People make the difference

Impellam Group plc
Annual Report and Accounts 2016

The Company, and what we do

Impellam is the second largest[1] staffing company in the UK and the sixth largest[2] 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 3,400 Impellam people, bringing a wealth of expertise through our market-leading brands across 182 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.

1 By revenue (2015 published numbers)
2 By SUM (2014 published numbers). Spend Under Management ('SUM') is the total amount of client expenditure, excluding VAT, which our Managed Services brands across all geographies have been able to fill, whether acting as a principal or an agent. This has been calculated either through the total amount invoiced to the client excluding VAT or, where we operate a direct engagement model, the value of the salaries and related costs of temporary staff we introduce to and administer for the client, plus our fee for this service

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PROGRESS AND PERFORMANCE

GROUP STRATEGIC HIGHLIGHTS

- Once again, we delivered on our financial promises with another year of robust growth
- 2016 saw Impellam's transformation from a European staffing business to a global workforce solutions provider
- Our cultural transformation together with our high-retention strategy continued to generate impressive results
- The integration of Bartech and Global Medics delivered planned synergy savings
- We made significant progress in expanding the scale and breadth of our offering in the US, Australia and the Middle East
- Our Managed Services businesses continued to perform well
- Increased collaboration across all Impellam brands created incremental gross profit
- Strong financial and operating cash performance.

FINANCIAL HIGHLIGHTS

GROUP REVENUE | £m	**£2,140.2m**
GROUP GROSS PROFIT | £m	**£288.6m**
GROUP OPERATING PROFIT | £m	**£47.1m**
GROUP ADJUSTED EBITDA[1] | £m	**£70.1m**
NET DEBT | £m	**£(95.3)m**
FINAL DIVIDEND | pence	**13.50p**

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 46

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 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.

Operating segments performance

MANAGED SERVICES
UK, Europe, Middle East and Australasia

REVENUE | £m **£990.0m**

GROSS PROFIT | £m **£61.4m**

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FOR MORE INFORMATION

MANAGED SERVICES
US[1]

REVENUE | £m **£188.4m**

GROSS PROFIT | £m **£48.8m**

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FOR MORE INFORMATION

SPECIALIST STAFFING
UK, Europe, Middle East and Australasia

REVENUE | £m **£817.8m**

GROSS PROFIT | £m **£146.5m**

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FOR MORE INFORMATION

SPECIALIST STAFFING
US

REVENUE | £m **£204.4m**

GROSS PROFIT | £m **£31.9m**

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FOR MORE INFORMATION

1 Integration of Guidant Group US into Bartech in 2016

Chairman's statement

ANOTHER YEAR OF GROWTH

Lord Ashcroft KCMG PC
Chairman

"Our focused strategy and diverse portfolio of Managed Services and Specialist Staffing have enabled us to maintain growth and trade in line with expectations."

Dear shareholders,

Welcome to the Impellam Group 2016 Annual Report. I hope that you will find the content useful and that the stories provide evidence that our strategy is working and helping us to achieve our vision and mission.

2016 has been another important year of growth for Impellam Group, and I am pleased to report our solid performance. Despite a backdrop of challenging market conditions and uncertain political times, Impellam Group has delivered a 20.4% increase in revenue growth. Some of our markets have continued to feel the pressure, especially healthcare and education. Many continue to face a shortage of candidates as skills' gaps increase around the world.

However, our focused strategy and diverse portfolio of Managed Services and Specialist Staffing businesses have enabled us to maintain growth, trade in line with expectations and make good progress against our strategic plan. Most significantly, 2016 saw Bartech's first full year of operation within the Group. This acquisition, along with our growth in Australasia, has continued to diversify our revenue streams and create further opportunities for the future.

Our investment in creating a culture based on making and keeping promises is having a positive impact and helping us to achieve our targets and goals across the Group. A number of stories within the Report highlight the importance of promises to our people, performance and culture.

As a result of our continued performance, and subject to shareholder approval, the Board is proposing a final dividend in respect of 2016 of 13.5p per share, amounting to £6.8m to be paid on 10 August 2017, following the Annual General Meeting on Wednesday 28 June 2017 at 9.00am. Other than the appointment of our Group Chief Financial Officer, Alison Wilford, in July 2016, I can report that there were no changes to the Board of Directors since my report last year.

Finally, I would once again like to thank all of our employees for their hard work, dedication and contribution in 2016. And, I would also like to thank my fellow Board members for their support as Impellam continues to deliver on its plans and progresses on its journey to become 'the world's most trusted staffing company'.

Lord Ashcroft KCMG PC
Chairman

13.5p per share

FINAL DIVIDEND

Our investment proposition

TRUSTED THROUGH UNCERTAIN TIMES

Unique, differentiated and sustainable business model

- We operate a unique, differentiated and sustainable high-retention business model that builds trust
- Our value-added Managed Services solutions deliver long-term contracted revenues driving sustainable and predictable value (£4.0bn SUM[1] globally)
- Our multi-brand portfolio provides expert-to-expert Specialist Staffing
- We create incremental value through our collaborative, cross-selling culture
- We protect our business through the economic cycle by adopting a 'feed family first' approach.

Leverage core markets and strategic portfolio expansion through successful M&A

- We leverage core markets and capabilities to provide a significant competitive advantage to enter new markets both organically and inorganically and to expand the geographic footprint
- We identify and execute earnings-enhancing, high-retention strategic acquisitions by an intense focus on people and cultural fit, together with leverage and synergy opportunities.

Our people deliver a clear, focused and transparent strategy

- Our leaders are capable, tenured experts
- We have a proven track record of making, keeping and delivering on promises
- We have a clearly defined strategy for growth and creation of shareholder value
- We empower and trust talented individuals across all levels of the business to implement and execute our focused and transparent strategy.

Trusted financial performance and dependable dividends

- We deliver robust financial performance
- Our high-retention business model drives continued gross profit growth and operational efficiency and delivers gross profit-to-adjusted EBITDA[2] conversion of 24.3%
- We focus on cash generation (114.9% cash conversion of operating profit to operating cash flow)
- We deliver growing shareholder returns and progressive dividends with 4.3 times earnings per share cover.

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Our business model

OUR BUSINESSES

By collaborating closely, our Managed Services and Specialist Staffing businesses complement each other to 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 our customers.

MANAGED SERVICES

- Long-term contracts
- High visibility of future earnings
- Managing the staffing process for a wide range of clients
- Meeting high-volume need
- Effective process management
- Public, private and not-for-profit sectors.

COLLABORATION

TRUST

RETENTION

SPECIALIST STAFFING

- Higher margins, cyclical business
- Providing specialist workers for permanent, temporary, contract and fixed price work
- Specialist recruiters delivering bespoke recruitment services
- Specialisms: healthcare, 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. The Impellam Way is comprised of four signature practices; trusted behaviours that drive our competitive advantage.

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.

HIGH-INTEGRITY LEADERSHIP

We have passionate 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.

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

All Impellam businesses and our customers, as well as any business we acquire, are either high-retention already or, 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 the right 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 so open up more opportunities.

- Client recommendation **+7 NPS score**[1]
- Client retention[2] of **94%.**

CANDIDATES

From the outset, we listen to our candidates and find them fulfilling work that reflects their attitude, skills and aspirations. We reward our candidates fairly, retain them by continuing to listen, 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**[1]
- **125,000** timesheets processed each week.

EMPLOYEES

We employ people with an outlook and insight that will actively help our candidates and clients. We invest time and attention in their development so they have the right skills and experience to do their job by being experts in their field. We listen, develop and reward our people well. Ultimately, we trust them to collaborate and deliver on their promises.

- **34%** increase in investment in training and development
- Staff retention[3] **70.5%.**

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.

- EPS **87.4p**
- Final dividend per share **13.5p.**

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

Market overview

OUR MARKET

The global staffing market is driven by both cyclical and structural trends within the macroeconomic environment.

Cyclical factors, particularly economic growth and its outlook, impact the confidence of both clients and candidates and are therefore key drivers of short-term demand in the industry.

In Impellam's core market of the UK, the build-up to the EU referendum led to a general slowdown in business activity, but the impact of the Brexit decision has actually been more subdued than many commentators had anticipated.

The UK labour market continues to experience record high employment, with unemployment rates at an all-time low. However, the gradual fall in business confidence towards the end of 2016 provides an uncertain backdrop for 2017, where slower growth and a more conservative business investment environment is expected.

An anticipated rise in inflation may begin to offset real wage growth, diminishing the personal economic security of candidates and eroding their confidence to change jobs.

North America continues to be an increasingly important market for Impellam, particularly since the 2015 acquisition of Bartech. The unemployment rate in the US reached a post-financial crisis low in 2016 and the country is predicted to be the fastest growing large advanced economy in 2017. However, the landscape of the labour market, and whether the President's fiscal stimulus campaign pledge will come to fruition, remains unclear. The pre-inauguration labour market implied a stable, slow-growth environment.

We continue to increase our presence in the Australasia region, particularly Australia, where increasing vacancies and a shift towards part-time and contingent labour have been a catalyst to grow our operations there, especially in the public sector. Vacancy growth in Continental Europe remained strong across 2016, although key elections in 2017 are expected to temper demand for labour.

Our market is also affected by, and needs to respond to, structural changes within the labour market. The increasing capabilities and usage of technology is improving productivity, changing how people work, and how candidates look for jobs. Combined with the rise of the 'gig economy' of ad hoc temporary positions and short-term contracts, the mobility and flexibility of labour is being transformed.

This is driving a shift in demand towards contract and contingent staffing, and requires staffing firms to be agile and flexible in the workforce solutions they provide. The strong growth we have seen in Managed Services will continue, by delivering a higher visibility of increasingly dynamic workforces, coupled with greater efficiency and a lower cost of delivery for customers.

Impellam is ideally positioned to benefit from this shift. Our Managed Services businesses collaborate with our portfolio of expert Specialist Staffing businesses to provide market-leading positions across core markets.

By diversifying both our service offering and geographical footprint, Impellam has evolved from a European staffing business into a global workforce solutions provider.

Our diverse portfolio, combined with our differentiated high-retention business model, means that we can be trusted to achieve our strategic objectives and financial promises, despite an uncertain economic outlook.

Group Chief Executive Officer's review

PEOPLE MAKE THE DIFFERENCE

Julia Robertson
Group Chief Executive Officer

"We have delivered on our promises to our investors, our customers, our employees and our candidates".

£2.1bn

GROUP REVENUE

£4.0bn

SPEND UNDER MANAGEMENT[1]

1 Spend Under Management ('SUM') is the total amount of client expenditure, excluding VAT, which our Managed Services brands across all geographies have been able to fill, whether acting as a principal or an agent. This has been calculated either through the total amount invoiced to the client excluding VAT or, where we operate a direct engagement model, the value of the salaries and related costs of temporary staff we introduce to and administer for the client, plus our fee for this service

Introduction
Building on the success of previous years, I am pleased to report both another year of growth and progress, and an increasingly international dimension to the Group's success.

To me, 'a good year' can only be one that has satisfied our investors, our customers, our employees and our candidates.

I believe we achieved this in 2016. We delivered on our promises to investors, not just through strong financial and cash performance, but through strategic moves that have transformed our business globally. Our customer relationships – some dating back a decade or more – continued to strengthen, evidenced through robust gross profit and client retention. Our ability to motivate and inspire our high-calibre employees was demonstrated through rising Net Promoter Scores ('NPS'), retention rates and improved productivity. And for our candidates, we continued to deliver rewarding and meaningful (and, for some, even life-changing) opportunities. The personal experiences you'll read in this report tell a powerful story.

Underpinning our transformation and strategic progress was another chapter of growth. Our portfolio of 20 market-leading brands now employs 3,400 people across 182 locations worldwide.

Robust in uncertain times
The global staffing market is heavily impacted by the intangible force of confidence. Organisations must feel confident to commit to hiring contract and permanent workers, and employees need to feel secure about their decision to move jobs.

In 2016, market conditions certainly challenged that confidence. The uncertainty of Brexit was felt long before, and after, the June referendum itself, with many client decisions deferred and plans put on hold. In particular, this led to a softening of the permanent recruitment market.

By the close of the year we could say that customers' reactions to the vote and its result had been relatively benign, but as the focus shifts to the substance and timing of the UK's ultimate exit, questions and uncertainties remain.

In addition, individual sectors in the UK had their own challenges. Education is becoming an increasingly candidate-short market and school budgets are under pressure. In healthcare, we saw the dual impacts of continuing NHS caps on pay rates for locum doctors and temporary nurses, and the long-running strike by junior doctors. It is, of course, in challenging times that the core strength of an organisation is truly tested, and I can report that our high-retention strategy, together with growing geographical investment, has continued to generate impressive results.

With our complementary business model of Managed Services and Specialist Staffing, we continue to help our customers build better businesses, while finding fulfilling roles for motivated people who look for flexibility and opportunity.

Operating and financial summary

The year brought many highlights, and perhaps the most significant was the integration of Bartech into the Impellam family. One of the leading Managed Services specialists in the US, Bartech brings deep experience and success in sectors ranging from automotive and healthcare to energy and telecoms.

The acquisition, which we made in December 2015, has transformed our US business operationally and financially. This, together with developing successes in Australia and the Middle East, marked our evolution from a regional, largely European, staffing business into a global workforce solutions provider.

The increased scale of the North American business has been a major factor in improving conversion of gross profit into operating profit, and this is now in line with the UK. Combining the legacy businesses of Impellam and Bartech has given us much greater reach and service breadth in the US, and we project annualised cost synergies will be in the region of $6m by 2018 ($2.8m achieved in 2016).

I am also very pleased with our progress in Australia. We have grown both the scale and the service offerings in our healthcare business, Medacs Global Group, including making some important strides in Managed Services. We have also achieved accelerated growth through our investment in Comensura, which is implementing sizeable new Managed Services contract wins.

Among them is the New South Wales ('NSW') Government; this incorporates NSW Health and NSW Justice, both of which accessed Comensura's services via a procurement framework contract managed by NSW Procurement. They selected Comensura ahead of three other Managed Services providers, due to their reputation for delivering high-quality solutions that are implemented professionally, and to agreed timescales. Comensura now has a strong pipeline in both the public and private sectors.

Once again, the year showed the value of 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. This creates a virtuous circle of trust which, in turn, builds loyalty and a high-retention of those four key stakeholders. It is also one of the keys to winning new business and, as critically, to keeping it; in 2016 client retention[1] stood at 94%.

Our market-leading Managed Services businesses performed well in 2016, celebrating many important customer wins including Veolia, King's College Hospital and Pfizer. In particular, Pfizer selected Guidant Group based on their extensive experience of Managed Services provision within the life sciences sector, coupled with its market-leading approach to supply chain management.

94%

CLIENT RETENTION[1]

33

MANAGED SERVICES CLIENT WINS

We also expanded our consulting and business process outsourcing offering into several customers, including Ford, as well as delivering service enhancements and programme expansions at Delphi.

I am also pleased to report that our work in Managed Services won a number of independent accolades that reflect our proven track record of delivering value to our customers. Guidant Group was awarded APSCo's RPO/MSP of the year for the second year running, as well as the Investors in People Platinum award, Disability Confident Leaders status and being ranked at 81 in the Sunday Times Top 100 Best Companies to Work For. Bartech was recognised for superior service, partnership and innovation by Delphi via their Pinnacle Award and by Navistar as a Diamond Supplier. In both instances, the designation is received by less than the top 1% of their respective global supply base.

These successes were underpinned by excellent results from our Managed Services brands.

1 Based on our top 50 clients

Group Chief Executive Officer's review continued

Both Bartech and Lorien made strong gross profit contributions overall of £27.7m and £23.3m respectively.

Spend under management[1] increased from £2.1bn to £4.0bn and gross profit grew from £76.4m to £110.2m. Adjusted EBITDA[2] increased from £26.1m to £35.5m.

Our US Specialist Staffing businesses also performed well, delivering gross profit growth across all of our brands. Sales efforts resulted in more than 150 new customer wins. SRG Woolf, in particular, increased revenue by 89% and operating profit by 143%.

In the UK, Specialist Staffing encountered a mixed trading environment, with the uncertainty of the EU referendum, as well as NHS caps on locum pay rates and agency margins. In the face of this turbulent period in the NHS, we can be proud that our nursing business still grew gross profit by 15% during 2016. In addition, Chadwick Nott and Carbon60 increased their revenue year-on-year by 13.5% and 7.7% respectively.

We also maintained or improved our rankings in the Sunday Times Top 100 Best Companies to Work For, where Blue Arrow were placed at 51. Tate were placed at 48 in the Sunday Times Top 100 Best Small Companies to Work For and listed for the tenth year running – an excellent achievement. In addition, Blue Arrow gained the Investors in People Platinum award and Carbon60's innovation won them Best Construction and Engineering Agency 2016.

Overall, Specialist Staffing saw revenues increase from £869.9m to £1,022.2m. Gross profit grew from £157.3m to £178.4m. Adjusted EBITDA[2] increased from £34.5m to £37.3m.

Taken as a whole, Impellam delivered gross profit of £288.6m, up from £233.7m, and adjusted EBITDA[2] of £70.1m against £57.9m in 2015 (operating profit of £47.1m against £44.5m in 2015). We closed the year with strong operating cash generation and materially lower net debt. Cash generated from operations during the period was £54.1m (2015: £20.7m). Good underlying cash performance was the result of the continued focus on cash collection and working capital management activities.

At the heart of any high-performing business is a healthy and consistent culture. As a company whose business lies, quite literally, in harnessing the extraordinary qualities of people, it is a simple truth that we must excel in inspiring Impellam people to deliver our mission and strategic priorities.

