial, Virtuoso leaders

who can drive our competitive advantage and deliver on our bold promises.



### Tuning in to customers

Tuning in is much more than listening. Impellam people see the world as our customers see it, and work with them to make their businesses better.



# Make, keep and deliver promises

All Impellam people make, keep and deliver their promises, every day.





### **Producing stars**

We perfect the art of delivering fulfilment to candidates by putting them at the heart of everything we do, and taking the time to truly understand them.



We have passionate, Virtuoso leaders who thrive in a fast moving, performance-based culture and who can transform deep-rooted outdated practices.

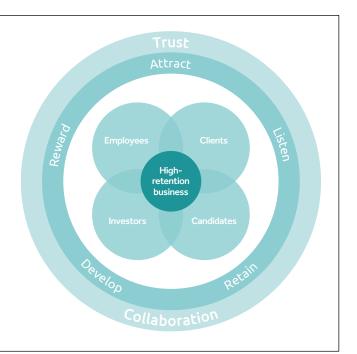


### Our high-retention model

At the heart of our high-retention model is a virtuous circle of making and keeping promises, engendering trust and loyalty.

High-retention businesses will retain clients, candidates, employees and investors for longer, and reap the benefits of that longevity.

All Impellam businesses, as well as any business we acquire, believe in high-retention already and, with our help, are on course to become so.



### Our value creation

### Clients

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

- Client recommendation
   +9 NPS score¹
- Client retention<sup>2</sup> of 96%

### Candidates

From the outset, we listen to our candidates and find them work that fulfills them and matches their attitudes, skills and aspirations. We reward our candidates fairly, retain them by treating them well, and find them work that interests and develops them. In turn, this encourages them to refer us to friends and indeed employers.

 Candidate recommendation +25 NPS score<sup>1</sup>

### **Employees**

We employ people who care about what we do. We develop them so they have the right skills and experience to do their job by being experts in their field. Ultimately, we trust them to make the right decisions, collaborate and deliver on their promises.

- Manager retention<sup>3</sup>
   87%
- Development of Virtuoso managers<sup>4</sup>
   25%

### Investors

We take great care to create strong relationships with investors who understand our strategy and business model. We build on the trust we have created by delivering on both our financial and non-financial promises.

- Basic EPS 61.9p (2016: 87.4p)
- Final dividend per share 13.5p (2016: 13.5p)

### Notes

- $1. \ \ Net \ Promoter \ Score \ (NPS): the likelihood of our customers \ and \ candidates \ recommending \ our \ services \ to \ a \ friend \ or \ colleague$
- 2. Refers to our top 50 clients
- 3. UK only
- % of managers who participated in the Virtuoso training in 2017

### Group Chief Executive Officer's review

# A robust performance in challenging times



### Introduction

I am pleased to report that Impellam Group made excellent progress with key strategic initiatives during 2017, delivering £37.9m (2016: £39.8m) of profit before tax despite challenging trading conditions in the UK; in particular, in the healthcare and education markets. In addition, we reduced our net debt by 20% and managed our costs tightly enabling us to deliver dividends to shareholders in line with 2016.

Our Managed Services businesses across the UK, the US and Australasia delivered robust results, demonstrating the resilience of our business model. Our Group supply¹ continued to rise as we leveraged our Specialist Staffing brands as a key source of high quality talent for our Managed Services businesses. In particular, we made good progress in North America as a consequence of the Bartech acquisition in December 2015.

Our year-on-year decline in adjusted EBITDA<sup>2</sup> (£70.1m to £59.4m) from a relatively flat margin performance is explained by a contraction in gross profit from our UK Specialist Staffing businesses post-Brexit; austerity measures in the NHS and the UK's education sector; strategic investment in IT and digital and higher than anticipated one-off costs in integrating our North America back offices.

### Our strategy is working for us

Our entire business philosophy is based on trust and keeping our people, our customers' and our candidates engaged. We provide good work for people and by doing this, we help our customers businesses perform better in a changing world. We check our progress by measuring advocacy (Net Promoter Score) and retention. In 2017 our employee NPS was ranked amongst market leaders at +51, which means that our people recommend Impellam's services to others and the average length of service of our people rose from 50.06 to 50.75³ months. Above all, we know that managers make the difference and we are delighted to see continuing retention of our management community.

Our 'secret sauce' is making sure that our people stay with us for longer and see possibilities that others don't. We know that when they do, they delight our customers so they stay with us for longer, spending more and increasing recurring revenue for the Group. In 2017, the retention of our top 50 customers increased from 94% to 96%.

The final ingredient of the retention story is, of course, our candidates. Most staffing businesses talk about the importance of candidates but few focus on them like we do. Impellam people make a difference whether they are delivering babies in Australia, keeping trains running on the East Coast of the UK, creating tomorrow's world in the labs of pharma companies worldwide or keeping the world connected through technology or energy supply. All work is important and we focus on giving people meaning, so that they create value for our customers and themselves.

### Evolving with changing times

Our Managed Services businesses now produce 52% of our adjusted EBITDA<sup>2</sup>. We continue to evolve our service-offering along the Human Resource Outsourcing (HRO) value chain towards total talent management, while gaining efficiencies through technology. This gives us strong visibility of future revenues, a sticky customer base and the opportunity to improve margins through leveraging our Specialist Staffing capability worldwide.

We have systematically reduced our reliance on the UK. In 2014 the UK delivered 81% of our gross profit compared with 66% by the end of 2017. Although our exposure to the political and economic uncertainty of the UK is still relatively high, we have mitigated it through strategic acquisitions and by investing in organic growth in our US, Australasian and Middle Eastern businesses. Over the last three years we have demonstrated our ability to integrate overseas businesses successfully, and to identify and back our Virtuoso managers to create organic growth. Our Comensura business in Australia and Medacs Global Group in Australia and the Middle East are both great examples.

This focus on Virtuosity is central to our strategy. We believe that "managers make the difference" and our investment in their development is producing measurable results across all of our geographies. I made a bold statement in 2016 that Virtuosity makes the difference and will drive market beating value creation and I am delighted with the progress we have made. During the year, 96 of our talented people embarked on our Virtuoso transformation, which begins with each making a promise about what they will deliver. I can report that they delivered on those promises, generating £7m gross profit and £2.5m of adjusted EBITDA<sup>2</sup>.

More importantly, these Virtuoso managers now have a broader span of control and are leading our people and our strategic initiatives with new vigour. A further 150 managers across the world will embark on this change programme in 2018, and I am confident of the contribution they will make to our future growth and achievement of our vision and mission.

Notwithstanding these robust results and the strategic progress we have made, I must also recognise in this report the market challenges we have faced as a Group.

The NHS pay and margin rate caps imposed in 2016, coupled with the impact of IR35 introduced in April 2017, have reduced the availability of locum doctors and nurses willing to work for the NHS. As a consequence, the NHS's spend with staffing agencies has reduced significantly. Our response has been to embrace this market shift, recognise it as the new normal, and accelerate investment in Managed Services technology and healthcare knowledge to support government cost-saving targets. This bold investment, coupled with leveraging our Group capability has made a positive impact. We have won seven Managed Services contracts and gained market share versus a market contraction of 35%. This has been achieved whilst also rapidly growing our healthcare business outside the UK.

The UK education market is also challenging. Continued austerity measures, coupled with rapid acceleration of teachers leaving the profession, have created a perfect storm of supply and demand dissonance. We continue to believe in the attractiveness of this market for the long term but recognise the need to re-balance the needs of government, schools, teachers and providers.

Throughout 2017, our focus has been on managing the portfolio appropriately to maximise stakeholder value in turbulent times, while staying true to our vision, mission and strategy. I believe we have executed this well. We have continued to invest in people, innovation, technology and high potential markets, while maintaining an iron grip on cost and cash. This positions us well for 2018 and beyond.

Management retention<sup>3</sup>

Client retention⁴

- Group supply is the value of the Spend Under Management supplied from our Group brands into our Managed Services
- Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48
- In the UK only
- 4 Based on our top 50 clients

# **Group Chief Executive Officer's review** continued

### Operating and financial review

Overall gross profit in 2017 was £285.5m compared to £288.6m in 2016. Given the Group's current dependency on the UK market and its exposure to the NHS, this was a robust result. Although adjusted EBITDA¹ of £59.4m was lower than the prior year (£70.1m), profit before tax was only 4.8% lower at £37.9m. Cash conversion² was strong at 123.0% and net debt was reduced by 20.4%, meaning that dividends have been maintained at 20.5 pence per share.

We continued to balance the risk in our portfolio. Managed Services now accounts for 56% of our revenue, 39% of our gross profit and 52% of our adjusted EBITDA¹, up from 49% in 2016. Group Spend Under Management (SUM³) was £4.4bn (2016: £4bn) and our Group supply stood at 25.2% (2016: 24.5%), driven by a 2.7pps increase in North America. The leverage of our increase in SUM and Group supply created £3.7m of additional gross profit in 2017.

We have reduced our dependency on the UK by 22% since 2015 as we pursue our vision of being the world's most trusted staffing company. We have achieved this through a combination of strategic acquisitions and organic investment.

Our North American business is now fully integrated into the Impellam family generating \$5.9m of synergy cost savings and the Managed Services and Specialist Staffing brands have performed well. I am particularly proud of the way that they supported our people, customers and indeed relief efforts in the aftermath of the two hurricanes in Houston and Florida. Our Australian brands have been exemplary in embracing and embodying the Group strategy, and as a result have delivered gross profit growth of 30%.

Managed Services gross profit at £112.2m was 1.8% up on the prior year while SUM at £4.4bn has increased by 8.8%. Adjusted EBITDA¹ from Managed Services is £32.7m (2016: £35.5m). There was double-digit growth in Managed Services in the UK (Guidant), Australia (Comensura) and healthcare (UK and Australia), while US Managed Services (Bartech) was flat due to the timing of wins and losses.

The Specialist Staffing gross profit at £173.3m was 2.9% down on the prior year, impacted by challenging UK markets, the NHS and the UK education sector. However, there were good performances from technology in the UK and US (Lorien and s.com); science and clinical in the UK and US (SRG and SRG Woolf); engineering in the UK and Australia (Carbon60); homecare (UK) and healthcare (Ireland, Australia and the Middle East).

Our focus on collaboration between our brands and between Managed Services and Specialist Staffing has continued to reap results, differentiate us and, most importantly, delight our customers and candidates. Our 'Working Across Boundaries' initiative (WAB) resulted in our brands creating £2.5m gross profit in the UK and \$1.2m in North America.

### Our strategy making a difference in a changing world

We make a difference by providing fulfilling work for people who make our customers' businesses better in a changing world. Throughout this report you will read compelling stories that show why I am proud of Impellam people and the work we do.

Our Virtuoso managers see opportunities that others don't, and as a consequence we have a vibrant pipeline of transformational promises that keep our work relevant in order to future proof our earnings. We manage this pipeline through our Innovation Hub and investment management process – but most of all, we promise to back great ideas and then give our people the space and support to deliver them.

### Outlook

I am proud of how our focus on leadership, agility and innovation has supported our managers and our businesses to deliver meaningful strategic and financial results, take market share and innovate to create sustainable shareholder value. To achieve this, we will continue to build on our progress against three clear imperatives:

Firstly, we will double our cohort of Virtuosos. We will free them up to do what they do best and give them the freedom and autonomy to build meaningful relationships with customers and candidates to innovate and future proof our services.

Secondly, we will continue to transform our portfolio. We will accelerate our Managed Services' growth by integrating and internationalising our brands. In addition, we will refine our Specialist Staffing offerings by building scale in our international businesses and investing in high-growth markets.

Thirdly, we will increase our resilience by building scale in non-UK operations, focusing our mature businesses on maximising relationships with high-road customers, investing in technology to drive efficiency and being obsessive about cash generation.

This focus will deliver consistent, above-market organic growth, which we will supplement by targeted, strategic mergers and acquisitions. Strong cash generation is part of our DNA, and when coupled with our focus on creating a sustainable portfolio, will deliver consistent shareholder value.

As always, I extend my thanks to my Leadership Team and all Impellam people for seeing the world through the eyes of our customers and candidates and ensuring their trust in us is well placed.

### Notes

- 1 Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48
- Cash conversion of operating profit to net cash from operating activities
   Spend Under Management (SUM) is the total amount of client expenditure which our Managed Services brands manage on behalf of their clients whether acting as a principal or agent. Management uses this measure as it reflects the total value of the client spend to the Group and not just the revenue generated

### Managers make the difference

Reach for an Oxford Dictionary, and you'll find that a 'Virtuoso' is "a person highly skilled in music or another artistic pursuit". For Impellam's purposes, we particularly like the second part, because we view the ability of our managers to lead, achieve and inspire as very much an art.

In 2017, our Virtuoso programme came into being, recognising that it is our managers who make the difference in building trust, relationships and better futures for our clients and candidates. By the end of 2018, about half of our cohort – around 250 managers – will have experienced the programme.

Experienced is the word; Virtuoso is not about conventional, fact-driven classroom training. Jill Thornton, Director of Group Talent, explains: "The Virtuoso programme alters perspectives, helps people to think laterally and brings about a shift in mindsets to truly unlock potential."

Crucially, Virtuosity provides a framework that allows individuals to make bold, transformational promises and senior management to support them. The framework uses open communication to allow people to identify when their promise is drifting, and to ask for help and feedback without fear of failure. Jill continues: "Over a nine-month period, Virtuosos undergo workshops and one-to-one coaching, starting with helping them to gain the clearest vision of their promise. In turn, they then work backwards to define what it will take, the skillsets needed and, critically, the infectious passion to enrol and engage their teams. Only with them on board can they deliver on their promise."

Lorien, our technology focused recruitment brand acquired in 2014, embraced the Virtuoso programme in 2017 with nine managers in its first cohort. Claire Marsh, CEO, explains: "We already knew we had real talent within the business. Virtuosity has allowed us to put trust in our managers and really show what they can do to move the business forward. It gives people the freedom to take ownership for initiatives that they are passionate about."

Ashton Arnold is Client Services Director at Lorien, and she started the Virtuoso programme in June 2017. Although already targeting beating her plan by 40%, she believes the Virtuoso mindset stretched and challenged her and her team, contributing to finishing the year 92% ahead of plan. Ashton worked closely with her team, sharing the vision, gaining their buy-in and commitment, and exciting them on what could be achieved. Along the way, they saw the value of improved communication, clear milestones and individual accountability.

She concludes: "The Virtuoso culture we all adopted as a team required self-reflection, belief and business acumen, and we delivered the benefit to our customers, our candidates and ourselves." Virtuosos also own initiatives that fall outside of 'business as usual' but will contribute to providing a sustainable business with fulfilling roles for its people. This includes a mentoring programme, with twelve mentees already signed up. "Virtuoso has already helped us move beyond cost and outcome to a focus on where we want to get to. It's allowing us to better align investment to strategy," says Claire Marsh, "It's been a huge shift in realising potential and value."



### Our strategy

### A bold promise

### Our strategic objective

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

### Our strategic advantage

We retain our customers, people and investors longer than our competitors because they trust us to do what we say we are going to do.

We collaborate across our multi-branded portfolio with a common language and a set of signature practices ('The Impellam Way') to deliver differentiated, integrated solutions to our customers and fulfilment to our people.

### Our strategic scope

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

**Offering** We are a staffing solutions company with the sole focus of offering high-value, differentiated Managed Services and Specialist Staffing solutions. We always draw on our core competency and never take on work we do not understand.

**Geography** We have multi-branded, multi-service offerings in the US, UK, Europe, Middle East and Australasia. In support of our mission, we may choose, very selectively, to invest in and operate with specific clients in other countries, and to find exciting opportunities for our people globally.

**Integration** We have a unique, differentiated model which integrates Managed Services and Specialist Staffing into a full workforce solutions management platform for our customers' permanent, contingent and Statement of Work (SOW¹) spend. We do important work and we get work done.

### Notes

Statement of Work (SOW) solutions are spend in complex categories of service

# Our strategic priorities and 2017 performance

### Our priorities and what they mean



### 1\_Managers make the difference

We will have Virtuoso managers leading each Impellam operation by the end of 2019.



### 2\_We own 'high retention'

We are the obvious staffing partner for companies who care about engagement, retention, fulfilment and productivity and our customer list proves it.



### 3 Digital and technology

We are always easy to do business with via the web, through social media, on the phone and in person.



### 4 Clean and lean

Obsessive about cash generation, de-centralised local ownership and delivering a fair and transparent share of the true value we create for all stakeholders.



### 5 Collaborative

By 2019, we will fill 50% of our addressable Managed Services spend through our Specialist brands, and 25% of our Specialist Staffing customers will buy services from more than two Impellam brands.



### 6\_Love our candidates

Our candidates matter just as much to us as our customers and we have the retention, engagement and fill rate metrics to prove it.



### 7 The Impellam way

A purposeful, promise-based, ambitious and collaborative group of real people who transform the industry through their desire for betterness.

### What we achieved

96 (25%) of our managers began the Virtuoso development programme in 2017 and a further 120 (30%) will join them during 2018. As well as delivery on promises totalling £7m in gross profit and £2.5m in adjusted EBITDA<sup>1</sup>, our Virtuosos are now responsible for leading 54% of our UK business and 38% of the entire Group.

88% of our top 50 clients demonstrate they care about the value we create through engaging our workforce and as a consequence we have retained 96% of them, up from 94% last year.

As a result of further investment in IT up from £15.1m to £17.6m in 2017, we increased system availability and adopted cloud based telephony and messaging solutions to make sure our mobile workers can stay in touch with us any way they choose. In addition, we launched a further seven "mobile first" websites in the year which brings our total to 16 and means that 16% of our placed candidates come from our own websites. We proudly launched the UK's first integrated healthcare technology solution which helped us win seven new customers including Staff Bank.

We reduced our net debt by 20.4% to £75.9m and being mindful of continued trading challenges in many of our UK Specialist businesses, we managed costs tightly producing savings of £3m in H2 improving our conversion of gross profit to adjusted EBITDA¹ to 24.3% from 17.3% in H1. We also rolled out a new expenses mangement system, SAP Concur, reducing the number of solutions from five to one. In addition, we also engaged The Instant Group to review our property and workplace strategy.

We made good progress in filling our addressable Managed Services spend through our Specialist brands, particularly in North America, where it stood at 25%. Our overall fill rate of addressable spend is now 40% demonstrating we are on track to reach our 2019 target. More than 3,500 individual customers attended our multi-brand seminars and as a consequence spent £1.4m with us, and cross-sell delivered £3.4m across both the UK and US.

Our candidate NPS was +25: a strong advocacy score. We filled 95.8% of our Managed Services bookings with our engaged candidates, 48% of which were supplied by Impellam brands.

We have made such good strategic progress that during 2017 we chose to re-brand and launch Impellam as a market facing brand with a fresh, vibrant visual identity designed for digital that represents the diversity of our portfolio of unique Specialist Staffing and Managed Services brands. Our new font, Ubuntu, is the Zulu word for 'I am because of who you are', a phrase used to bring everyone together to show we are more than the sum of their parts.

### The battles we must win

We'll continue to work on all our strategic priorities, but we are really clear about our immediate next steps:



### 1\_Enable our Virtuosos

Virtuosos doing what people do best enabled by reliable technology.

We will get out of the way of our Virtuosos and make sure they are leading more of the Group, future proofing the portfolio and delivering new, incremental revenue stream.



### 2\_Transform our Portfolio

We'll accelerate our Managed Services growth by selectively integrating our Managed Services brands across our major geographies to make it easier for our high-road customers to access our talented and engaged people.

We'll refine our Specialist Staffing portfolio and will build scale in growing global verticals whilst responding to macro trends and developing new business lines in new verticals opened by the gig economy.



### 3\_Improve Resilience

We'll improve our resilience by building brand density and scale in non-UK geographies.

We'll enter new markets organically and through acquisition both to defend our key high-road client relationships and to enter growth verticals and economies.

### Notes

Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48



### Saving millions for the NHS

Of all the national assets that make the UK proud, the NHS is one of the most revered and respected worldwide.

Indeed, in 2017 it topped a survey that compared the healthcare systems of ten nations, including those of leading European countries, North America, Australia and New Zealand.

The scale and complexity of the NHS is remarkable. It employs over 106,000 doctors and nearly 286,000 nurses. It treats over one million patients every 36 hours, and admits over 16 million patients a year. All the while, as medical science advances and we all live longer, demand for its services is only going one way.

However, funding is not keeping up. Indeed, around two-thirds of NHS Trusts are operating at a deficit, and the need to spend every pound effectively has never been so acute.

Nigel Marsh, CEO of Medacs Global Group (MGG), says: "We're proud to have supported the NHS for 27 years with excellent permanent and contingent staff. But in today's climate, the measure of good support has changed. It's no longer enough to provide great people; we must gain a total understanding of the intense financial pressures the NHS is under, and provide creative solutions that make a measurable difference."

One of their great logistical challenges is to make sure they have exactly the right staff ratios at any given time, balancing employees, staff banks and additional resources from agencies.

We saw a clear role for MGG here, combining our human resources expertise with another specialism in our repertoire – the ability to harness technology.

### Visibility = efficiency

The result is ShiftWise technology, a software-led Managed Services solution that is exclusive to Impellam in the UK. In the latter part of 2017, MGG commenced implementation of its first NHS Trust Managed Staff Bank solution underpinned by the ShiftWise technology.

Nigel continues: "The ShiftWise technology has given this Trust instant and clear visibility over its workforce for the first time. They're now balancing more accurately their permanent labour and ad-hoc staff banks with the need for additional agency resources. They can see what they need from external sources and, as importantly, what they don't.

MGG's solutions will now save them millions of pounds while also ensuring that staffing levels are directly in line with patient safety."

By the end of 2018 we expect that up to 20 NHS Trusts will have adopted the Shiftwise technology, allowing our customers to realise over £20m in savings annually, money which can be redirected back into front line services. As the ShiftWise technology gains reach and momentum, each Trusts' systems will be able to 'talk' to the others. Over time, MGG will also build a knowledge bank of Trusts' experiences and practices that can be shared for the common good.

"The introduction of the ShiftWise technology is an example of Impellam seeing the world through our customers' eyes. And although delivering tangible benefits is our goal for every client, we are particularly proud to be contributing to the health of our health service."



