IMPELLAM GROUP PLC

("Impellam", the "Group" or the "Company")

REPORT FOR THE 53 WEEKS ENDED 2 JANUARY 2015
Preliminary Results - Unaudited

Key headlines

- Revenue increased 9.7% to £1.3 billion
- Staffing revenues increased 11.5% to £1.3 billion
- Gross profit increased 11.9% to £193.9 million
- Staffing gross profit increased 11.1% to £187.5 million
- Permanent placement mix 13.2% (2013: 11.5%)
- Adjusted operating profit* £36.7 million (2013: £28.6 million)
- Staffing operating profit £40.5 million (2013: £36.8 million) with strong performances across the UK businesses (Managed Services up 11% and Specialist Staffing up 31%)
- US businesses issues identified and remedial action taken
- Carlisle margin improved and on track for profitability
- Exceptional items reduced significantly to £2.7 million (2013: £23.2 million)
- Operating profit £34.0 million (2013: £0.4 million)
- Conversion of gross margin to adjusted operating profit* 18.9% (2013: 16.5%)
- Basic earnings per share 59.6 pence (2013: loss 2.3 pence)
- Adjusted* basic earnings per share 68.1 pence (2013: 62.0 pence)
- Net debt of £14.8 million at 2 January 2015 (27 December 2013: cash £8.0 million)
- 2 acquisitions completed in the period (Lorien & Career Teachers)
- UK receivable finance agreement with Barclays increased to £120 million and renewed for three more years to November 2017 and term loan, originally of £15 million, taken out in connection with Lorien acquisition
- Final dividend of 7.75 pence per share, amounting to £3.8 million in total, proposed to be approved at the AGM to be convened for 30 June; payable on 31 July 2015 to all shareholders on the register at 10 July 2015. This makes a total dividend of 14p for 2014 an increase of 16.7% on 2013.

* Adjusted operating profit before pre- tax non-recurring expense items (note 3)

Julia Robertson, Chief Executive Officer, commented:

"I am pleased to report that the Group has delivered a strong financial performance this year in its staffing businesses and has made two excellent acquisitions in Lorien Resourcing & Career Teachers, both of which are performing in line with expectations and will be accretive in their first full year. In addition, we have completed the exit of onerous contracts in Carlisle Support Services and is on track for return to profitability."

Highlights and financial summary

Financial results for the fifty-three weeks ended 2 January 2015 - unaudited

The table below sets out the financial results for the Group by segment for the fifty-three weeks ended 2 January 2015

	Revenue			Gross profit			Operating profit / (loss)	
£ m	2014	2013	% change	2014	2013	% change	2014	2013
Spend under management - UK	978.8	847.0	15.6 %					
Spend under management - North America **	611.8	677.0	(5.0)%					
Group Supply - UK	597.3	482.3	23.8 %					
Group Supply – North America **	95.3	88.2	8.0 %					
Managed Services - United Kingdom	597.2	482.3	23.8 %	43.0	38.3	12.3 %	16.2	14.6
Gross profit %				7.2%	7.9%			
Specialist Staffing - United Kingdom	544.0	502.5	8.3 %	108.6	91.4	18.8 %	24.0	18.3
Gross profit %				20.0%	18.2%			
Managed Services - North America **	95.3	88.2	13.6 %	16.2	16.6	2.5 %	0.6	1.2
Gross profit %				17.0%	18.8%			
Specialist Staffing - North America **	91.4	104.2	(7.7)%	19.7	22.5	(7.9)%	2.8	4.1
Gross profit %				21.6%	21.6%			
Inter-segment revenues	(65.5)	(45.0)	45.6 %	-	-		-	-
Staffing Services	1,262.4	1,132.2	11.5 %	187.5	168.8	11.1 %	43.6	38.2
Shared costs							(3.1)	(1.4)
							40.5	36.8
Carlisle Support Services	61.0	74.0	(17.6)%	6.4	4.5	42.2 %	(0.2)	(4.2)
	1,323.4	1,206.2	9.7 %	193.9	173.3	11.9 %	40.3	32.6
Corporate costs							(3.6)	(4.0)
Operating profit before non-recurring items							36.7	28.6
Add back: depreciation and amortisation							5.8	5.7
EBITDA							42.5	34.3
Non-recurring items							(2.7)	(23.2)
Goodwill impairment							0.0	(5.0)
Operating profit							34.0	0.4

** *% change measured at constant currency* rates (2013 results restated at 2014 rates)

The above table shows the revised segmental reporting identified in the Group Chief Executives Strategic review last year. These segments are now the basis of regular monthly management reporting and have, therefore, been incorporated into these consolidated Group accounts.