This is not merely an ideal, but an active piece of work that gathered pace during the year; we carried out a cultural diagnostic survey, with every employee across the Group invited to participate.

STRATEGIC OBJECTIVES

SEVEN LONG-TERM PRIORITIES BY 2019

MANAGERS MAKE THE DIFFERENCE

WE OWN 'HIGH-RETENTION'

DIGITAL AND TECHNOLOGY

CLEAN AND LEAN

COLLABORATIVE

LOVE OUR CANDIDATES

THE IMPELLAM WAY

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The results, benchmarked against other leading service organisations, were very positive: our people showed high levels of satisfaction and a healthy desire for collaboration, self-improvement and the drive to make a difference.

This was undoubtedly encouraging, but perhaps more importantly it gave us a baseline that is now a focus for improvement. Actions include developing our ability to make, negotiate and deliver our bold promises, and creating honest and constructive meetings where our people speak up about both opportunities and challenges.

In turn we can accelerate our progress, with our strategy clear and priorities understood. Our culture is the key to achieving our vision of becoming 'the world's most trusted staffing business'. It is therefore receiving more time and investment than ever before.

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Our strategy at work

We have a bold ambition: to double[1] our adjusted EBITDA[2] by supporting virtuoso managers across our collaborative, multi-branded portfolio to deliver trusted, high-retention staffing services to customers who value engaged, fulfilled and purposeful people. Central to this goal is the absolute focus we have on our managers across our multi-brand network.

We know that great managers make a critical difference and we are committed to developing them to be 'virtuosos' in support of our ambition. Our virtuosos are trusted experts in their market; they combine ambition and drive with an ability to make their customers' businesses better, while retaining and developing our people to drive growth and outperform the market.

We are also crystal clear on what differentiates us from our competition. Firstly, we keep our customers, candidates and people for longer because they trust us to keep our promises. 'Promise-management' has been a concept we have driven and invested in, and we will continue to do so.

Secondly, we collaborate across the Group, whether across specialist brands, between Managed Services and Specialist Staffing, or between our major territories of the UK, the US and Australasia. We call this initiative 'Working Across Boundaries' ('WAB'), as we introduce our clients across all the Group's brands. Since its launch, WAB has generated over 175 leads and will contribute annualised gross profit of over £2m.

The key to this successful collaboration is that we are bound together by a common language and a set of signature practices that apply to every brand and territory:

- We choose our customers. We strive to only work with like-minded organisations who value the engaged people we introduce; treat and reward them fairly; and who enable us to take our share of the added value we bring
- We know where our expertise lies. We never take on work that we don't understand
- We are multi-national, multi-branded and multi-faceted, positioning us to cultivate opportunities for the Group, our investors and our people
- We are integrated: our differentiated model of Managed Staffing solutions and Specialist Staffing services means providing tailored responses to customer needs; variety and opportunity for candidates; and resilience for the business. If the market contracts, we are able to 'feed family first', protecting all our stakeholders.

1 Over the four year period 2016 to 2019
2 Adjusted EBITDA is EBITDA before separately disclosed items and share-based payments. These are non-IFRS measures. For further information about the 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 46
3 UK only

Progress against our 2016 priorities

In our 2015 report I set out two priorities for 2016. Here, I revisit them and track our progress against each.

1: Achieve an increasingly consistent application of our high-retention cycle to embed a culture in which our people can thrive and flourish.

We made good progress during 2016 by developing our people's skills and empowering them every day to make, keep and deliver on their promises.

During the year, we supported and developed 157 apprentices across the business.

As importantly, the rate at which we retained our people rose to 70.5%[3] from 66% – an important indicator of how we value good people and want to keep them. Additionally, our investment in leadership development led to eight leadership moves and promotions within the business.

We also increased our investment in developing our people by 34%, as we delivered promise-based management training to 1,500 people, resulting in 57 managers becoming 'super-coaches'. Separately, our Learning Heroes programme has provided our people with easy-access, bite-sized online training courses. So far, 2,200 webinars have been watched via the intranet. We also delivered specialist training to over 1,000 consultants.

Meanwhile, our digital infrastructure is midway through a comprehensive upgrade that began in 2015. In 2016, we witnessed traffic uplifts of up to 50% through some of our websites, together with major search engine optimisation ('SEO') improvements and better traffic-to-application conversions. This is creating efficiencies, as well as delivering market-leading online experiences for job seekers. A CRM and infrastructure improvement programme is also ongoing.

2: Retain agility by growing organically ahead of the market, and through carefully selected acquisitions, while maintaining sensible debt leverage.

We seek to grow our business in a measured and selective way, both organically and through acquisitions, and by creating innovative services.

34%

INCREASE IN OUR INVESTMENT IN DEVELOPING OUR PEOPLE

Group Chief Executive Officer's review continued

HELPING PEOPLE ACHIEVE THEIR POTENTIAL

"Ever since I was a little boy I wanted to be a lawyer, but when I first moved to the UK, I didn't have the means to pursue that dream. I needed to earn money and provide for my family.

So, I decided to pursue my next big love – cooking. I went to Blue Arrow, where they were very warm and welcoming. They saw I had potential and helped me to find work as a chef straight away. I have been working as a chef through them for several years now in lots of different places – from schools and hospitals to care homes and prisons. I love the variety. I get to meet so many different people and have had so many new experiences.

I have developed my skills too, I have worked my way up from Chef de Partie to Sous Chef and now I am a Head Chef. It's something I am really proud of, but I never gave up on my dream.

So, a couple of years ago, I took the plunge and became a student again. I used my chef work to put myself through law school. The great thing about being a temp is the freedom of being able to flex my hours up or down according to my study commitments.

It has worked out perfectly for me and I qualified as a solicitor a couple of years ago. I kept on studying and now I only have one exam to go before I become a barrister.

None of this would have been possible if I had been in a full-time permanent role. I made temping work for me and I believe as long as you have a plan anyone can make it work for them too."

Blue Arrow has a market-leading NPS from candidates of +30.

FOR MORE INFORMATION VISIT
WWW.IMPELLAM.COM

During 2016, Medacs Global Group made good progress in the Middle Eastern market, winning ten contracts across the region. This included one of the world's most prestigious hospitals, located in Qatar, where they will fulfil over 2,500 medical vacancies. Medacs' office in Dubai Healthcare City is now fully established and we anticipate a gathering momentum in 2017.

In Australia, Comensura doubled the size of its operational team during 2016 and generated gross profit of £1.7m. The business now works with 48% of councils in the Melbourne metropolitan area and four customers are now live in South Australia, compared to just one at the start of the year.

I mentioned earlier how our WAB initiative has delivered significant incremental revenue. In addition, and highly relevant strategically, we increased our share in the UK of our clients' gross spend on Managed Services, with the Group filling 53.7% of jobs – an increase of 3.7ppts.

We also encourage entrepreneurial thinking and action, and this led Comensura to launch a new service offering, 'Younifi', in 2016. The product of £1m in R&D alone, this managed service is the first of its kind and is designed to help local authorities manage the highly complex area of social care spending much more effectively. We expect to announce our first Younifi customer in 2017.

We chose not to complete any acquisitions in 2016, preferring to focus on the successful integration of Bartech and Global Medics. We also demonstrated our ability to reduce our net debt in line with our expectations and are proud to have been re-accredited for Quality by the Chartered Institute of Credit Management for our cash and credit control in our UK Shared Service centre.

The outlook for 2017

In unpredictable climates and economies, the commodity of trust becomes ever-more valuable. Yet this isn't something you can buy; it has to be earned, and as a company that has built its vision and strategy on trust, I believe this positions us well in 2017. As customers tread cautiously, and candidates need trustworthy advice in weighing up their options, one constant they can rely on is the transparency and focus they receive from all Impellam people.

In the coming year, a number of 'known unknowns' will heighten the need for trust, and this will play to our strengths.

The Brexit negotiations will likely be long-running and complex. Brexit itself does not have any particular implications for how we operate. If, for example, the free movement of EU labour were to come under threat, this would have no material effect on the vast majority of our employees and candidates. But in the wider context of customer sentiment, Brexit, and possibly the agenda of the new US administration, may continue to slow down decision-making for certain types of customer.

In the UK, the healthcare market continues to be challenging due to government caps and the possible impact of the new rules relating to off-payroll working in the public sector ('IR35').

Education will continue to face a lack of candidates, as increasing numbers of existing and potential teachers see more fulfilment and better rewards elsewhere.

As a Group, however, Impellam's investment proposition ensures a broad-based and robust organisation in uncertain times:

- We operate a unique, differentiated and sustainable business model. Our value-added Managed Services deliver long-term, predictable revenues, complemented by expert-to-expert Specialist Staffing brands
- We create incremental value through our collaborative, cross-selling culture and protect our business through the economic cycle by adopting a 'feed family first' approach
- We empower talented individuals across all levels of the business to implement and execute our focused and transparent strategy and have a proven track record of delivering on our promises
- We leverage our core markets and strategic portfolio expansion through successful M&A. The Group has proven capabilities in identifying and executing acquisitions that enhance earnings
- We deliver robust financial performance and dependable dividends. Our model drives continued net fee income growth, operating profit growth, increased shareholder returns and progressive dividends.

In 2017, we also see new opportunities emerging. The fast-growing 'human cloud' market presents us with opportunities to diversify our offering to customers and candidates. As leading advocates of the benefits of flexible workforces, we see this market as an opportunity for growth and differentiation where we create economic value for our stakeholders.

The new Apprenticeship Levy comes into effect in 2017. All companies (with a salary commitment of more than £3m) will be required to invest 0.5% of their total salary bill in apprenticeships. We will help our clients embrace and prosper from this new requirement, as indeed we will ourselves; as I reported earlier, we enthusiastically support many apprentices of our own, with exceptional results. We expect to see both the investment and the return increase in 2017.

Our 2016 performance demonstrates what committed, purposeful and ambitious people can achieve, and I would like to thank our employees, our candidates, customers and investors for their trust, loyalty and commitment. We look forward to delivering on our promises again in 2017.

Julia Robertson
Group Chief Executive Officer

Our strategy

A BOLD PROMISE

OUR STRATEGIC OBJECTIVE

To double[1] our adjusted EBITDA[2] by supporting virtuoso managers across our collaborative, multi-branded portfolio to deliver trusted, high-retention staffing services to customers who value engaged, fulfilled and purposeful people.

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 Staffing solutions and Specialist Staffing services. 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 Staffing solutions and Specialist Staffing services into a full workforce solutions management platform for our customers' permanent, contingent and Statement of Work ('SOW')[3] spend. We get work done.

1 Over the four-year period 2016 to 2019
2 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 46
3 Statement of Work ('SOW') solutions are spend in complex categories of service

Strategic priorities and performance

STRATEGIC PRIORITIES/WHAT WE ACHIEVED IN 2016

1

Achieve an increasingly consistent application of our high-retention strategy to embed a culture in which our people can thrive and flourish.

WHAT WE PROMISED WE WOULD DO	WHAT WE ACHIEVED
Attract and select the right people	• Improved staff retention[1] rate in the last year from 66.0% to 70.5%.
Develop, reward and keep our people – from apprentices to CEOs	• 157 apprentices enrolled and supported across the business • Eight senior moves and promotions • 31.7% UK employees promoted • Employee NPS Q1: +45 (up 7 points on prior year), Q2: +65 (up 5 points on prior year).
Craft career paths and continue to deliver leadership development and promise-based management training	• 57 managers now 'super coaches' in promise-based management • 1,500 employees trained in promise-based management • 2,213 employees completed the Learning Heroes programme • 34% increase in our investment in developing our people.
Invest in websites, digital and IT infrastructure	• 50% of the digital investment programme delivered to date • Sites delivered are performing well with a 25–50% uplift in mobile traffic, major SEO improvements and improved traffic to application conversions • Infrastructure and CRM improvement programmes continue.

1 UK only

Strategic priorities and performance continued

STRATEGIC PRIORITIES/WHAT WE ACHIEVED IN 2016

2

Retain agility by growing organically ahead of the market and through carefully selected acquisitions, while maintaining sensible debt leverage.

WHAT WE PROMISED WE WOULD DO	WHAT WE ACHIEVED
Develop a sales prowess that matches our service prowess	• 33 Managed Services client wins in 2016 • Client retention at 94%.[1]
Target geographic and sector-based growth, and service diversification	• Bartech was acquired in 2015 and subsequently grew gross profit organically by 10% • Medacs Global Group secured over ten new contracts in the Middle East • Medacs Global Group established partnerships to build e-health services • Significant investment in Australia: Comensura team doubled in size and implemented 11 new contracts • Established and grew a new UK business, Onezeero, specialising in digital technology.
Drive cross-business sales opportunities to win and retain more high-retention customers	• Working Across Boundaries ('WAB') has generated over 175 leads and will contribute annualised gross profit of over £2m across the Group.
Increase our share of clients' gross spend on Managed Services	• In the UK, Group fill rates increased by 3.7ppts from 50.0% to 53.7%.
Support entrepreneurship by celebrating and backing new ideas	• Comensura made significant investment in Younifi, a new B2B and B2C service solution supporting local authorities to shape the way adult social care is managed, funded and provided.
Drive synergy savings in North America following the integration of Bartech	• US$2.8m planned synergy benefits achieved • Completed the infrastructure migration and upgrade.
Collect our cash quickly and reduce our debt	• Made cash collection and debt reduction a key priority across the business and finance • Improved quality and frequency of reporting and target-setting for cash collections and overdue debt • Reduction in net debt of £22.9m to £95.3m.

1 Based on our top 50 clients

Our seven long-term priorities

PRIORITY	WHAT IT MEANS
MANAGERS MAKE THE DIFFERENCE	We will have virtuoso managers leading each Impellam operation by the end of 2019.
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.
DIGITAL AND TECHNOLOGY	We are always easy to do business with via the web, through social media, on the phone and in person.
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.
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.
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.
THE IMPELLAM WAY	A purposeful, promise-based, ambitious and collaborative group of real people who transform the industry through their desire for betterness.

Strategy in action

COLLABORATION

COLLABORATING TO BUILD BETTER BUSINESSES IN A CHANGING WORLD

By seeing the world through our customer's eyes, we build up a considerable knowledge of their organisations. We tune in to their culture, ways of working and operational peaks and troughs.

When we couple this knowledge with the breadth of specialist brands across Impellam, opportunities can increase exponentially. A client we supply with a full complement of motivated seasonal workers may well, in complete contrast, need additional expertise in anything from legal and engineering to catering or finance.

In 2016, CEO of Lorien, James Kelly, was appointed to a newly created post of Chief Commercial Officer. Now, his primary focus is driving collaboration across all Impellam brands, and leveraging the good relationships we already have to benefit both our clients and our revenues.

We call this initiative 'Working across Boundaries' ('WAB'), and it will contribute annualised gross profit of over £2m as we introduce our clients to further services across the Impellam family.

A good example of this initiative in action is Lorien, which provides and manages more than 300 technology contractors for a leading telecommunications provider in the UK. In summer 2015, they came to Lorien with an entirely separate challenge. They were finding it difficult to fill in-store sales assistant roles across their retail estate.

Lorien saw this was a brief tailor-made for Blue Arrow and immediately introduced them to the client so they could fully understand their needs. Within five weeks, Blue Arrow was signing a three-year agreement to supply all of their temporary in-store staff.

The client valued the simplicity of a 'one-stop shop' single contract with our two brands and that it's made us even easier to do business with. This has translated into customer delight where it really counts: at the point-of-sale in our client's shops.

We are proud to be specialists in our markets and sectors but we are even prouder that we collaborate across the Group to bring together these specialisms to add value to our clients.

Another good example of this is a long-standing global insurance client of Tate. Tate provides a master vendor solution for all customer service, secretarial and administrative jobs and when the client launched a tender for all roles outside of Tate's remit, a vigilant Account Director saw a possible opening for Lorien's technology expertise.

Tate proceeded to equip Lorien with first-hand experience of the client's values, drivers and insight into what an optimum solution might look like.

These insights were central to meeting the client's needs, and ultimately to winning the tender against seven major competitors. The three-year contract involves managing 500 permanent requirements per annum and a population of 200 contractors.

And we don't just rely on the 'WAB' initiative to work together, collaboration is happening across the Group every day and helping us to differentiate our offer to customers. Clients are increasingly responsive to simpler, single propositions. For example, last year we brought together two separate bids for a large healthcare company: we created a 'Guidant Powered by SRG' proposition where the scientific (SRG) and non-technical (Guidant) aspects were streamlined into a single supplier staffing solution, making it easier than ever to do business with us.

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

Strategy in action

PRODUCING STARS

OUR PEOPLE MAKE THE DIFFERENCE: EARNING TRUST ON THE FRONT LINE

We take pride in the fact that we produce stars for our clients that will make a difference to their businesses and their customers. Every day these stars go above and beyond and remind us all why we love our candidates.

In a fast-changing world, the need for security in public spaces is growing and is one of many areas where Carlisle Support Services excels. One way they do this is by helping to maintain good public order across transport infrastructure. This demands specialist skills – from being able to engage with the public and diffuse problems before they can occur, to acting calmly in a full-scale emergency.

Just one example is the role Carlisle employees perform for Transport for Greater Manchester. This client has a Travel Safe Partnership, which aims to improve the security and safety of passengers across Manchester's public transport network.

On any one day, Carlisle's Patrol & Response team members might be assisting with customer services at bus stations or gathering and passing on intelligence to Greater Manchester Police. This requires staff to have good knowledge of the transport network, be approachable and have good communication skills to enable them to deal with the many different situations they come across during their patrols. The team's presence, in high-visibility uniform, provides reassurance to passengers at the bus stations and acts as a visual deterrent to potential offenders.