## Shared values deliver Australian growth

Impellam's portfolio gives us the flexibility to provide the right services at the right time to clients, whatever their local needs. Our high integrity approach transcends cultural boundaries – enabling us to really get to the heart of what matters to clients, to build lasting relationships with candidates, and to run a business based on making and keeping our promises.

There may be almost 10,000 miles between our UK and our growing Australian business, but despite cultural and lifestyle contrasts, our ethos has travelled well. Many Australian clients find our people-centric, trust led approach to meaningful work refreshing and creative.

Jamie Horton, CEO at Comensura comments: "Our team are focused on standing in the future and helping our customers see the art of the possible. In a market that typically follows traditional staffing models, we're shifting mindsets to show that we're capable of delivering much more to our clients."

Medacs Global Group (MGG) has also grown through a shared ethos. Nigel Marsh, CEO, reflects that the acquisition of Global Group resulted in a complementary set of strengths, where a traditional sales-orientated culture met a strong service-led approach. He says: "We're now spending much more time with clients, getting closer to them than before. In the old days it was "here's what we can supply to you". Now, we're setting ourselves apart by saying "tell us your aims, your goals and your issues, and let us craft a solution".

This investigative approach led MGG to send a team up to the Northern Territory of Australia, where the local health services deliver care in the city of Darwin and the harder to reach rural areas and the isolated desert interior. Nigel Marsh comments: "Recruiting resilient autonomous healthcare professionals in environments like this can demand lateral thinking to fully appreciate the clients' issues."

In the UK, MGG provides Workforce Solutions services by embedding teams in NHS hospitals, to look, learn and devise strategies. Nigel Marsh says that "this is something we'll be taking to Australia. At the moment, most of our information is coming from meetings with management. This is valuable, but there's real scope for us to get even closer to the action during 2018."

Another Impellam 'export' to Australia has been Carbon60, our engineering specialist, which opened in May 2017. Paul Nolan, Managing Director of Carbon60, says: "With no contracts in place, and no brand recognition, it was only going to be the exceptional talents of people that would launch this business successfully. I've been intimately involved with the Virtuoso programme from its inception, and when I interviewed Simon Walker, our Australian Operations Director there, I could see he exuded Virtuosity. He intuitively knew what was needed."

# Strategy in action continued



### Collaboration for client growth

One of Impellam's great strengths is the diversity of its portfolio. Our people are experts in their fields across the world of work, and this deep understanding means we can tune in to individual customers needs, whether they are looking for teaching legends or catering wizards, permanent or temporary. Of course, in a complex world many clients require more than one specialism to make their businesses a success. Take a high profile event: to run smoothly it will take everything from experienced and trustworthy security teams on the day, to finance and legal experts working for several months behind the scenes. As all of Impellam's brands are linked by a common way of doing business based on trust, we are able to pull together solutions as required by our customers.

Our agility means that we can quickly bring simplicity to the most challenging requirements, working across brands to provide customers with the right service at the right time.

This attitude delivers benefits to clients and benefits to our business. In 2017, our UK collaboration initiative, WAB, delivered £2.5m of additional gross profit and our US cross sell initiative \$1.2m. Today, 3% of our customers buy from more than one brand; as we further refine our portfolio and invest further in our Virtuoso managers, we see great opportunities to expand this.

Our Group supply initiative also continues to deliver results. We offer clients the dual benefits of significant cost savings and access to candidates with specialist skills under a simple proposition combining a Managed Service Provider and Specialist Staffing brands. Our increased strength in the US means Bartech was able to deliver Group supply to benefit our client, a global contract research organisation and drug development services company.



### Key performance indicators

We monitor our performance against our strategic priorities by using key performance indicators ('KPIs'). Our KPIs include a set of financial and non-financial measures.

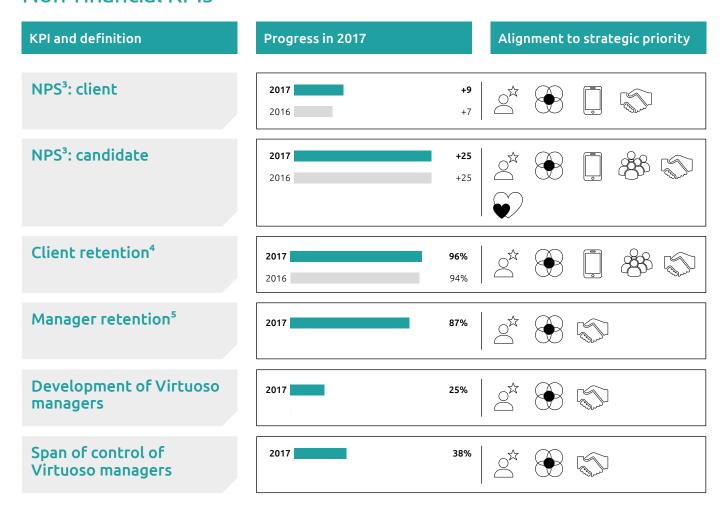
### Financial KPIs

### **KPI** and definition **Progress in 2017** Alignment to strategic priority Group revenue 2017 £2,171.3m £2,140.2m 2016 £1,777.3m 2015 NFI/gross profit 2017 £285.5m 28 K Net fee income ('NFI') is the total 2016 £288.6m placement fee of permanent candidates, the gross profit earned 2015 £233.7m on the placement of contract candidates Adjusted Group EBITDA<sup>1</sup> 2017 £59.4m EBITDA before separately disclosed £70.1m 2016 items and share-based payment 2015 £57.9m Group operating profit 2017 £44.7m Operating profit 2016 £47.1m 2015 £1,777.3m Conversion ratio -2017 20.8% adjusted EBITDA<sup>1</sup> 24.3% 2016 Adjusted EBITDA divided by NFI/ 24.8% 2015 gross profit Conversion ratio -2017 15.7% operating profit 2016 16.3% Operating profit divided by NFI 19.0% 2015 Net debt 2017 £(75.9)m Total cash and cash equivalents, less 2016 £(95.3)m borrowings (both current and £(118.2)m non-current) 2015 % of Managed Services 2017 52% adjusted EBITDA

### Financial KPIs continued



### Non-financial KPIs



<sup>1</sup> Adjusted EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48
2 Basic earnings per share amounts are calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of Ordinary shares outstanding during the year

Net Promoter Score (NPS): the likelihood of our customers and candidates recommending our services to a friend or colleague

<sup>4</sup> Based on our t 5 In the UK only Based on our top 50 clients

### People and culture



### Proud of our people

We are proud of the work our people do supporting our clients and candidates.

Frequently, this work is recognised with awards and accolades from our industry and beyond. Here are some of the highlights from 2017:

- Investors In People. SRG was successful in its first application to Investors In People, receiving a silver award in recognition of their high standard in leading, supporting and managing talent. Carlisle Support Services also received Silver accreditation. Blue Arrow and Guidant Group also retained their Platinum status.
- The Association of Professional Staffing Companies (APSCO) Awards.
   Guidant received the prestigious RPO/MSP of the Year award for an unprecedented third year running.
- Duke Energy 2017 Corporate Responsibility Supplier of the Year.

  Awarded to Bartech for focus on diversity and inclusion in their supplier base.
- Sunday Times Top 100 Companies to Work For. Blue Arrow (51st) and Tate feature regularly in this employee-verified list of UK employers; in 2017, Guidant made a hat-trick of Impellam brands receiving recognition.
- Chartered Institute of Payroll Professionals accreditation. Our support services teams are critical to the success of all our brands. Our payroll team received the Chartered Institute of Payroll Professionals (CIPP) Payroll Assurance Scheme (PAS) accreditation as recognition to commitment to excellence in their processes.



An organisation of Impellam's scale touches many lives and communities. We work in 168 locations across the world, dealing with thousands of people daily, both as part of the working world and their wider lives. We encourage our people to use their talents to give back to those communities, whether it's hosting bake sales to running marathons, wrapping Christmas presents, growing moustaches for Movember or playing endurance golf.

local communities

In 2017, people across the Group came together in response to events that touched the lives of our colleagues, clients and candidates. Following hurricane Harvey, Impellam launched a global fundraising campaign for the US's Houston Hurricane Relief fund and Bartech organised a rapid response in sourcing 3,000 call centre operators for the Texans Helping Texans hurricane Harvey relief response. We also held a month wide fundraising campaign to support victims of terror attacks and we donated to The British Red Cross to support survivors of London's Grenfell Tower fire.

Our people supported causes that mattered to them personally too. Carlisle Support Services chose to donate to Alzheimers UK and the team were creative dressing as elves, taking part in gruelling muddy obstacle courses and running half marathons dressed as Santa. SRG Woolf spent a day answering calls to take donations for the "Backpack Buddies Mediathon and food drive". They also collected and donated food to the Inter-Faith Food Shuttle in Raleigh, North Carolina, which provides healthy

meals to those in need. Blue Arrow's 65 branches fundraised locally for Mind UK, the Scottish Association of Mental Health, and Aspire (Ireland and Northern Ireland).

A further aspect of our corporate social responsibility (CSR) work is building a trusted, sustainable supply chain. Bartech, our US managed service provider, works with small, medium-sized (SME) staffing businesses to fulfill specialist roles required by clients. Recognising the importance of working within a thriving and diverse business community, Bartech set up the 'Diversity Delivers' initiative.

On this two year programme, small businesses owned by minorities and veterans are offered executive level coaching to help them expand their business. They also have access to an annual supplier summit that helps them partner with others to further realise their ambitions. Monthly check in calls and quarterly business reviews with Bartech's experienced team help to turn coaching into business action.

The programme launched in 2014 with five suppliers. In 2017, a further seven suppliers took part, to great success: the year-on-year business growth for this cohort is 54%, with one supplier growing their business by 82%. Working with businesses who are invested in their local communities means that their success makes lasting, positive local economic impact.

### People and culture

continued

# How a Virtuoso manager used technology to put the people at the heart of social care

With seismic shifts disrupting the world of work and society facing key challenges such as an ageing population, we know we need to invest in people who can navigate these changes. Our Virtuoso managers can think differently about the issues that affect our clients, and our candidates, and the people close to them.

Jamie Horton, CEO of Comensura, is one of these. By combining his personal and business experience, he was inspired to create a technology-led solution that would transform the provision of care for some of the most vulnerable members of society, such as those suffering with dementia.

Sitting in on a research group about accessing social care as part of his role, Jamie was struck by one participant's comment: "She said that she had found more, and better, information about her new vacuum cleaner than she ever did about her mum's care home." Having experienced the challenges of finding critically important care within his own family, Jamie began to think about how the whole field of social care provision could be improved.

In the UK alone, the state spends £17bn a year across 152 councils to provide people with vital care services. Clients range from people who need an occasional helping hand, to those who rely on multiple home visits a day, to people who must have full time, 24-hour specialist care.

As a service user, you may need to deal with several different departments and providers. In turn, your local authority has to manage a myriad of functions, from organising and quality-controlling care homes and health visitors, to providing equipment, transport and meals.

### The concept: Younifi

Against this fragmented backdrop, Jamie's concept was to turn provisioning on its head: to put the user at the centre, supported by a software-led solution that looks at the lifetime needs of that user holistically. On a single platform, Younifi brings together high-quality information – and effortless contact – with all of the relevant services that contribute to the best standards of care.



For the user, or their carer or family, this means that everything they need is right at hand. From being able to order a bannister to make a staircase safer; to arranging transport for a hospital visit; to accessing complete information about verified home or residential care that matches their level of need. Jamie adds: "Younifi is also about the quality of everyday life.

So while a user is ordering, say, meals on wheels, the system can give them the alternative option of attending a lunch club instead, with all the social and economic benefits that brings."

### Better outcomes with streamlined costs

For the local authorities, this plays directly to their goal of 're-enabling' their service users, opening fresh possibilities for social interaction and simply creating better experiences.

On an operational level, Younifi also achieves major efficiencies at a time when budgets have never been so pressed. Younifi has won a place on its first framework, and with strong interest from customers following that, we aim to deliver several millions a year in direct savings. As importantly, it will free up staff for more meaningful tasks in front-line delivery and raise service quality.

Jamie adds: "It says a lot about Impellam's culture that the Company has invested in Younifi. At first glance, it's some way removed from our core staffing business. But building trust and valuing people sit at the heart of everything we do, so actually this is rooted in Impellam's values."





Our mission of providing fulfilling work is an inclusive one. Across Impellam, we have succeeded by supporting talented people, regardless of their background. Our long experience of many forms of work, across almost every sector of the world of work, means that we fully appreciate how diversity benefits our own brands and our clients – and we also see where more can be done.

The world of work is changing, partly due to supporting attitudes in society, and we see a role to play in challenging outdated attitudes and creating inclusive environments for our people, our candidates, and our clients.

Our UK Managed Services provider, Guidant, strives to instigate change within our own industry and help clients lead the way in theirs, creating working environments that accurately reflect the world we live in and ultimately strengthening their talent pipelines. In 2017, Guidant helped one of their long term clients to bring to life their first week long celebration of inclusivity.

Since 2012, Guidant had worked hard to understand the needs of their client's hiring managers, filling over 5,000 vacancies in the UK business, so they jumped at the chance to help bring the week to life.

The week was designed to build a real sense of purpose around inclusivity and to truly celebrate people's differences and individuality. Taking place during Pride month, It included events, lively debates and TED-style talks at the client's headquarters in London.

Guidant Group invited key contacts within diversity and inclusion to support a wide variety of keynote speeches. Speakers included Impellam's Group CEO Julia Robertson, one of only 3.5% female CEOs of an AIM listed organisation.

There's appetite within the client to grow the week into a movement, and the organising team have already planned to run smaller events every 2-3 months to meet employee demand. Inspired by the event, Guidant will introduce a similiar programme in 2018.

### Leading the way



# Helping clients navigate the changing world of work

Workplaces are becoming increasingly global, with job roles changing rapidly due to technology, and today's digital native, career mobile generations rewriting expectations of employers. Impellam is immersed in these challenges, helping our clients address them on a daily basis.

Through our UK-wide seminar programme, we share our insight into the global trends, issues and innovations that we predict will impact on the world of work.

In 2017, 3,168 cutomers attended an Impellam seminar. The seminars provide an opportunity for professionals with responsibility for recruiting and retaining people to step out of their day job and debate issues and opportunities with their peers.

The programme of topics ranged from an analysis of how global megatrends are affecting organisations and jobseekers; a review of the different traits and motivating factors of the five generations found in today's workforce; and a deep dive in to the reasons for attrition and how to motivate a modern workforce.

We also hosted over 30 thought leadership sessions for customers, enabling their teams to explore specific issues in depth. The thought leadership programme allows us to build trust and a long-term partnership with clients which creates repeat business and profiles the breadth of our expertise.

Feedback from attendees has been unanimously positive, including, "as a babyboomer managing a young team, this seminar helped me to understand the motivation, the values and the beliefs of my team. This is by far the best presentation I've ever seen."

# Good work for retail fulfilment centres

The internet has changed the way we shop. Everything from trousers to toasters are now a few simple clicks away, often delivered to the door in less than a day. Guidant's client Shop Direct is one of the UK's largest digital retailers, with their award-winning fulfilment centres processing over 50 million clothing, electrical, beauty and homeware products a year. Successfully fulfilling these customer demands requires teams of people who embody Shop Direct's values – which is where we come in.

Guidant has been fulfilling Shop Direct's requirements for temporary warehouse staff since 2001. In 2017, over 1,500 temporary warehouse operatives joined the Shop Direct teams over the peak shopping period of Black Friday, Christmas and New Year. With fierce local competition for candidates, Guidant used data driven insights in to the motivations of existing Shop Direct employees to create personas that would help them to target the ideal candidates, including increasing the representation of women in the workforce. By matching the benefits that appealed to each persona, including intangibles such as acts of kindness within the workplace and Shop Direct's strong charity culture, Guidant was able to help candidates really relate to the available roles.

Guidant included existing workers who embodied each persona in its recruitment campaign, with their enthusiasm for their work helping Shop Direct stand out as an employer.

The efforts to find candidates who would find the work fulfilling paid off. In a survey sent to all temporary workers, 89% were happy with their experience, with one commenting, "I think the effort on the part of all colleagues was flawless and it has led to the amazing results that we can see. I was really happy to be a part of such a dynamic team."

The temporary workforce helped to pick over 755,000 items over the Black Friday period and packaged over 8 million orders over the Christmas period.







At Impellam, we are investing in digitally transforming and simplifying how we do businesses, freeing up our people to do what they do best – build relationships based on trust.

Most of our candidate experiences start online. In 2017, we continued to improve that experience by re-developing a further seven websites as well as introducing a personalised user journey to quickly take candidates to the most relevant information.

We also kicked off a multi-million pound project, 'Ignite', which will transform our client and candidate journey.

specialist Jobscience to create a customised, best in class solution.

Ignite will free our consultants to focus on getting to know their candidates and on truly understanding their clients' needs. Through the use of apps it will also give our candidates – especially our temporary workers – greater control over reviewing and selecting work that suits them. We piloted Ignite in parts of Australia and UK in 2017.

### Notes

1 Deloitte (2017) Global mobile consumer trends, 2nd edition



### Performance review for operating segments

Overview of Managed Services in the UK, Europe, Middle East and Australasia Our Managed Services businesses optimise the productivity of people by designing, implementing, coordinating and reporting on the whole staffing process. This frees our customers to focus on their core business. We provide multidisciplinary workforce management solutions, including all forms of partial and complete outsourcing.

Comensura, Guidant Group and Carlisle Support Services are the Group businesses engaged in providing full-scale, multi-disciplinary Managed Services.

Lorien and Medacs Global Group deliver specialist single-discipline, master vendor solutions to their customers.

The specialisms of our UK, Europe, Middle East and Australasia Managed Services brands are:		
Brand	Specialism	
Guidant Group	Full programme management	
Comensura	Neutral vendor	
Lorien	Information technology master vendor	
Medacs Global Group	Healthcare master vendor	
Carlisle Support Services	Cleaning, security, events and retail facilities management	

### Managed Services Programmes (MSPs)

MSPs refer to the outsourcing of contingent labour (temporary and contract workers). Across the Group, we operate various service models within our MSP, including:

Neutral vendor	Assignments are filled by suppliers that we manage for the client, where the Managed Services provider does not form part of the supply chain.	Comensura Guidant Group
Master vendor	The majority of assignments are filled directly by the Managed Services provider (including Group supply) and second-tier agencies are used when the Managed Services provider is unable to supply. This model allows for a single point of contact and accountability for all temporary recruitment activities.	Guidant Group Lorien Medacs Global Group
Hybrid vendor	Assignments are filled by a combination of suppliers that we manage for the client and filled directly by the Managed Services provider (including Group supply) depending on the skillset and/or location.	Guidant Group Lorien
Facilities management	Providing cleaning, security, events and retail facilities support services.	Carlisle Support Services
Payroll services	Provide access to a fully compliant framework for managing and paying contingent staff.	Guidant Group

### Recruitment Process Outsourcing (RPO)

Through our RPO programmes, we maximise candidate attraction by skilfully leveraging our clients' brands, improving the candidate experience and increasing selection efficiency.

We also minimise agency spend; drive referral schemes and internal mobility; minimise demands on hiring managers' time while maximising their overall experience; manage all aspects of the pre-employment screening process; generate employment contracts; and support the on-boarding process.

Across all of our RPO programmes, we provide proprietary technology, dedicated resources (not always based in a client's premises), tried-and-tested processes and sophisticated supply chain management.

The relative emphasis of each of these elements varies from client to client, depending on the challenges they face and the objectives of their programme.

Our businesses providing RPO services are Guidant Group, Lorien and Medacs Global Group.

		Managed UK	
	2017 £m	2016 £m	% change
Revenue	1,019.4	990.0	3.0%
Gross profit	62.7	61.4	2.1%
Admin expenses	(42.3)	(38.7)	9.3%
Adjusted EBITDA <sup>1</sup>	20.4	22.7	(10.1%)
Gross profit %	6.2%	6.2%	
Adjusted EBITDA return on sales %	2.0%	2.3%	
Adjusted EBITDA <sup>2</sup> conversion ratio	32.6%	37.0%	
Permanent fees % of gross profit	5.9%	5.5%	

#### Introduction

Our Managed Services brands in the UK, Europe, Middle East and Australasia delivered a strong performance in 2017 despite challenges in the UK healthcare market. We made good progress with our key strategic priorities resulting in rising customer retention and advocacy, significant high-road customer wins and collaboration driving Group supply rates.

#### Financial performance for 2017

- Revenue of our Managed Services businesses in the UK, Europe, Middle East and Australasia grew year-on-year by 3%.
- Our Comensura and Medacs Global Group (MGG)
  businesses in Australia together with Carlisle Support
  Services (CSS) in the UK achieved double digit revenue
  growth year-on-year.
- Gross profit increased by 2.1% to £62.7m, driven by strong performances in Australasia and by Guidant in the UK.
- Adjusted EBITDA<sup>1</sup> reduced by £2.3m (10%) as we continued to invest in our new Younifi business, to support future growth in Australasia and in IT.

#### Operational performance for 2017

We continued to drive collaboration and our addressable Group supply in the UK which increased to 53% as we leveraged our supply of candidates from Specialist Staffing to our Managed Services businesses. MGG's top ten customers all now buy at least four services from the Company's portfolio and the number of customers buying more than one service increased by 16%.

We saw good organic growth from our Managed Services brands with significant customer wins such as Interserve, the AA (Guidant), Eurotunnel, Jaguar Land Rover, Arriva Rail North (CSS), Serco and Oxfordshire County Council (Comensura). Despite challenges in the healthcare market, MGG delivered seven key wins: their first Staff Bank contract with Lancashire Teaching Hospital NHS Trust; County Durham and Darlington NHS Foundation; Harrogate and District NHS Foundation Trust; Ipswich Hospital NHS Trust; Colchester Hospital University NHS Foundation Trust; South Staffordshire & Shropshire Healthcare NHS Foundation Trust;

and a direct engagement contract with Hywel Dda Local Health Board. We also had a strong year in Australia with Comensura winning new customers ACT, icare and the Local Buy framework to retain a market-leading position.

Our Managed Services businesses demonstrated the impact of our high-retention strategy as MGG achieved 100% renewals across their NHS customers and Guidant retained 82.4% of their customers. Guidant kept unplanned staff turnover to 27.5% as well as ranking amongst market-leaders' net promoter scores (NPS) of +42 for candidates, +50 for customers and +40 for employees. Guidant also continued to differentiate in the market by designing and delivering an authentic, positive and noticeably 'Guidant' experience for every candidate.