Chairman's welcome

"It has been a good year for Impellam. We have traded in line with expectations and have progressed well in delivering our strategic objectives which were set out by our CEO, Julia Robertson, in early 2014. Subject to shareholder approval, the Board are proposing a final dividend of 7.75 pence per share, amounting to £3.8m to be paid on 31 July 2015 following the Annual General Meeting on Tuesday 30 June 2015. During the year, Finance Director Andrew Burchall and Non-executive Directors Lincoln Jopp and Eileen Kelliher left the Board. I would like to thank them for their significant contribution and wish them well for the future. The year also saw us welcome Michael Laurie, Sir Paul Stephenson and Derek O'Neill to our Board as Non-executive Directors and most recently, Darren Mee as our Group Finance Director. All bring varied and significant experience to the Group.

It was, however, with great sadness we reported the passing of Impellam's former Chairman, Andrew Wilson. He became Chairman in November 2012 having served as a Non-executive Director of the Group since May 2008. Andrew had been part of the business for more than ten years and made an enormous contribution to the success, leading us to become the Group we are today. I joined the Impellam Board in December 2014 and I look forward to working with Julia to deliver further shareholder value. Finally, I would like to acknowledge the contribution and support of the Board and all our employees during 2014 as the Group continues on its strategic journey."

Lord Ashcroft KCMG PC

Chief Executive Officer’s Report

2014 has been an important year for Impellam. We have worked hard to embed the Group strategy I set out in 2014 and we have made significant progress which I will detail later in my review. During the year, we saw improved economic conditions which favoured the growth and development of the Group. Improved client and candidate sentiment continues to give us clear organic growth opportunities in many market segments. We made two acquisitions during the year: Career Teachers in March and Lorien Resourcing in November. Both businesses are now thriving in the Impellam family and growth synergies are already being recognised.

Financial performance

The Group’s revenue in the year has increased to £1.32 billion, compared to £1.21 billion for 2013. On a like for like basis, excluding the impact of the acquisitions in the period and the foreign currency translation impact of US$ revenues, revenue increased by 4.7%. Revenue increased in both the UK and US Managed Services Businesses and the UK Specialist Staffing businesses but were offset by a reduction in the US Specialist Staffing business. As expected, the revenue in Carlisle, our Support Services business, also reduced with the exit of onerous contracts at the end of 2013 and through 2014.

Group gross profit increased to 14.7% from 14.4% in 2013 with a small gain in the UK driven by Specialist Staffing and improved gross profit in Carlisle. This was offset by a reduction in the US margins. Excluding the impact of acquisitions in the period, gross margin stayed at 14.7%. The Board expects improved margins going forward in all segments and particularly in the US where action was taken mid-way through 2014 to address under performance. Group operating profit, before non-recurring items, was £36.7 million, representing an £8.1 million improvement on the prior year (2013: £28.6 million). The conversion rate of gross profit into adjusted operating profit was 18.9% (2013: 16.5%). The Group’s businesses continue to focus on service delivery and cost efficiencies to drive this key performance indicator, and the new segmentation has highlighted opportunity to address non assigned costs, with a target to improve Group conversion to in excess of 20% in the near term.

At £3.0 million, non-recurring items (including £0.3 million finance non-recurring) are substantially reduced year on year. The charge in the period represents the costs associated with our acquisitions, both successful and unsuccessful, plus costs connected with senior management departures. This compares to £23.2 million in 2013 which largely comprised provisions for onerous contracts in Carlisle together with associated asset write-offs.

Adjusted basic earnings per share were 68.1 pence for the year, compared to 51.5 pence in the comparable period in 2013.

Dividends and share capital

During the year, a final 2013 dividend of 7 pence per ordinary share was declared and paid on 25 July 2014. Furthermore, a 2014 interim dividend of 6.25 pence per ordinary share was declared and paid on 5 September 2014. Subject to shareholder approval, the Board is proposing a final dividend in respect of 2014 of 7.75p per share, amounting to £3.8 million, to be paid on 31 July following the Annual General Meeting. Total dividends paid and unpaid of 14 pence in respect of 2014 are more than four times covered against adjusted earnings per share.

In connection with the acquisition of Lorien Resourcing in November 2014, 1.6 million shares were issued to the vendors, whilst a further 3.3 million shares were placed with new and existing shareholders to raise approximately £15 million – the proceeds of which were used to part fund the initial cash consideration.

Our strategic themes

A focused business

During 2014, we completed the reorganisation of the Group’s staffing businesses into two distinct segments: Managed Services and Specialist Staffing. Our Managed Service businesses manage the supply of temporary, permanent and contract staff – all forms of partial and complete outsourcing – in large organisations. They operate internationally and locally in the private, public and not-for-profit sectors. Multi-disciplinary Managed Service programmes are delivered through Guidant and Comensura while single discipline programmes are delivered though our larger specialist brands, Medacs, Blue Arrow and Lorien Resourcing.