Impellam is proud that Carlisle's contribution has received official accolades. Two of their team – Terry Foster and Elen Roberts, were invited to an awards ceremony hosted by Greater Manchester Police. They, along with others on the Travel Safe Partnership, received a Commendation from the Chief Superintendent, for their contribution addressing crime and anti-social behaviour ('ASB') on the transport system in the unit's first year of service.

Stars like Terry and Elen are helping us to build trust with our clients and further strengthen our relationships.

Terry said: "It's great that Carlisle Support Services recognise my efforts. It makes me feel very proud to be a part of an organisation that takes such an interest in their front-line employees. I have been commended by Carlisle a number of times, it makes me feel appreciated as a person and not just a number on a file – like I have been in the past for other companies. Carlisle and Impellam are the best employers I've ever worked for. That's why I'll carry on giving 120% every day".

Medacs Healthcare people are all working hard on the front line. We never cease to be amazed, and hugely proud of, the difference that our care workers make in the communities they serve. This ranges from delivering intimate personal care to providing emotional support to people with a wide range of conditions.

One patient, Phillip, had been diagnosed with schizophrenia and lived a chaotic life at home. He had become forlorn, wearing old clothes with holes and giving up on his personal care. Local youths would target him, routinely breaking into his home and stealing money.

Julie, his Medacs Healthcare care worker, joined forces with his social worker to turn around this serious decline. When Phillip was taken into hospital, she was asked to continue to visit and feed his cat. She took the opportunity to take on the major task of cleaning and re-ordering his home.

When Phillip returned home, he was amazed and inspired by his transformed surroundings. Julie continued to be a regular presence in his life, encouraging him to look after himself properly. He started to take a renewed pride in his appearance and over time, his neighbours observed a new man who was barely recognisable.

Julie continues to visit Phillip and his support plan now includes going out for a walk and gardening, ensuring he maintains his physical and emotional well-being. He has since reflected that he can't imagine where he would be now without the care and support that Julie has shown him over the last year.

Strategy in action

FULFILMENT AND A SENSE OF PURPOSE

DIGGING DEEP FOR JCB AND IMPROVING PEOPLE'S PROSPECTS

Our mission is to provide fulfilment and a sense of purpose for our people and help our customers build better businesses in a changing world.

Recruitment not only involves identifying and supplying the right candidate, it can also demand taking an active role in creating it.

Guidant, one of our market-leading Managed Services business, has a long-standing relationship with JCB, the world-renowned manufacturer of construction machinery. At any one time, Guidant provides this client with up to 800 workers across their eight locations in the UK.

One skill that is pivotal to JCB's operations is also one of the scarcest in the UK: metal inert gas ('MIG') welding. After tuning in to JCB's needs, as well as understanding the issue, Guidant proposed creating an apprenticeship scheme to train a new generation in this valuable skill.

A true partnership then evolved, with Guidant sourcing potential apprentices and setting up an assessment centre to find the right calibre of candidate. This was achieved in just four weeks. Guidant then employed the successful candidates and continues to give them full employer support, while JCB provides unrivalled specialist training at the JCB Academy and direct experience on-site.

In September 2016, the scheme began with 19 apprentices taking advantage of this new opportunity to earn as they learn. If successful in their training, it will guarantee them an opportunity with JCB, give them a much sought-after skill for life and provide them with opportunities for the future.

Paving the way for young talent is a practice we not only preach, but do. In 2014 we established our own Impellam apprenticeship programme with a desire to develop our own stars. Across the business today we have over 300 people engaged in apprenticeships ranging from resourcing and recruiting to business administration and customer service.

Our youngest, Nick Wadding, was 16 when he started with us and is now a recruitment associate with Blue Arrow. After a disappointing experience in a previous apprenticeship with another employer, he was still determined to pursue the route of 'earning whilst learning'. Luckily, Blue Arrow was able to offer him the opportunity to work towards his Level 2 apprenticeship in Recruitment, as part of their Manchester team.

With a new team and the right support, Nick soon settled into the life of a recruiter, making great progress in his first year and winning 'Apprentice of the Year' at the Blue Arrow Conference in 2016. He also received a 'Highly Commended' nomination at the Regional Apprentice Service's National Apprentice of the Year awards.

Nick has now completed his full qualification; however his appetite for progression and learning knows no bounds, and he is now taking his Level 3 qualification while managing an extremely busy desk in Manchester. He has set himself high career goals and he wants to continue on Blue Arrow's career path and qualification route.

And true to Impellam's values, when we asked Nick what his particular highlights have been, he believed that helping our candidates was at the top of his list, saying: "When people have been out of work for a long time and you are able to make a positive change to their current working and living situation, it makes a big difference".

Apprentices also had a significant impact on our business last year. Analysis of the Blue Arrow apprentice cohort showed that retention for apprentices was significantly higher than for those who started in other entry-level roles.

This not only helps us to fulfil our ambitions around retention and grow our business but also to improve the prospects of the young people we employ.

Strategy in action

MAKING AND KEEPING PROMISES

BUILDING TRUST BY KEEPING OUR PROMISES

Making and keeping our promises is the foundation of Impellam's culture and how we build trust with all of our stakeholders. We ask our people to make bold promises that will improve and grow our business and deliver superior experiences to our people, candidates and clients.

Last year, Julia Robertson, Group Chief Executive Officer, set clear priorities for 2016 – people and cash. And there are two examples that highlight the impact of keeping promises aligned to these priorities.

In 2016 there was a significant shift in focus about how we manage cash. The funding structure, risk profiling and the introduction of credit insurance meant that we identified opportunities to improve processes and improve cash performance, particularly overdue debt.

With a new Treasury Manager in place and a team member stepping up to lead the Payroll and Credit Services team, an exceptionally bold promise was made – to reduce the overdue debt managed by our UK Shared Services Centre to below 7%, from over 13% in 2015.

To do this, the business would need to shift its mind-set and embrace a philosophy on cash management that was year-round. The team developed a new approach and methodology for monthly cash forecasting that would work across our brands. But even though the formula itself was feasible, the leaders knew they needed to win the hearts and minds of their teams, who would need to make their own bold promises to achieve the overall goal.

The Finance team had also recently started a project to focus more on their people. Clear career paths, more development opportunities, and better one-to-ones. They decided to pilot the project in Credit Services and use the bold promise to not only improve cash management but also how they motivated and engaged their people. Keeping this promise would require everyone to pull together, try new things and develop their skills.

The team gathered together for a one-day workshop. They worked tirelessly to come up with a plan, objectives and individual promises that would help them keep their bold promise. The focus on cash and their people paid off. The team delivered a result of 6.85% overdue debt, surpassing the promise of reducing it to 7%.

Everyone felt extremely proud that they had worked together to achieve such a bold promise.

External recognition was not far behind. The team was re-accredited for Quality by the Institute of Credit Management. The Assessor was so impressed she noted in her report that: "People and cash are at the heart of this business, with full focus on the welfare of its people, service to customers and the effective collection of cash".

In the US, our teams were also making bold promises focused on people and cash. In 2015, Julia Robertson visited the team in Miramar, and s.com's Practice Director decided to make a very bold promise. He wanted to embed an initiative to bring together the highly talented Impellam employees across North America.

The initiative, Project Unite, would help employees to: understand and network with each other, integrate and trust each other and to enable greater collaboration, cross-selling and revenue maximisation for Impellam. By doing this, he promised to deliver US$5m in additional cross-selling revenue by the end of 2016.

The teams and brands across North America did just that. They talked, networked and shared information and soon started to see the benefits not only for the business but for their relationships too. In 2016, they were able to leverage these relationships across the region. Bartech, SRG Woolf, Corestaff, s.com (and Lorien in the UK) introduced each other to 14 different clients. The final result of these efforts was an additional revenue of US$5,005,914 and a network of people who now collaborate across our brands every day.

Both are fantastic examples of how making and keeping promises impacts our people, culture and cash.

Key performance indicators

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

FINANCIAL

KPI AND DEFINITION	PROGRESS IN 2016	ALIGNMENT TO STRATEGIC PRIORITY
GROUP REVENUE	£2,140.2m	
NFI/GROSS PROFIT Net fee income ('NFI') is the total placement fee of permanent candidates, the gross profit earned on the placement of contract candidates	£288.6m	
ADJUSTED GROUP EBITDA[1] EBITDA before separately disclosed items and share-based payments	£70.1m	
GROUP OPERATING PROFIT Operating profit	£47.1m	
CONVERSION RATIO – ADJUSTED EBITDA[1] Adjusted EBITDA divided by NFI/gross profit	24.3%	
CONVERSION RATIO – OPERATING PROFIT Operating profit divided by NFI	16.3%	
NET DEBT Total cash and cash equivalents, less borrowings (both current and non-current)	£(95.3)m	
BASIC EARNINGS PER SHARE (EPS) 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	87.40p	

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 46

FINANCIAL CONTINUED

KPI AND DEFINITION	PROGRESS IN 2016	ALIGNMENT TO STRATEGIC PRIORITY
FINAL DIVIDEND	13.50p	

NON-FINANCIAL

KPI AND DEFINITION	PROGRESS IN 2016	ALIGNMENT TO STRATEGIC PRIORITY
TOP 50 CLIENT RETENTION Based on Top 50 Managed Services clients	94%	
STAFF RETENTION Our ability to retain employees is a key measure of our high-retention strategy. Lower churn results in higher productivity and increased customers and candidate retention	70.5%	
DAYS SALES OUTSTANDING (DSO)[1] Total trade receivables, divided by average daily invoiced sales	34.1 days	

1 Days Sales Outstanding ('DSO'): total trade receivables, divided by average daily invoiced sales

People and culture

BEING DISABILITY CONFIDENT

Enlightened organisations know that they benefit when their workforce reflects the vibrant blend of ages, ethnicities, genders, abilities and disabilities in the societies around us. At Impellam, we are proud that over 40% of our Senior Leadership team are women and that our brands are proactive in ensuring diverse workforces within their own and their customers' businesses.

In particular, we see first-hand how certain people need specific help to access careers that fulfil their potential, and this includes people with disabilities. We are committed to paving the way for disabled people in every way we can.

One example is our Guidant business, which became the UK's first Disability Confident Level 3 MSP/RPO, and gained the nationally recognised 'Clear Assured' status for inclusive recruitment.

This is the result of a concerted programme of action. Every Guidant employee undertakes a series of e-learning modules to explain and foster disability inclusion. The business also seeks out direct feedback from its own disabled team members, and 'disability champions' help to embed inclusivity into their culture. In fact, 10% of Guidant employees have a disability.

Disabled applicants also receive a tailored candidate experience, and are encouraged to talk to their recruiter about any reasonable adjustments they need from an employer, and any extra help we can give that will help them to succeed.

AWARD-WINNING WORK

During 2016, Impellam brands were again the proud recipients of a wide range of awards and citations. They ranged from recognising how we are investing in our people, advancing disability inclusiveness and creating great places to work.

There were almost 20 awards and recommendations across all of our brands, and some of the highlights included:

- Investors in People. Both Guidant Group and Blue Arrow attained the Platinum accreditation of this international standard for people management. They are both part of a select few organisations to attain this level. Across both companies, the judges noted a culture of engagement and well-being; high-integrity leadership; and fantastic learning and development opportunities for their people
- The Sunday Times 100 Best Companies to Work For. Impellam brands were prominent once again in this coveted and high-profile ranking. Blue Arrow was included for the third year running and ranked at 51 and Guidant Group was ranked 81st
- The Sunday Times 100 Best Small Companies to Work For. Tate, at 48th, received a special acknowledgement for spending ten years in the Top 100
- The RIDI Awards. Guidant were double-winners at the awards. They came first in the 'Disability Confident' category, showcasing how they inspired 13 suppliers to sign up for this government initiative. They also won the 'Audience Choice' award, which was voted by the audience on the night of the awards and was recognised as the organisation that inspired the audience
- The APSCo Awards. Guidant Group was honoured to be named APSCo RPO/MSP of the Year 2016. This is the first time this prestigious award has been won by a company in two consecutive years. And, Celsian also received ASPCo Compliance and re-accreditation for the third year running.

THE POWER OF CULTURE AND PURPOSE

When Fraser McLeod, CEO of Blue Arrow Group, joined in 2012, he knew that his people would be what made the difference between a good company and a great one. Fraser knew that transforming Blue Arrow's culture to create an environment where individuals felt empowered to be themselves and to take calculated risks would drive the business forward.

One of the ways he did this was to change the relationship between managers and their team members. Instead of focusing their one-to-one meetings on what needed to be done, he encouraged managers to shift the conversation to what support they could give to their people to help them reach their potential.

Fraser put the power back into the employees' hands – helping them to realise that it was for them to decide what they wanted to achieve, to plan how they would get there and that it was completely within their control to aim high and achieve big. He also ensured that every single person in the business had a clear pathway for their future development and growth.

But, empowering them to set their own goals wouldn't be enough. Fraser knew he needed to give them a better reason to strive for more. The opportunity was to become a purpose-driven business.

For a long time, Fraser had been frustrated with the commoditisation of people in the staffing industry. It is a trend that has been growing over the last decade and one that makes recruitment less about the people and their talent.

The leadership team embedded a new purpose: enhancing people's lives. This aligns perfectly with Impellam's mission to provide fulfilment and a sense of purpose for our people and to help our customers build better businesses in a changing world.

Consultants soon understood that they had the power to make a difference to people's working lives, their careers and their aspirations and Blue Arrow people are now recognised and rewarded on their efforts to do this.

The results soon started to show and in 2016 staff retention had increased 71%. A position in the Times Top 100 Companies to Work For was gained in 2013 and had been achieved every year since, with the score obtained in 2017 being the highest one yet. Utilising Net Promoter Scores ('NPS') as a key measure for client, candidate and employee loyalty in incentive programmes and bonus plans means that performance is measured on both service experiences and financials delivered. NPS is now at an all-time high, candidate retention has improved and no large customer has been lost in the last 12 months. These are all clear indicators that our high-retention strategy is having a positive impact on Blue Arrow.

To transform the culture further, Fraser wanted everyone to collaborate as a team to do the right thing for candidates, clients and the business overall. He began to incentivise his senior managers and leaders not on their individual branch or regional performance but on the performance of Blue Arrow overall. It meant that everyone worked together to reach a combined goal.

Customers are recognising the difference too. In 2016, Blue Arrow won a number of new clients because Blue Arrows's values and clear commitment to their people and candidates is a clear differentiator for like-minded businesses who also understand the importance of people and purpose.

71%

BLUE ARROW STAFF RETENTION

Leading the way

THOUGHT LEADERSHIP ON TOUR

It is a social phenomenon of our times that there are now businesses with a workforce that spans five generations of people.

And with each comes widely differing expectations of how work should be; from the baby boomer who expects an annual review, to the millennial who looks for constant and instant feedback and reward.

At Impellam, we see first-hand how employment, technology and social dynamics are in a permanent state of evolution and flux. We are also observing change gathering momentum as never before. From our front row seat in the staffing market we gain valuable insights, and have developed a continuing, UK-wide programme to share them with our clients, helping us to build trust as a thought leader and strategic partner.

We create and deliver our own series of seminars for invited audiences across various channels; keynote speeches at external industry events, tailored in-house presentations to client leadership teams, webinars, seminars and white papers on issues that every business needs to understand.

What, for example, will work look like five years from now, in an age of robotics and artificial intelligence? What is the business case for employee engagement, and how do you measure it? Does the appraisal process itself need to be appraised? How do you understand how candidates feel, and what actually motivates employees to stay, or move?

During 2016, Impellam held over 130 external thought leadership events, advancing employers' understanding of the labour landscape, and raising Impellam's profile among like-minded audiences.

CREATIVE CAMPAIGNING: #HEALTHCAREHEROES EVERYWHERE

Nurses tend to be one of a kind: they all believe they're 'just doing their job'.

However, as we all know, whether it's holding the hand of a worried patient or delivering emergency intensive care, these are remarkable people doing extraordinary things.

Medacs Healthcare decided it was time to show how much we celebrate nurses for the heroes they really are, and 'Healthcare Heroes' was born. This fun and impactful campaign originated in the UK and quickly began to resonate with the nursing community. Soon, it spread to Australia and New Zealand, gathering momentum through integrated activity across social media, outdoor advertising, print, national events and digital marketing.

The concept also tied in beautifully with International Nurses' Day, with nurses receiving hand-written cards and personalised chocolates. The campaign's value was both qualitative, in enhancing the Medacs Healthcare brand and recognising our candidates, but also in measurable impact: it attracted more than 500 new nurses and delivered more than 1.2 million online impressions.

A DIGITAL WORLD

One of our priorities is to make sure that everything works all the time and that we are easy to do business with. Whether it's via the web, through social media, on the phone or in person, we are creating seamless, integrated online and offline experiences using digital and technology.

For almost everyone, their experience of Impellam's brands starts with a website. Whether candidates or clients, it is their first interaction with us and, within seconds, they need to feel confident we can deliver what they need.

During 2016 we reached the half-way point in our project to redevelop all of our 20 brand sites. As well as giving each brand a fresh look and feel, the new sites boast superior functionality, better filters, slicker navigation, targeted alerts and easy job uploads. In turn, these better online experiences help us to attract and engage the right candidates and clients.

A basic requirement of any site is how it performs on mobiles and tablets. In a world where around 50% of all Google searches are made from a mobile device, each of our new sites delivers an enhanced multi-device experience. We have seen measurable improvements in our new sites, for example, mobile sessions are up by over 50% and time on site has increased by 11%, so more mobile users are spending longer with us and more are applying for jobs. So, whether a candidate is job-surfing whilst on a bus, or a client is posting vacancies from a construction site, they are having a better online experience on our new sites.