We are proud that our culture of Virtuosity and entrepreneurship created market firsts. Younifi, our innovative B2B and B2C service solution that supports local authorities to shape the way adult social care is managed, funded and provided, had its first framework win. In response to changes in the healthcare market, MGG launched a technology solution, underpinned by ShiftWise, to diversify its Managed Services offering to the NHS. MGG also extended the principles of promise-based management outside our organisation to off-shore partners to ensure a strong cultural alignment thereby protecting service quality whilst delivering cost savings.

#### Awards 2017

Our brands were recognised by customers and the industry throughout the year with notable award wins. Guidant won the Association of Professional Staffing Companies (APSCO) RPO/MSP of the Year 2017 for the third consecutive year, was awarded Best Companies – 2 stars and ranked 81 in the prestigious Sunday Times 100 Best Companies to Work For. The newly appointed Managing Director of Guidant, Simon Blockley, was also included in the Staffing Industry Analysts' European Top 100. CSS achieved Investors in People (IIP) Silver accreditation whilst MGG was proud to be recognised as Disability Confident.

#### Note

- 1 Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48
- 2 Conversion of gross profit to adjusted EBITDA

# **Performance review for operating segments** continued



Managed Services, UK

# Keeping promises and exceptional work

Our business thrives thanks to passionate people who are committed to transforming outdated practices. They are driven by finding better ways to deliver on promises for clients.

A great example of this is the bold promise made by our Carlisle Support Services team to client London Northwestern Railway (previously London Midland). Newly appointed Managing Director Paul Evans and Operations Director Chris Gibb recognised that the standards of service to London Midland were falling short. With Carlisle Support Services responsible for cleaning and landscape maintenance of 150 stations over 200 miles of track between London Euston and Crewe, any slip in standards could have a negative impact on passenger journeys.

Carlisle Support Services promised London Northwestern Railway that they would impress not just them, but the commuters using their stations: they would beat the cleaning benchmarks set in the quarterly National Passenger Survey. To deliver this would require a transformation of how they were working, not just improvement of the current methods. The team's promise was supported by an analysis of issues on the contract, new ways of working and a commitment to a transparent relationship based on integrity.

London Northwestern Railway was so impressed with the team's approach that they agreed an incentive scheme: for every quarter Carlisle Support Services kept its promise, they would receive a lump sum cash incentive. CSS decided this would be shared with the frontline team.

Enabling the 96 members of the frontline cleaning and maintenance team to deliver exceptional work was a critical part of delivering on the promise to London Northwestern Railway. Part of the problem was that the daily cleaning teams often had as little as 30 minutes to clean a station, instead of the hour that was expected. So Carlisle Support Services introduced a deep clean team to work alongside the daily clean teams.

Digitising work practices also gave the cleaning teams instantaneous access to schedules, issues and feedback. Cleaners at each station now use an Android device to download customised tasks for each location, and can upload photos of work for instant feedback, allowing supervisors to easily audit work and identify issues.

Carlisle Support Services drive to deliver a better result for their client, and for their teams, paid off: they delivered on their promise and received their first bonus in December 2017.

# Overview of Managed Services in the US

Our Managed Services businesses optimise the productivity of people by designing, implementing, coordinating and reporting on the whole staffing process. This frees our customers to focus on their core business.

We provide multi-disciplinary recruitment services, including all forms of partial and complete outsourcing.

In North America, Impellam's Bartech business provides full-scale, multidisciplinary Managed Services.

#### Managed Services Programmes (MSPs)

MSPs focus on the outsourcing of all or part of a company's contingent workforce.

In North America, our MSP solution framework addresses various strategies including staff augmentation, independent contractor compliance management, payrolling, talent pools and Statement of work (SOW) management. All of our MSP solutions are enabled by a vendor management system (VMS). VMS technology enables the full procure-to-pay process, while also providing robust reporting and analytics.

In North America, we design and deliver our MSP services using various service models, including:

Neutral vendor	Assignments are filled by suppliers that we manage for the client, where the Managed Services provider does not form part of the supply chain.	Bartech
Master vendor	The majority of assignments are filled directly by the Managed Services provider with second-tier agencies are used when the Managed Services provider is unable to supply. This model allows for a single point of contact and accountability for all temporary recruitment activities.	Bartech
Hybrid vendor	Assignments are filled by a combination of suppliers that we manage for the client and filled directly by the Managed Services provider depending on the skill set and/or location.	Bartech
Statement of work (SOW) MSP	SOW solutions are for spend in complex categories of service. Similar to the staff augmentation process, these solutions include supplier management, requisition facilitation, contract writing, negotiations and invoicing and settlement support services.	Bartech
Independent Contractor Solutions	Helping to reduce the risk and cost of worker misclassification.	Bartech
Business Process Outsourcing (BPO)	Through world-class BPO solutions, we help businesses address back office needs strategically and increase their operational efficiency.	Bartech

#### Recruitment Process Outsourcing (RPO)

Through our RPO programmes, we maximise candidate attraction through leveraging a client's brand, improving the candidate experience and increasing selection efficiency.

We also minimise agency spend; drive referral schemes and internal mobility; minimise demands on hiring managers' time while maximising their overall experience; manage all aspects of the pre-employment screening process; generate employment contracts; and support the on-boarding process.

Across all of our outsourced programmes, we provide and manage proprietary and/or partner technologies to enhance the user experience. We also provide dedicated account management resources, tried-and-tested processes and sophisticated supply chain management strategies. The emphasis of these elements varies from client to client, depending on the challenges they face and the objectives of their programme.

# Performance review for operating segments continued

	Managed US		
	2017 £m	2016 £m	% change³
Revenue	187.2	188.4	(4.5%)
Gross profit	49.5	48.8	(1.3%)
Admin expenses	(37.3)	(36.0)	0.5%
Adjusted EBITDA <sup>1</sup>	12.3	12.8	(6.0%)
Gross profit %	26.4%	25.9%	
Adjusted EBITDA <sup>1</sup> return on sales %	6.6%	6.8%	
Adjusted EBITDA <sup>2</sup> conversion ratio	24.8%	26.2%	
Permanent fees % of gross profit	0.2%	0.0%	

#### Introduction

Bartech, our Managed Services business in North America, delivered a solid set of results and made good progress with our strategic priorities despite the challenges of two hurricanes and political change.

#### Financial performance for 2017

- Spend under management⁴ grew from £2.6bn in 2016 to £2.9bn in 2017.
- On a like-for-like currency basis, revenue was 4.5% lower and gross profit was broadly flat with the results impacted by the timing of wins and losses.
- Adjusted EBITDA<sup>1</sup> was £0.5m lower than 2016. Adjusted EBITDA<sup>1</sup> from underlying trading was up year-on-year and the reduction in adjusted EBITDA¹ was largely the result of one-off costs in 2017 due to the integration and relocation of our US back office functions which was completed in the year.

#### Operational performance for 2017

Our high-retention strategy was strongly endorsed by customer renewals and extensions across 16 programmes. During the year, Bartech won five notable customers including Electrolux and DCP Midstream.

Collaboration across the Specialist Staffing brands and Bartech in North America resulted in 2.7pps increase in Group supply. Bartech also partnered with sister brand Corestaff to solve a business challenge for one of our clients – a global contract research organisation and drug development company. This resulted in the extension of the Managed Services contract to three years, as well as business expansion for Corestaff.

The Bartech Customer Community platform was launched allowing customers to connect directly with each other to share best practice, seek advice and access data insights. This was accompanied by the introduction of a data technology solution to provide customers with real-time analytics and insight.

During Hurricane Harvey, Bartech supported the relief response by supplying 3,000 call centre operators to Texans Helping Texans, and kept our customers' businesses moving.

#### Awards 2017

It was another award-winning year for Bartech with accolades including Duke Energy's Corporate Responsibility Supplier of the Year which was awarded for their focus on diversity and inclusion across suppliers for this customer programme. They also received Prime Supplier of the Year at the Impact Awards 2017.

In addition, Bartech was recognised by HRO Today Baker's Dozen Satisfaction Rating ranking #3 overall, as well as receiving the Navistar Diamond Supplier Award and the Delphi Pinnacle Award for Supplier Excellence.

- Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48 Conversion of gross profit to adjusted EBITDA

- Using underlying USD results and eliminating transition gains and losses
  Spend Under Management (SUM) is the total amount of client expenditure which our Managed Services brands manage on behalf of their clients whether acting as a principal or agent. Management uses this measure as it reflects the total value of the client spend to the Group and not just the revenue generated

## Managed Services, US

# Virtual communities bring us closer to customers

Our US Managed Services business, Bartech, is committed to finding new ways of tuning in to their customers' world and working with them to improve their businesses.

In 2017, they created a virtual community for clients, enabling them to connect and share experiences in successfully recruiting and managing temporary workers.

Bartech has held an annual face-to-face client summit for several years, allowing clients from across the US to come together to discuss hot topics and exchange ideas with their peers from a range of industries. Feedback from the event is always positive, but in a world where people are used to the instant feedback enabled by platforms like Facebook, clients were asking if there were ways to connect throughout the year.

In May 2017, 200 executives from Bartech's client businesses were invited to join a private virtual community, designed especially for their needs and powered by Salesforce technology. The online community kicked off with discussions around nine key topics for workforce managers, including talent pools, innovation and technological enablement. The communities are curated and facilitated by Bartech, with clients able to sign up for alerts on their chosen topics and 'gamify' their experience by receiving virtual rewards for quality contributions.

As well as providing a real time insight in to what is keeping customers awake at night, the community has proved to be a differentiator for Bartech for new customers, who welcome the opportunity to connect with others and share experiences.



# **Performance review for operating segments** continued

Overview of Specialist Staffing in the UK, Europe, Middle East And Australasia When customers are operating and building their businesses, they need specialist help to find the right people.

With a deep understanding of our customers and their markets, and an extensive network of specialist candidates, our dedicated teams provide expert recruitment services

and skilled workers for permanent, temporary, contract and fixed-price work

Our Specialist Staffing brands in the UK are Blue Arrow, Carbon60, Career Teachers, Celsian Education, Chadwick Nott, IRC, Medacs Global Group, Onezeero, SRG and Tate.

The specialisms of our UK, Europe, Middle East and Australasia Specialist Staffing brands are:		
Brand	Specialism	
Blue Arrow	Catering, driving, industrial and office	
IRC	General staffing	
Medacs Global Group	Healthcare	
Onezeero	Information technology	
Career Teachers	Education (regional)	
Celsian	Education (national)	
Chadwick Nott	Legal	
SRG	Science, clinical and process engineering	
Carbon60	Engineering, technical and construction	
Tate	Office professionals	

		Specialist UK	
	2017 £m	2016 £m	% change
Revenue	811.9	817.8	(0.7%)
Gross profit	140.4	146.5	(4.2%)
Admin expenses	(116.8)	(117.0)	(0.1%)
Adjusted EBITDA <sup>1</sup>	23.6	29.5	(20.1%)
Gross profit %	17.3%	17.9%	
Adjusted EBITDA¹ return on sales %	2.9%	3.6%	
Adjusted EBITDA <sup>2</sup> conversion ratio	16.8%	20.1%	
Permanent fees % of gross profit	17.8%	17.7%	

#### Introduction

We saw a mixed performance across our Specialist Staffing brands within the UK, Europe, Middle East and Australasia. In the UK, Brexit created uncertainty with some hiring decisions slowing. The education and healthcare markets continue to be challenging due to declining candidate availability and austerity measures. However, market conditions in geographies outside the UK and sectors such as clinical, science, engineering, technical, homecare remained favourable.

#### Financial performance for 2017

- Revenues of our UK Specialist Staffing brands were broadly flat to prior year at £811.9m.
- Good performances by our clinical business SRG and Blue Arrow resulted in increased revenue for those brands. However, we experienced challenges in our UK doctors and nursing healthcare businesses, due to the introduction of IR35 in April 2017 which led to a significant reduction in the availability of candidates. In addition, our education business experienced challenging market conditions.
- Gross profit fell by £6.1m (4.2%) and adjusted EBITDA reduced by £5.9m (20.1%) due to challenging market conditions, as well as ongoing investment in IT in the UK.

#### Operational performance for 2017

We continue to reduce our reliance on the UK market with ongoing overseas expansion. Medacs Global Group invested in Australasia and the Middle East, balancing the business with international revenues. Carbon60, our engineering brand, successfully launched in Australia and over 10% of Carbon60's revenue is now derived from outside the UK, in Switzerland, the Middle East and Australia.

The success of WAB, our initiative to encourage collaboration and cross-sell across the Group, continued in 2017 resulting in lead-sharing that generated more than £2.5m in incremental gross profit.

Blue Arrow delivered several new customer wins including Alliance Healthcare and Wincanton increasing local market share.

Our Virtuoso programme supported our managers to adapt and see possibilities created by shifts in markets and Open Blend, an online coaching and development platform, has been adopted by the majority of our Specialist Staffing brands including Tate, Blue Arrow, Celsian and Onezeero to promote deeper and more meaningful conversations focused on the individual.

Our investment in people development is coupled with Ignite, our CRM programme. Ignite has been launched to seven branches in Blue Arrow so reliable technology frees up our people to spend more time building relationships with customers and candidates, and automation delivers efficiency gains and better ways of working.

Our focus on retaining more candidates for longer continues. Career for Life, SRG's investment in building long-term partnerships with candidates, delivered a 50% increase in candidates placed in successive roles.

#### Awards 2017

Our Specialist Staffing brands were again well represented in the high-profile Times Top 100 Best Companies to Work For list. Blue Arrow was ranked 51, the highest place of any recruitment agency.

In the Sunday Times Top 100 Small Companies to Work For, Tate ranked 38, and also received a special award for being listed for the tenth year running.

<sup>1</sup> Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48 2 Conversion of gross profit to adjusted EBITDA



# Performance review for operating segments

#### continued

# Overview of Specialist Staffing in the US

With a deep understanding of our customers' markets, and an extensive network of specialist candidates, our dedicated Specialist Staffing teams in the US provide expert recruitment services and skilled workers for permanent, temporary, contract and fixed-price work.

Our Specialist Staffing brands in the US are Bartech, Corestaff, SRG Woolf and s.com.

		Specialist US	
	2017 £m	2016 £m	% change³
Revenue	213.8	204.4	(0.6%)
Gross profit	32.9	31.9	(3.5%)
Admin expenses	(25.9)	(24.1)	1.9%
Adjusted EBITDA <sup>1</sup>	7.0	7.8	(18.9%)
Gross profit %	15.4%	15.6%	
Adjusted EBITDA <sup>1</sup> return on sales %	3.3%	3.8%	
Adjusted EBITDA <sup>2</sup> conversion ratio	21.3%	24.5%	
Permanent fees % of gross profit	4.6%	3.8%	

#### Introduction

Our Specialist Staffing brands in North America experienced diverse market conditions across their sectors – technology, science, clinical, industrial, automotive and office. However, we made good progress on our high-retention strategy and collaboration.

#### Financial performance for 2017

- Revenue was broadly flat to 2016 on a like-for-like currency basis. While we saw strong performances by s.com, Corestaff and, in particular, SRG Woolf which increased revenue by 30% year-on-year, we experienced volume reductions in our Bartech Specialist Staffing business, particularly from clients in the automotive sector.
- Gross profit was also impacted by the volume reductions in Bartech Specialist Staffing, partially offset by growth in s.com and SRG Woolf.
- Adjusted EBITDA was £0.8m lower due to volume reductions in Bartech's Specialist Staffing trading, and one-off costs integrating and relocating our back office functions, which was completed in the year.

#### Operational performance for 2017

Successful collaboration and cross-selling across our Specialist Staffing and Managed Services brands resulted in \$1.2m in incremental gross profit. SRG Woolf and SRG (UK) now share 6 customers that buy services from both our UK and US operations. s.com expanded a new Managed Staffing Delivery model into Bartech Managed Services programmes.

SRG Woolf's performance was a great example of our strategy in action, with market-leading NPS at +60 for candidates, +75 for customers and +60 for employees.

Corestaff's 13-year relationship with Goodman was rewarded with the managed staffing programme to increase efficiencies and drive innovation, with over 2,300 associates working in the largest manufacturing HVAC<sup>4</sup> building in North America.

#### Notes

- 1 Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48
- Conversion of gross profit to adjusted EBITDA
   Using underlying USD results and eliminating transition gains and losses
- 4 HVAC: heating, ventilation and air conditioning

# Specialist Staffing, US

# Fulfilling work for our candidates

Being the world's most trusted staffing company means that our contingent recruiters do more than matching a candidate to a vacancy. It means getting to know that candidate and finding them opportunities where they can thrive and enhance a business. This leads to lasting relationships built on mutual trust.

Ann Jewell has been a contractor with SRG Woolf, our specialist staffing brand focussed on the US scientific and pharmaceutical sector, for over 10 years. Ann has over 30 years of experience as a Clinical Research Associate monitoring clinical trials and had worked with a number of recruitment and staffing businesses prior to SRG Woolf.

She said, "The difference with SRG Woolf is that they take a great interest in their contractors to make sure the role is right for them, as well as ensuring you are the right fit for the business to. Previously, other recruiters rarely checked in to see how I was getting on. All of the team at SRG Woolf are so knowledgeable about the sector and so personable, always staying in regular contact with me and the client to make sure we are all happy.

"SRG Woolf always takes the time to talk to me one-on-one to make sure my next move is the right one for me. In the past I often felt less valued as a contractor, but now I always feel very much a part of the companies I work for. I can honestly say that working with the team at SRG Woolf has been one of the highlights of my career."

For Ann, having a relationship with a recruiter who understands her has enabled her to find fulfilling work and, importantly, helped her to balance other aspects of her life with her career. She explains, "contracting works for me. If there is a contract I enjoy a little less than others, I can get on and deliver what I said I would and then look for new challenge at the end of the contract. It also means I have a bit more flexibility, and I can take time off in between contracts to spend with my mother in the later stages of her life. That's important to me."



#### Chief Financial Officer's review

# Solid results and good cash performance



#### Introduction

Revenue for the year to 29 December 2017 was up 1.5% (0.3% on a like-for-like basis at constant exchange rates) and gross profit decreased by 1.1% (3.1% on a like-for-like basis). The difference between the growth in revenue and the reduction in gross profit is primarily due to the mix impact of growth in our Managed Services businesses and gross profit reduction in our Specialist Staffing businesses. Our Managed Services businesses operate at lower gross profit margins than our Specialist Staffing businesses, but have a higher conversion ratio of gross profit to adjusted EBITDA¹.

Operating profit was 5.1% lower year-on-year, whilst adjusted EBITDA¹ was 15.3% lower year-on-year (16.8% on a like-for-like basis) due to both lower gross profit as well as an increase in operating costs as we continue to invest in IT and complete the integration of our US back office functions. We saw a significant reduction in separately disclosed items, primarily due to the impact of lower acquisition related charges in the year. The detailed operational performance of the Group has been discussed on pages 34 to 45. This report, therefore, focuses on the Group's cash flow, financing, tax, going concern and the principal risks facing the business.

Net cash generated from operations during the period was £55.0m (2016: £46.8m). Strong underlying cash performance was the result of the continued focus on cash collections, overdue debt reduction and working capital management activities. Cash conversion<sup>2</sup> (operating profit to net cash generated from operations) of 123.0% in 2017 (2016: 99.4%) was positively impacted by strong receipts in the US prior to year-end.

20.4%
Reduction in net debt

At the end of 2017, DSO<sup>3</sup> stood at 38.7 days (2016: 34.1 days).

Capital expenditure on fixed assets in the period was £11.3m (2016: £8.2m). The increase of £3.1m was largely due to a £2.5m increase in software related investments for our two strategic IT projects (ShiftWise and Ignite). Average net debt reduced year-on-year by £17m and the net finance expense was £0.5m lower at £6.8m (2016: £7.3m).

The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £250m global Revolving Credit Facility (RCF) with an accordion element of an additional £50m. This provides the Group with the flexibility to fund its working capital as well as future acquisitions.

Rates of interest for the RCF are based on LIBOR plus a margin calculated on the net debt to adjusted EBITDA leverage.

The margin ranges from 1.45% to 2.4% depending on leverage, which is tested quarterly. Incorporated into the RCF is a letter of credit facility which at the end of 2017 amounted to £3.8m (2016: £3.3m).

The Group draws down under non-recourse third party factoring arrangements as part of the management of working capital. At the end of 2017, these amounted to £17.3m (2016: £19.0m). These agreements accrue interest at between 0.7% and 1.85% over LIBOR. A significant priority for the Group continues to be to focus on the conversion of operating profit into sustained positive cash flow by controlling working capital in order to enable it to reduce its borrowings and continue to invest in high-returning projects. Covenants within the facility require the Group's interest cover (ratio of net finance charges paid in cash adjusted EBITDA<sup>1</sup>) to be at least 4:1 (ratio at the end of 2017: 8.88:1), its adjusted leverage ratio (defined as net debt less loan notes and restricted cash to adjusted EBITDA<sup>1</sup>) to be no greater than 2.50:1 (ratio at the end of the 2017: 1.70:1) and its debtor cover to be at least 1.5:1 (ratio at the end of the period: 5.40:1).

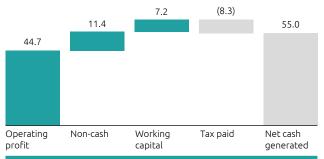
Borrowing levels are controlled by the Group Finance department, which manages treasury risk in accordance with policies set by the Board. This department does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes.

The Group's financial liabilities are denominated primarily in Pound Sterling. At December 2017, USD67m of the RCF was drawn in US dollars to provide a hedge against a US dollars denominated loan between the UK and US businesses.

Operating profit to net cash conversion:

#### Cash flow summary

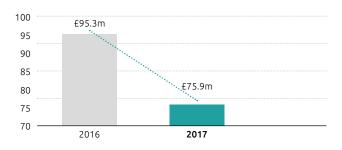
Operating profit to net cash generated 2017\_£m



**Operating cash flow £63.3m** (2016: £54.1m)

The net debt position of the Group was as follows:

#### Net debt summary Reduction in net debt\_£m



Net debt reduction £19.4m (20.4%)

Exposure to currency risk at a transactional level is generally minimal, with most transactions being carried out in local currency.