Our Group strength, capability and focus in this area has enabled us to rapidly reach a market-leading position in the Healthcare Managed Services market within our Medacs business. It has also enabled Lorien Resourcing, our newly acquired IT specialist business, to expand its service offering. We have added 14 new clients to our portfolio compared to 12 last year and have a 95% retention ratio of existing customers.

These multi-disciplinary recruitment and supply management services help our customers build better businesses by simplifying specific recruitment processes. By providing our customers with real-time information and control of large-scale workforces we give them transparency. They can see exactly how many staff they are employing, in what functions and at what cost and terms. Our tailored processes and reporting systems allow them to better manage that resource helping them save time and achieve cost savings, while still ensuring compliance.

Our multi-branded Specialist Staffing businesses provide bespoke, expert-to-expert recruitment services in clearly defined talent pools for permanent, temporary, contract and fixed price work.

By tuning in and understanding our customers’ and candidates’ challenges and aspirations, we make sure our services exactly match their needs. Our Specialist Staffing brands yield higher margins than our Managed Service programmes but are more dependent on economic growth.

The combination of Specialist Staffing and Managed Services businesses working in harmony, with shared goals, deliver robust and stable earnings for Impellam Group. This also gives us a balanced business portfolio with long term visibility of earnings through our Managed Services programmes and higher margins in our Specialist Staffing businesses.

The reorganisation will allow us to release the full potential of each business, through improved focus, greater efficiencies, higher productivity, cost savings and improved conversions. As the new structure becomes further embedded, alongside the cultural changes we are leading, we expect to create increased shareholder value by reducing costs, increasing margins, winning new customers and retaining a higher percentage of existing customers.

Take the 'high road'
We help our customers build better businesses by providing them with productive people with a sense of purpose. A Gallup study looking at data from 23,000 businesses demonstrated that those businesses with the highest people engagement scores (top 25%) averaged 18% higher productivity than those with the lowest engagement scores (bottom 25%).

The way we and our customers treat our people has a significant impact on the bottom line. If people enjoy working for an organisation and feel they can make a difference, that organisation is far easier to recruit for. People stay longer at companies that look after them and they are more productive because they are more fulfilled. Better performing staff mean our customers are delighted with our services and that reduces customer losses. Loyal customers are easier and less costly to service and offer better margins.

We work with clients who have this high road approach, but we help develop high road practices with all our customers - it is good for their business and that is good for our business.

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

Our people tune in to both customers and candidates to craft the perfect match so that business and life ambitions can be achieved. By matching the right candidate to a client, we help them to build a better, more sustainable business.

Our approach is backed by service promises combined with the specialisms of our recruiters who are highly experienced. This means that they are well placed to support candidates by offering a more meaningful experience during the recruitment process. Our promise-based culture creates an environment where our people make and keep service promises to our candidates: we do what we say we are going to do each step of the way.

This approach leads to more referrals and ultimately will lead some candidates to become our customers. When we put candidates at the heart of our business model, we create competitive advantage for both Impellam and our customers.

Create a promise based culture
Keeping promises is a strong market differentiator that will help us attract and retain, employees, candidates and customers. Promise-based cultures have two distinct advantages. Firstly, when markets move as fast and are as hard to predict as ours, competitive advantage stems less from inflexible strategies and systems and more from the ability of people to adapt quickly to this turbulence. Promise-based businesses continually adapt to a changing situation in order to deliver the outcomes they've committed to, no matter what challenges and opportunities emerge. Secondly, kept promises build trust in a brand.
Today, we are embedding promise-making in every one of our relationships and putting it at the heart of our culture. When all our people make, keep and deliver promises consistently, we will be the world's most trusted staffing company.

Portfolio refinement
Through highly selective M&A activity, we aim to fill the geographic and sector gaps in our portfolio to enable us to take an increased share of the available £1.6 billion of gross spend we handle on behalf of our Managed Services customers. In 2014, we completed two substantial high road acquisitions which have helped make us the second largest recruitment business in the UK. The Career Teachers and Lorien Resourcing transactions have allowed us to fulfil long-term ambitions of developing market-leading positions in both education and technology recruitment. Opportunities for value creation have been identified both in the acquired companies and across the Group. As a result of the Lorien Resourcing transaction we can now take an increased share of the IT staffing spend we manage on behalf of clients, which we previously outsourced.

The Career Teachers transaction has secured our position, alongside Celsian Education, as one of the UK's market leaders in the supply of teaching staff to primary and secondary schools, a high growth specialist market for the Group.
We will continue to refine our portfolio, identifying dynamic businesses which offer the opportunity for earnings enhancement as well as enabling us to offer new disciplines and broaden our geographical reach.

The Impellam Way – our signature practices
A key part of our strategy is celebrating difference. Not only are our Managed Services businesses different from our Specialist Staffing brands but each brand within our portfolio has its own distinct personality and style appropriate to its market. We believe that people prefer dealing with experts and specialists in their field.