We are also supporting the sites with better intelligence: we now know more about our candidates and are able to alert them to better-targeted jobs and more useful information. The new sites can also handle more jobs and traffic, and are search engine optimised ('SEO') to show up when that job seeker on the bus is looking.

11%

INCREASE IN TIME ON SITES

50%

INCREASE IN MOBILE SESSIONS

Performance review for operating segments

Managed Services | UK, Europe, Middle East and Australasia

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 multi-disciplinary workforce management solutions, including all forms of partial and complete outsourcing.

The Group businesses that provide full-scale, multi-disciplinary Managed Services are Comensura, Guidant Group and Carlisle Support Services. Lorien and Medacs Global Group deliver specialist single-discipline, master vendor solutions to their customers.

	Year ended 31 December 2016 £m	*Year ended 31 December 2015 £m*	*% Change*
Revenue	**990.0**	876.5	12.9%
Gross profit	**61.4**	56.5	8.7%
Administrative expenses	**(38.7)**	(34.4)	12.5%
Adjusted EBITDA[1]	**22.7**	22.1	2.7%
Gross profit %	**6.2%**	6.4%	
Adjusted EBITDA[1] return on sales %	**2.3%**	2.5%	
Adjusted EBITDA[2] conversion ratio	**37.0%**	39.1%	
Permanent fees % of gross profit	**5.5%**	7.8%	

To align to the regular management reporting of the Group, there have been reallocations between segments in the UK. 2015 has also been restated.

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 ('MSP's)
MSPs refer to the outsourcing of contingent labour (temporary and contract workers). Across the Group, we operate various service models within our MSP programmes, 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 skill set 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

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 46
2 Conversion of gross profit to adjusted EBITDA

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.

Financial performance for 2016

- The Managed Services businesses' revenue in the UK, Europe, Middle East and Australasia grew year-on-year by 12.9%, with strong double digit growth in Lorien, Comensura and Carlisle Support Services
- Gross profit increased by 8.7% to £61.4m. We saw growth across the brand portfolio with some pressure on gross profit and business mix driving a reduction in gross profit margin of 0.2ppts
- Adjusted EBITDA[1] conversion has fallen by 2.1ppts to 37.0%, mainly due to investment in Younifi and to support growth in our Australian healthcare businesses.

Operational performance for 2016

- Guidant Group delivered an excellent year, winning three new major clients, including Pfizer, and successfully renewing several key contracts
- In addition to three key client wins, Lorien launched a new RPO offer to enhance its breadth of service to customers, as well as a new project management capability to improve and enhance implementation, reducing time between new win and fee generation
- Comensura retains a market-leading position in the UK's local authority market. In 2016, client wins included Sovereign and Rugby Council. There were also 34 customer renewals in the UK
- Comensura grew its private sector business in the UK and key wins included Veolia and RSSB
- Guidant Group demonstrated the impact of our high-retention strategy by achieving market-leading NPS of +35 from candidates and +51 from suppliers
- In the UK, our Managed Services businesses achieved a combined NPS of +38 from customers, also market-leading
- In Australia, Comensura had a very successful year. Among key wins was the New South Wales Government, including NSW Health and NSW Justice. In local government, Comensura now works with 48% of the councils in the Melbourne Metropolitan Area (up from 29% at the start of 2016) and are the only neutral vendor MSP with proprietary technology operating in Australia
- Our leading healthcare brand, Medacs Global Group, secured an onsite Managed Services contract for doctors with King's College Hospital NHS Trust. They also secured the first RPO contract for the Princess Alexandra Hospital NHS Foundation Trust, delivering niche specialised medical and nursing candidates, managing the recruitment process to ensure rapid time-to-hire, improving continuity of patient care and reducing flexible staffing costs
- Medacs Global Group also renewed several contracts with NHS Trusts including Basildon Hospital, Mid-Essex Hospital Services and Burton Hospital
- Further afield in the Middle East, Medacs Global Group is now working with one of the world's most prestigious hospitals in order to fulfil a major brief for 2,500 medical vacancies
- Carlisle Support Services had a very important year. Key wins included Coventry University Enterprises and Royal Wolverhampton NHS Trust
- Carlisle Support Services also recorded a notable first: deploying a robotic cleaner for the UK rail industry.

Awards 2016

- Guidant Group was awarded APSCo's RPO/MSP of the year for the second year running, and also won an APSCo award for Disability Best Practice
- There were further accolades for Guidant Group: the Investors in People Platinum award, Disability Confident Leader status, RIDI Disability Confident Winner and ranked at 81 in the Sunday Times Best Companies to Work For list
- The CEO of Guidant Group, Mel Forbes, was listed in the SIA Top 100 Women in Staffing, and in the Top 100 European Staffing Leaders list
- Carlisle Support Services was awarded Community Safety Accreditation status.

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Performance review for operating segments continued

Managed Services | UK, Europe, Middle East and Australasia continued

THE ANATOMY OF A WIN

In 2016, one of our priorities was to focus on 'increasing our sales prowess to match our service prowess'. We are in the business of creating lasting relationships built on trust and values, and it was exactly these things that helped Comensura, our neutral vendor MSP brand, to win a significant bid which helped them to extend their footprint in the private sector. By tuning into their client Veolia, and by seeing the world through their eyes, Comensura successfully won Veolia's tender for its Managed Services business. The bid team fully immersed themselves in this world-class environmental company, before arriving at the 'golden thread' of added-value that would make the difference between a good bid and a winning one.

But Comensura wanted to demonstrate that the client's values were also integral to their bid and would be respected in the ongoing relationship. In keeping with Veolia's environmental raison d'être, Comensura produced the bid using sustainable materials, and packaged it in a standout recyclable carton. An unexpected touch with a clear signal that Comensura understood the importance of Veolia's values.

The win means that Comensura now procures Veolia's entire temporary UK labour force across 400 national sites, and by going the extra mile Comensura's relationship with Veolia has been strengthened for the long term.

FOR MORE INFORMATION VISIT
WWW.IMPELLAM.COM

Managed Services | US

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, multi-disciplinary Managed Services.

	Year ended 31 December 2016 £m	*Year ended 31 December 2015 £m*	*% Change in local currency[3]*
Revenue	**188.4**	101.3	64.5%
Gross profit	**48.8**	19.9	113.9%
Administrative expenses	**(36.0)**	(15.9)	107.4%
Adjusted EBITDA[1]	**12.8**	4.0	193.4%
Gross profit %	**25.9%**	19.6%	
Adjusted EBITDA[1] return on sales %	**6.8%**	3.9%	
Adjusted EBITDA[2] conversion ratio	**26.2%**	20.1%	
Permanent fees % of gross profit	**0.0%**	0.0%	

Managed Services Programmes ('MSP's)
MSPs refer to 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 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 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.	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

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2 Conversion of gross profit to adjusted EBITDA
3 Using underlying US$ results and eliminating translation gains and losses

Performance review for operating segments continued

Managed Services | US

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, and minimise demands on hiring managers' time while maximising their experience. We manage all aspects of the pre-employment screening process, generating employment contracts and supporting 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.

Financial performance for 2016

- 2016 includes the full-year impact of the acquisition of Bartech in December 2015
- As a result of the acquisition, spend under management grew to £2.6bn, an increase year-on-year of £1.8bn
- The gross profit margin improvement from 19.6% to 25.9% was driven by the changing mix due to the full-year impact of the higher-margin Bartech business.

Operational performance for 2016

- During the year we achieved the successful integration of our former US Managed Services brand, Guidant Group US, into Bartech
- Throughout 2016, Bartech implemented 35 unique programmes with clients including CenturyLink, and supported client enhancements and programme expansions at Delphi
- Bartech added more than US$500m in committed spend under management between new client wins and committed expansions
- As a strategic partner, customers entrusted Bartech to grow and evolve their contingent workers' programmes across boundaries, spend categories and worker types. This resulted in new commitments to programme spend and expansion into new areas such as Managed Services for direct hire, locations such as Poland and Malaysia and innovative delivery channels including employer branded recruitment.
- Our high-retention approach was endorsed by extensions of service with 15 customers (including our very first MSP customer, won in 1998), and five contracts were extended for multi-year terms.

Awards 2016

- HRO Today's Baker's Dozen Customer Satisfaction Ratings
- Delphi Pinnacle Supplier Award
- Navistar Award for a Diamond Supplier.

BARTECH, THE HOME OF MORTGAGE NOTARIES

During 2016, Bartech showed that tuning into our customers and focusing on producing stars can create better solutions and build trust with our stakeholders. The US mortgage industry mainly uses contractors to notarise borrower signatures during loan closures. In a market driven almost entirely by price, quality can be poor: 8–12% of transactions have notary defects, resulting in repeated work and dissatisfied customers.

Bartech's client – an independent insurance provider – wanted to improve things, but couldn't commit to permanent notaries in a volatile mortgage market.

Bartech had to find another way to help their client improve not only their business, but also the work and engagement of their notaries. Bartech adopted a bold investigative approach, applying advanced methodology to confirm that historical mortgage volumes could substantiate permanent notaries dedicated to a single client. They hired their own team of notaries and trained them in techniques that dramatically reduce human error. Bartech then designed a goal-driven compensation package to replace the industry model they'd been used to.

The outcome was better for everybody. The client now enjoys guaranteed notary availability with defects of less than 1%. The notaries receive guaranteed weekly salaries, paid benefits and significant monthly bonuses. And Bartech enjoys employee turnover of under 5%, while generating over US$1m in annual revenue.

FOR MORE INFORMATION VISIT
WWW.IMPELLAM.COM

Performance review for operating segments continued

Specialist Staffing | UK, Europe, Middle East and Australasia

OVERVIEW OF SPECIALIST STAFFING IN THE UK, EUROPE, MIDDLE EAST AND AUSTRALASIA

When customers are 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 Austin Benn, Blue Arrow, Carbon60, Career Teachers, Celsian Education, Chadwick Nott, Hewitson Walker, IRC, Medacs Global Group, Onezeero, SRG and Tate.

	Year ended 31 December 2016 £m	*Year ended 31 December 2015 £m*	*% Change*
Revenue	**817.8**	768.7	6.4%
Gross profit	**146.5**	138.2	6.0%
Administrative expenses	**(117.0)**	(105.1)	11.3%
Adjusted EBITDA[1]	**29.5**	33.1	(10.9)%
Gross profit %	**17.9%**	18.0%	
Adjusted EBITDA[1] return on sales %	**3.6%**	4.3%	
Adjusted EBITDA[2] conversion ratio	**20.1%**	24.0%	
Permanent fees % of gross profit	**17.7%**	18.4%	

To align to the regular management reporting of the Group, there have been reallocations between segments in the UK. 2015 has also been restated.

The specialisms of our UK, Europe, Middle East and Australasia Specialist Staffing brands are:

Brand	*Specialism*
Austin Benn	Sales
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
Hewitson Walker	Finance and accounting
Tate	Office professionals

Financial performance for 2016

- The UK Specialist Staffing brands increased revenue by 6.4% to £817.8m. The full-year impact of the Global Medics acquisition more than offset a 3% decline in permanent placement revenue and the move to direct engagement within the healthcare industry which impacts revenue but not gross margin
- Gross profit increased by £8.3m (6.0%) to £146.5m. The full-year impact of the Global Medics acquisition was partly offset by the reduction in permanent placement fees, the impact of rate caps within the NHS and the loss of volume in some of our brands due to challenging market conditions
- Gross profit margins eroded slightly from 18.0% to 17.9%, which is also affected by the mix impact of the inclusion of Global Medics
- Adjusted EBITDA[1] has reduced by £3.6m due to disruption in the healthcare market and challenging market conditions across Specialist Staffing.

Operational performance for 2016

- Demonstrable progress filling our sector gaps:
  - Our new technology specialist brand, Onezeero, enjoyed an excellent debut year with record-breaking performances across all of its regions. Key client wins included Hiscox, Gain Capital, Checkout Ltd and Talbot Underwriting
  - A further successful launch: Celsian's National Leadership Division, specialising in the recruitment of head teachers, principals, CEOs, directors and senior leadership positions, such as HR managers, in schools

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2 Conversion of gross profit to adjusted EBITDA

- Successful collaboration and cross-selling across all Specialist Staffing and Managed Services brands through our WAB initiative resulted in 175 leads and will contribute annualised gross profit of over £2m across the Group
- Our 'feed family first' approach resulted in our Specialist Staffing businesses increasing their share of Managed Services fill by 3.7ppts to 53.7% of jobs.

Awards 2016

- Impellam brands were again well represented in the high-profile Sunday Times 100 Best Companies to Work For with Blue Arrow ranked 51st. Tate were ranked at 38 and listed for the tenth year running in the Sunday Times Top 100 Small Companies to Work For
- Blue Arrow was one of only eight companies in the UK to be awarded the Investors in People Platinum Award
- Carbon60 won the Recruiter Award for Best Construction and Engineering Agency 2016.

PROVIDING FULFILMENT AND A SENSE OF PURPOSE

"When I first came to Blue Arrow, I was at a bit of a low ebb. I had been in and out of work because of my health.

Back in the 80s, I contracted Hepatitis C from contaminated blood transfusions, it's a condition I've been fighting ever since. It's meant that my work history has been quite patchy. I was desperate to get back to work, but I lacked self-belief. No matter how good you are, having CV gaps really dents your confidence.

I then met Leanna from Blue Arrow. She could see what I had been through and was a fantastic listener. She helped me to focus on the future instead of the past.

She placed me in a temp job as a customer service advisor and I haven't looked back since. I did the full contract there and straight after Blue Arrow placed me in another job as a customer service officer.

There's a perception that you're not supported as a temp, but that hasn't been my experience at all. The people at Blue Arrow believed in me from day one. They put me forward for roles, marketed me to employers and have always been there when I've needed help and advice.

When you've had a few knocks in your life, it's good to have people like that on your side."

FOR MORE INFORMATION VISIT
WWW.IMPELLAM.COM

Performance review for operating segments continued

Specialist Staffing | US

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.

	Year ended 31 December 2016 £m	*Year ended 31 December 2015 £m*	*% Change in local currency[3]*
Revenue	**204.4**	101.2	78.6%
Gross profit	**31.9**	19.1	50.7%
Administrative expenses	**(24.1)**	(17.7)	25.6%
Adjusted EBITDA[1]	**7.8**	1.4	386.4%
Gross profit %	**15.6%**	18.9%	
Adjusted EBITDA[1] return on sales %	**3.8%**	1.4%	
Adjusted EBITDA[2] conversion ratio	**24.5%**	7.3%	
Permanent fees % of gross profit	**3.8%**	4.2%	

The specialisms of our US Specialist Staffing brands are:

Brand	*Specialism*
Bartech	Professional, technical and engineering
Corestaff	Office, professionals, industrial, marketing, HR and call centre
SRG Woolf	Science and clinical
s.com	Information technology

Financial performance for 2016

- 2016 includes the full-year impact of the acquisition of Bartech in December 2015
- Revenue increased by 78.6%, mainly attributable to the Bartech acquisition
- Gross profit and gross profit margins also increased due both to Bartech and also growth in other US brands including SRG Woolf, which increased gross profit by 82.3% and adjusted EBITDA[1] by 146.9%
- The realisation of the integration synergies across the business and improvements in profitability generally across the US resulted in an increase in conversion for gross profit to adjusted EBITDA[1] from 7.3% to 24.5%.

Operational performance for 2016

- SRG Woolf achieved an excellent run in 2016 and grew its client base by 50% and billed 32 clients
- New customers won by s.com generated over US$3m in revenue
- Corestaff won over 100 new customers, increasing its customer base by 17%
- In the US, collaboration has delivered significant results:
  - Corestaff has collaborated with the Bartech MSP team to gain entry into six new programmes
  - In total, US$5m in revenue was gained by effective WAB initiatives across our US Managed Services and Specialist Staffing businesses under Project Unite.

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REMOVING BARRIERS TO FINDING FULFILMENT

The brief to Corestaff, one of our US specialist staffing brands, was clear: the client, Swaner Hardwood, had experienced problems with employee attendance and turnover, and were turning to Corestaff to thoroughly screen candidates for punctuality, commitment and reliability.

Corestaff identified a possible star in Jereme Lewis, who had a strong resumé and relevant experience. They arranged a phone interview with him, using an interpreter because Jereme is deaf. This led to a personal interview and the recruiter said it was one of the best interviews in her experience, finding Jereme to be friendly and patient as they went through the on-boarding process.

Convinced of Jereme's potential, Corestaff spent considerable time with the client to overcome any potential obstacles – as Jereme was the kind of candidate who would go above and beyond and give their client the reliability they needed. This included offering an interpreter to smooth Jereme's induction, although Swaner Hardwood chose to make special arrangements themselves.

A year after he first joined, the client continues to be delighted with his performance and his overall commitment. This had a lasting impact on our relationship with the client and on Jereme, who continues to stay in touch with the Corestaff team regularly.

One of the ways that we 'love our candidates' is to break down barriers that sometimes hinder great talent from supporting great businesses.

FOR MORE INFORMATION VISIT
WWW.IMPELLAM.COM

Chief Financial Officer's review

STRONG FINANCIAL PERFORMANCE

Alison Wilford
Chief Financial Officer

"Strong results and good cash performance".

19.4%

REDUCTION IN NET DEBT

Introduction
The operational performance of the Group has been discussed on pages 34 to 43. This report, therefore, focuses on the Group's cash flow, financing, tax, going concern and the principal risks facing the business.