#### **Taxation**

The tax charge in the year of £6.8m (2016: tax credit of £4.2m) represents an effective tax rate of 17.9% (2016: -10.4%). The tax charge is mainly comprised of corporate tax charges arising from the Group's activities in the UK and overseas. In the prior year the tax credit arose mainly as a result of the recognition of a deferred tax asset on losses in the US business, which had not previously been recognised (the effective tax rate for the Group in the prior year increased to 19.6% when stripping out the effect of recognising these losses).

- Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about these measures and the reason why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-IFRS measures on page 48 Cash conversion of operating profit to net cash from operating activities
- 3 Days Sales Outstanding (DSO): total trade receivables, divided by average daily invoiced sales

# Chief Financial Officer's review continued

At the end of 2017, the Group has maintained the level of losses against which a deferred tax asset has been recognised on the basis that the Group remains confident that the US business will continue to be profitable in the foreseeable future. Effective 1 January 2018, the rate of federal corporate tax in the US decreased from 35% to 21%; as a result the Group has revalued all US deferred tax balances at the reduced rate of tax, the net impact of this is a tax charge of £1.7m.

The Group had a UK corporation tax charge of £4.8m (2016: £6.5m) and an overseas corporate income tax charge of £2.3m (2016: £1.5m). The effective current tax rate on the UK business is 26.3% (2016: 25.0%). This is higher than the UK statutory rate of corporation tax which is 19.3% (2016: 20.0%).

The difference is principally due to deferred consideration paid in respect of the Global Medics acquisition and a share-based payment charge, which have been charged to the profit and loss account but are not deductible for corporation tax purposes.

The Group makes a major contribution to the UK Treasury. In the year, £303.3m (2016: £292.3m) was remitted in the form of VAT, income tax, national insurance, and corporation tax. Of this amount, employer's national insurance and corporation tax of £57.0m (2016: £55.6m) was a cost taken by the business.

#### Capital management

The Group's capital base (note 29) is primarily used to finance its working capital requirement, the key component of which is trade receivables.

Trade receivables in the staffing and support services sectors are managed according to a range of DSO¹ targets. Terms of trade are strictly adhered to and monitored, with the approval of extended payment terms requiring senior finance involvement in accordance with delegated authority 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 above, the Group has committed facilities that ensure there is sufficient liquidity to meet ongoing business requirements.

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

#### Non-IFRS measures

Certain discussions and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measurements, is useful to investors because it provides a basis for measuring our operating performance on a comparable basis. Our management use these financial measures, along with the most directly comparable IFRS financial measures, in evaluating our operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance, including Directors' remuneration, and also reflects the starting profit measure used when calculating the Group's banking covenants. All discussions within the Group on segmental and individual brand performance refer to adjusted EBITDA. Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed items and share-based payments.

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

Share-based payments – in September 2015 the Company granted share awards to two senior Directors to vest following the publication of the audited financial results for the period ended 29 December 2017. One of the Directors left during 2016 and the share award relating to that Director has been cancelled.

These are shown separately in order to bring this to the attention of the reader to highlight that this is a scheme which is one-off in nature and not part of the ongoing remuneration structure of senior executives.

The reconciliation of adjusted EBITDA to operating profit is as follows:

ds rottows.	2017 £m	2016 £m
Segment adjusted EBITDA Corporate costs <sup>2</sup> Adjusted EBITDA Amortisation of intangible assets Depreciation of tangible assets Separately disclosed items Share-based payments	63.3 (3.9) 59.4 (7.3) (3.3) (3.4) (0.7)	72.8 (2.7) 70.1 (6.9) (2.8) (12.3) (1.0)
Operating profit	44.7	47.1

#### Notes

- 1 Days Sales Outstanding (DSO): total trade receivables, divided by average daily invoiced sales
- 2 Corporate costs represent costs associated with the Group Plc activities and therefore are not allocated to the segments

The separately disclosed items are:

	2017 £m	2016 £m
Legal costs <sup>(a)</sup>	1.9	-
Business restructuring <sup>(b)</sup>	0.7	3.1
Adjustments to deferred		
consideration <sup>(c)</sup>	0.8	8.5
Acquisition costs <sup>(d)</sup>	-	0.7
Total	3.4	12.3

- a) In 2017 the US incurred tax and associated legal costs of £0.3m with regard to the settlement of historic state tax liabilities for the period 2010 to 2016. In addition the US had an ongoing litigation matter for which a provision for settlement and associated legal costs of £1.6m has been made. These are disclosed separately due to their one-off nature and significance.
- b) Business restructuring costs are excluded in order to bring them to the reader's attention in understanding the Group's financial performance. In 2017 they relate to Bartech Holding Corporation (2016: Bartech Holding Corporation and Global Group (UK) Limited) as a result of right-sizing exercises to enable the realisation of synergies as well as redundancies in the Corporate Centre. The synergies achieved in the US were substantially completed by the end of 2017. In 2017 there is a £0.5m tax deductible benefit (2016: £0.6m).
- c) Contingent consideration payments linked to individuals continuing employment in the business generated a £0.8m charge in relation to the acquisition of Global Group (UK) Ltd (2016: £4.3m). Further charges are expected to be incurred in 2018 and 2019. In 2016 an additional £4.2m arose from the actual performance of Lorien Limited exceeding the assumptions previously made. These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses.
- d) Third party costs associated with the acquisitions in 2015 of Bartech Holding Corporation and Global Group (UK) Limited and other potential acquisitions have been expensed to the income statement as a separately disclosed item. These costs are one-off in nature and have been disclosed separately in order not to distort the understanding of the underlying trading performance of the business. In 2016 there is a £0.1m tax deductible benefit.

#### Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In coming to their conclusion the Directors have considered the Group's profit and cash flow plans for the coming period, together with outline projections for 2018 and 2019.

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 covenants 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 covenants of each of these sensitivities is then considered together with the likelihood of each of these occurring either individually or in combination.

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

#### Foreign Exchange

Currency movements versus Pound Sterling provided a material benefit to our reported performance. Over the course of the year to December 2017, the total impact of exchange movements on gross profit and operating profit was £5.1m positive and £1.1m positive respectively. Fluctuations in the rates of the Group's key operating currencies versus Pound Sterling continue to represent a sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the US Dollar impacts gross profit by £0.6m per annum and operating profits by £0.15m per annum. The rate of exchange between the US Dollar and Pound Sterling over the period ended 29 December 2017 averaged USD 1.2885 and closed at USD 1.3522. As the Group expands further in Australasia and Europe the impact of changes in exchange rates will be greater.

#### **Brexit**

One of the biggest risks we see over the coming year is in the UK, where uncertainties regarding the macroeconomic and political outlook are likely to remain throughout the period in which the UK negotiates its exit from the EU. This could have a detrimental impact on candidate confidence to move jobs, or business confidence to invest and take on new staff. The impact on this could be reduced volumes of placements in our UK business and therefore reduced fees. Forward visibility remains limited and outlook uncertain, but as ever we will monitor activity levels closely.

#### Alison Wilford

Chief Financial Officer

This Strategic Report from pages 1 to 51 was approved by the Board on 15 March 2018 and signed on their behalf by:

#### Rebecca Watson

Secretary 800 The Boulevard Capability Green Luton Bedfordshire LU1 3BA

# Principal risks

The Group has a number of key risks which could have a material impact on its 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 its strategy.

Risk

**Impact** 

Mitigation

#### Strategic and reputational risks

Attract and retain talent

As the nature of the recruitment industry relies on people and relationships with clients, the inability to attract and retain key talent could result in loss or weakening of client relationships, lack of appropriate leadership or loss of key talent impacting financial and other Group objectives.

The high-retention business model ensures our brands are focused on talent review, succession planning, performance review and reward.

Customer concentration

Loss of a key customer within a brand or significant reduction in volume of an account could result in reduced revenue or increased gross profit pressure.

The Group has regular meetings with key customers to discuss opportunities, sales pipelines and current service performance. Management discuss and review market conditions and sales and account management pipelines on an ongoing basis.

Acquisitions and disposals

As the Group pursues strategic acquisitions and disposals as part of its overall growth strategy, poor due diligence or post-transaction integration could result in expected benefits not being realised.

Large-scale acquisitions are managed at the Group and executive level, while operations teams take on the responsibility for integration. The Group performs due diligence with the assistance of external third parties, but always conducts detailed people and cultural due diligence personally.

Alignment of Group vision, strategy and culture Failure to establish a consistent understanding of common objectives and values across the Group could result in a failure to meet objectives.

Each brand prepares a three-year strategic plan linked to the overall Group strategy. Leadership development programmes are in place for the top 50 leaders, we have established a Virtuoso development programme for our managers and promise-based management has been rolled out across the senior leadership community.

**Economy** 

General economic conditions can result in a failure to meet plans and objectives.

The mix of Managed Services and Specialist Staffing businesses provides Impellam with a competitive advantage and mitigates the risk of an economic downturn

#### Operational risks

Cyber and information security

The risk of cyber-attacks has increased in the external environment. A successful attack could result in the loss of sensitive data, damage to the Company's reputation, business disruption.

A programme to enhance security has been implemented. Ongoing monitoring and regular exercises are undertaken.

Business continuity

Loss of business and impact on staff and assets due to a major event, such as a fire, severe weather etc.

A business continuity plan is in place and tested on a regular basis. Plans were thoroughly reviewed in July 2017. Contingency plans such as remote working are in place to ensure minimal disruption.

Technology systems including data security IT systems can become out of date quite quickly. The Group is also reliant on many different technology systems that can be vulnerable to factors beyond the Group's control, such as natural disasters, power failures etc.

The Group has a stable systems infrastructure and an ongoing IT investment programme. Regular monitoring of performance and reviews are undertaken.

#### Risk

#### **Impact**

#### Mitigation

#### Financial, regulatory, compliance and legal risks

# Contractual complexity

In certain markets, the Group's customers and clients are becoming increasingly sophisticated in procurement and buying activity. This manifests itself in the form of complex commercial contracts, 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 a standardised contract review process in place involving operational, commercial and legal oversight.

# Changes in law, increases in social regulation

Changes can lead to increased costs and workload.

Legal, finance and compliance functions monitor risks and compliance, taking appropriate action where necessary. Policies and Codes of Conduct are in place across the Group.

# Cash and liquidity management

Poor cash and liquidity management may result in a strain on the Group's credit facilities and operational cash issues.

The Group has a Treasury function in place with regular forecasting, reporting and review procedures. A Group Credit Policy outlines the policies and procedures that must be implemented across the Group. The Group maintains a revolving credit facility with a syndicate of six banks, providing additional flexibility to its funding arrangements.

#### Financial control

A failure of financial control could lead to a material loss to the business.

We operate a number of shared services arrangements where transaction processing and management accounting are independent of operations. Appropriate segregation of duties is maintained in all finance processes. A clearly defined schedule of delegated authority limits for various decisions and transactions is also in place.

# Macroeconomic exposure

The performance of the Group is significantly impacted by changes to underlying economic activity, particularly in the UK. The Brexit decision has increased the level of uncertainty and business confidence for permanent and temporary hiring decisions.

The Group has continued to diversify its operations across geographic locations, market sectors and temporary, permanent and Statement of Work (SOW) recruitment services. In 2017 38% of the Groups gross profit was from the US operations, up from 35% in 2016. The impact of Brexit is a risk and its potential implications are uncertain.



#### Corporate governance

# Our governance framework

The Board has overall responsibility for corporate governance within the Group and this is underpinned by a framework aligned to the requirements of the business. The full Board retains certain matters for its own review and decision-making while other responsibilities are delegated to sub-committees of the Board, namely the Audit Committee and the Remuneration Committee. As a Company whose shares are traded on the AIM market of the London Stock

Exchange, it is not necessary for the Company to comply with the requirements of the UK Corporate Governance Code 2016 ('the Code'). However, the Board believes that it is accountable to the Company's shareholders and others for good corporate governance and is committed to the same. It follows the corporate governance guidelines of the Quoted Companies Alliance for companies whose shares are traded on AIM.

# **Board of Directors**

#### **Audit Committee**

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

Audit Committee page\_56



#### Responsible for the overall management of Impellam Group

- Monitors and reviews internal and external factors that affect the Company
- Sets standards, values and policies Ensures the Company is meeting its objectives and has the correct resources in place

- Oversees internal controls Responsible for corporate governance.

#### **Remuneration Committee**

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







# **Impellam Executive Team**

- · Devises the Group strategy and financial plan for approval by the Board, and then implements the
- Approves the strategic and financial plans of the sub-brands and divisions, and monitors the implementation and delivery of those plans.



#### Senior Leadership Team

Responsible for the day-to-day management of the Group and its operations

#### **Board of Directors**

Lord Ashcroft KCMG PC Non-Executive Chairman Appointed: December 2014

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

Julia Robertson
Group Chief Executive Officer
Appointed: April 2013

Julia Robertson was appointed Group Chief Executive Officer of the Company in April 2013. She joined the Group in 2000 following the acquisition of Tate and increased her remit over time such that she became divisional CEO of Impellam's UK Staffing and Managed Services businesses after the 2008 merger. 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. She also founded her own recruitment business in 1986, which was sold to the Group alongside Tate.

Mike Ettling
Independent Non-Executive
Director
Chair of Audit Committee
Appointed: September 2013

Mike Ettling was appointed a Non-Executive Director of the Company in September 2013. Mike is a Chartered Accountant with over 20 years' experience of executive management, particularly in the technology and HR outsourcing sector. Most recently he was the President of SAP Success Factors, the HR Cloud software business for SAP SE. Prior to this, Mike was Chief Executive of NorthgateArinso, a global HR services company. He has served as Vice President, Global BP Strategy and Operations with Unisys. Mike is also a Director of NCC PLC in Manchester. Move Guides Inc in San Francisco and Business Connexion Limited in Johannesburg.

Alison Wilford Chief Financial Officer Appointed: July 2016

Alison Wilford qualified as a Chartered Accountant with KPMG Peat Marwick in 1989. She spent ten years in various finance roles in investment banking, working for Merrill Lynch and ABN AMRO, followed by 13 years in the insurance sector working for Aviva and Towergate Insurance in both finance and operational roles. Before she joined Impellam she worked for the Swedish state-owned energy supplier, Vattenfall. Alison joined Impellam in May 2015 as Group Financial Controller and was appointed as Chief Financial Officer in July 2016.

Angela Entwistle
Non-Executive Director
Chair of Remuneration
Committee
Appointed: September 2012

Angela Entwistle was appointed a Non-Executive Director of the Company in September 2012. Angela is a Corporate Communications Specialist working with companies in the private sector including Anne Street Partners Limited and Conservative Home Limited. She is a Non-Executive Director of Dods Group, a specialist political publishing house, and a Non-Executive Director of the Devonshire Club, a new private members club in the City of London. Angela was Corporate Communications Director of ADT Limited, an international business services company and the world's leader in electronic security solutions, from 1986 to 1997. She is significantly involved in a number of charities including acting as Trustee of 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.

Michael Laurie
Independent Non-Executive
Director
Member of Audit Committee
and Remuneration Committee
Appointed: July 2014

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

Baroness Tina Stowell of Beeston MBE PC Independent Non-Executive Director Appointed: October 2017

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

Derek O'Neill Independent Non-Executive Director Appointed: November 2014

Derek O'Neill was appointed a Non-Executive Director of the Company in November 2014 following the Group's acquisition of Lorien Limited. He was Group CEO and a major shareholder in Lorien prior to its acquisition. Derek is a qualified accountant, having trained with Dunlop and BP. Derek is also Chairman of AIM listed Marlowe plc. He has previously been on the Board of two listed companies and spent 12 years as an Executive Director of a number of private equity backed businesses. In addition to recruitment, Derek has worked as an Executive Director in a diverse range of sectors, including house building, electronics, engineering, telecommunications and logistics.

Rebecca Watson
Group General Counsel and
Company Secretary
Appointed: May 2008

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

### Corporate Governance Statement

#### The Impellam Group Board

The Board of Directors comprises the Chairman, two Executive Directors and five Non-Executive Directors. The Board is responsible for overseeing the management of the Group's strategy and its businesses, reviewing trading performance, ensuring adequate funding, maintaining a system of internal controls and risk assessment, ensuring good corporate governance and reporting to shareholders. The Board meets when required and at least eight times per annum. During the year ended 31 December 2017, the Board met on eight occasions.

The Board has a formal schedule of matters aligned to its oversight responsibilities and specifically reserved for their decisions. All Directors are subject to election by shareholders at the first opportunity after their appointment and subject to re-election every year. The Board considers 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 and determining appropriate levels of remuneration of Executive Directors. They also have a key role in appointing and, when required, removing Executive Directors.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. The Chairman's primary role is ensuring that the Board functions properly, meets its obligations, and has the correct organisation and mechanisms in place to work effectively. The Group Chief Executive Officer's primary role is to provide overall leadership and vision in developing, alongside the Board, the strategic direction of the Company. The Group Chief Executive Officer is also responsible for the management of the overall business, ensuring strategic and business plans are effectively implemented, and the results of which are monitored and reported to the Board to ensure financial and operational objectives are attained.

#### Board tenure as at March 2018

Ju Al Ar M M	ord Ashcroft KCMG PC ilia Robertson ison Wilford ngela Entwistle ike Ettling ichael Laurie	3 years, 3 months 4 years, 11 months 1 year, 8 months 5 years, 6 months 4 years, 6 months 3 years, 8 months
	ichael Laurie erek O'Neill	3 years, 8 months 3 years, 4 months
Ва	aroness Tina Stowell	6 months
Re	ebecca Watson	9 years, 10 months

#### Re-election of Directors at the 2018 AGM

In accordance with the Company's Articles of Association and the principles of the Code, all Directors of the Company will offer themselves for re-election by shareholders at the 2018 AGM. The Board is satisfied that each Director is qualified for re-election by the quality of their skills, experience and commitment to the Board.

# The Board and its Committees Audit Committee

The Board has an Audit Committee whose responsibilities include oversight of the Group's internal risk and controls strategy, including establishing whistleblowing arrangements; reviewing interim and Annual Reports and financial statements prior to their submission to the full Board and reviewing reports from the external auditor. On behalf of the Board, they also examine and review internal financial controls; financial and accounting policies and practices; and the form and content of financial reports and statements, plus the financial judgements therein. The Committee ensures that arrangements are in place for employees of the Group to raise concerns about any possible improprieties, either confidentially or publicly and that procedures are in place for the proportionate and independent investigation of any such matters, and appropriate follow-up action.

The Committee also reviews the independence, objectivity, performance, behaviour and effectiveness of the external auditor with whom it meets at least twice a year, and the nature of any non-audit services provided by them. The Audit Committee is required to report its findings to the Board. This means identifying any matters on which it considers action or improvement is needed. The Committee operates under written Terms of Reference and meets at least twice each year. During the period ended 31 December 2017 it met on three occasions. The Audit Committee comprises two Non-Executive Directors: Mike Ettling (Chair) and Michael Laurie.

#### Remuneration Committee

The Board has a Remuneration Committee that is responsible for making recommendations to the Board on Directors' remuneration. It also reviews recommendations from the Group Chief Executive Officer on other senior executives' remuneration, including performance-related remuneration. The Committee operates under written Terms of Reference and during the period ended 31 December 2017 it met on two occasions. The Remuneration Committee comprises two Non-Executive Directors: Angela Entwistle (Chair) and Michael Laurie.

#### Internal control

The Directors have responsibility for the Group's overall system of internal controls and for reviewing their effectiveness. They recognise that the system is designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives. It can provide only reasonable and not absolute assurance against material financial misstatement or loss. The Directors have established an organisational structure with clear Terms of Reference that must be adhered to by all subsidiaries. There is a programme of regular review by the Board and executive management, which provides assurance that the control environment is operating as intended. A key element of this review is strategic business planning and subsequent performance monitoring. Each business has defined financial performance plans that are agreed by the Board at the beginning of each financial period to meet Group objectives. These plans contain measurable performance targets which are continuously monitored to identify shortfalls, so that corrective actions can be taken.

In addition, the Company maintains a risk register that is updated and reviewed by the Audit Committee on a regular basis. During this reporting period, the Audit Committee has reviewed the effectiveness of the Company's internal control system, and appointed a Group Head of Internal Audit and Risk. They are responsible for reporting to the Audit Committee on internal audit, utilising internal and external expertise.

#### Dialogue with shareholders

The Directors have visited a number of current and potential institutional shareholders to ensure a mutual understanding of objectives and to further explain the Group's strategy. The Board will also use the Annual General Meeting to communicate with private and institutional investors whose participation it welcomes. The Non-Executive Directors will attend the AGM and are available to answer any questions relevant to the Committees they chair.

## Directors' report

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited consolidated financial statements and auditor's reports, for the year ended 29 December 2017.

#### **Principal activities**

The principal activities of the Group comprise the provision of staffing solutions, human capital management and outsourced people-related services in the UK, Ireland, North America, mainland Europe, Australasia, New Zealand, Singapore and the Middle East. 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 year ended 29 December 2017 are set out on pages 67 to 105. The Group profit for the period was £31.3m (year ended 30 December 2016: £44.0m). During the year, a final dividend of 13.5p per Ordinary share in respect of 2016 was declared and paid on 10 August 2017. Further, an interim dividend of 7p per Ordinary share was declared and paid on 5 October 2017. Subject to shareholder approval, the Board is proposing a final dividend in respect of 2017 of 13.5p per share, amounting to £6.8m, to be paid on 9 August 2018 to those shareholders on the register on 6 July 2018 to be approved by shareholders at the Annual General Meeting on Thursday 21 June 2018.

The final and interim dividends equate to an aggregate distribution to shareholders of £10.3m in respect of 2017 (2016: £10.3m). Total dividends of 20.5p in respect of 2017 are 3.0 times covered by earnings per share.

#### Capital structure

The Company 'Impellam Group plc' has no limit to its authorised share capital. At 31 December 2017 there were 50,328,871 (2016: 50,342,371) allotted, fully paid shares of 1p in issue.

#### Post balance sheet events

After the end of the year, there has been a further 25,250 Ordinary shares repurchased in the market for consideration of £0.1m, and cancelled.