Cash generated from operations during the period was £54.1m (2015: £20.7m). Strong underlying cash performance was the result of the continued focus on cash collections, overdue debt reduction and working capital management activities. Cash conversion of 114.9% in 2016 is positively impacted by the non-recurring separately disclosed items charged to operating profit, largely related to acquisitions. Cash conversion calculated on operating profit before separately disclosed items is 89.6%. At the end of 2016, DSO[1] stood at 34.1 days (2015: 33.5 days).

Capital expenditure on fixed assets in the period was £8.2m (2015: £8.1m). The net finance expense of £7.3m (2015: £4.6m) reflects the higher level of borrowing due to the acquisitions made in 2015.

The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £250m global RCF with an accordion element of an additional £50m. During the year the Group exercised an option to extend the facility to November 2020. 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.

1 Days Sales Outstanding ('DSO'): Total trade receivables, divided by average daily invoiced sales

The margin ranges from 1.45% to 2.4% depending on the leverage, which is tested quarterly. Incorporated into the RCF is a letter of credit facility which at the end of 2016 amounted to £3.3m (2015: £4.5m).

The Group takes advantage of a number of non-recourse factoring agreements in order to accelerate payment of certain receivables. At the end of 2016, these amounted to £19m. These agreements accrue interest at between 0.75% 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 its 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 to be at least 4:1 (ratio at the end of 2016: 10.4:1), its adjusted leverage ratio (defined as net debt less loan notes and restricted cash to adjusted EBITDA) to be no greater than 2.75:1 (ratio at the end of the 2016: 1.52:1) and its debtor cover to be at least 1.5:1 (ratio at the end of the year: 4.79:1).

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 sterling. At December 2016, US$72m of the RCF is drawn in US$ to provide a hedge against the US operations' profit streams and net assets which, when reported at a Group level, are affected by movements in exchange rates. Exposure to currency risk at a transactional level is generally minimal, with most transactions being carried out in local currency.

Operating profit to net cash conversion:

The net debt position of the Group was as follows:

Chief Financial Officer's review continued

Taxation

There is tax credit in the year of £4.2m (2015: tax charge of £3.9m). This represents an effective tax rate of -10.4% (2015: 9.9%). The tax credit primarily arises because the Group has recognised a deferred tax asset on US losses not previously recognised. The Group is confident the US business will continue to be profitable in the foreseeable future and therefore be able to make use of the tax losses. The effective tax rate for the Group increases to 23.8% (2015: 19.6%) when stripping out the effect of recognising these losses.

The Group had a UK Corporation Tax charge of £6.5m (2015: £7.2m) and an overseas Corporation Tax charge of £1.5m (2015: £1.0m). The effective current tax rate on the UK business is 25.0% (2015: 22.7%). This is higher than the UK statutory rate of Corporation Tax which is 20.0% (2015: 20.3%). The difference is principally due to deferred consideration paid in respect of the Lorien and Global Medics acquisitions, which has been charged to the profit and loss account but is not deductible for corporation tax purposes.

The Group makes a major contribution to the UK Treasury. In the year, £292.3m (2015: £289.1m) 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 £55.6m (2015: £59.6m) was a cost taken by the business.

Capital management

The Group's capital base (note 28) is primarily used to finance its working capital requirement, the key component of which is trade receivables. Trade receivables in the staffing and support services sectors are managed according to a range of DSO[1] 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 uses these financial measures, along with the most directly comparable IFRS financial measures, in evaluating our operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

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.

1 Days Sales Outstanding ('DSO'): Total trade receivables, divided by average daily invoiced sales

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 year ended 31 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.

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

	2016 £m	*2015 £m*
Segment adjusted EBITDA	**72.8**	60.6
Corporate Costs	**(2.7)**	(2.7)
Adjusted EBITDA	**70.1**	57.9
Amortisation of intangible assets	**(6.9)**	(4.8)
Depreciation of tangible assets	**(2.8)**	(2.5)
Separately disclosed items	**(12.3)**	(5.7)
Share-based payments	**(1.0)**	(0.4)
Operating profit	**47.1**	44.5

Further details of separately disclosed items can be found in note 6 on page 76 of the Financial statements.

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 2017 and 2018. 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 covenant 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.

Chief Financial Officer's review continued

Principal risks

The Group has a number of key risks which could have a material impact on long-term performance. Each business segment considers strategic, operational and financial risks and identifies actions to mitigate those risks on a regular basis. We recognise that effective risk management is fundamental in helping the Group to deliver 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 and loss of key talent impacting financial and other Group objectives.	The high-retention business model mitigates this risk and 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.
STRATEGIC ALIGNMENT OF GROUP VISION, STRATEGY AND CULTURE	Failure to have 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 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 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 and a loss of commercially sensitive information.	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. 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 matters beyond the Group's control such as natural disasters, power failures etc.	The Group has a stable 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 and detailed competitive tendering activity and longer lead times in decision-making. This requires increasing investment in our tendering processes and the sophistication of our selling activities.	The Group has centralised and expanded contract review and compliance. New roles have been created to respond to this risk and improve tender response and risk review. 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 take appropriate actions. 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. In November 2015 a new revolving credit facility was agreed with a syndicate of six banks, providing additional flexibility to the Group's 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 where transactional and management accounting are independent of operations. We use extensive segregation of duties in all finance locations.
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 2016 28.0% of the Groups' gross profit was from the US operations, up from 16.7% in 2015. It is too early to have a clear view on the impact of Brexit on the business but its potential is recognised.

Alison Wilford
Chief Financial Officer

This Strategic report from pages 1 to 49 was approved by the Board on 16 March 2017 and signed on their behalf by:

RJ Watson
Secretary
800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

THE IMPELLAM BOARD IS COMMITTED TO A HIGH STANDARD OF CORPORATE GOVERNANCE

Corporate governance

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 2014 ('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.

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AUDIT COMMITTEE

RESPONSIBLE FOR THE OVERALL MANAGEMENT OF IMPELLAM GROUP

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

REMUNERATION COMMITTEE

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

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REMUNERATION COMMITTEE

IMPELLAM EXECUTIVE TEAM

- Devises the Group strategy and financial plan for approval by the Board, and then implements the same
- 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 of Crimestoppers and Chairman of its Board of Trustees. He is also Vice Patron of the Intelligence Corps Museum, a Trustee of Imperial War Museums, a Trustee of the Cleveland Clinic in the US, a Fellow of the Canadian Geographical Society, Ambassador to SkillForce, a Trustee and President of the West India Committee, Chairman of the Trustees of Ashcroft Technology Academy and Chancellor of Anglia Ruskin University in the UK.

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. Julia is also a Non-Executive Director of the Devonshire Club, a new private members club in the City of London.

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. Currently he is 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 Backoffice Associates and Business Connexion Limited.

Alison Wilford
Chief Financial Officer

Appointed: July 2016

Alison 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. She was Corporate Communications Director of ADT Limited, an international business services company and the world's leader in electronic security solutions, from 1986 to 1997. Angela is significantly involved in a number of charities including acting as Trustee of both Crimestoppers, the only UK charity dedicated to solving crimes, and Prospect Education (Technology) Trust Limited, the umbrella charity of the Ashcroft Technology Academy. Angela is also a Non-Executive Director of the Devonshire Club, a new private members club in the City of London. 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

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.

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.

The Honourable Shane L. Stone AC QC
Independent
Non-Executive Director
Member of Remuneration Committee

Appointed: September 2011

The Honourable Shane Stone AC QC was appointed a Non-Executive Director of the Company in September 2011. He serves as Deputy Chairman and chairs Australian subsidiaries Medacs and Comensura. He is an Alumnus of ANU, Sturt, Adelaide and Melbourne universities. Shane is Chairman of the diversified Group Mayfair Limited in Australia and Executive Chairman of the APAC Group. He is former Chairman of one of Australia's largest power distribution companies, Queensland-based Energex Limited. He has acted in a corporate advisory capacity to Thiess, one of Australia's and Indonesia's largest mine contractors. He chairs ASX listed AssetOwl Limited and is a Director of ASX listed Australia Pacific Coal Limited. He chaired the Prime Minister's Northern Australia Advisory Group and has a continuing role on the Aviation and Maritime task force. He is a former Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. As a Companion of the Order of Australia, Shane has been conferred the nation's highest civilian award. He is National Chairman of the Duke of Edinburgh Award in Australia, and is a barrister by profession.

Sir Paul Stephenson
Independent
Non-Executive Director

Appointed: July 2014

Sir Paul Stephenson was appointed a Non-Executive Director of the Company in July 2014. He served as a Non-Executive Director of Restore plc between May 2012 and May 2014, and as Commissioner of the Metropolitan Police Service between 2009 and 2011. Sir Paul joined the police service in 1975, becoming a member of the Association of Chief Police Officers in 1994, serving in a number of Chief Officer roles within both Merseyside and Lancashire. He was appointed Chief Constable of Lancashire in 2002 and Deputy Commissioner of the Metropolitan Police Service in 2005. Sir Paul received the Queen's Police Medal in 2000 and was knighted in 2008. Sir Paul is also a Non-Executive Director of the British Horseracing Authority, fulfilling the specific role of Independent Regulatory Director.

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 six 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 2016, 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 2017

Lord Ashcroft KCMG PC	2 years, 3 months
Julia Robertson	3 years, 11 months
Alison Wilford	8 months
Angela Entwistle	4 years, 6 months
Mike Ettling	3 years, 6 months
Michael Laurie	2 years, 8 months
Derek O'Neill	2 years, 4 months
Sir Paul Stephenson	2 years, 8 months
Shane Stone	5 years, 6 months
Rebecca Watson	8 years, 10 months

Re-election of Directors at the 2017 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 2017 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 2016 they 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 2016 it met on two occasions. The Remuneration Committee comprises two Non-Executive Directors: Angela Entwistle (Chair) and Shane Stone.

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 also considered the requirement for an internal audit function. While the Company does have a number of departments carrying out elements of this role, it has, on occasion, used external resources to provide internal audit activities. The Group intends to shortly appoint a Director of Audit & Risk so that, going forward, they will be 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 31 December 2016.

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 31 December 2016 are set out on pages 61 to 96. The Group profit for the period was £44.0m (year ended 31 December 2015: £35.5m). During the year, a final dividend of 10p per Ordinary share in respect of 2015 was declared and paid on 28 July 2016. Further, an interim dividend of 7p per Ordinary share was declared and paid on 14 October 2016. Subject to shareholder approval, the Board is proposing a final dividend in respect of 2016 of 13.5p per share, amounting to £6.8m, to be paid 10 August 2017 following the Annual General Meeting.

The final and interim dividends equate to an aggregate distribution to shareholders of £10.3m in respect of 2016 (2015: £8.4m). Total dividends of 20.5p in respect of 2016 are 4.3 times covered by earnings per share.

Capital structure
The Company 'Impellam Group plc' has no limit to its authorised share capital. At 31 December 2016 there were 50,342,371 (2015: 49,623,027) allotted, fully paid shares of 1p in issue.

Post balance sheet events
There have been no significant events to report since the date of the balance sheet.

Major shareholdings
As at 23 February 2017, 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	51.14%
Hof Hoorneman Bankiers NV	8.96%
Schroder Investment Management Limited	5.18%
Hendrik M. Van Heijst	4.69%
Theodoor Gilissen Bankiers	4.00%

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

Executive Directors		
Julia Robertson	Group Chief Executive Officer	Appointed April 2013
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
Sir Paul Stephenson	Independent Non-Executive Director	Appointed July 2014
Shane Stone	Independent Non-Executive Director	Appointed September 2011

To read all of our Directors' biographies, see pages 52 and 53.

Directors' shareholdings
As at 23 February 2017, the following Directors held shares in the Company:

Lord Ashcroft (Non-Executive Chairman)	1,086,955
Derek O'Neill (Non-Executive Director)	707,570
Julia Robertson (Group CEO)	153,910
Alison Wilford (CFO)	2,714
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 28 on pages 92 to 94.

Principal risks
The Board's assessment of the principal risks and uncertainties, the Group's policy and its mitigations are detailed on pages 48 and 49.

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 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.

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 Wednesday 28 June 2017 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 76.

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.

Directors' report continued

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 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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 16 March 2017 and is signed on their behalf by:

RJ Watson
Secretary
800 The Boulevard
Capability Green
Luton
Bedfordshire
LU1 3BA

FINANCIAL STATEMENTS

Financial statements

Independent Auditor's report to the members of Impellam Group Plc

We have audited the financial statements of Impellam Group Plc for the 52 week period 30 December 2016 set out on pages 61 to 103. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRS's) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibilities statement set out on page 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 30 December 2016 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic report and the Directors' report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

Michael Harper
(Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL

16 March 2017

Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 £m	*2015 £m*
Revenue	3	**2,140.2**	1,777.3
Cost of sales		**(1,851.6)**	(1,543.6)
Gross profit		**288.6**	233.7
Administrative expenses		**(241.5)**	(189.2)
Operating profit	3 & 4	**47.1**	44.5
Operating profit before separately disclosed items and share-based payments		**60.4**	50.6
Separately disclosed items	6	**(12.3)**	(5.7)
Share-based payment		**(1.0)**	(0.4)
Operating profit		**47.1**	44.5
Finance expense	7	**(7.3)**	(4.6)
Finance expense – separately disclosed items	6	**–**	(0.5)
Profit before taxation		**39.8**	39.4
Taxation credit/(charge)	8	**4.2**	(3.9)
Profit for the year attributable to owners of the Parent Company		**44.0**	35.5
Earnings per share	9		
Attributable to equity holders of the Parent Company			
– basic		**87.4p**	72.2p
– diluted		**86.1p**	72.1p

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 £m	*2015 £m*
Profit for the year	**44.0**	35.5
Other comprehensive income:		
Items that may be subsequently reclassified into income:		
Currency translation differences (net of tax)	**12.1**	2.4
Total comprehensive income for the year, net of tax attributable to owners of the Parent Company	**56.1**	37.9

Consolidated balance sheet

As at 31 December 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Property, plant and equipment	11	**7.2**	7.3
Goodwill	12	**167.2**	160.0
Other intangible assets	13	**133.6**	129.6
Deferred tax assets	21	**19.2**	7.1
Financial assets	14	**1.3**	1.7
		328.5	305.7
Current assets			
Trade and other receivables	15	**623.3**	553.3
Cash and short-term deposits	16	**54.8**	66.0
		678.1	619.3
Total assets		**1,006.6**	925.0
Current liabilities			
Trade and other payables	17	**568.9**	498.6
Taxation liabilities		**5.7**	6.5
Short-term borrowings	18	**30.1**	40.7
Provisions	20	**1.2**	1.4
		605.9	547.2
Net current assets		**72.2**	72.1
Non-current liabilities			
Other payables	17	**3.9**	11.9
Long-term borrowings	19	**120.0**	143.5
Provisions	20	**2.1**	2.0
Deferred tax liabilities	21	**27.9**	28.1
		153.9	185.5
Total liabilities		**759.8**	732.7
Net assets		**246.8**	192.3
Equity			
Issued share capital	22	**0.5**	0.5
Share premium account	22	**30.1**	30.1
		30.6	30.6
Other reserves	24	**128.0**	108.9
Retained earnings		**88.2**	52.8
Total equity attributable to equity holders of the parent Company		**246.8**	192.3

The consolidated financial statements of Impellam Group plc (registered number: 06511961) on pages 61 to 96 were approved by the Board on 16 March 2017.

Alison Wilford
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 December 2016

	Notes	2016 £m	*2015 £m*
Cash flows from operating activities			
Profit before taxation		**39.8**	39.4
Adjustments for:			
Net finance expense	7	**7.3**	4.6
Depreciation of property, plant and equipment	11	**2.8**	2.5
Amortisation of intangible assets	13	**6.9**	4.8
Share-based payments	23	**1.0**	–
Loss on disposal of property, plant and equipment		**–**	0.1
		57.8	51.4
Increase in receivables		**(11.2)**	(31.2)
Increase in payables		**8.0**	3.3
Decrease in provisions	20	**(0.5)**	(2.8)
Cash generated by operations		**54.1**	20.7
Taxation paid		**(7.3)**	(4.8)
Net cash generated by operating activities		**46.8**	15.9
Cash flows from investing activities			
Acquisition of subsidiary		**(9.3)**	(101.9)
Purchase of property, plant and equipment	11	**(2.6)**	(3.5)
Purchase of intangible assets	13	**(5.6)**	(4.6)
Net movement in other financial assets	14	**0.5**	0.1
Net cash utilised by investing activities		**(17.0)**	(109.9)
Cash flows from financing activities			
New long-term loans		**–**	25.0
Repayment of long-term loans		**–**	(39.2)
New revolving credit facility	27	**–**	183.7
Net movement in short-term borrowings	27	**(34.3)**	(54.0)
Capital element of finance lease payments	27	**(0.3)**	0.5
Dividends paid	30	**(8.6)**	(7.3)
Finance expense paid	7	**(6.6)**	(3.7)
Net cash (outflow)/inflow from financing activities		**(49.8)**	105.0
Net (decrease)/increase in cash and cash equivalents	27	**(20.0)**	11.0
Opening cash and cash equivalents		**66.0**	53.4
Effect of foreign exchange rate movements	27	**8.8**	1.6
Closing cash and cash equivalents*	16	**54.8**	66.0

* Unrestricted cash, available to the Group

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Total share capital and share premium £m	*Other reserves (note 24) £m*	*Retained earnings £m*	*Total equity £m*
31 December 2014	30.6	100.6	24.6	155.8
Currency translation differences (net of tax)	–	2.4	–	2.4
Total other comprehensive income	–	2.4	–	2.4
Profit for the year	–	–	35.5	35.5
Total comprehensive income in year	–	2.4	35.5	37.9
Merger reserve created (note 24)	–	5.5	–	5.5
Share-based payment charge (note 23)	–	0.4	–	0.4
Dividends paid	–	–	(7.3)	(7.3)
31 December 2015	30.6	108.9	52.8	192.3
1 January 2016	30.6	108.9	52.8	192.3
Currency translation differences (net of tax)	–	12.1	–	12.1
Total other comprehensive income	–	12.1	–	12.1
Profit for the year	–	–	44.0	44.0
Total comprehensive income in year	–	12.1	44.0	56.1
Merger reserve created (note 24)	–	6.0	–	6.0
Share-based payment charge (note 23)	–	1.0	–	1.0
Dividends paid	–	–	(8.6)	(8.6)
31 December 2016	30.6	128.0	88.2	246.8

Notes to the consolidated financial statements

For the year ended 31 December 2016

1. Corporate information

The financial statements of Impellam Group plc ('the Group') for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 16 March 2017 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 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 Acts 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis except where otherwise identified and as modified for the revaluation of certain financial assets at fair value through the income statement. The principal accounting policies adopted are set out below. The financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1m (£m) except where otherwise indicated. Foreign operations are included in accordance with note 2(c) below.

Accounting year

The financial statements have been prepared based on a fifty-two week accounting period ended 30 December 2016 for the current year, and 1 January 2016 for the comparatives. For the purposes of understanding, the references on balance sheet notes to the actual start and end dates of the years have been based on actual calendar dates rather than the start and end dates of the relevant accounting periods.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Impellam Group plc and all of its subsidiaries as at 31 December 2016. The financial statements of subsidiaries are prepared for the same reporting year 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.

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 2016

- IFRS 11 'Joint Arrangements' – amendment
- IFRS 12 'Disclosure of Interest in Other Entities'
- IFRS 14 'Regulatory Deferral Accounts'
- IAS 1 'Presentation of Financial Statements'
- IAS 16 'Property, Plant and equipment'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'
- IAS 38 'Intangible Assets'
- Annual improvements to IFRS 2012–2014 Cycle

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

2. Summary of significant accounting policies continued

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

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting:

- IFRS 2 'Share-based Payment' (effective year ended December 2018)
- IFRS 9 'Financial Instruments' (effective year ended December 2018)
- IFRS 15 'Revenue from Contracts with Customers' (effective year ended December 2018)
- IFRS 16 'Leases' (effective year ended December 2019)
- IAS 7 'Statement of Cash Flow' (effective year ended December 2017)
- IAS 12 'Income Taxes' (effective year ended December 2017)

The Group does not currently anticipate that the adoption of the other standards and interpretations above will have a material impact on the Group's financial statements in the period of initial application other than IFRS 16 'Leases' which will have an impact on both the measurement and disclosure of the Group's leases by recognising the lease as a fixed asset and the future lease payments as a creditor on the balance sheet. The value of these will fluctuate before the implementation of IFRS 16 depending on the Group's property portfolio at the time, but an indication of the size of the adjustments can be gained from the operating lease note 25. The impact on the income statement is that current operating expenses will be replaced by depreciation and interest; as a result, our Alternative Profit Measure of adjusted EBITDA (see note 3) will change. The typical impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities.

B) Significant accounting judgements

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

Impairment of goodwill and other intangible assets

The Group determines whether goodwill and other intangible assets are permanently impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets are allocated. Estimating the value in use requires the Group to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details of the carrying value and impairment review, including sensitivities, are given in note 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 2016, 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).

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.

Deferred tax

As a result of improved profitability, 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 presentation currency of the Company and its UK subsidiaries is sterling. Foreign operations are located 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 weighted average exchange rates for the year, as this is considered a reasonable approximation to actual translated rates.

2. Summary of significant accounting policies continued
The exchange differences arising from this retranslation are recognised in the statement of comprehensive income and accumulated to a foreign currency translation reserve in equity.

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

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

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 assets' 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 fair value of the cost of acquisition (at the date of exchange) over the fair value of the identifiable assets, liabilities and contingent liabilities acquired on the date of acquisition. Acquisition-related costs are expensed to the income statement as incurred.

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

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

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

2. Summary of significant accounting policies continued

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 (see note 13). 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 year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs.

Investments

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

2. Summary of significant accounting policies continued

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 years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

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

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

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

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

2. Summary of significant accounting policies continued

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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.

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.

2. Summary of significant accounting policies continued

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 note 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.

R) Revenue

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

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

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

Where the Group provides a managed service, in which it acts as agent for the client, the amount of revenue recognised is limited to the management fee receivable for that service after making provision for any losses foreseen, volume rebates and amounts payable under gain-share arrangements 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

2. Summary of significant accounting policies continued

S) Separately disclosed items

Items of income and expense that are considered by management to be of significant size and to be of an unusual nature, not arising from the normal operating activities of the Group, are separately disclosed as separately disclosed items 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 year 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.

The CODM does not review balance sheet reports in detail by segment, only in total for the Group; however DSO[1] information is provided by segment as above.

Year ended 31 December 2016

	Revenue £m	*Gross profit £m*	Adjusted EBITDA £m	*DSO[1] Days*
Managed Services – UK, Europe and Australasia	**990.0**	61.4	**22.7**	30.5
Specialist Staffing – UK, Europe and Australasia	**817.8**	146.5	**29.5**	45.4
Managed Services – North America	**188.4**	48.8	**12.8**	24.2
Specialist Staffing – North America	**204.4**	31.9	**7.8**	47.3
Inter-segment revenues	**(60.4)**	–	**–**	–
Operating segments	**2,140.2**	288.6	**72.8**	34.1

1 Days Sales Outstanding ('DSO'): Total trade receivables, divided by average daily invoiced sales

3. Segment information continued
Year ended 31 December 2015

	Revenue £m	*Gross profit £m*	Adjusted EBITDA £m	*DSO[2] Days*
Managed Services – UK, Europe and Australasia[1]	**876.5**	56.5	**22.1**	30.8
Specialist Staffing – UK, Europe and Australasia[1]	**768.7**	138.2	**33.1**	41.0
Managed Services – North America	**101.3**	19.9	**4.0**	29.1
Specialist Staffing – North America	**101.2**	19.1	**1.4**	44.5
Inter-segment revenues	**(70.4)**	–	**–**	–
Operating segments	**1,777.3**	233.7	**60.6**	33.5

1 2015 restated to incorporate reallocations between segments to align to the regular management reporting of the Group
2 Days Sales Outstanding ('DSO'): Total trade receivables, divided by average daily invoiced sales

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

	2016 £m	*2015 £m*
Segment adjusted EBITDA	**72.8**	60.6
Corporate costs	**(2.7)**	(2.7)
Adjusted EBITDA	**70.1**	57.9
Amortisation of intangible assets (note 13)	**(6.9)**	(4.8)
Depreciation of tangible assets (note 11)	**(2.8)**	(2.5)
Separately disclosed items (note 6)	**(12.3)**	(5.7)
Share-based payments (note 23)	**(1.0)**	(0.4)
Operating profit	**47.1**	44.5
Finance expense	**(7.3)**	(4.6)
Finance expense – separately disclosed	**–**	(0.5)
Taxation credit/(charge)	**4.2**	(3.9)
Profit for the year from continuing operations	**44.0**	35.5

The above table reconciles the adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'), which also excludes separately disclosed items and share-based payments 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.

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 payments – 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 year ended 31 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 to 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

3. Segment information continued

Geographic information

Revenue from external customers	2016 £m	2015 £m
UK	**1,631.3**	1,520.4
North America	**392.8**	202.5
Europe	**72.9**	36.2
Asia Pacific	**43.2**	18.2
Total	**2,140.2**	1,777.3

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

Non-current assets	2016 £m	2015 £m
UK	**165.3**	169.9
North America	**137.2**	103.3
Europe	**18.0**	23.4
Asia Pacific	**8.0**	9.1
Total	**328.5**	305.7

Non-current operating 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:

	2016 £m	2015 £m
Separately disclosed items (note 6)	**12.3**	5.7
Depreciation and impairment of property, plant and equipment (note 11)	**2.8**	2.5
Amortisation of software and client relationships (note 13)	**6.9**	4.8
Loss on disposal of property, plant and equipment	**–**	0.1
Minimum lease payments recognised as an operating lease expense	**10.8**	10.8
Charge for bad and doubtful trade receivables (note 15)	**0.3**	0.3
Employee costs excluding pension costs (note 5)	**170.5**	133.8
Cost of defined contribution pension plans (note 5)	**1.9**	1.8

b) Auditor's remuneration

	2016 £m	2015 £m
Fees payable to the Auditor for the audit of the Group's annual financial statements	**0.1**	0.1
Fees payable to the Group's Auditor and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.4
Other non-audit services in relation to tax advisory	**0.1**	0.1
	0.6	0.5
Total	**0.7**	0.6

5. Employment costs

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

Costs of employment	2016 £m	2015 £m
Wages, salaries and bonuses	**157.4**	122.0
Social security costs	**12.1**	11.4
Pension costs	**1.9**	1.8
Share-based payment	**1.0**	0.4
Total	**172.4**	135.6

5. Employment costs continued

Monthly average number of employees	2016 Number	*2015 Number*
Managed Services – UK, Europe and Australasia	**684**	797
Specialist Staffing – UK, Europe and Australasia	**2,044**	1,748
Managed Services – North America	**434**	219
Specialist Staffing – North America	**261**	204
Corporate staff (including Directors)	**13**	16
Total	**3,436**	2,984

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	2016 £m	*2015 £m*
Wages, salaries and bonuses	**759.3**	628.3
Social security costs	**28.6**	29.9
Other pension costs	**1.5**	1.5
Total	**789.4**	659.7

Monthly average number of employees	2016 Number	*2015 Number*
Managed Services	**13,200**	10,818
Specialist Staffing	**14,274**	16,862
Total	**27,474**	27,680

c) Information on Directors' remuneration

The total emoluments of all Directors during the year was:	2016 £000	*2015 £000*
Emoluments (including benefits)	**1,151**	1,150
Compensation for loss of office	**100**	–
	1,251	1,150
Contribution to defined contribution pension plans	**62**	56
	1,313	1,206

Total emoluments excluding pension contributions:	2016 £000	*2015 £000*
Lord M Ashcroft	**–**	–
J Robertson	**512**	512
A Wilford	**157**	–
D Mee	**169**	333
AE Entwistle	**50**	50
ME Ettling	**55**	55
M Laurie	**50**	50
D O'Neill	**50**	50
P Stephenson	**50**	50
SL Stone	**58**	50
Total	**1,151**	1,150

Pension contributions	2016 £000	*2015 £000*
J Robertson	**62**	56

All pension payments relate to defined contribution schemes.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

5. Employment costs continued

	2016 £000	2015 £000
The emoluments of the highest paid Director during the year were:		
Emoluments (including benefits)	**574**	568

The total emoluments for J Robertson, A Wilford and D Mee include benefits, both non-cash and cash, to the value of £86,000 (2015: £24,000), £16,000 (2015: £nil) and £19,000 (2015: £29,000), respectively.

The £50,000 (2015: £50,000) paid regarding AE Entwistle is paid directly to Anne Street Partners Limited for the provision of her services as a Non-Executive Director.

Directors' options

Options held by the Directors during the year 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 31 December 2016*	*Number as at 31 December 2015*
J Robertson	2015	2 September 2015	6 March 2018	6 September 2019	Nil	850,000	850,000
D Mee	2015	2 September 2015	6 March 2019	6 September 2019	Nil	–	450,000

6. Separately disclosed items

	2016 £m	2015 £m
Acquisition costs[(a)]	**0.7**	1.4
Businesses restructuring[(b)]	**3.1**	4.3
Adjustments to deferred consideration[(c)]	**8.5**	–
Total included in Operating profit	**12.3**	5.7
Finance expense – separately disclosed[(d)]	**–**	0.5

a) 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

b) Business restructuring costs are of such significance that they are excluded in order to bring them to the reader's attention in understanding the Group's financial performance. In 2016 they relate to the acquisition of 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 in 2016 were $2.8m and, whilst substantially complete, actions will continue to take place in 2017 to achieve the projected $6m annualised savings by 2018. During 2015 the US business was restructured resulting in redundancy costs and property exit costs whilst in the UK costs include the losses and costs of the disposal of the non-core Carlisle Interiors business which was sold in January 2016 as well as redundancy costs resulting from the restructuring of senior management. In 2016 there is a £0.6m tax deductible benefit

c) Contingent consideration payments linked to individuals continuing employment in the business generated a £4.3m charge in relation to the acquisition of Global Group (UK) Ltd. Further charges are expected to be incurred in 2017 and 2018. An additional £4.2m arising from the actual performance of Lorien Limited exceeding the assumptions made previously (see note 10 for more details). These are of such significance that they are shown separately so as to not distort the reporting of the underlying performance of the respective businesses

d) In 2015 finance costs previously capitalised have been written off due to the negotiation of a new Revolving Credit facility. These are highlighted separately as they are one-off in nature

7. Finance expense

	2016 £m	2015 £m
Revolving credit facilities	**6.1**	2.3
Other interest expense	**0.9**	0.9
Total interest payable for financial liabilities not at fair value through the income statement	**7.0**	3.2
Unwinding of discount on deferred consideration	**0.3**	1.3
Unwinding of discount on provision	**–**	0.1
Total	**7.3**	4.6

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

	2016 £m	*2015 £m*
Current income tax		
UK Corporation Tax on results for the year	6.8	7.2
Adjustments in respect of previous years	(0.3)	–
	6.5	7.2
Foreign tax in the year	1.5	1.0
Total current income tax	8.0	8.2
Deferred tax credit	(12.2)	(4.3)
Total taxation (credit)/charge in the income statement	(4.2)	3.9

The deferred tax credit comprises the following:	2016 £m	*2015 £m*
Utilisation of tax losses brought forward	5.1	0.2
Recognition of assets not previously recognised	(13.7)	(3.8)
Origination and reversal of other temporary differences	(0.9)	(0.2)
Change in tax rate used for deferred tax carried forward	(1.3)	(0.7)
Adjustment in respect of previous years	(1.4)	0.2
Total deferred tax credit	(12.2)	(4.3)

b) Reconciliation of the total tax charge
The standard rate of Corporation Tax in the UK has been 20% since from 1 April 2015. Accordingly, the Group's profit from this year is taxed at an effective rate of 20.0%.

The tax credit for the year is £4.2m (2015: charge of £3.9m) for the Group. A tax reconciliation explaining differences from the expected statutory rate of 20.0% (2015: 20.3%) is summarised below:

	2016 %	*2015 %*
Tax charge at UK standard rate	20.0	20.3
Differences in tax rates in other countries	6.4	1.1
Expenses/(income) not taxable/allowable in determining taxable profits	6.7	(0.4)
Utilisation of losses brought forward not recognised as assets	(2.8)	(0.8)
Losses in year carried forward but not recognised as assets	1.0	0.7
Recognition of losses not previously recognised	(34.0)	(9.7)
Change in tax rate used for deferred tax carried forward	(3.4)	(1.8)
Adjustments in respect of previous years	(4.3)	0.5
Effective total tax rate	(10.4)	9.9

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

Factors affecting tax charges in future years
A reduction in the UK Corporation Tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. A further reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction 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 31 December 2016 have been calculated based on these rates.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

9. Earnings per share

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.

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 31 December 2016 (2015: 1,300,000), 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 2016 is 50,188,147 (2015: 49,155,937) and the fully diluted average number of shares is 51,078,479 (2015: 49,208,447).

EPS

	2016 Pence	*2015 Pence*
Basic calculation	**87.4**	72.2
Diluted calculation	**86.1**	72.1

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 £4.3m (2015: £nil) was recorded in operating profit. At the end of the year there was £5.2m outstanding (2015: £10.0m). There has been a reduction of £1.3m to the value of the net assets acquired following a detailed review of the balance sheet after acquisition.

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 dependant on Bartech achieving certain operational measures. There will be additional payments due, in cash, to the previous owners of Bartech between March 2016 and March 2018 dependent on trading performance. At the end of the year there was £3.0m outstanding (2015: £3.5m). Following a review of the acquisition balance sheet no material adjustments have been found, so there have been no changes to the acquisition accounting entries.

c) Acquisition of Lorien Limited

On 3 November 2014 the Group acquired 100% of the shares of Lorien Limited, an unlisted company incorporated in the UK and specialising in recruitment. Due to actual performance exceeding the assumptions made when first recording the deferred consideration an additional £4.2m was paid out and has been recorded as a separately disclosed item (note 6).

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 – 31 December 2014	0.2	1.4	2.2	1.9	5.7
Cost – 1 January 2015	0.2	2.7	3.2	3.8	9.9
Additions	–	0.1	1.8	1.6	3.5
Acquisition of subsidiaries	–	0.3	0.4	0.2	0.9
Disposals	–	(0.1)	(1.2)	(1.8)	(3.1)
Foreign exchange	–	–	0.1	–	0.1
Cost – 31 December 2015	0.2	3.0	4.3	3.8	11.3
Accumulated depreciation – 1 January 2015	–	1.3	1.0	1.9	4.2
Charge for the year	–	0.3	1.2	1.0	2.5
Disposals	–	(0.1)	(1.0)	(1.7)	(2.8)
Foreign exchange	–	–	0.1	–	0.1
Accumulated depreciation – 31 December 2015	–	1.5	1.3	1.2	4.0
Net carrying value – 31 December 2015	0.2	1.5	3.0	2.6	7.3
Cost – 1 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 – 31 December 2016	0.2	2.7	5.8	4.0	12.7
Accumulated depreciation – 1 January 2016	–	1.5	1.3	1.2	4.0
Charge for the year	–	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 – 31 December 2016	–	1.1	2.7	1.7	5.5
Net carrying value – 31 December 2016	**0.2**	**1.6**	**3.1**	**2.3**	**7.2**

Included in computer equipment are assets with net carrying value of £0.5m (2015: £0.6m) held under a finance lease. Depreciation of £0.1m (2015: £0.2m) was charged on these assets.