#### **Political donations**

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

#### Major shareholdings

As at 23 February 2018, the Company had been notified of the following disclosable interests representing 3% or more of the issued Ordinary share capital of the Company:

Lombard Trust	51.17%
Hof Hoorneman Bankiers NV	10.02%
Schroder Investment Management Limited	5.10%
Hendrik M. Van Heijst	4.69%
Theodoor Gilissen Bankiers	4.89%

#### **Directors**

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

Execu	tive	Dire	ctors

Julia Robertson	Group Chief Executive Officer	Appointed April 2013
Alison Wilford	Chief Financial Officer	Appointed July 2016
Non-Executive Directors		
Lord Ashcroft KCMG PC	Non-Executive Chairman	Appointed December 2014
Angela Entwistle	Non-Executive Director	Appointed September 2012
Mike Ettling	Independent Non-Executive Director	Appointed September 2013
Michael Laurie	Independent Non-Executive Director	Appointed July 2014
Derek O'Neill	Independent Non-Executive Director	Appointed November 2014
Baroness Tina Stowell	Independent Non-Executive Director	Appointed October 2017
Shane Stone	Independent Non-Executive Director	Resigned November 2017
Sir Paul Stephenson	Independent Non-Executive Director	Resigned December 2017

To read all of our Directors' biographies, see pages 54 and 55.

#### Directors' shareholdings

As at 23 February 2018, the following Directors held shares in the Company:

Lord Ashcroft (Non-Executive Chairman)	1,086,955
Derek O'Neill (Non-Executive Director)	707,506
Julia Robertson (Group CEO)	153,910
Alison Wilford (CFO)	6,001
Mike Ettling (Non-Executive Director)	10,860

#### Financial risk management

The Group's objectives and policies relating to financial risk management are fully explained in note 29 on pages 100 to 103.

#### Principal risks

The Board's assessment of the principal risks and uncertainties, the Group's policy and its mitigations are detailed on pages 50 and 51.

#### Inclusion and diversity

We actively encourage diversity in the workplace and have a wide and varied employee base with a variety of social and ethnic groups represented at all levels of the business. We believe that breaking down the barriers that have traditionally restricted access to the labour market will encourage job opportunities for all. With this in mind, we work hard to help our clients and suppliers achieve their diversity objectives. The Group is committed to providing all our employees with a work environment free of discrimination related to sex, race, colour, orientation, religion, age, ethnicity, national origin, disability or any other inappropriate basis. Applications for employment by people with disabilities are considered, like all others, bearing in mind the aptitudes of the candidate concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate adjustments are made. It is our policy that the training, career development, and promotion of people with disabilities should, as far as possible, be the same as for all other employees.

#### Employee involvement and communications

Ongoing communication forms the basis of the partnership between the Impellam leadership and our people. Employees receive updates from the Group Chief Executive Officer on a regular basis via email and via Pella, our Group-wide intranet. Pella provides relevant information to all employees in the UK, Europe and Asia Pacific. Along with other brand-specific intranets, it acts as a source of reference for our brands, values, policies and procedures. It also facilitates the sharing of information, document storage and specific news. In the US, employee communications are also provided via a dedicated intranet which is updated regularly. As well as online communication, regular meetings are held between management and employees to allow sharing of information, consultation and two-way communication. During 2018, we will be further improving our communications channels by introducing an internal social network which will allow greater interaction between leadership and employees across the business.

# Directors' report

#### continued

#### Health and safety

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

#### Environmental and sustainable operations

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

#### **Annual General Meeting**

The Notice of AGM, to be held at 9.00am on Thursday 21 June 2018 at the offices of Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London EC2R 7AS, is contained in a separate circular to shareholders. It is being mailed or otherwise provided to shareholders, after the publication of the Annual Report. The Notice of Meeting sets out the resolutions to be proposed at the AGM and gives details of the voting record date and proxy appointment deadline for that meeting.

#### Separately disclosed 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 explained in more detail in note 6 on page 84.

#### Anti-bribery

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

# Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. 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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent company financial statements, the Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Directors' indemnity provisions

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

#### Disclosure of information to 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 auditor is unaware; and

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

#### Directors' report

This report was approved by the Board on 15 March 2018 and is signed on their behalf by:

#### **RJ Watson**

Secretary 800 The Boulevard Capability Green Luton Bedfordshire LU1 3BA

# Financial statements

#### Financial statements

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# Independent auditor's report

## to the members of Impellam Group plc



#### 1. Our opinion is unmodified

We have audited the financial statements of Impellam Group plc ("the Company") for the 52 week period ended 29 December 2017 which comprise the Group consolidated income statement, the Group consolidated and Parent Company balance sheets, the Group consolidated statement of comprehensive income, the Group consolidated and Parent Company statement of changes in equity, the Group consolidated cash flow statement and the related notes, including the accounting policies in note 1 of the Group and Parent Company financial statements.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 December 2017 and of the Group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

Materiality:
group financial statements
as a whole

£2.1m (2016:£2.7m) 5% (2016: 5%) of Normalised Group profit before tax

98% (2016: 99%) of Group Coverage profit before tax

Risks of material m	vs 2016	
Recurring risks	Fraud in revenue recognition for temporary workers	<b>4</b>
	Goodwill Impairment	<b>◆</b> ▶
	Calculation of rebates in the US division	<b>4</b>
	Recoverability of Parent Company's investment in subsidiaries	<b>4</b>

#### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016):

#### The risk

#### Fraud in revenue recognition for temporary workers

(£2,143.0 million; 2016: £2,109.7m)

Refer to page 79 (accounting policy) and page 80 (financial disclosures).

#### 2017/2018 sales

The risk is that revenue is overstated, as there • Control design: Testing the design and may be an incentive to record revenue from work performed by temporary workers in the wrong period, and to accrue for income related to work performed in 2018, in order to • Test of details: Assessing the accrued income

The volume and frequency of timesheets processed each week increases this risk.

#### Our response

# Our procedures included:

- implementation of key controls in the systems used in the financial reporting process related to temporary revenue;
- receive commissions or to meet bonus targets. recognised in respect of temporary workers in the final week of the period by agreeing the week-ending date, hours worked and rates of a sample of accrued items to approved timesheets processed after the year-end;
  - · Analytic Sampling: Across the UK companies, using data analytical tools to test that the other side of revenue journals was not posted to inappropriate accounts, as this may indicate fraudulent revenue entries; and
  - Test of details: Performing additional sampling over revenue items posted in the period before the year-end in the US division and agreeing the hours worked and rates of each revenue item in the sample to approved timesheets and invoices.

## Independent auditor's report

#### to the members of Impellam Group plc continued



#### 2. Key audit matters: our assessment of risks of material misstatement continued

The risk

#### Goodwill Impairment

(£160.4 million; 2016: £167.2m)

Refer to page 74 (accounting policy) and page 87 (financial disclosures).

#### Forecast-based valuation

The Group's consolidated balance sheet includes goodwill, principally arising from historical acquisitions in the UK and US.

The risk is that the goodwill allocated to cash generating units is not recoverable and should be impaired. Factors that could give rise to an • impairment include adverse market conditions which impact the performance of separate cash generating units.

Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas for our audit.

#### Our response Our procedures included:

- Benchmarking assumptions: Assessing the discount rates used in the group's cash flow forecasts, including with reference to rates used by comparable companies, using our own valuation specialist. We also compared the projected growth rates to externally derived data;
- **Historical comparisons:** Considering the historical accuracy of the group's cash flow forecasts and growth rates by assessing the accuracy of previous forecasts made by the group against actual performance;
- Sensitivity analysis: Performing breakeven analysis on the assumptions noted above;
- Assessing transparency: Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

#### Calculation of rebates in the US division

Refer to page 79 (accounting policy).

#### Calculation error

Rebates are provided to some customers. The risk is that the rebates are not calculated correctly resulting in an error, as calculations are complex and specific to each customer.

#### Our procedures included:

- Re-performance: Recalculating a sample of rebates in line with the agreed contract terms to assess if these had been calculated correctly: and
- Tests of details: Inspecting updates and addendums to contracts and assessing that the accounting reflected the new terms and was in accordance with the group's accounting policy.

#### Recoverability of Parent Company's investment in subsidiaries

(£151.7 million; 2016: £151.6m)

Refer to page 108 (accounting policy) and page 110 (financial disclosures).

#### Low risk, high value

investments in subsidiaries represents 26.8% (2016: 32.2%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, and them being junior to the group receivables balance, this is considered to be the area that had the greatest effect on our overall Parent Company · Assessing subsidiary audits: Assessing the work audit.

#### Our procedures included:

- The carrying amount of the Parent Company's Tests of details: Comparing the carrying amount of each investment, representing 100% (2016: 100%) of the total investment balance with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; and
  - performed by the subsidiary audit teams on that sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.



#### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.1m (2016: £2.7m), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's one-off, non-recurring costs as disclosed in note 6, of £3.4m (2016: £12.3m), of which it represents approximately 5% (2016: 5%).

Materiality for the Parent Company financial statements as a whole was set at £1.9m (2016: £2.4m), based on component materiality. This is lower than the materiality we would otherwise have determined with reference to a benchmark of Parent Company net assets, and represents 1.0% (2016: 1.3%) of this benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m (2016: £0.13m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 45 (2016: 43) reporting components, we subjected 11 (2016: 11) to full scope audits for group purposes.

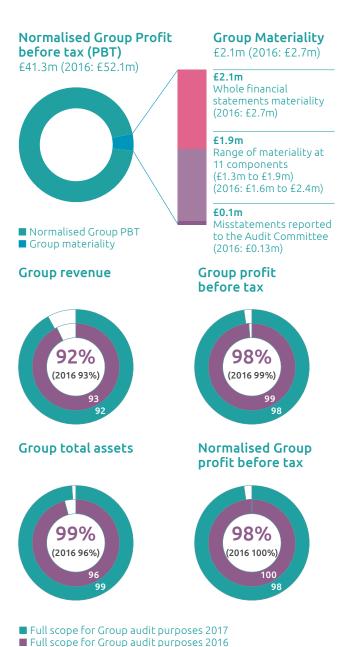
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 8% (2016: 7%) of total Group revenue, 2% (2016: 1%) of Group profit before tax and 1% (2016: 4%) of total Group assets is represented by 34 (2016: 32) reporting components, none of which individually represented more than 2% (2016: 1%) of total Group revenue, 4% (2016: 4%) of total profits and losses that made up Group profit before tax or 1% (2016: 1%) of total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1.3m to £1.9m (2016: £1.6m to £2.4m), having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 11 components (2016: 3 of the 11 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The Group team visited Luton in the UK and Atlanta in the US to perform full scope audits for group purposes (unchanged from 2016).

The Group team also visited component auditors in Leeds (unchanged from 2016). At these visits, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



☐ Residual components

## Independent auditor's report

#### to the members of Impellam Group plc continued



#### 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

# 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic report and directors' report

Based solely on our work on the other information:

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

# 6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

# 7. Respective responsibilities Directors' responsibilities

As explained more fully in their statement set out on page 61, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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

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

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

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



Aimie Keki (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

15 March 2018

# **Consolidated Income Statement**

For the fifty two weeks ended 29 December 2017

	Notes	29 December 2017 £m	30 December 2016 £m
Revenue Cost of sales	3	2,171.3 (1,885.8)	2,140.2 (1,851.6)
Gross profit Administrative expenses		285.5 (240.8)	288.6 (241.5)
Operating profit Operating profit before separately disclosed items and share-based payments Separately disclosed items Share-based payment	3 & 4 6 23	44.7 48.8 (3.4) (0.7)	47.1 60.4 (12.3) (1.0)
Operating profit Finance expense	7	44.7 (6.8)	47.1 (7.3)
Profit before tax Tax (charge)/credit	8	37.9 (6.8)	39.8 4.2
Profit for the period		31.1	44.0
Profit for the period attributable to: Equity holders of the Parent Company Non-controlling interest	25	30.9 0.2	44.0
		31.1	44.0
Earnings per share Attributable to equity holders of the Parent Company - basic - diluted	9	61.9p 61.1p	87.4p 86.1p

# Consolidated Statement of Other Comprehensive Income

For the fifty two weeks ended 29 December 2017

		29 December 2017 £m	30 December 2016 £m
Profit for the period		31.1	44.0
Other comprehensive income:			
Items that may be subsequently reclassified into income:			
Foreign currency translation differences – foreign operations		(7.9)	12.1
Total comprehensive income for the period, net of tax.		23.2	56.1
Total comprehensive income for the period attributable to:			
Equity holders of the Parent Company		23.1	56.1
Non-controlling interest	25	0.1	_
		23.2	56.1

# **Consolidated Balance Sheet**

# As at 29 December 2017

	Notes	29 December 2017 £m	30 December 2016 £m
Non-current assets			
Property, plant and equipment	11	7.3	7.2
Goodwill	12	160.4	167.2
Other intangible assets	13	131.7	133.6
Financial assets	14	1.4	1.3
Deferred tax assets	21	13.2	19.2
		314.0	328.5
Current assets	4.5	40-0	100.0
Trade and other receivables	15	687.2	623.3
Cash and cash equivalents	16	100.3	54.8
		787.5	678.1
Total assets		1,101.5	1,006.6
Current liabilities			
Short-term borrowings	18	73.2	30.1
Trade and other payables	17	635.5	568.9
Tax payable	20	4.2	5.7
Provisions	20	1.1	1.2
		714.0	605.9
Net current assets		73.5	72.2
Non-current liabilities			
Long-term borrowings	19	103.0	120.0
Other payables	17	0.9	3.9
Provisions Deferred tax liabilities	20	1.1	2.1
Deferred tax liabilities	21	22.2	27.9
		127.2	153.9
Total liabilities		841.2	759.8
Net assets		260.3	246.8
Equity			
Issued share capital	22	0.5	0.5
Share premium account	22	30.1	30.1
		30.6	30.6
Other reserves	24	120.9	128.0
Retained earnings		108.7	88.2
Total equity attributable to equity holders of the Parent Company		260.2	246.8
Non-controlling interest	25	0.1	_
Total equity		260.3	246.8

The consolidated financial statements of Impellam Group plc (registered number: 06511961) on pages 67 to 105 were approved by the Board on 15 March 2018.

#### Alison Wilford

Chief Financial Officer

# Consolidated Statement Of Changes In Equity

For the fifty two weeks ended 29 December 2017

	Total share capital and share premium (note 22) £m	Other reserves (note 24) £m	Retained earnings £m	Total equity attributable to equity owners of the parent £m	Non-Controlling Interest (note 25) £m	Total Equity £m
2 January 2016	30.6	108.9	52.8	192.3	_	192.3
Profit for the period Other comprehensive income (note 24)	- -	_ 12.1	44.0	44.0 12.1	_ _	44.0 12.1
<b>Total comprehensive income in period</b> <i>Transactions with owners, recorded directly</i> <i>in equity</i>	-	12.1	44.0	56.1	_	56.1
Merger reserve created (note 24)	_	6.0	_	6.0	_	6.0
Share-based payment charge (note 23)	_	1.0	_	1.0	_	1.0
Dividends paid	_	_	(8.6)	(8.6)	_	(8.6)
30 December 2016	30.6	128.0	88.2	246.8	_	246.8
31 December 2016	30.6	128.0	88.2	246.8	-	246.8
Profit for the period Other comprehensive income (note 24)	- -	_ (7.8)	30.9 -	30.9 (7.8)	0.2 (0.1)	31.1 (7.9)
<b>Total comprehensive income in period</b> <i>Transactions with owners, recorded directly</i> <i>in equity</i>	-	(7.8)	30.9	23.1	0.1	23.2
Purchase of Treasury shares (note 22)	_	-	(0.1)	(0.1)	-	(0.1)
Share-based payment charge (note 23)	_	0.7		0.7	-	0.7
Dividends paid	_	-	(10.3)	(10.3)	-	(10.3)
29 December 2017	30.6	120.9	108.7	260.2	0.1	260.3

# **Consolidated Cash Flow Statement**

# For the fifty two weeks ended 29 December 2017

	29 December 2017	30 December 2016
Notes	£m	£m
Cash flows from operating activities Profit before tax	37.9	39.8
Adjustments for:	2.2	2.0
Depreciation of property, plant and equipment 11 Amortisation of intangible assets 13	3.3 7.3	2.8 6.9
Loss on disposal of property, plant and equipment	0.1	0.9
Finance expense 7	6.8	7.3
Share-based payment 23	0.7	1.0
	56.1	57.8
Increase in trade and other receivables	(94.8)	(11.2)
Increase in trade and other payables	105.7	8.0
Decrease in provisions 20	(3.7)	(0.5)
Cash from operations	63.3	54.1
Tax paid	(8.3)	(7.3)
Net cash from operating activities	55.0	46.8
Cash flows from investing activities		
Acquisition of subsidiary	(1.8)	(9.3)
Purchase of property, plant and equipment 11	(3.2)	(2.6)
Purchase of intangible assets (Increase)/decrease in other financial assets 13	(8.1)	(5.6) 0.5
	(0.2)	
Net cash from investing activities	(13.3)	(17.0)
Cash flows from financing activities		(- · -)
Increase/(decrease) in short-term borrowings	26.8	(34.3)
Purchase of Treasury shares 22 Finance expense paid 7	(0.1)	(( ()
Finance expense paid 7 Capital element of finance lease payments 28	(6.8) (0.2)	(6.6) (0.3)
Dividends paid 31	(10.3)	(8.6)
Net cash from financing activities	9.4	(49.8)
Net increase /(decrease) in cash and cash equivalents	51.1	(20.0)
Opening cash and cash equivalents	54.8	66.0
Effect of foreign exchange rate movements 28	(5.6)	8.8
Closing cash and cash equivalents* 16	100.3	54.8

<sup>\*</sup> Unrestricted cash, available to the Group

## For the fifty two weeks ended 29 December 2017

#### 1. Corporate information

The financial statements of Impellam Group plc and all of its subsidiaries ('the Group') for the fifty two weeks ended 29 December 2017 were authorised for issue by the Board of Directors on 15 March 2018 and the balance sheet was signed on behalf of the Board by Alison Wilford.

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 the Middle East.

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

Its registered office is located at:

800 The Boulevard Capability Green Luton Bedfordshire LU1 3BA United Kingdom

# **2. Summary of significant accounting policies** Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis except where otherwise identified and as modified for the revaluation of certain financial assets at fair value through the income statement. The principal accounting policies adopted are set out below. The financial statements are presented in Pound Sterling and all values are rounded to the nearest £0.1m (£m) except where otherwise indicated. Foreign operations are included in accordance with note 2(C) below.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 29 December 2017. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company. Each company, including the parent, use 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. The Group issues a general letter of support over all companies having a registered office in the UK.

Subsidiaries are consolidated from the date on which the Group obtains control using the acquisition method and cease to be consolidated from the date on which the Group ceases its control.

Accounting policies have been applied consistently.

A) Changes in accounting policies and disclosures

#### Standards, amendments and interpretations effective in 2017

- IFRS 12 Disclosure of Interests in Other Entities
- IAS 7 Statement of Cash Flows Amendment
- IAS 12 Income Taxes
- Annual improvements to IFRS 2014–2016 Cycle

## 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 and effective for the Group as follows:

- IFRS 2 'Share-based Payment' (effective year starting on or after 1 January 2018)
- IFRS 9 'Financial Instruments' (effective year starting on or after 1 January 2019)
- IFRS 15 'Revenue from Contracts with Customers' (effective year starting on or after 1 January 2018)
- IFRS 16 'Leases' (effective year starting on or after 1 January 2019)

## For the fifty two weeks ended 29 December 2017

#### 2. Summary of significant accounting policies continued

#### IFRS 9 – Financial Instruments

IFRS 9 introduces a new classification approach for financial assets and liabilities. The classification of financial assets will be reduced from four to three and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. The directors are currently evaluating the impact during 2018.

#### *IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018 (for the Group this will apply for our December 2019 year end). It is the Group's current plan to adopt the new standard on the required effective date using the full retrospective method.

The Group is in the business of providing recruitment and staffing services. IFRS 15 requires revenue to be recognised once value has been received by the customer and when the performance obligations have been satisfied. IFRS 15 also prohibits the recognition of up-front fees. During 2017, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. As a result of this preliminary assessment, the Group does not expect any adjustment to be material. Further detail is included below. In preparing to transition to IFRS 15, the Group is considering the following:

Temporary revenue (c. 81% of revenue) – this represents amounts billed for the services of temporary staff, including the salary costs of these staff, and is recognised when the service has been provided (pay/bill basis). The Group does not anticipate any change as a result of the transition to IFRS 15.

MSP Fees (c. 16% of revenue) – this represents amounts billed for Managed Services Programmes where the assignments are filled directly by the provider, other Group companies or second-tier agencies. The revenue is recognised in the same way as temporary revenue, i.e. when the service has been provided. The Group does not anticipate any change as a result of the transition to IFRS 15.

Contingent basis (c. 1% of revenue) – this is revenue recognised from permanent placements, typically based on a percentage of the candidate's remuneration package. This income is recognised once the candidate starts the placement. The Group is satisfied that the basis of revenue recognition remains appropriate as our only performance obligation (commencement date of the candidate) reflects our current policy and therefore do not expect any adjustment as a result of transition to IFRS 15.

Other revenue (c. 2% of revenue) – this includes revenue from payroll fees, provision of healthcare services, statement of work activity and other management and related fees. The majority of these are billed to clients at the time the expense occurred. The Group does have revenue it recognises over a period of time (Statement of Work – SOW, c. 0.3% of revenue), particularly in the construction business where the client contract is to provide workers to achieve a project deadline. This revenue is recognised over the course of the contract and in line with agreed performance obligations. Therefore the Group does not expect any adjustment as a result of transition to IFRS 15.

In addition to revenue the Group has reviewed rebates and commissions. All rebates are recognised over the contract period and deducted from revenue, therefore the Group does not expect any adjustment as a result of transition to IFRS 15.

The Group pays commissions to the majority of its consultants, linked to financial performance, fill rates, sales or a combination of targets. In the context of IFRS 15, sales commissions will be amortised through cost of sales. Therefore, if sales commissions are currently recognised in administration expenses, gross margin (but not EBITDA) would be lower under the new standard. The Group has identified that there were commissions paid in 2017 that would be classed as sales commissions under IFRS 15, and therefore would be reclassified from administration expenses to cost of sales, thus reducing margin.

IFRS 15 also provides presentation and disclosure requirements, which are more detailed than under current IFRS and may result in an increase in the volume of disclosures required in the Group's financial statements. IFRS requires an entity to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has already commenced a review of the

#### 2. Summary of significant accounting policies continued

required disclosures, appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

#### IFRS 16 – Leases

IFRS 16 was released in January 2016 and replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 requires all leases (excluding short term and leases of low value items) to be recognised as an asset on the balance sheet, with a corresponding lease liability. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense of the right-of-use asset.

IFRS 16 is expected to result in an increase in EBITDA for the Group, as rentals are reclassified as depreciation and interest expense. Gross profit may also appear higher as a result. IFRS 16 also requires us to make more extensive disclosures than under IAS 17. Note 26 gives the current lease portfolio. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 (for the Group this will apply for our December 2019 year end). A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements. It is our current intention to adopt the full retrospective approach to this standard to provide transparency to the users of the financial statements.

The directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

#### B) Significant accounting judgements and estimates

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

#### 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 12.

#### 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 2017, 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 20).

#### Property provision

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 three years (2016: three years). Provision is also made for expected dilapidations and provisions are accrued evenly over the last five years of the lease (see note 20).

#### 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 aging of the amount recoverable or where circumstances with respect to individual clients and customers suggest that recoverability is in question.

## For the fifty two weeks ended 29 December 2017

#### 2. Summary of significant accounting policies continued

#### Deferred tax

The Group has decided to recognise certain deferred tax assets. The level of deferred tax asset to recognise is subject to judgement. The Group's policy on recognising deferred tax is set out in part M of this note.

#### C) Currencies and foreign currency translation

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

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

The exchange differences arising from this retranslation are recognised in the Statement of Other Comprehensive Income and accumulated to a foreign currency translation reserve in equity.

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

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

### D) Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and any impairment in value. 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 3 and 10 years or to the end of the lease, whichever is shorter at the start of the

asset's life

Computer equipment: between 2 and 5 years

The residual value and estimated useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

#### E) Goodwill

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

#### 2. Summary of significant accounting policies continued

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

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

#### F) Other intangible assets

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

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

Brands are defined as having 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 straight-line basis over the estimated useful lives of each of the assets (ranging between one and ten years). The expense is taken to the income statement through the 'depreciation and amortisation' line within administrative expenses. Externally acquired computer software and licences are capitalised at the costs incurred to acquire and bring into use the specific software.

Internally generated computer software programs are capitalised to the extent that costs can be separately identified and attributed to particular software programs, measured reliably, and where the asset developed can be shown to generate future economic benefits.

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

All costs relating to the 'research' phase of the software development cycle together with costs not separately identifiable and attributable to particular program development are expensed directly to 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.

#### G) Implementation costs

Costs directly attributable to the implementation of a contract and which can be separately identified and measured reliably are capitalised when income from that contract is virtually certain and where they 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.

#### H) 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.

## For the fifty two weeks ended 29 December 2017

#### 2. Summary of significant accounting policies continued

#### Investments

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

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

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

#### I) Other non-current financial assets

Other non-current financial assets represent security deposits with non-financial institutions that have no fixed date of repayment and that are not expected to be repaid within the next 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.

#### 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.

#### 2. Summary of significant accounting policies continued

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.

#### 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.

## For the fifty two weeks ended 29 December 2017

#### 2. Summary of significant accounting policies continued

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. The Group also operates a small defined benefit pension scheme for certain unionised employees. The full disclosures for this are included in the financial statements of the relevant subsidiary as the scheme is not material to the Group.

#### 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.

#### Share-based compensation

The Group can award share-based payments for employees (including Directors). The cost of these transactions is measured by fair value at the date at which they are granted and is recognised as an employee expense with a corresponding increase in equity. The fair value of these options is determined using an appropriate pricing model taking into account the terms and conditions upon which the options were granted.

Awards are expensed over the vesting period such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Due to the unusual nature and size of such a charge, this is separated out on the face of the consolidated income statement and in notes 5 and 9, as appropriate.

There is no dilutive effect of share awards which will ultimately be satisfied by market purchases through an employee benefit trust (see note 9).

#### 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.

#### 2. Summary of significant accounting policies continued

#### 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.

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

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) Separately disclosed items

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

#### 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 'Leadership team', reviews the Group's internal reporting in order to assess performance and allocate resources

#### and secondly:

• by reference to the information supplied to the CODM identify its operating segments and from these to identify its reportable segments.

The CODM discusses performance with management of the following two reportable segments plus shared costs and corporate costs:

- Managed Services
- Specialist Staffing

The geographical split of the reportable segments is based on the location of the management teams. The numbers for the UK include all non-North American businesses.

## For the fifty two weeks ended 29 December 2017

#### 3. Segment information continued

The CODM does not review balance sheet reports in detail by segment, only in total for the Group.

#### Fifty two weeks ended 29 December 2017

	Revenue £m	Gross profit £m	Adjusted EBITDA £m
Managed Services – UK, Europe and Australasia	1,019.4	62.7	20.4
Specialist Staffing – UK, Europe and Australasia	811.9	140.4	23.6
Managed Services – North America	187.2	49.5	12.3
Specialist Staffing – North America	213.8	32.9	7.0
Inter-segment revenues	(61.0)	-	_
Operating segments	2,171.3	285.5	63.3

#### Fifty two weeks ended 30 December 2016

	Revenue £m	Gross profit £m	Adjusted EBITDA £m
Managed Services – UK, Europe and Australasia	990.0	61.4	22.7
Specialist Staffing – UK, Europe and Australasia	817.8	146.5	29.5
Managed Services – North America	188.4	48.8	12.8
Specialist Staffing – North America	204.4	31.9	7.8
Inter-segment revenues	(60.4)	_	_
Operating segments	2,140.2	288.6	72.8

#### Reconciliation of segment Adjusted EBITDA to profit after tax is as follows:

	29 December 2017 £m	30 December 2016 £m
Segment adjusted EBITDA Corporate costs	63.3 (3.9)	72.8 (2.7)
Adjusted EBITDA  Amortisation of intangible assets (note 13)  Depreciation of tangible assets (note 11)  Separately disclosed items (note 6)  Share-based payment (note 23)	59.4 (7.3) (3.3) (3.4) (0.7)	70.1 (6.9) (2.8) (12.3) (1.0)
Operating profit Finance expense Tax (charge)/credit	44.7 (6.8) (6.8)	47.1 (7.3) 4.2
Profit for the period	31.1	44.0

The above table reconciles the adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'), which also excludes separately disclosed items and share-based payment to the standard profit measure under International Financial Reporting Standards (Operating Profit). This is the Groups' Alternate Profit Measure used when discussing the performance of the Group. The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance, including Directors' remuneration, and also reflects the starting profit measure used when calculating the Group's banking covenants. All discussions within the Group on segmental and individual brand performance refer to adjusted EBITDA. Corporate costs represent costs associated with being a listed company with a wide portfolio of brands and therefore are not allocated to the segments.

#### 3. Segment information continued

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

Separately disclosed items are costs or income that have been recognised in the income statement which the Directors believe, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year underlying financial performance (note 6).

Share-based payment – in September 2015 the Company granted share awards to two senior Directors which will vest following the publication of the audited financial results for the fifty two weeks ended 29 December 2017. One of the Directors left during 2016 and the share award relating to that Director has been cancelled. These costs are shown separately in order to bring this to the attention of the reader to highlight that this is a scheme which is one-off in nature and not part of the ongoing remuneration structure of senior executives.

#### Geographic information

Revenue from external customers	29 December 2017 £m	30 December 2016 £m
UK	1,631.9	1,631.3
North America	401.0	392.8
Europe	82.1	72.9
Asia Pacific	56.3	43.2
Total	2,171.3	2,140.2

The revenue information above is based on location of Group entity.

Non-current assets	29 December 2017 £m	30 December 2016 £m
UK	167.7	165.3
North America Europe	123.8 14.4	137.2 18.0
Asia Pacific	8.1	8.0
Total	314.0	328.5

Non-current assets above consist of Property, Plant and Equipment, Goodwill, Other intangible assets, Deferred tax assets and Financial assets.

#### 4. Operating profit

### a) Operating profit has been arrived at after charging:

	29 December 2017 £m	2016 £m
Separately disclosed items (note 6)	3.4	12.3
Depreciation and impairment of property, plant and equipment (note 11)	3.3	2.8
Amortisation of software and client relationships (note 13)	7.3	6.9
Loss on disposal of property, plant and equipment	0.1	_
Minimum lease payments recognised as an operating lease expense	10.4	10.8
Charge for bad and doubtful trade receivables (note 15)	0.2	0.3
Employee costs excluding pension costs (note 5)	167.4	170.5
Cost of defined contribution pension plans (note 5)	2.1	1.9

For the fifty two weeks ended 29 December 2017

#### 4. Operating profit continued

#### b) Auditor's remuneration

	29 December 2017 £m	30 December 2016 £m
Fees payable to the Auditor for the audit of the Group's annual financial statements Fees payable to the Group's Auditor and their associates for other services:	0.1	0.1
The audit of the Company's subsidiaries pursuant to legislation	0.5	0.5
Other non-audit services in relation to tax advisory	0.1	0.1
Total	0.7	0.7

#### 5. Employment costs

a) Employees (including Directors) whose costs are included in administrative expenses  Costs of employment	29 December 2017 £m	30 December 2016 £m
Wages, salaries and bonuses	159.7	157.4
Share-based payment (note 23)	0.7	1.0
Social security costs	11.6	12.1

Social security costs	11.6	12.1
Expenses related to defined contribution plan	2.1	1.9
Total	174.1	172.4

Monthly average number of employees	29 December 2017 Number	30 December 2016 Number
Managed Services – UK, Europe and Australasia	677	684
Specialist Staffing – UK, Europe and Australasia	1,940	2,044
Managed Services – North America	395	434
Specialist Staffing – North America	240	261
Corporate staff (including Directors)	15	13
Total	3,267	3,436

#### b) Employees whose costs are included in cost of sales

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

Costs of employment	29 December 2017 £m	30 December 2016 £m
Wages, salaries and bonuses Social security costs Expenses related to defined contribution plan	755.7 28.7 1.5	759.3 28.6 1.5
Total	785.9	789.4
Monthly average number of employees	29 December 2017 Number	30 December 2016 Number
Managed Services Specialist Staffing	13,039 15,427	13,200 14,274
Total	28,466	27,474

#### 5. Employment costs continued

### c) Information on Directors' remuneration

The total emoluments of all Directors during the period was:

	29 December 2017 £000	30 December 2016 £000
Emoluments (including benefits)	1,160	1,151
Compensation for loss of office	· -	100
	1,160	1,251
Contribution to defined contribution pension plans	68	62
	1,228	1,313
	29 December	30 December
Total amplyments evaluating pageing contributions.	2017	2016
Total emoluments excluding pension contributions:	£000	£000
Lord M Ashcroft	_	_
J Robertson	455	512
A Wilford	398	157
D Mee	_	169
AE Entwistle	47	50
ME Ettling	52	55
M Laurie	47	50
D O'Neill	47	50
P Stephenson	47	50
SL Stone	67	58
Baroness T Stowell	_	
Total	1,160	1,151
	29 December	30 December
Pension contributions	2017 £000	2016 £000
J Robertson	68	62
All pension payments relate to defined contribution schemes.		
The perision payments relace to defined contribution sentines.		
	29 December 2017	30 December 2016
	£000	£000
The emoluments of the highest paid Director during the period were:		
Emoluments (including benefits)	455	512
Penson contributions	68	62

The total emoluments for J Robertson, A Wilford and D Mee include benefits, both non-cash and cash, to the value of £92,000 (2016: £86,000), £44,000 (2016: £16,000) and £nil (2016: £19,000), respectively.

The £47,000 (2016: £50,000) paid for the services of AE Entwistle as a Non-Executive Director is paid to Anne Street Partners Limited. £6,000 (2016: £nil) of the fee paid for the services of ME Ettling as a Non-Executive Director is paid to Nomad Advisory Services Ltd.

No director has been in receipt of a loan from the Group in the current or prior periods.

#### Directors' options

Options held by the Directors during the period are as follows (see note 23 for more details):

	Scheme	Date of Grant	Date from which exercisable	Expiry date	Exercise price in pence	Number as at 29 December 2017	Number as at 30 December 2016
J Robertson	2015 2 Se	eptember 2015	6 March 2018	6 September 2019	Nil	850,000	850,000

574

523

## For the fifty two weeks ended 29 December 2017

#### 6. Separately disclosed items

	29 December 2017 £m	30 December 2016 £m
Settlement of historic US legal & tax cases <sup>(a)</sup>	1.9	_
Businesses restructuring <sup>(b)</sup>	0.7	3.1
Adjustments to deferred consideration <sup>(c)</sup>	0.8	8.5
Acquisition costs (d)	_	0.7
Total included in Operating profit	3.4	12.3

- a) In 2017 the US incurred tax and associated legal costs of £0.3m with regard to the settlement of historic state tax liabilities for the period 2010 to 2016. In addition the US has an ongoing litigation matter for which a provision for settlement and associated legal costs of £1.6m has been made in the period. These are disclosed separately due to their one-off nature and significance.
- nature and significance.
  b) Business restructuring costs are excluded in order to bring them to the reader's attention in understanding the Group's financial performance. In 2017 they relate to Bartech Holding Corporation (2016: Bartech Holding Corporation (2016: Bartech Holding Corporation and Global Group (UK) Limited) as a result of right-sizing exercises to enable the realisation of synergies as well as redundancies in the Corporate Centre. The synergies achieved in the US were substantially completed in 2016, but some will take a number of years to fully complete. In 2017 there is a £0.5m tax deductible benefit (2016: £0.6m).
- c) Contingent consideration payments linked to individuals continuing employment in the business generated a £0.8m charge in relation to the acquisition of Global Group (UK) Ltd (2016: £4.3m). Further charges are expected to be incurred in 2018 and 2019. In 2016 an additional £4.2m arose from the actual performance of Lorien Limited exceeding the assumptions previously made. These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses
- d) Third party costs associated with the acquisitions in 2015 of Bartech Holding Corporation and Global Group (UK) Limited and other potential acquisitions have been expensed to the income statement as a separately disclosed item. These costs are one-off in nature and have been disclosed separately in order not to distort the understanding of the underlying trading performance of the business. In 2016 there is a £0.1m tax deductible benefit

#### 7. Total finance expense

	29 December 2017 £m	30 December 2016 £m
Revolving credit facilities	6.0	6.1
Other interest expense	0.6	0.9
Total interest payable for financial liabilities not at fair value through the income statement Unwinding of discount on deferred consideration	6.6 0.2	7.0 0.3
Total finance expense	6.8	7.3

#### 8. Taxation

#### a) Tax charge/(credit)in the income statement

	29 December 2017 £m	30 December 2016 £m
Current income tax		
UK Corporation Tax on results for the period	4.4	6.8
Adjustments in respect of previous periods	0.4	(0.3)
	4.8	6.5
Foreign tax in the period	2.3	1.5
Total current income tax	7.1	8.0
Deferred tax credit	(0.3)	(12.2)
Total tax charge/(credit) in the income statement	6.8	(4.2)
The deferred tax credit comprises the following:	29 December 2017 £m	30 December 2016 £m
Utilisation of tax losses brought forward	3.0	5.1
Recognition of assets not previously recognised	(3.0)	(13.7)
Origination and reversal of other temporary differences	(0.8)	(0.9)
Change in tax rate used for deferred tax carried forward	1.7	(1.3)
Adjustment in respect of previous periods	(1.2)	(1.4)
Total deferred tax credit (note 21)	(0.3)	(12.2)

#### 8. Taxation continued

#### b) Reconciliation of the total tax charge

The standard rate of Corporation Tax in the UK reduced to 19% on 1 April 2017 (previously 20%). Accordingly, the Group's profit from this period is taxed at an effective rate of 19.3%.

The tax charge for the period is £6.6m (2016: credit of £4.2m) for the Group. A tax reconciliation explaining differences from the expected statutory rate of 19.3% (2016: 20.0%) is summarised below:

	29 December 2017 %	30 December 2016 %
Tax charge at UK standard rate	19.3	20.0
Differences in tax rates in other countries	10.1	6.4
(Income)/expenses not taxable/allowable in determining taxable profits	(5.5)	6.7
Utilisation of losses brought forward not recognised as assets	(1.7)	(2.8)
Losses in period carried forward but not recognised as assets	1.5	1.0
Recognition of losses not previously recognised	(7.9)	(34.0)
Change in tax rate used for deferred tax carried forward	4.1	(3.4)
Adjustments in respect of previous periods	(2.0)	(4.3)
Effective total tax rate	17.9	(10.4)

See note 21 for explanation of deferred tax assets and liabilities.

#### Factors affecting tax charges in future periods

A reduction in the UK Corporation Tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax balances at 29 December 2017 have been calculated based on these rates.

#### 9. Earnings per share

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

Diluted earnings per share amounts are calculated on the same basis but after adjusting the denominator for the effects of dilutive options. The only potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans. There were 850,000 options outstanding at 29 December 2017 (2016: 850,000), see note 23.

Excluding the 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust, the weighted average number of shares in 2017 is 50,322,196 (2016: 50,188,147) and the fully diluted average number of shares is 50,912,395 (2016: 51,078,479).

#### **EPS**

	9 December 2017 Pence	30 December 2016 Pence
Basic calculation Diluted calculation	61.9 61.1	87.4 86.1

#### 10. Business combinations

#### a) Acquisition of Global Group (UK) Limited

On 30 July 2015 the Group acquired 100% of the shares of Global Group (UK) Limited, an unlisted company incorporated in the UK in exchange for cash. Global Group is a specialist doctors' locum recruitment business operating in Ireland, Australasia and the UK, which is complementary to the Medacs business and propels the healthcare business forward significantly outside the UK.

Contingent consideration payments arising on the acquisition of Global Group (UK) Limited which are linked to the continued employment of certain individuals are being amortised through the profit and loss account over the earnout periods until 2019. A charge of £0.8m (2016: £4.3m) was recorded in operating profit. At the end of the period there was £6.0m outstanding (2016: £5.2m).

## For the fifty two weeks ended 29 December 2017

#### 10. Business combinations continued

#### b) Acquisition of Bartech Holding Corporation

On 8 December 2015 the Group acquired 100% of the shares of Bartech Holding Corporation (Bartech), an unlisted company incorporated in the US and specialising in recruitment, in exchange for cash and shares in the Group. The Group acquired Bartech in order to provide increased scale and cross selling opportunities in the Managed Services and Specialist Staffing capability in the US and Europe.

As part of the purchase agreement with the previous owners of Bartech, contingent consideration has been agreed dependent on Bartech achieving certain operational measures. Contingent payments were due to the vendors between March 2016 and March 2018. The operational measure was not met in 2017 and therefore £1.4m was released. At the end of the period there was £nil outstanding (2016: £3.0m).

#### 11. Property, plant and equipment

	Freehold property £m	Short leasehold property £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Net carrying value – 1 January 2016	0.2	1.5	3.0	2.6	7.3
Cost – 2 January 2016	0.2	3.0	4.3	3.8	11.3
Additions	_	0.7	1.2	0.7	2.6
Disposals	_	(1.1)	(0.8)	(0.6)	(2.5)
Foreign exchange		0.1	1.1	0.1	1.3
Cost – 30 December 2016	0.2	2.7	5.8	4.0	12.7
Accumulated depreciation – 2 January 2016	_	1.5	1.3	1.2	4.0
Charge for the period	_	0.6	1.2	1.0	2.8
Disposals	_	(1.1)	(0.8)	(0.6)	(2.5)
Foreign exchange		0.1	1.0	0.1	1.2
Accumulated depreciation – 30 December 2016	_	1.1	2.7	1.7	5.5
Net carrying value – 30 December 2016	0.2	1.6	3.1	2.3	7.2
Cost – 31 December 2016	0.2	2.7	5.8	4.0	12.7
Additions	_	0.5	1.2	1.5	3.2
Disposals	_	(1.0)	(0.3)	(0.6)	(1.9)
Foreign exchange	-	0.1	(0.4)	-	(0.3)
Cost – 29 December 2017	0.2	2.3	6.3	4.9	13.7
Accumulated depreciation – 31 December 2016	_	1.1	2.7	1.7	5.5
Charge for the period	_	0.5	1.3	1.5	3.3
Disposals	_	(1.0)	(0.3)	(0.6)	(1.9)
Foreign exchange	-	(0.1)	(0.4)	-	(0.5)
Accumulated depreciation – 29 December 2017	-	0.5	3.3	2.6	6.4
Net carrying value – 29 December 2017	0.2	1.8	3.0	2.3	7.3

Included in computer equipment are assets with net carrying value of £nil (2016: £0.5m) held under a finance lease. Depreciation of £0.2m (2016: £0.1m) was charged on these assets.

#### 12. Goodwill

	Cost £m	Impairment £m	Net carrying value £m
Opening balance at 2 January 2016 Foreign exchange and other movements	174.0 7.2	(14.0) -	160.0 7.2
Closing balance at 30 December 2016	181.2	(14.0)	167.2
Opening balance at 31 December 2016 Foreign exchange and other movements	181.2 (6.8)	(14.0) -	167.2 (6.8)
Closing balance at 29 December 2017	174.4	(14.0)	160.4

Other

#### 12. Goodwill continued

Goodwill acquired through business combinations has been allocated for impairment testing purposes to three principal cash-generating units as follows:

- Impellam United Kingdom
- Impellam North America
- Medacs Global Group

Foreign exchange and other movements to goodwill in 2017 arises from the re-translation of goodwill balances held in foreign currencies relating to the acquisition of Bartech Holdings Corporation, in the Impellam North America segment.

Foreign exchange and other movements to goodwill in 2016 arose from the acquisition of Global Group (UK) following adjustments to the value of contingent consideration and re-evaluations of the net assets acquired (note 10) as well as the re-translation of goodwill balances held in foreign currencies.

The £14m impairment currently recorded is all allocated against the goodwill of Impellam United Kingdom.

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

At 29 December 2017	Goodwill £m	intangible assets (note 13) £m	Total Intangible assets £m
Impellam United Kingdom Impellam North America Medacs Global Group	79.9 72.6 7.9	65.4 33.1 33.2	145.3 105.7 41.1
Total	160.4	131.7	292.1

At 30 December 2016	Goodwill £m	intangible assets (note 13) £m	Total Intangible assets £m
Impellam United Kingdom	79.9	63.0	142.9
Impellam North America	79.4	37.7	117.1
Medacs Global Group	7.9	32.9	40.8
Total	167.2	133.6	300.8

The Group tests this and other assets (note 13) for impairment on an annual basis, and otherwise when changes in events or situations indicate that the carrying value may not be recoverable. If such a test indicates that the carrying amount is too high, a recoverable amount is established for the asset, which is the higher of the fair value less costs to sell and the value in use.