12. Goodwill

	Cost £m	*Impairment £m*	*Net carrying value £m*
Opening balance at 1 January 2015	94.8	(14.0)	80.8
Adjustment to additions in previous years	1.9	–	1.9
Additions in year	77.3	–	77.3
Closing balance at 31 December 2015	174.0	(14.0)	160.0
Opening balance at 1 January 2016	174.0	(14.0)	160.0
Foreign exchange and other movements	7.2	–	7.2
Closing balance at 31 December 2016	**181.2**	**(14.0)**	**167.2**

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

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

Foreign exchange and other movements to goodwill in 2016 arises 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

12. Goodwill continued

The £77.3m addition to goodwill in 2015 arises from the acquisition of Global Group (UK) Limited in July 2015 (£11.5m) and Bartech Holding Corporation in December 2015 (£65.8m). During 2015 there was also an adjustment to the carrying value of the goodwill following a fair value adjustment of liabilities in existence at the date of the acquisition, and the recalculation of contingent consideration due on the acquisition of Lorien Limited in November 2014 (£1.9m).

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

At 31 December 2016	*Goodwill £m*	*Other 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
	167.2	**133.6**	**300.8**

At 31 December 2015	*Goodwill £m*	*Other intangible assets (note 13) £m*	*Total Intangible assets £m*
Impellam United Kingdom	79.9	61.2	141.1
Impellam North America	66.3	34.6	100.9
Medacs Global Group	13.8	33.8	47.6
	160.0	129.6	289.6

The Group tests goodwill for impairment on an annual basis, and otherwise when changes in events or situations indicate that the carrying value may not be recoverable. If such a test indicates that the carrying amount is too high, a recoverable amount is established for the asset, which is the higher of 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 year. The discount rate applied to the cash flow projections is varied from 10.45% to 10.97% (2015: 10.0%), 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% (2015: 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 margin – this is based on the average margin 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
- Discount rate – this reflects the Directors' estimate of an appropriate market rate of return taking into account the relevant risk factors; this has been adjusted to reflect current and expected future economic conditions
- Growth rate used to extrapolate beyond the plan 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.

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 and it was discovered that no reasonably possible change to these assumptions would lead to an impairment.

13. Other intangible assets

	Software £m	*Brand values £m*	*Client relationships £m*	*Total £m*
Net carrying value – 31 December 2014	5.1	64.7	15.9	85.7
Cost – 1 January 2015	9.8	64.7	30.5	105.0
Additions	4.6	–	–	4.6
Acquisition of subsidiaries	0.2	21.5	22.3	44.0
Disposals	(1.7)	–	–	(1.7)
Foreign exchange	0.2	–	–	0.2
Cost – 31 December 2015	13.1	86.2	52.8	152.1
Accumulated amortisation – 1 January 2015	4.7	–	14.6	19.3
Charge for the year	2.5	–	2.3	4.8
Disposals	(1.7)	–	–	(1.7)
Foreign exchange	0.1	–	–	0.1
Accumulated amortisation – 31 December 2015	5.6	–	16.9	22.5
Net carrying value – 31 December 2015	7.5	86.2	35.9	129.6
Cost – 1 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 – 31 December 2016	18.6	88.9	55.5	163.0
Accumulated amortisation – 1 January 2016	5.6	–	16.9	22.5
Charge for the year	3.1	–	3.8	6.9
Disposals	(1.2)	–	–	(1.2)
Foreign exchange	1.0	–	0.2	1.2
Accumulated amortisation – 31 December 2016	8.5	–	20.9	29.4
Net carrying value – 31 December 2016	**10.1**	**88.9**	**34.6**	**133.6**

Included in software additions for the year ended 31 December 2016, are internally generated software development costs of £1.9m (2015: £0.4m) which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years (2015: three and five years) and are amortised, from the date the software is available for use, on a straight-line basis over this year.

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

14. Financial assets

	2016 £m	2015 £m
Financial assets – non-current		
Marketable investments designated at fair value through the income statement	**1.0**	0.8
Other financial assets (loans and receivables) – non-current		
Restricted access bank accounts	**–**	0.1
Deposits with non-financial institutions	**0.3**	0.8
	0.3	0.9
Total	**1.3**	1.7

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 31 December 2016 these investments have been adjusted to the market value of £1.0m (2015: £0.8m). This movement is matched by an equivalent movement in other payables as disclosed in note 17
- the restricted access bank account represents funds deposited into an escrow account under the self-insurance arrangements for US workers compensation obligations
- deposits with non-financial institutions represent amounts held by suppliers, clients and landlords as security for provision of facilities and services.

Information on fair values and credit risks are given in notes 28 and 29.

15. Trade and other receivables

	2016 £m	2015 £m
Trade receivables – current (note 2(j))	**448.2**	455.0
Other receivables – current	**7.6**	8.1
Prepayments and accrued income – current	**167.5**	90.2
Total	**623.3**	553.3

- trade receivables also include gross receivables of £295.3m (2015: £225.9m) 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 28 and 29.

As at 31 December 2016 trade receivables at a nominal value of £2.0m (2015: £1.6m) were impaired and fully provided for. The principal factor considered in calculating the impairment is the ageing of the receivable balance.

The ageing of these impaired receivables is as follows:

	2016 £m	2015 £m
Impaired:		
< 60 days	**(0.1)**	(0.3)
60–120 days	**(0.7)**	(1.3)
>120 days	**(1.2)**	–
Total	**(2.0)**	(1.6)

15. Trade and other receivables continued
Movements in the provision for impairment of trade receivables were as follows:

	2016 £m	2015 £m
Balance at beginning of year	1.6	1.3
Charged for the year	0.3	0.3
Foreign exchange	0.1	–
Balance at end of year	2.0	1.6

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:

	2016 £m	2015 £m
Past due but not impaired:		
< 60 days	50.5	58.8
60–120 days	8.8	8.0
>120 days	8.8	6.8
Total	68.1	73.6

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:

	2016 £m	2015 £m
Trade receivables – current	241.9	235.5
Other receivables – current	4.7	3.6
Prepayments and accrued income – current	123.7	37.6
Total	370.3	276.7

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

	2016 £m	2015 £m
Cash and short-term deposits	54.8	66.0

Information on fair values, credit risks and interest rates are given in notes 28 and 29.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

17. Trade and other payables

Current liability	2016 £m	*2015 £m*
Trade payables – current	**427.0**	355.6
Other tax and social security costs – current	**50.9**	50.9
Other payables and accruals – current	**91.0**	92.1
Total	**568.9**	498.6

Trade payables include £401.7m (2015: £281.4m) 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:
- £1.0m (2015: £0.8m) 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)
- £0.9m (2015: £0.6m) for contributions due to be made to defined contribution pension schemes on behalf of certain employees of the Group
- £5.9m (2015: £9.9m) represents contingent consideration payable to the vendors of Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation (2015: Career Teachers Limited, Lorien 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	2016 £m	*2015 £m*
Other payables	**3.9**	11.9
Total	**3.9**	11.9

Included in other payables are:
- £3.9m (2015: £11.9m) represents contingent consideration payable to the vendors of Global Group (UK) Limited and Bartech Holdings Corporation (2015: Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation).

Information on fair values and credit risks are given in notes 28 and 29.

18. Short-term borrowings

	2016 £m	*2015 £m*
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**29.9**	40.4
Hire purchase – secured < 1 year	**0.2**	0.3
Total	**30.1**	40.7

Information on fair values, credit risks, interest rates and security are given in notes 28 and 29.

19. Long-term borrowings

	2016 £m	*2015 £m*
Financial liabilities measured at amortised cost:		
Revolving credit borrowings – secured	**120.0**	143.3
Hire purchase – secured > 1 year	**–**	0.2
Total	**120.0**	143.5

Information on fair values, credit risks, interest rates and security are given in notes 28 and 29.

20. Provisions

	Property £m	*Workers' compensation £m*	*Total £m*
Current – 1 January 2016	0.6	0.8	1.4
Non-current – 1 January 2016	1.1	0.9	2.0
At 1 January 2016	1.7	1.7	3.4
Charged to income in the year	0.4	4.1	4.5
Utilised during the year	(0.8)	(4.1)	(4.9)
Foreign exchange	–	0.3	0.3
At 31 December 2016	**1.3**	**2.0**	**3.3**
Current – 31 December 2016	**0.3**	**0.9**	**1.2**
Non-current – 31 December 2016	**1.0**	**1.1**	**2.1**
	1.3	**2.0**	**3.3**

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 (2015: three years). Provision is also made for expected dilapidations and provisions are accrued evenly over the last five years of the lease.

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

The level of provision made is based upon independent actuarial estimates, obtained at least twice yearly. These estimates take into account the ultimate cost, less amounts paid to date, in respect of accidents occurring between the inception of the policy and December 2016, the period covered by these self-insurance arrangements. An allowance is made for claims incurred but not reported in line with standard actuarial practice.

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

21. Deferred taxation

	2016 £m	*2015 £m*
Non-current deferred tax assets		
Total deferred tax asset – UK	**1.7**	2.0
Total deferred tax asset – overseas	**17.5**	5.1
Total deferred tax asset	**19.2**	7.1

	2016 £m	*2015 £m*
Deferred tax liabilities		
Current	**–**	–
Non-current	**27.9**	28.1
Total deferred tax liabilities	**27.9**	28.1

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

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 utilised £m*	*Total Deferred taxation £m*
At 31 December 2014	1.8	(16.3)	0.7	1.5	(12.3)
Recognised in income	(0.4)	1.2	(0.1)	3.6	4.3
Acquired in business combination	–	(13.0)	–	–	(13.0)
At 31 December 2015	1.4	(28.1)	0.6	5.1	(21.0)
Deferred tax assets – 31 December 2015	1.4	–	0.6	5.1	7.1
Deferred tax liabilities – 31 December 2015	–	(28.1)	–	–	(28.1)
	1.4	(28.1)	0.6	5.1	(21.0)
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
Foreign exchange	0.1	(2.1)	0.3	1.8	0.1
At 31 December 2016	**1.4**	**(27.9)**	**2.4**	**15.4**	**(8.7)**
Deferred tax assets – 31 December 2016	**1.4**	**–**	**2.4**	**15.4**	**19.2**
Deferred tax liabilities – 31 December 2016	**–**	**(27.9)**	**–**	**–**	**(27.9)**
	1.4	**(27.9)**	**2.4**	**15.4**	**(8.7)**

The Group has deductible temporary differences relating to provisions and deferred capital allowances of £15.8m (2015: £48.9m). Deferred tax assets of £3.8m (2015: £2.0m) have been recognised in respect of these temporary differences, leaving £0.2m (2015: £38.2m) as unrecognised differences as they have arisen in subsidiaries that had been loss-making for tax purposes for some time. They have no expiry date.

The Group has tax losses that arose in the UK of £33.8m (2015: £34.2m) and tax losses that arose outside the UK (mostly in the US) of £72.6m (2015: £153.1m) that are available for offset against future taxable profits of the right type arising in the companies in which the losses arose. The tax losses in the US at the end of the current period are lower than the previous period for two reasons. Firstly, a study was undertaken following the acquisition of Bartech to establish the level of losses that are available for future use. Secondly, some losses were used against US profits in the current period. There is no expiry date on the UK losses but the US losses expire between 2018 and 2033. All losses are subject to legislation restricting the right to offset them. Deferred tax assets of £15.4m (2015: £5.1m) have been recognised as they relate to companies that are trading profitably or can expect to have taxable profits in the foreseeable future.
This increase is in relation to US tax losses which are expected to be utilised following the Bartech acquisition and the study noted above. Deferred tax assets have not been recognised in respect of UK losses of £33.8m (2015: £34.2m) and in the US of £28.2m (2015: £139.6m) 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.

22. Issued share capital

	Number of issued shares Millions	*Issued share capital £m*	*Share premium account £m*	*Total share capital £m*
31 December 2014	48.8	0.5	30.1	30.6
Shares issued	0.8	–	–	–
31 December 2015	49.6	0.5	30.1	30.6
1 January 2016	49.6	0.5	30.1	30.6
Shares issued	0.7	–	–	–
31 December 2016	**50.3**	**0.5**	**30.1**	**30.6**

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

22. Issued share capital continued
In 2015 shares have been issued in connection with the acquisition of Bartech Holding Corporation (note 10) and in settlement of deferred consideration related to Lorien Limited. As part of the acquisition a total of 401,668 shares valued at £3.0m were issued as part of the Bartech Holding Corporation acquisition. In settlement of the Lorien Limited deferred consideration 409,818 shares valued at £2.5m were issued. These numbers include an adjustment of 198 shares which was made during 2016 as the number of shares issued in connection to the Bartech Holding Corporation acquisition was incorrectly stated as 401,886.

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 year ended 31 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 year is £1.0m (2015: £0.4m).

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

Date of grant	*Exercise period*	*Exercise price Pence*	**2016 Number of shares**	*2015 Number of shares*
2015	18 months from measurement date	nil	**850,000**	850,000
2015	6 months from measurement date	nil	**–**	450,000
Total			**850,000**	1,300,000

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

	2016		*2015*	
	Average exercise price Pence	**Options Thousands**	*Average exercise price Pence*	*Options Thousands*
Outstanding at beginning of year	**nil**	**1,300**	–	–
Granted	**–**	**–**	nil	1,300
Forfeited	**nil**	**(450)**	–	–
Outstanding at end of year		**850**		1,300
Exercisable at end of year		**–**		–

The weighted average remaining contractual life for outstanding options at 31 December 2016 was 1.2 years (2015: 2.5 years).

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

	Tranche 1		*Tranche 2*	
	2016	*2015*	**2016**	*2015*
Fair value at grant date	**£2.92**	£2.92	**nil**	£1.94
Weighted average share price	**£7.86**	£7.86	**nil**	£7.86
Exercise price	**nil**	nil	**nil**	nil
Expected volatility (expressed as percentage used in the modelling)	**21.97**	21.97	**nil**	22.12
Option life (expressed as weighted average life in years used in the modelling)	**2.51**	2.51	**nil**	3.51
Expected dividends	**2.06**	2.06	**nil**	2.06
Risk-free interest rate (based on national government bonds)	**0.78**	0.78	**nil**	1.03

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

24. Other reserves

	Merger Reserve £m	*Other reserve £m*	*Foreign currency translation reserve £m*	*Total other reserves*
31 December 2014	7.5	92.2	0.9	100.6
Arising on acquisition	5.5	–	–	5.5
Share-based payment	–	0.4	–	0.4
Currency translation differences	–	–	2.4	2.4
31 December 2015	13.0	92.6	3.3	108.9
1 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
31 December 2016	**19.0**	**93.6**	**15.4**	**128.0**

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 (2015: £92.2m). It also contains £1.0m charge (2015: £0.4m) arising from share-based payments arising within the year. The balance on the share-based payment element of the reserve is £1.4m (2015: £0.4m).

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. 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 14 years (2015: 1 to 15 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 (2015: 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:

	2016 £m	*2015 £m*
Within 1 year	**11.0**	10.3
After 1 year but not more than 5 years	**28.2**	26.4
More than 5 years	**16.6**	10.6
Total	**55.8**	47.3

25. Commitments and contingencies continued

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 1 January 2016 the Group had commitments of £0.3m (2015: £1.8m) relating to computer equipment.

26. Related party disclosures

The consolidated financial statements include those of the holding Company, Impellam Group plc, and all of its subsidiaries. All subsidiaries are wholly owned at the year-end unless otherwise specified.