The recoverable amount for each of the above 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 varied from 10.51% to 10.86% (2016: 10.45% to 10.97%), which include a country risk premium and a general forecasting risk premium. Cash flows beyond the two-year period have been extrapolated using long-term growth rates of 2.0% (2016: 2.0%).

#### Key assumptions

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

- Gross profit this is based on the average gross profit achieved in the two years preceding the start of the plan year. These have been amended as appropriate over the plan year for anticipated changes to business mix and market conditions.
- Discount rate this reflects the Directors' estimate of an appropriate market rate of return taking into account the relevant risk factors; this has been adjusted to reflect current and expected future economic conditions as well as to account for geographic influences.
- Growth rate used to extrapolate beyond the plan year and terminal values are based upon the long-term average growth rate of the UK and US economies. 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.

## For the fifty two weeks ended 29 December 2017

# **12. Goodwill** continued Sensitivity to changes in assumptions

The impairment calculation is sensitive to changes in the above assumptions. Sensitivity analyses were performed over each segment to model the effects of changes in the forecasts, discount rates and growth assumptions. Due to the fact that the headroom was significant under all scenarios, management has determined that there has been no impairment to any of the CGUs in respect of the sensitivity analysis performed. This has been based on changes in key assumptions considered to be reasonably possible by management.

Brand

Client

#### 13. Other intangible assets

	Software fm	Brand values £m	Client relationships £m	Total £m
Net carrying value – 1 January 2016	7.5	86.2	35.9	129.6
Cost – 2 January 2016	13.1	86.2	52.8	152.1
Additions	5.6	_	_	5.6
Disposals	(1.2)	_	_	(1.2)
Foreign exchange	1.1	2.7	2.7	6.5
Cost – 30 December 2016	18.6	88.9	55.5	163.0
Accumulated amortisation – 2 January 2016	5.6	_	16.9	22.5
Charge for the period	3.1	_	3.8	6.9
Disposals	(1.2)	_	_	(1.2)
Foreign exchange	1.0	_	0.2	1.2
Accumulated amortisation – 30 December 2016	8.5	_	20.9	29.4
Net carrying value – 30 December 2016	10.1	88.9	34.6	133.6
Cost – 31 December 2016	18.6	88.9	55.5	163.0
Additions	8.1	-	-	8.1
Disposals	(3.9)		. <b>-</b> .	(3.9)
Foreign exchange	(0.5)	(1.4)	(1.4)	(3.3)
Cost – 29 December 2017	22.3	87.5	54.1	163.9
Accumulated amortisation – 31 December 2016	8.5	-	20.9	29.4
Charge for the period	3.5	_	3.8	7.3
Disposals	(3.9)	-	-	(3.9)
Foreign exchange	(0.4)	-	(0.2)	(0.6)
Accumulated amortisation – 29 December 2017	7.7	-	24.5	32.2
Net carrying value – 29 December 2017	14.6	87.5	29.6	131.7

Included in software additions for the fifty two weeks ended 29 December 2017, are internally generated software development costs of £2.1m (2016: £1.9m) which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years (2016: 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 ten years. They are amortised, from the date of acquisition, on a straight-line basis over this year.

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. Details of the sensitivities over the impairment review are included in note 12.

#### 14. Financial assets

	29 December 2017 £m	30 December 2016 £m
Financial assets – non-current Marketable investments designated at fair value through the income statement	0.9	1.0
Other financial assets (loans and receivables) – non-current Deposits with non-financial institutions	0.5	0.3
Total	1.4	1.3

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 29 December 2017 these investments have been adjusted to the market value of £0.9m (2016: £1.0m). This movement is matched by an equivalent movement in other payables as disclosed in note 17.
- 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 29 and 30.

#### 15. Trade and other receivables

	29 December 2017 £m	30 December 2016 £m
Trade receivables (note 2(J))	554.6	448.2
Other receivables	8.7	7.6
Prepayments	5.4	5.6
Accrued income	118.5	161.9
Total	687.2	623.3

- trade receivables also include gross receivables of £311.4m (2016: £295.3m) 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 29 and 30.

- as at 29 December 2017 trade receivables at a nominal value of £2.2m (2016: £2.0m) were impaired and fully provided for. The principal factor considered in calculating the impairment is the ageing of the receivable balance.
- Included within the impaired receivables is £0.5m (2016: £0.5m) relating to the credit risk policy.

The ageing of these impaired receivables is as follows:

	29 December 2017 £m	30 December 2016 £m
Impaired:		
< 60 days	(0.4)	(0.1)
60–120 days	(1.0)	(0.7)
>120 days	(0.8)	(1.2)
Total	(2.2)	(2.0)

## For the fifty two weeks ended 29 December 2017

#### 15. Trade and other receivables continued

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

	29 December 2017 £m	30 December 2016 £m
Balance at beginning of period	2.0	1.6
Charged for the period	0.2	0.3
Foreign exchange	-	0.1
Balance at end of period	2.2	2.0

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

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

	29 December 2017 £m	30 December 2016 £m
Past due but not impaired:		
< 60 days	35.9	50.5
60–120 days	5.3	8.8
>120 days	10.4	8.8
Total	51.6	68.1

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:

	29 December 2017 £m	30 December 2016 £m
Trade receivables	347.7	241.9
Other receivables	2.8	4.7
Prepayments	1.0	0.8
Accrued income	75.9	122.9
Total	427.4	370.3

#### 16. Cash and cash equivalents

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

29	December 2017 £m	30 December 2016 £m
Cash	100.3	54.8

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

#### 17. Trade and other payables

Current liability	29 December 2017 £m	30 December 2016 £m
Trade payables	429.9	427.0
Other tax and social security costs	56.1	50.9
Accruals and deferred income	84.2	29.4
Other payables	65.3	61.6
Total	635.5	568.9

#### 17. Trade and other payables continued

Trade payables include £400.3m (2016: £401.7m) of amounts payable under master vendor arrangements in the UK and US, which are related to certain of the trade receivables – note 15. 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:

- £0.9m (2016: £1.0m) in respect of liabilities accruing to certain US employees in respect of a deferred compensation plan. These amounts are payable to members of the plan on retirement (note 14)
- £1.0m (2016: £0.9m) for contributions due to be made to defined contribution pension schemes on behalf of certain employees of the Group
- £5.1m (2016: £5.9m) represents contingent consideration payable to the vendors of Global Group (UK) Limited (2016: Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation).

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.

Non-current liability	29 December 2017 £m	30 December 2016 £m
Other payables	0.9	3.9
Total	0.9	3.9

• Included in other payables are: £0.9m (2016: £3.9m) represents contingent consideration payable to the vendors of Global Group (UK) Limited (2016: Global Group (UK) Limited and Bartech Holdings Corporation).

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

#### 18. Short-term borrowings

	29 December 2017 £m	30 December 2016 £m
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	73.2	29.9
Hire purchase – secured < 1 period	_	0.2
Total	73.2	30.1

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

#### 19. Long-term borrowings

	29 December 2017 £m	30 December 2016 £m
Financial liabilities measured at amortised cost: Revolving credit borrowings – secured	103.0	120.0
Total	103.0	120.0

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

## For the fifty two weeks ended 29 December 2017

#### 20. Provisions

	Property £m	Workers' compensation £m	Total £m
Current – 30 December 2016	0.3	0.9	1.2
Non-current – 30 December 2016	1.0	1.1	2.1
At 30 December 2016	1.3	2.0	3.3
Charged to income in the period Utilised during the period Foreign exchange	0.3 (0.3)	3.2 (4.2) (0.1)	3.5 (4.5) (0.1)
At 29 December 2017	1.3	0.9	2.2
Current – 29 December 2017	0.6	0.5	1.1
Non-current – 29 December 2017	0.7	0.4	1.1
Total	1.3	0.9	2.2

#### Property

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 three years (2016: three years). Provision is also made for expected dilapidations and provisions are accrued evenly over the last five years of the lease. The Group does not expect this provision to be materially misstated.

#### Workers' compensation

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

The level of provision made is based upon independent actuarial estimates. These estimates take into account the ultimate cost, less amounts paid to date, in respect of accidents occurring between the inception of the policy and December 2017, the period covered by these self-insurance arrangements. An allowance is made for claims incurred but not reported in line with standard actuarial practice. The Group does not expect this provision to be materially misstated.

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

#### 21. Deferred taxation

	29 December 2017 £m	30 December 2016 £m
Non-current deferred tax assets		
Total deferred tax asset – UK	1.4	1.7
Total deferred tax asset – overseas	11.8	17.5
Total deferred tax asset	13.2	19.2
	29 December 2017 £m	30 December 2016 £m
Deferred tax liabilities		
Current	_	_
Non-current	22.2	27.9
Total deferred tax liabilities	22.2	27.9

#### 21. Deferred taxation continued

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

	Property, plant and equipment £m	Intangible assets £m	Provisions £m	Tax value of loss carry-forwards £m	Total Deferred taxation £m
At 1 January 2016	1.4	(28.1)	0.6	5.1	(21.0)
Recognised in income	(0.1)	2.3	1.5	8.5	12.2
Acquired in business combination	0.1	(2.1)	0.3	1.8	0.1
At 30 December 2016	1.4	(27.9)	2.4	15.4	(8.7)
Deferred tax assets – 30 December 2016	1.4	_	2.4	15.4	19.2
Deferred tax liabilities – 30 December 2016	_	(27.9)	_	_	(27.9)
	1.4	(27.9)	2.4	15.4	(8.7)
At 31 December 2016 Recognised in income Foreign exchange	1.4 (0.6) 0.1	(27.9) 4.8 0.9	2.4 0.9 (0.3)	15.4 (4.8) (1.3)	(8.7) 0.3 (0.6)
At 29 December 2017	0.9	(22.2)	3.0	9.3	(9.0)
Deferred tax assets – 29 December 2017	0.9	_	3.0	9.3	13.2
Deferred tax liabilities – 29 December 2017	-	(22.2)	_	_	(22.2)
	0.9	(22.2)	3.0	9.3	(9.0)

The Group has deductible temporary differences relating to provisions and deferred capital allowances of £12.9m (2016: £15.8m). Deferred tax assets of £3.9m (2016: £3.8m) have been recognised in respect of these temporary differences, leaving £1.0m (2016: £0.2m) as unrecognised differences. They have no expiry date.

The Group has tax losses that arose in the UK of £33.0m (2016: £33.8m) and tax losses that arose outside the UK (mostly in the US) of £64.8m (2016: £72.6m) that are available for offset against future taxable profits of the right type arising in the companies in which the losses arose. The reduction in tax losses in the US at the end of the current period compared to the previous period is due to the utilisation of these losses against taxable profits in the current period. There is no expiry date on the UK losses but the US losses expire between 2028 and 2033. The Group has performed sensitivity analysis on the utilisation of US losses looking at forecasts of profitability and these show that the tax losses will be fully utilised within 3-4 years, well in advance of their expiry. All losses are subject to legislation restricting the right to offset them. Deferred tax assets of £9.3m (2016: £15.4m) have been recognised as they relate to companies that are trading profitably or can expect to have taxable profits in the foreseeable future. Deferred tax assets have not been recognised in respect of UK losses of £33.0m (2016: £33.8m) and in the US of £21.4m (2016: £28.2m) as they may not be used to offset taxable profits elsewhere in the Group and they have either arisen in subsidiaries where future use is uncertain, or are capital losses for which there is limited scope for future offset.

Following a change in the US corporate income tax rate from 35% to 21%, effective 1 January 2018, all US deferred tax balances have been revalued to the rate at which they are expected to unwind, this has resulted in an additional tax charge in the year of £1.7m. The Group does not foresee that the value of the recognised losses should change significantly once all appropriate filings have been completed.

#### 22. Issued share capital

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
1 January 2016 Shares issued	49.6 0.7	0.5 -	30.1	30.6 -
30 December 2016	50.3	0.5	30.1	30.6
31 December 2016 Shares repurchased	50.3 -	0.5 -	30.1 -	30.6 -
29 December 2017	50.3	0.5	30.1	30.6

In 2017 13,500 ordinary shares (2016: nil) were repurchased in the market for consideration of £0.1m (2016: nil), and cancelled.

## For the fifty two weeks ended 29 December 2017

#### 22. Issued share capital continued

In 2016, 719,344 shares valued at £6.0m were issued in connection with the settlement of deferred consideration related to Lorien Limited.

#### Impellam Group plc

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

## 23. Share-based compensation – employee share incentive plans Share option scheme

In September 2015 the Company granted share awards to certain senior executives. These options will vest on the measurement date which has been defined as the date of publication of the preliminary announcement of the audited financial results for the fifty two weeks ended 29 December 2017. Vesting criteria are based on the growth in share price from either £8.00 or £8.50 with 100% of shares vesting at £11.00 or £12.00 respectively.

The charge recognised for the period is £0.7m (2016: £1.0m).

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

			29 December 2017	30 December 2016
Date of grant	Exercise period	Exercise price Pence	Number of shares	Number of shares
2015	18 months from measurement date	nil	850,000	850,000
Total			850,000	850,000

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

	29 Decemb	29 December 2017		er 2016
	Average exercise price Pence	Options Thousands	Average exercise price Pence	Options Thousands
Outstanding at beginning of period Forfeited	nil -	850 -	nil nil	1,300 (450)
Outstanding at end of period		850		850
Exercisable at end of period		-		_

The weighted average remaining contractual life for outstanding options at 29 December 2017 was 0.2 years (2016: 1.2 years).

The fair value of employee share options is measured using a simulation model. Measurements inputs and assumptions are as follows:

	Iranch	ne 1
	29 December 2017	30 December 2016
Fair value at grant date	£2.92	£2.92
Weighted average share price	£7.86	£7.86
Exercise price	nil	nil
Expected volatility (expressed as percentage used in the modelling)	21.97	21.97
Option life (expressed as weighted average life in years used in the modelling)	2.51	2.51
Dividend yield (%)	2.06	2.06
Risk-free interest rate (based on national government bonds) (%)	0.78	0.78

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), as there is no evidence to suggest that the expected future share performance will differ from that of the past.

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#### 24. Other reserves

	Foreign currency			
	Merger Reserve	Other reserve	translation reserve	Total other reserves
	£m	£m	£m	£m
2 January 2016	13.0	92.6	3.3	108.9
Arising on acquisition	6.0	_	_	6.0
Share-based payment	_	1.0	_	1.0
Currency translation differences	_	_	12.1	12.1
30 December 2016	19.0	93.6	15.4	128.0
31 December 2016	19.0	93.6	15.4	128.0
Share-based payment	-	0.7	-	0.7
Currency translation differences	-	-	(7.8)	(7.8)
29 December 2017	19.0	94.3	7.6	120.9

#### Merger reserve

The merger reserve arises under s612 of the Companies Act 2006 as a result of the acquisition of Bartech Holding Corporation and Lorien Limited using the issue of shares as part consideration. The excess of fair value over nominal value of shares is transferred to a merger reserve rather than share premium. This reserve is not distributable.

#### Other reserve

The other reserve comprises £92.2m contributed surplus arising on a historical demerger transaction (2016: £92.2m). It also contains a charge of £0.7m (2016: £1.0m) arising from share-based payment arising within the period. The balance on the share-based payment element of the reserve at the end of the period is £2.1m (2016: £1.4m).

#### 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.

#### 25. Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material Non-Controlling Interest ("NCI"), before any intra-group eliminations.

29 December 2017	Individually immaterial subsidiaries £m	Total £m
Net assets attributable to NCI	0.1	0.1
Profit allocated to NCI Other comprehensive income allocated to NCI	0.1	0.2 (0.1)
30 December 2016		
Net assets attributable to NCI	_	_
Profit allocated to NCI Other comprehensive income allocated to NCI	- -	_ _

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

## For the fifty two weeks ended 29 December 2017

#### 26. 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 13 years (2016: 1 to 14 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 (2016: 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:

	29 December 2017 £m	30 December 2016 £m
Within 1 year	10.5	11.0
After 1 year but not more than 5 years	27.9	28.2
More than 5 years	15.6	16.6
Total	54.0	55.8

#### 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 £0.1m.

#### Capital commitments

At 29 December 2017 the Group had commitments of £0.4m (2016: £0.3m) relating to computer equipment.

**27. Related party disclosures**The consolidated financial statements include those of the holding Company, Impellam Group plc, and all of its subsidiaries. All subsidiaries have the same period end as the Group and are wholly owned at the period-end unless otherwise specified.

800 The Boulevard	– Bartech-Europe Limited
Capability Green	– Blue Arrow Financial Services Limited*
Luton	– Blue Arrow Holdings Limited
LU1 3BA, UK	– Blue Arrow Limited
	– BMS Limited
	– Carbon60 Limited
	– Career Teachers Limited
	<ul><li>– Carlisle Cleaning Services Holdings Limited*</li></ul>
	– Carlisle Cleaning Services Limited
	– Carlisle Events Services Limited*
	– Carlisle Group Limited
	– Carlisle Interior Services Limited*
	– Carlisle Nominees Limited*
	– Carlisle Retail Services (Luton) plc
	– Carlisle Security Services Limited
	– Carlisle Staffing plc
	– Carlisle Staffing Services Holdings Limited
	– Carlisle Staffing Services Limited
	– Carlisle Support Services Group Limited
	– Celsian Group Limited
	- Chadwick Nott (Holdings) Limited
	– Chrysalis Community Care Group Limited <sup>(a)</sup> – Comensura Limited <sup>(b)</sup>
	– Comensula Limited – Doctors On Call Limited
	– Boctors Off Call Efficied  – Global Group (UK) Limited
	– Global Glodp (GK) Ellilited – Global Medics Limited
	– Global Medics Limited – Impellam Holdings Limited
	– Impeliant Holdings Limited – Impeliam UK Limited
	– Impetiant of Emited – Laybridge Limited*
	– Litmus Managed Solutions Limited*
	– Lorien Limited
	– Lorien Resourcing Limited
	– Medacs Global Group Limited
	– Medacs Healthcare Australasia Group Limited
	– Medacs Healthcare plc
	– OneTrue Limited (formerly ABC Contract Services Limited)
	– Ohsea Holdings Limited*
	– PRN Recruitment Limited
	– Science Recruitment Group Limited
	– Younifi Limited (90% owned)
Level 2,	– Allied Employment Group Pty Limited <sup>(c)</sup>
14 Martin Place	– Carbon60 Pty Limited <sup>(c)</sup>
Sydney	– Comensura Pty Limited <sup>(c)</sup>
NSW 2000	– Global Medics Pty Limited <sup>(c)</sup>
Australia	– Litmus Solutions Pty Ltd <sup>(c)</sup>
	– Medacs Healthcare (Pty) Limited <sup>(c)</sup>
	– Medacs Healthcare Australia Pty Limited <sup>(c)</sup>
Straatsburgdok-Noordkaai 3	– Bartech Belgium NV(i) (73% owned)
2030 Antwerp Belgium	Sarcein Seignan (1970 awned)
PO Box 71, Road Town	– Sabertooth Services Limited
Tortola VG1110	
British Virgin Islands	

For the fifty two weeks ended 29 December 2017

27. Retaced party disclosures continued	·
250 Howe Street, 20th Floor Vancouver BC V6C 3R8 Canada	<ul> <li>Bartech Technical Services of Canada Limited<sup>(d)</sup></li> <li>Canada Corporate Employment Resources ULC<sup>(d)</sup></li> <li>Global &amp; Medical Recruitment Consultancy Inc.<sup>(d)</sup></li> <li>Guidant Group Canada ULC<sup>(d)</sup></li> </ul>
Anna-Schneider-Steig 22, 50678 Cologne, Germany	– Bartech Germany GmbH <sup>(d)</sup>
Beethovenplatz 2 80336 Munchen, Germany	– Carbon60 GmbH <sup>(d)</sup>
57/63 Line Wall Road, Gibraltar	– Kenard Investments Limited
11 Ely Place, Dublin 2, Ireland	<ul> <li>Carlisle Security (Holdings) Limited<sup>(f)</sup></li> <li>Carlisle Security Limited<sup>(f)</sup></li> <li>Carlisle Staffing Services Ireland Limited<sup>(f)</sup></li> <li>Irish Recruitment Consultants Limited<sup>(f)</sup></li> <li>Litmus Software Solutions Limited<sup>(f)</sup></li> </ul>
Unit 9, Adelphi House, Upper Georges St, Dun Laoghaire, Dublin, Ireland	– Medacs Global Group Limited <sup>(i)</sup>
Via Filippo Turati 29 20121 Milan, Italy	– Bartech Italy SRL <sup>(i)</sup>
Rio Tiber 40 102 Col Cuauhtemoc 06500 Cuauhtemoc, Distrito Federal Mexico	– Bartech Mexico S, de RL de CV <sup>(d)</sup>
Level 6, 3 Ferncroft Street Graft, Aukland 1010 New Zealand	<ul> <li>Global Medics NZ Limited<sup>(g)</sup></li> <li>Healthlink New Zealand Group Limited<sup>(g)</sup></li> <li>Medacs Healthcare Limited<sup>(g)</sup></li> </ul>
Oriental Center, Suite P1 254 Muñoz Uñoz Rivera Avenue San Juan, PR 00918 Puerto Rico	– Bartech Puerto Rico Inc <sup>(d)</sup>
133 New Bridge Road, #10-05, Chinatown Point, Singapore 059413	– Bartech Singapore PTE Limited <sup>(h)</sup> – Latitudes Group International Management Pte Limited <sup>(h)</sup>
Paseo de la Castellana, 259C Madrid, Spain	– Carlisle Cleaning Services Spain SL <sup>(i)</sup>
Martin-Disteli-Strasse 9 4600 Olten, Switzerland	– Carbon60 AG <sup>(e)</sup> – Science Recruitment Group AG <sup>(e)</sup>
2711 Centerville Road Suite 400 Wilmington Delaware 19808 USA	<ul> <li>Barpellam Inc (49% owned)<sup>(d)</sup></li> <li>Bartech Holding Corporation<sup>(d)</sup></li> <li>CER Canada Holding Inc.<sup>(d)</sup></li> <li>Corestaff Support Services Inc.<sup>(d)</sup></li> <li>Corporate Employment Resources Inc.<sup>(d)</sup></li> <li>Corporate Services Group Holdings Inc<sup>(d)</sup></li> <li>Guidant Canada Holding Inc.<sup>(d)</sup></li> <li>Guidant Group Inc.<sup>(d)</sup></li> <li>The Bartech Group Inc<sup>(d)</sup></li> </ul>
17199 N Laural Park Drive Suite 224 Livonia Michigan 48152 USA	– Bartech Mexico Holding LLC <sup>(d)</sup> – Bartech Technical Services LLC <sup>(d)</sup>

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

#### 27. Related party disclosures continued

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

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

- (a) Deferred shares of £1 and Ordinary shares of US\$1
- (b)'A' Ordinary shares of £1
- (c) 'Ordinary shares of A\$1
- (d) Common Stock with no par value
- (e) Ordinary shares of 1000 CHF
- (f) Ordinary shares of €1.27
- (g)Ordinary shares of NZ\$1
- (h) Ordinary shares of SG\$1
- (i) Ordinary shares of €1

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

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

			Owner	hip	
	Registered number	Class of shares held	29 December 2017	30 December 2016	
Bartech-Europe Limited	07130856	Ordinary	100%	100%	
Celsian Group Limited	04284822	Ordinary	100%	100%	
Chadwick Nott (Holdings) Limited	02999657	Ordinary	100%	100%	
Medacs Healthcare Australasia Group Limited	03120991	Ordinary	100%	100%	
OneTrue Limited	01189888	Ordinary	100%	100%	

#### Compensation of key management personnel of the Group

The Directors have considered the levels of responsibility delegated to senior management of the Group and have concluded that, in addition to the Directors themselves, disclosure should include the Senior Leadership Team which comprises the Company Secretary, the Chief Executives of Medacs Global Group, Lorien, Guidant Group, Impellam North America, Blue Arrow and Comensura as well as the Chief Commercial Officer, the Chief Information Officer and the Group Marketing Director.

	29 December 2017 £m	30 December 2016 £m
Short-term employment benefits	3.7	4.3
Post-employment benefits	0.2	0.2
Termination benefits	_	0.1
Share-based payment expense	0.7	0.8
Total	4.6	5.4

Angela Entwistle 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 – £47,000 (2016: £50,000). The Group owed £4,000 to Anne Street Partners Limited at the end of the period (2016: £5,000). Also, a company within the Impellam Group provides a payroll bureau service to Anne Street Partners Limited for which no charge is made. During the year the company paid a total of £12,000 in relation to consultancy fees and for his services as a Director (2016: £nil) to Nomad Advisory Services Ltd, a company controlled by Michael Ettling. At the end of the period £nil (2016: £nil) was outstanding.

The Group also considers Anne Street Partners Holdings Pty Limited as a related party as Lord Ashcroft has a controlling shareholding in Anne Street Holdings Pty Ltd. During the year a Group company sub-lets a portion of a property leased by Anne Street Partners Holdings Pty Limited and reimburses for their proportional share of occupancy costs. In 2017 the total amount reimbursed was A\$255,000 / £152,000. At the end of the year there were no amounts outstanding. As part of the agreement, the Group provided a rental deposit of A\$148,000 / £86,000 which is still outstanding.

## For the fifty two weeks ended 29 December 2017

#### 27. Related party disclosures continued

Lord Ashcroft, Impellam's chairman, is the founder and Chair of Crimestoppers Trust. During the year the Group made a donation of £30,000 to Crimestoppers. At the end of the year there were no amounts outstanding.

In 2016 a company within the Group advanced a loan of \$1,300,000 to David Barfield, a Director of various Group companies. This loan is due for repayment on or before 25 January 2021 and \$1,347,000 was outstanding at the period-end (2016: \$1,323,000). Interest accrues at a rate of 1.81% per annum and during the period \$24,000 (2016: \$23,000) interest had been accrued. David Barfield is also a significant shareholder in Bartech Acquisition Corporation LLC to whom the Group provides accounting and management services at an arms length rate. During the period the Group charged Bartech Acquisition Corporation LLC \$195,000 (2016: \$205,000). At the end of the period Bartech Acquisition Corporation LLC owed the Group \$515,000 (2016: \$320,000). Bartech Acquisition Corporation LLC is a shareholder in TechCentral LLC and the Group provides accounting and programme management services at an arms length rate to TechCentral LLC. During the period the Group charged TechCentral \$14,000 (2016: \$25,000) for these services. At the end of the period, TechCentral LLC owed the Group \$81,000 (2016: \$67,000).

#### 28. Net debt

	30 December 2016 £m	Cash flow £m	Foreign exchange £m	29 December 2017 £m
Cash and short-term deposits Revolving credit Hire purchase	54.8 (149.9) (0.2)	51.1 (26.8) 0.2	(5.6) 0.5 –	100.3 (176.2) –
Net debt	(95.3)	24.5	(5.1)	(75.9)

#### 29. 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 reviews and agrees policies for managing each of these risks and these are summarised below.

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

#### Interest rate risk

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

The Group also earns interest on credit bank balances at a floating rate of interest.

The Group's policy is to manage its interest rate cost by the use of variable rate debts while rates are low.

## **29. 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
29 December 2017			
Pound Sterling	+50	(1.0)	(0.8)
	-25	0.5	0.4
US dollar	+50	_	_
	-25	-	_
30 December 2016			
Pound Sterling	+50	(0.9)	(0.7)
	-25	0.5	0.4
US dollar	+50	_	_
	-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 £250m was available for drawdown (2016: £250m). The amounts not utilised at 29 December 2017 was £73.8m (2016: £100.1m). There are no restrictions to the free transfer of funds between fully owned subsidiaries.

The facility is committed until at least November 2020 and covers all territories the Group operates in. The revolving credit facility includes financial covenants linked to the Group's leverage cover and interest cover using adjusted EBITDA (before separately disclosed items and share-based payment) – note 3. At 29 December 2017, and throughout the period, the Group was in compliance with its financial covenants and expects to continue to be so.

The table below summarises the maturity profile of the Group's financial liabilities at 29 December 2017 and 30 December 2016 based on contractual undiscounted payments.

29 December 2017	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Revolving credit facilities	-	0.8	72.4	103.0	176.2
Trade and other payables	-	559.9	19.5	0.9	580.3
Finance lease liabilities	-	-	-	-	-
Total	-	560.7	91.9	103.9	756.5
30 December 2016	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Revolving credit facilities	_	_	29.9	120.0	149.9
Trade and other payables	_	495.6	12.1	7.0	514.7
Finance lease liabilities	_	0.1	0.2	_	0.3
Total	_	495.7	42.2	127.0	664.9

## For the fifty two weeks ended 29 December 2017

## **29. 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 (note 15).

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 on-going 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 15.

In February 2016 the Group purchased a credit risk policy. The policy covers all clients except public sector, local government and pay when paid contracts. There is a £500,000 aggregate first loss and maximum policy liability of £44.5 million.

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.

At 29 December 2017, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

	29 December 2017 £m	30 December 2016 £m
UK	170.8	253.0
US	341.3	348.0
Other regions	27.0	22.3
Total	539.1	623.3

#### Foreign currency risk

The Group has a significant investment in its operations in North America with some smaller interests in Europe and Australasia. The Group's consolidated balance sheet can be affected significantly by the movements in the US dollar and Euro exchange rates, however, movements in Australian dollar, Canadian dollar, Swiss franc, New Zealand dollar or Singapore dollar exchange rates 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.

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#### 29. Financial risk management objectives and policies continued

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

#### **US Dollars**

	% change in rate	Decrease/ (increase) in profit before tax £m	Effect on equity £m
29 December 2017	+25	2.6	3.8
	-10	(1.4)	(2.2)
30 December 2016	+25	2.2	8.1
	-25	(3.1)	(14.3)

#### Euros

	% change in rate	(increase) in profit before tax £m	Effect on equity £m
29 December 2017	+10	0.3	(0.1)
	-10	(0.3)	(0.1)
30 December 2016	+25	0.6	0.4
	-25	(0.9)	(0.7)

#### 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 14).

#### 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's adjusted Earnings before interest, tax, adjusted depreciation and amortisation.

	29 December 2017 £m	30 December 2016 £m
Net debt (note 28) Equity per balance sheet	75.9 260.3	95.3 246.8
Funding: total capital less net cash	336.2	342.1

The revolving credit facility included a financial covenant linked to the Group's leverage. At 29 December 2017, and throughout the period, the Group was in compliance with this financial covenant whilst this facility was in place.

## For the fifty two weeks ended 29 December 2017

#### 30. Financial instruments

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

	Level	29 December 2017 Carrying amount £m	Fair value £m	30 December 2016 Carrying amount £m	Fair value £m
Financial assets Investments Other financial assets (non-current)	1	0.9 0.5	0.9 0.5	1.0 0.3	1.0 0.3
Financial liabilities Short-term borrowings – UK Long-term borrowings – UK	-	73.2 103.0	73.2 103.0	30.1 120.0	30.1 120.0

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.

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. Items previously held as level 3 assets have been reassessed during the year. This has been corrected in the table above without any change in the value of the underlying asset.

#### Interest rate risk

At 29 December 2017 and 30 December 2016 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.

29 December 2017	Within 1 year	1-2 years	Total
	£m	£m	£m
Floating rate Cash and short-term deposits Revolving credit facilities Hire purchase	100.3	–	100.3
	(73.2)	(103.0)	(176.2)
	–	–	–
30 December 2016	Within 1 year	1-2 years	Total
	£m	£m	£m
Floating rate Cash and short-term deposits Revolving credit facilities Hire purchase	54.8	_	54.8
	(29.9)	(120.0)	(149.9)
	(0.2)	_	(0.2)

#### **30. Financial instruments** continued

The effective interest rate on bank balances and other short-term deposits was less than 0.5% (2016: less than 0.5%). US deposit interest rates were less than 0.5% (2016: 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) between 1.45% and
2.40% over UK LIBOR rate (2016: between 1.45% and 2.40% over UK LIBOR rate). All interest is charged monthly in arrears
(note 29).

#### Collateral pledged

The self-insured workers compensation liability described in note 20 is covered by insurers on the basis that collateral is provided sufficient to cover all potential claims. This collateral takes two forms:

- £4.2m \$5.7m (2016: £3.6m \$4.4m) in the form of letters of credit drawn upon the revolving credit facility in the US; and
- £0.5m \$0.7m (2016: £0.3m \$0.4m) in the form of cash deposits, shown on the balance sheet as non-current other financial assets (note 14).

#### Contingent consideration

Included in other creditors is contingent consideration payable to the vendors of Global Group (UK) Limited (2016: Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation).

The following table sets out the carrying amount, by maturity, of the liabilities.

29 December 2017	months £m	3-12 months £m	1-5 years £m	Total £m
Current contingent consideration Non-current contingent consideration	4.4	0.7 -	0.9	5.1 0.9
Total	4.4	0.7	0.9	6.0
30 December 2016	Less than 3 months £m	3-12 months £m	1-5 years £m	Total £m
Current contingent consideration Non-current contingent consideration	2.6 -	3.3 -	- 3.9	5.9 3.9
Total	2.6	3.3	3.9	9.8

Less than 3

#### 31. Dividends

	29 December 2017 £m	30 December 2016 £m
Final paid: 13.5p (2016: 10.0p)	6.8	5.1
Interim paid: 7.0p (2016: 7.0p)	3.5	3.5
Paid in period	10.3	8.6

Subject to shareholder approval, the Board is proposing a final dividend in respect of 2017 of 13.5p per share, amounting to £6.8m, to be paid on 9 August 2018 to all shareholders on the register at 6 July 2018, following the Annual General Meeting.

#### 32. Post Balance Sheet Events

After the end of the year there has been a further 25,250 ordinary shares repurchased in the market for consideration of £0.1m, and cancelled.

# **Company Balance Sheet**

## As at 29 December 2017

		29 December 2017	30 December 2016
	Notes	£m	£m
Non-current assets			
Investments	3	151.7	151.7
Current assets			
Other receivables	4	415.0	319.1
Cash at bank and in hand		0.4	0.5
		415.4	319.6
Other payables: amounts falling due within one period	5	(380.4)	(249.3)
Net current assets		35.0	70.3
Total assets less current liabilities		186.7	222.0
Other payables: amounts falling due in more than one period	6	(103.0)	(120.0)
Net assets		83.7	102.0
Capital and reserves			
Called-up share capital	8	0.5	0.5
Share premium account	8	30.1	30.1
Merger reserve	9	19.0	19.0
Other reserves	9	2.1	1.4
Retained profit	9	32.0	51.0
Total shareholders' funds	11	83.7	102.0

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

The Financial Statements on pages 106 to 112 were approved by the Board on 15 March 2018 and are signed on their behalf by:

#### Alison Wilford

Chief Financial Officer

Registered number: 06511961

# Statement of Changes in Equity

For the fifty two weeks ended 29 December 2017

	Share capital and premium (note 8) £m	Other reserves (note 9) £m	Retained profit £m	Total reserves £m
2 January 2016	30.6	13.4	76.5	120.5
Loss for the period	_	_	(16.9)	(16.9)
Share-based payment charge (note 9)	_	1.0	_	1.0
Arising in the period on acquisition (note 8)	_	6.0	_	6.0
Dividends paid (note 10)	-	_	(8.6)	(8.6)
30 December 2016	30.6	20.4	51.0	102.0
31 December 2016 Loss for the period Share-based payment charge (note 9) Purchase of treasury shares (note 8) Dividends paid (note 10)	30.6 - - - -	20.4 - 0.7 -	51.0 (8.6) – (0.1) (10.3)	102.0 (8.6) 0.7 (0.1) (10.3)
			· · · · ·	
29 December 2017	30.6	21.1	32.0	83.7

## Notes to the Company balance sheet

## For the fifty two weeks ended 29 December 2017

#### 1. Summary of significant accounting policies

#### A) Basis of accounting

Impellam Group Plc ('the Company') is a company incorporated and registered in England & Wales and domiciled in the UK.

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

#### Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Comparative year reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements of Impellam Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based Payment' in respect of Group-settled share-based payments
- Certain disclosures required by IAS 36 'Impairment of assets' in respect of the impairment of investments
- Certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company in the current and prior years including the comparative year reconciliation for goodwill
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments Disclosures'.

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

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

A separate profit and loss account 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.

The Company has taken advantage of the exemption under FRS 101 not to publish a cash flow as it is the parent of the Impellam Group plc and its subsidiaries and has prepared consolidated financial statements which are publicly available.

#### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

Accounting policies have been applied consistently.

#### B) Investments

Shares in subsidiary companies are held as fixed assets, they are stated at cost less provision for impairment. Impairment reviews are conducted annually. More details of the impairment reviews are given in note 12 of the consolidated accounts.

#### C) Deferred taxation

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

#### 1. Summary of significant accounting policies continued

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.

#### 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.

#### Share-based compensation

The Group can award share-based payments for employees (including Directors). The cost of these transactions is measured by fair value at the date at which they are granted and is recognised as an employee expense with a corresponding increase in equity. The fair value of these options is determined using an appropriate pricing model taking into account the terms and conditions upon which the options were granted.

### 2. Operating costs

- The amount payable to the Auditor in respect of the audit of the Company is £20,000 (2016: £20,000), all of which is payable to KPMG 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 2017 was 44, ten Directors/Company Secretary, ten managers and twenty four administrators (2016: 34, ten Directors/Company Secretary, seven managers and seventeen administrators)
- The total amount of employee costs charged to the Company's Income statement in the period is £5.900,000 (2016: £4,100,000).

## Notes to the Company balance sheet continued

For the fifty two weeks ended 29 December 2017

#### 3. Investments

	Subsidiary undertakings £m
Cost At 30 December 2016 and 29 December 2017	151.7
Impairment provision At 30 December 2016 and 29 December 2017	_
Net Carrying Value	
At 29 December 2017	151.7
At 30 December 2016	151.7

Details of the principal subsidiary undertakings are given in note 27 of the consolidated financial statements. All of these companies are unlisted.

#### Subsidiary undertakings

The carrying value of investments were tested against discounted future cash flows during the period using a discount rate of between 10.51% to 10.86% (2016: between 10.45% to 10.97%) which include a Country risk premium and a general forecasting risk premium based on latest forecasts of the business growth. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2018 financial period. Management believe the forecasts are reasonably achievable. No impairment in carrying value was identified.

#### 4. Other recievables

	29 December 2017 £m	30 December 2016 £m
Amounts owed by subsidiary undertakings	394.5	303.4
Other receivables	18.3	12.7
Prepayments	2.1	3.0
Deferred tax (note 7)	0.1	_
Total	415.0	319.1

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

#### 5. Other payables: amounts falling due within one period

	29 December 2017 £m	30 December 2016 £m
Bank overdraft	37.6	37.3
Revolving credit facilities	71.5	23.3
Amounts owed to subsidiary undertakings	269.8	186.7
Accruals and other payables	1.5	2.0
Total	380.4	249.3

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

#### 6. Other payables: amounts falling due in more than one period

	29 December 2017	30 December 2016
	£m	£m
Revolving credit facilities	103.0	120.0

Details of security given over these liabilities are described in notes 29 and 30 to the consolidated accounts.

#### 7. Deferred taxation

	29 December 2017 £m	30 December 2016 £m
Opening balance	_	_
Charged to profit and loss account in the period	0.1	_
Deferred tax asset	0.1	_

The total recognised and unrecognised deferred tax is as follows:

Assets	Recognised 29 December 2017 £m	Unrecognised 29 December 2017 £m	Recognised 30 December 2016 £m	Unrecognised 30 December 2016 £m
Losses	_	_	_	_
Deferred capital allowances	_	-	_	_
Other short-term timing differences	0.1	-	_	_
Total	0.1	-	_	_

### 8. Called-up share capital

	Number of issued shares Millions	Issued share capital £m	Share premium account £m	Total share capital £m
31 December 2016	50.3	0.5	30.1	30.6
Purchase of treasury shares	-	-	-	_
29 December 2017	50.3	0.5	30.1	30.6

In 2017 13,500 ordinary shares (2016: nil) have been repurchased in the market for consideration of £73,000 (2016: nil), and cancelled.

In 2016, 719,344 shares valued at £6.0m were issued in connection with the settlement of deferred consideration over Lorien Limited.

#### Impellam Group plc

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

#### 9. Reserves

	Merger reserve £m	Other reserves £m	Retained profit £m	Total reserves £m
31 December 2016	19.0	1.4	51.0	71.4
Loss for the period	-	-	(8.6)	(8.6)
Share-based payment charge	-	0.7	_	0.7
Purchase of treasury shares	-	-	(0.1)	(0.1)
Dividends paid	-	_	(10.3)	(10.3)
29 December 2017	19.0	2.1	32.0	53.1

## Notes to the Company balance sheet continued

## For the fifty two weeks ended 29 December 2017

## **9. Reserves** continued Merger reserve

The merger reserve arises under s612 of the Companies Act 2006 as a result of the acquisition of Bartech Holding Corporation and Lorien Limited using the issue of shares as part consideration. The excess of fair value over the nominal value of shares is transferred to a merger reserve rather than a share premium. This reserve is not distributable.

#### Other reserves

The other reserve comprises £41,000 contributed surplus arising on a historical demerger transaction and a special reserve arising from the capital reduction in December 2012 (2016: £41,000). It also contains a charge of £700,000 (2016: £1,000,000) arising from share-based payments arising within the period. The balance on the share-based payment element of the reserve is £2,100,000 (2016: £1,400,000). 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 fifty two weeks ended 29 December 2017 was £8,600,000 (2016: loss £16,900,000). Dividends totalling £10,300,000 (2016: £8,600,000) were declared and paid during the period. As allowed by \$408 of the Companies Act 2006, no separate profit and loss account is presented for the Parent Company.

#### 10. Dividends

	29 December 2017 £m	30 December 2016 £m
Final paid: 13.5p (2016: 10.0p)	6.8	5.1
Interim paid: 7.0p (2016: 7.0p)	3.5	3.5
Paid in period	10.3	8.6

Subject to shareholder approval, the Board is proposing a final dividend in respect of 2017 of 13.5p per share, amounting to £6.8m, to be paid on 9 August 2018 to all shareholders on the register at 6 July 2018, following the Annual General Meeting.

#### 11. Reconciliation of movements in shareholders' funds

	29 December 2017 £m	30 December 2016 £m
Loss for the financial period	(8.6)	(16.9)
Share-based payment charge	0.7	1.0
Merger reserve arising in period	-	6.0
Shares repurchased	(0.1)	_
Dividend paid	(10.3)	(8.6)
Opening shareholders' funds	102.0	120.5
Closing shareholders' funds	83.7	102.0

#### 12. Related party transactions

The Board is not aware of any related party transactions other than those disclosed in note 27 to the consolidated financial statements.

#### 13. Post Balance Sheet Events

After the end of the year there has been a further 25,250 ordinary shares repurchased in the market for consideration of £0.1m, and cancelled.

## Company information

Impellam is the second largest<sup>1</sup> staffing business in the UK and sixth largest<sup>2</sup> managed services provider worldwide. Our vision is to be the world's most trusted staffing company – trusted by our people, our customers and our investors in equal measure.

We provide Managed Services and Specialist Staffing solutions across the UK, Europe, US, the Middle East and Australasia. We have over 3,200 Impellam people throughout our network of 18 market-leading brands across 168 worldwide locations.

Ultimately, Impellam Group's mission is to provide fulfilment and a sense of purpose to our people and to help customers build better businesses in a changing world.

For more information about Impellam Group please visit: www.impellam.com

#### Nominated advisers and brokers

Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS

#### Principal solicitors

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#### Registrars

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#### Principal bankers

Barclays Bank plc 1 Churchill Place London E14 5HP

#### Independent auditor

**KPMG LLP** 15 Canada Square London E14 5GL

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#### Registered number

06511961

LSE symbol

**IPEL** 

- By revenue (2016 published numbers)
- By SUM (confirmed by Staffing Industry Analysts). Spend Under Management (SUM) is the total amount of client expenditure which our Managed Service brands manage on behalf of their clients whether acting as a principal or agent. Management use this measure as it reflects the total value of the client spend to the Group and not just the revenue generated.



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