800 The Boulevard Capability Green Luton LU1 3BA, UK	– ABC Contract Services Limited – Bartech-Europe Limited – Blue Arrow Financial Services Limited – Blue Arrow Holdings Limited – Blue Arrow Limited – BMS Limited – Carbon60 Limited – Career Teachers Limited – Carlisle Cleaning Services Holdings Limited – Carlisle 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[a] – Comensura Limited[b] – Doctors On Call Limited – Global Group (UK) Limited – Global Medics Limited – Impellam Holdings Limited – Impellam UK Limited – Laybridge Limited – Litmus Managed Solutions Limited – Lorien Resourcing Limited – Medacs Global Group Limited – Medacs Healthcare Australasia Group Limited – Medacs Healthcare PLC – Ohsea Holdings Limited – PRN Recruitment Limited – Science Recruitment Group Limited – Younifi Limited (90% owned)

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

26. Related party disclosures continued

Level 4, 55 Clarence Street Sydney NSW 2000 Australia	– Allied Employment Group Pty Limited[c] – Comensura Pty Limited[c] – Global Medics Pty Limited[c] – Litmus Solutions Pty Ltd[c] – Medacs Healthcare (Pty) Limited[c] – Medacs Healthcare Australia Pty Limited[c]
Straatsburgdok-Noordkaai 3 2030 Antwerp Belgium	– Bartech Belgium NV[i] (73% owned)
PO Box 71, Road Town Tortola VG1110 British Virgin Islands	– Sabertooth Services Limited
201-317 Renfrew Drive Markham Ontario L3R 9S8 Canada	– Global & Medical Recruitment Consultancy Inc.[d]
250 Howe Street, 20th Floor Vancouver BC V6C 3R8 Canada	– Canada Corporate Employment Resources ULC[d] – Guidant Group Canada ULC[d]
Krefeld, Anrather Straße 291, 47807 Krefeld, Germany	– Bartech Germany GmbH[d]
Beethovenplatz 2 80336 Munchen, Germany	– Carbon60 GmbH[d]
57/63 Line Wall Road, Gibraltar	– Kenard Investments Limited
11 Ely Place, Dublin 2, Ireland	– Carlisle Security (Holdings) Limited[f] – Carlisle Security Limited[f] – Carlisle Staffing Services Ireland Limited[f] – Irish Recruitment Consultants Limited[f] – Litmus Software Solutions Limited[i]
Unit 9, Adelphi House, Upper Georges St, Dun Laoghaire, Dublin Ireland	– Medacs Global Group Limited[i]
Rio Tiber 40 102 Col Cuauhtemoc 06500 Cuauhtemoc, Distrito Federal Mexico	– Bartech Mexico S, de RL de CV[d]
Level 6, 3 Ferncroft Street Graft, Aukland 1010 New Zealand	– Global Medics NZ Limited[g] – Healthlink New Zealand Group Limited[g] – Medacs Healthcare Limited[g]
Oriental Center, Suite P1 254 Muñoz Uñoz Rivera Avenue San Juan, PR 00918 Puerto Rico	– Bartech Puerto Rico Inc[d]
38 Beach Road#29-11, South Beach Tower Singapore 189767	– Bartech Singapore PTE Limited[d] – Latitudes Group International Management Pte Limited[h]
Paseo de la Castellana, 259C Madrid, Spain	– Carlisle Cleaning Services Spain SL[i]
Martin-Disteli-Strasse 9 4600 Olten, Switzerland	– Carbon60 AG[e] – Science Recruitment Group AG[e]
2711 Centerville Road Suite 400 Wilmington Deleware 19808 USA	– Barpellam Inc (49% owned)[d] – Bartech Holding Corporation[d] – CER Canada Holding Inc.[d] – Corestaff Support Services Inc.[d] – Corporate Employment Resources Inc.[d] – Corporate Services Group Holdings Inc[d] – Guidant Canada Holding Inc.[d] – Guidant Group Inc.[d] – The Bartech Group Inc[d]

26. Related party disclosures continued

17199 N Laural Park Drive Suite 224 Livonia Michigan 48152 USA	– Bartech Mexico Holding LLC(d) – Bartech Technical Services LLC(d)
601 Abbot Road East Lansing Michigan 48823 USA	– Bartech Technical Services of Canada Limited(d)

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 controls 100% of the voting rights and so has control of the Company.

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 and Impellam North America as well as the Chief Transformation Officer, the Chief Information Officer and the Group Marketing Director.

	2016 £m	*2015 £m*
Short-term employment benefits	**4.3**	3.8
Post-employment benefits	**0.2**	0.2
Termination benefits	**0.1**	0.1
Share-based payment expense	**0.8**	0.4
Total	**5.4**	4.5

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 – £50,000 (2015: £50,000). The Group owed £5,000 to Anne Street Partners Limited at the end of the year (2015: £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. Anne Street Partners Limited also occupies a property leased by a Group company and reimburses the Group for all occupancy costs.

During the year 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 $1,300,000 was outstanding at the year-end (2015: $nil). Interest accrues at a rate of 1.81% per annum and during the year $22,000 (2015: $nil) 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 year the Group charged Bartech Acquisition Corporation LLC $205,000 (2015: $nil). At the end of the year Bartech Acquisition Corporation LLC owed the Group $320,000 (2015: $115,000). 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 year the Group charged TechCentral $25,000 (2015: $nil) for these services. At the end of the year, TechCentral LLC owed the Group $67,000 (2015: $42,000).

27. Net debt

	2015 £m	*Cash flow £m*	*Foreign exchange £m*	**2016 £m**
Cash and short-term deposits	66.0	(20.0)	8.8	**54.8**
Revolving credit	(183.7)	34.3	(0.5)	**(149.9)**
Hire purchase	(0.5)	0.3	–	**(0.2)**
Net debt	(118.2)	14.6	8.3	**(95.3)**

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

28. 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.

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*
31 December 2016			
Sterling	**+50**	**(0.9)**	**(0.7)**
	-25	**0.5**	**0.4**
US dollar	**+50**	**–**	**–**
	-25	**–**	**–**
31 December 2015			
Sterling	+50	(0.5)	(0.4)
	-25	0.2	0.2
US dollar	+50	(0.1)	(0.1)
	-25	–	–

Liquidity risk

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

Under the Group's revolving credit facilities £250m was available for drawdown (2015: £250m). The amounts not utilised at this date was £100.1m (2015: £61.8m). 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 we operate 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 payments). At 31 December 2016, and throughout the year, the Group was in compliance with its financial covenants and expects to continue to be so.

28. Financial risk management objectives and policies continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 and 31 December 2015 based on contractual undiscounted payments.

31 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**

31 December 2015	*On demand £m*	*Less than 3 months £m*	*3 to 12 months £m*	*1 to 5 years £m*	*Total £m*
Short-term interest bearing loans and borrowings	–	–	40.4	143.3	183.7
Trade and other payables	–	445.6	8.1	5.5	459.2
Long-term interest bearing loans and borrowings	–	0.1	0.2	0.2	0.5
Total	–	445.7	48.7	149.0	643.4

Credit risk

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

Group policies are aimed at minimising such losses; it only trades with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an 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 paid 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 31 December 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

	2016 £m	*2015 £m*
UK	**253.0**	276.6
US	**348.0**	255.6
Other regions	**22.3**	21.1
Total	**623.3**	553.3

Foreign currency risk

The Group has a significant investment in its operations in the US with some smaller interests in Europe and Australasia. The Group's consolidated balance sheet can be affected significantly by the movements in the US$ and Euro exchange rates, however, movements in Australian 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

28. 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*
31 December 2016	**+25**	**2.2**	**8.1**
	-25	**(3.1)**	**(14.3)**
31 December 2015	+25	0.9	1.4
	-25	(1.3)	(2.4)

Euros	*% change in rate*	*Decrease/ (increase) in profit before tax £m*	*Effect on equity £m*
31 December 2016	**+25**	**0.6**	**0.4**
	-25	**(0.9)**	**(0.7)**
31 December 2015	+25	0.1	(0.1)
	-25	(0.2)	0.2

Price risk

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

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

	2016 £m	*2015 £m*
Net debt (note 27)	**95.3**	118.2
Equity per balance sheet	**246.8**	192.3
Funding: total capital less net cash	**342.1**	310.5

The revolving credit facility included a financial covenant linked to the Group's leverage. At 31 December 2016, and throughout the year, the Group was in compliance with this financial covenant whilst this facility was in place.

29. 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.

		2016		*2015*	
	Level	Carrying amount £m	Fair value £m	*Carrying amount £m*	*Fair value £m*
Financial assets					
Investments	1	**1.0**	**1.0**	0.8	0.8
Other financial assets (non-current)	3	**0.3**	**0.3**	0.9	0.9
Financial liabilities					
Short-term borrowings – UK	3	**30.1**	**30.1**	40.7	40.7
Long-term borrowings – UK	3	**120.0**	**120.0**	143.5	143.5

29. Financial instruments continued

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

Fair value estimation hierarchy:

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

Level 1

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

Level 3

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

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

Interest rate risk

At 31 December 2016 and 31 December 2015 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.

31 December 2016	*Within 1 year £m*	*1-2 years £m*	*2-5 years £m*	*Total £m*
Floating rate				
Cash and short-term deposits	**54.8**	**–**	**–**	**54.8**
Revolving credit facilities	**(29.9)**	**(120.0)**	**–**	**(149.9)**
Hire purchase	**(0.2)**	**–**	**–**	**(0.2)**

31 December 2015	*Within 1 year £m*	*1-2 years £m*	*2-5 years £m*	*Total £m*
Floating rate				
Cash and short-term deposits	66.0	–	–	66.0
Short-term borrowings	(40.4)	(143.3)	–	(183.7)
Long-term borrowings	(0.2)	(0.3)	–	(0.5)

- The effective interest rate on bank balances and other short-term deposits was less than 0.5% (2015: less than 0.5%). US deposit interest rates were less than 0.5% (2015: 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 (2015: between 1.45% and 2.40% over UK LIBOR rate). All interest is charged monthly in arrears (note 27).

Collateral pledged

The self-insured workers compensation liability described in note 17 is covered by insurers on the basis that collateral is provided sufficient to cover all potential claims. This collateral takes two forms:

- £3.6m – $4.4m (2015: £4.5m – $6.7m) in the form of letters of credit drawn upon the revolving credit facility in the US; and
- £0.3m – $0.4m (2015: £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 Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation (2015: Career Teachers Limited, Global Group (UK) Limited and Bartech Holdings Corporation).

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

29. Financial instruments continued

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

31 December 2016	*Less than 3 months £m*	*3-12 months £m*	*1-5 years £m*	*Total £m*
Current contingent consideration	**2.6**	**3.3**	**–**	**5.9**
Non-current contingent consideration	**–**	**–**	**3.9**	**3.9**
Total	**2.6**	**3.3**	**3.9**	**9.8**

31 December 2015	*Within 1 year £m*	*1-2 years £m*	*2-5 years £m*	*Total £m*
Current contingent consideration	8.1	1.8	–	9.9
Non-current contingent consideration	–	–	11.9	11.9
Total	8.1	1.8	11.9	21.8

30. Dividends

	2016 £000	*2015 £000*
Final paid: 10.0p (2015: 7.75p)	**5,034**	3,815
Interim paid: 7.0p (2015: 7.0p)	**3,524**	3,445
Paid in year	**8,558**	7,260

Subject to shareholder approval, the Board is proposing a final dividend in respect of 2016 of 13.5p per share, amounting to £6.8m, to be paid on 10 August 2017 to all shareholders on the register at 7 July 2017, following the Annual General Meeting.

Company balance sheet

As at 31 December 2016

	Notes	2016 £000	*2015 £000*
Fixed assets			
Investments	3	**151,748**	151,748
Current assets			
Debtors	4	**319,086**	215,651
Cash at bank and in hand		**488**	663
		319,574	216,314
Creditors: amounts falling due within one year	5	**(249,292)**	(104,210)
Net current assets		**70,282**	112,104
Total assets less current liabilities		**222,030**	263,852
Creditors: amounts falling due in more than one year	6	**(120,000)**	(143,300)
Net assets		**102,030**	120,552
Capital and reserves			
Called-up share capital	8	**503**	496
Share premium account	8	**30,153**	30,153
Merger reserve	9	**18,990**	13,019
Capital redemption reserve	9	**2**	2
Other reserves	9	**1,410**	419
Retained profit	9	**50,972**	76,463
Total shareholders' funds	11	**102,030**	120,552

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

The Financial Statements on pages 97 to 103 were approved by the Board on 16 March 2017 and are signed on their behalf by:

Alison Wilford
Chief Financial Officer

Registered number: 06511961

Statement in changes in equity

For the year ended 31 December 2016

	Share capital and premium (note 8) £000	*Other reserves (note 9) £000*	*Retained profit £000*	*Total reserves £000*
1 January 2015	30,641	7,527	88,960	127,128
Loss for the year	–	–	(5,237)	(5,237)
Share-based payment charge	–	378	–	378
Arising in the year on acquisition	8	5,535	–	5,543
Dividends paid	–	–	(7,260)	(7,260)
31 December 2015	30,649	13,440	76,463	120,552
1 January 2016	**30,649**	**13,440**	**76,463**	**120,552**
Loss for the year	**–**	**–**	**(16,933)**	**(16,933)**
Share-based payment charge	**–**	**991**	**–**	**991**
Arising in the year on acquisition	**7**	**5,971**	**–**	**5,978**
Dividends paid	**–**	**–**	**(8,558)**	**(8,558)**
31 December 2016	**30,656**	**20,402**	**50,972**	**102,030**

Notes to the Company balance sheet

For the year ended 31 December 2016

1. Summary of significant accounting policies

A) Basis of accounting

Impellam Group Plc ('the Company') is a company incorporated 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, tangible fixed assets, intangible assets and investment properties
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- An additional balance sheet for the beginning of the earliest comparative year following the retrospective change in accounting policy
- Disclosures in respect of the compensation of Key Management Personnel
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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

- 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 goodwill and indefinite life intangible assets
- Disclosures required by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the cash flows of discontinued operations
- 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 2016 have had a material effect on the financial statements.

Accounting policies have been applied consistently.

Accounting year

The financial statements have been prepared based on a fifty-two week accounting period ended 30 December 2016 for the current year, and 1 January 2016 for the comparatives. For the purposes of understanding, the references on balance sheet notes to the actual start and end dates of the years have been based on actual calendar dates rather than the start and end dates of the relevant accounting periods.

Notes to the Company balance sheet continued

For the year ended 31 December 2016

1. Summary of significant accounting policies continued

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.

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 year 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 (2015: £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 2016 was 34, ten Directors/Company Secretary, seven managers and seventeen administrators (2015: 22, nine Directors/Company Secretary, five managers and eight administrators)
- The total amount of employee costs charged to the Company's Income statement in the year is £4,135,000 (2015: £3,439,000).

3. Investments

	Subsidiary undertakings £000
Cost	
At 31 December 2015 and 31 December 2016	151,748
Impairment provision	
At 31 December 2015 and 31 December 2016	–
Net Carrying Value	
At 31 December 2016	**151,748**
At 31 December 2015	151,748

Details of the principal subsidiary undertakings are given in note 26 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 year using a discount rate of between 10.45% to 10.97% (2015: 10.0%) 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 2016 financial year. Management believe the forecasts are reasonably achievable. No impairment in carrying value was identified.

4. Debtors

	2016 £000	*2015 £000*
Amounts owed by subsidiary undertakings	303,356	215,081
Other debtors	12,733	160
Prepayments and accrued income	2,974	384
Deferred taxation (note 7)	23	26
Total	319,086	215,651

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

5. Creditors: amounts falling due within one year

	2016 £000	*2015 £000*
Bank overdraft	37,270	–
Revolving credit facilities	23,267	40,400
Amounts owed to subsidiary undertakings	186,759	61,130
Corporation tax	–	2,635
Other creditors	3	3
Accruals	1,993	42
Total	249,292	104,210

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

6. Creditors: amounts falling due in more than one year

	2016 £000	*2015 £000*
Revolving credit facilities	120,000	143,300

Details of security given over these liabilities are described in notes 28 and 29 to the consolidated accounts.

Notes to the Company balance sheet continued

For the year ended 31 December 2016

7. Deferred taxation

	2016 £000	2015 £000
Opening balance	26	266
Charged to profit and loss account in the year	(3)	(240)
Deferred tax asset	**23**	26

The total recognised and unrecognised deferred tax is as follows:

Assets	Recognised 2016 £000	Unrecognised 2016 £000	Recognised 2015 £000	Unrecognised 2015 £000
Losses	–	–	–	–
Deferred capital allowances	9	–	11	–
Other short-term timing differences	14	–	15	–
Total	**23**	–	26	–

8. Called-up share capital

	Number of issued shares Thousands	Issued share capital £000	Share premium account £000	Total share capital £000
1 January 2016	49,623	496	30,153	30,649
Shares issued	719	7	–	7
31 December 2016	**50,342**	**503**	**30,153**	**30,656**

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

In 2015 shares were issued in connection with the acquisition of Bartech Holding Corporation (note 10 in the consolidated financial statements) and in settlement of deferred consideration over Lorien Limited. As part of the acquisition a total of 401,668 shares valued at £3.0m were issued to the vendors and in settlement of the deferred consideration 409,818 shares valued at £2.5m were issued to the previous owners. This includes an adjustment of 198 shares which was made during 2016 as the number of shares issued in connection to the Bartech Holding Corporation acquisition was incorrectly stated as 401,886.

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 £000	Capital redemption reserve £000	Other reserves £000	Retained profit £000	Total reserves £000
1 January 2016	13,019	2	419	76,463	89,903
Loss for the year	–	–	–	(16,933)	(16,933)
Share-based payment charge	–	–	991	–	991
Arising in the year on acquisition	5,971	–	–	–	5,971
Dividends paid	–	–	–	(8,558)	(8,558)
31 December 2016	**18,990**	**2**	**1,410**	**50,972**	**71,374**

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.

9. Reserves continued

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 (2015: £41,000). It also contains £991,000 charge (2015: £378,000) arising from share-based payments arising within the year. The balance on the share-based payment element of the reserve is £1,369,000 (2015: £378,000). 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 31 December 2016 was £16,933,000 (2015: loss £5,237,000). Dividends totalling £8,558,000 (2015: £7,260,000) were declared and paid during the year. As allowed by s408 of the Companies Act 2006, no separate profit and loss account is presented for the Parent Company.

10. Dividends

	2016 £000	*2015 £000*
Final paid: 10.0p (2015: 7.75p)	5,034	3,815
Interim paid: 7.0p (2015: 7.0p)	3,524	3,445
Paid in year	8,558	7,260

Subject to shareholder approval, the Board is proposing a final dividend in respect of 2016 of 13.5p per share, amounting to £6.8m, to be paid on 10 August 2017 to all shareholders on the register at 7 July 2017, following the Annual General Meeting on 28 June 2017.

11. Reconciliation of movements in shareholders' funds

	2016 £000	*2015 £000*
Loss for the financial year	(16,933)	(5,237)
Share-based payment charge	991	378
Shares issued (net of issue costs)	7	8
Merger reserve arising in year	5,971	5,535
Dividend paid	(8,558)	(7,260)
Opening shareholders' funds	120,552	127,128
Closing shareholders' funds	102,030	120,552

12. Related party transactions

The Board is not aware of any related party transactions other than those disclosed in note 26 to the consolidated financial statements.

Notes

Company information

Impellam is the second largest staffing business in the UK and sixth largest 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 3,400 Impellam people throughout our network of 20 market-leading brands across 182 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

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