Nevertheless, in order to achieve our vision to be the world's most trusted staffing business; all businesses in the Group have adopted our 4 signature practices: tuning in to customers, producing stars, keeping promises and high integrity leadership to create a thread that is common to all across the Group. Together they are 'The Impellam Way', they are how we ensure that our people have the skills and support to do their jobs, cross sell, move customers up the value chain and ensure candidate experience is enhanced. They also underpin the way we ensure that Managed Services and Specialist Staffing work well together and provide the best solution for customers and candidates. We believe that when all Impellam people follow our signature practices we will achieve our vision and create shareholder value.

Similarly, we now have a renewed focus on the consistent communication of our strategy, goals and ethos. Last year we launched 'Pella', our Group Intranet site. This reinforces our vision, our strategy and our values and acts as a source of reference for our brand, values, policies and procedure as well as facilitating the sharing of information and news across the company.

Corporate social responsibility
We are aware of our contribution to society and that every business activity we undertake has an impact on the communities in which our businesses operate and the environment. We are committed to conducting our business with integrity in an ethical and responsible manner.

We will work with customers who recognise the value we create and strive to provide good workplaces for our people. By doing so, we make sure that we are all working together, responsibly.

With a network of 234 offices, supporting and working with our local communities is important to us. For example, our brands have volunteering programmes where employees are given one paid working day per year for local fundraising or volunteering activities.

It is not uncommon for staff to leave work early to participate in a fun run or to conduct fundraising initiatives during work hours. This scheme was devised following feedback from employees that they wanted to be free to support local charities of their choice with their time and efforts, rather than just by sponsorship and donations.

I am proud of all our people who have volunteered this year, giving up their time, skills and enthusiasm to support a wide range of charities. These activities have ranged from climbing Mount Snowdon, Skydiving, endurance training, cake sales and many more.

On behalf of the Board and my senior leadership team, I would like to take this opportunity to thank everyone at Impellam for their hard work, commitment and support during 2014. We are on a journey to becoming the 'world's most trusted staffing business' and I believe we are one step nearer to fulfilling our vision. I am very much looking forward to making further progress throughout 2015.

Looking forward
Our priorities for 2015 are:

1. Further refinement of operational structure and cost base supporting Managed Service and Specialist Staffing segments

2. Development of our leaders and our culture to ensure unified achievement of our vision

3. Enhancing performance in North America, Asia Pacific and other non UK geographies to support our customers' growth plans

4. Refining our portfolio through highly targeted M&A

5. Selective organic investment in key growth markets

6. Investment in our technology platforms, in particular our digital reach

Julia Robertson
Group Chief Executive Officer

FINANCE DIRECTOR'S REPORT

Movement in net (debt)/cash

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Profit / (loss) before taxation	**31.6**	**(1.1)**
Add back:		
Net finance expense	2.1	1.5
Depreciation, amortisation and impairment	6.0	10.9
Other non-cash items	-	0.6
Cash from operations before working capital changes	**39.7**	**11.9**
Movements in working capital	(8.8)	10.9
Cash generated by operations	**30.9**	**22.8**
Taxation paid	(4.7)	(4.5)
Net finance expense	(1.4)	(1.1)
Investing activities (including debt acquired)	(56.2)	(5.7)
Free cash flow	**(31.4)**	**11.5**
Foreign exchange	(0.2)	(0.6)
Issue of shares	14.6	0.1
Dividends	(5.8)	(19.8)
Movement in net (debt) / cash	**(22.8)**	**(8.8)**

I am pleased to present my first finance report on the results of the Group. This report focuses on the Group's cash flow, financing, going concern and the principal risks facing the business. The net cash generated from operations during the period was £30.9 million (2013:£22.8 million). Movements in working capital were tightly managed during the period with a working capital outflow of £8.8 million (2013: in flow £10.9 million).

The principal measure of working capital remains DSO. At the end of 2014, DSO stood at 41.7 days, 4.5 days worse than the prior period (2013: 37.2 days), reflecting the impact of extended terms negotiated by some of our larger UK managed services customers. Day to day control of cash and tight control of working capital continues to be a priority for the Group.

Capital expenditure in the period was £44.8 million (2013: £5.7 million), including £39.5 million on acquisitions, excluding debt acquired. The net finance expense of £1.4 million (2013: £1.1 million) reflects higher level of borrowings, due to the acquisitions made in the period, albeit with continuing low borrowing costs in the UK and USA linked to base rates.
The Group's main loan facilities are its receivables financing agreement with Barclays Bank plc in the UK and CIT in the USA.

Treasury

The net (debt) / cash position of the Group was as follows:

	Unaudited 2 January 2015 £ m	Audited 27 December 2013 £ m
Cash and short term deposits	53.4	35.1
Revolving credit facilities	(54.0)	(27.1)
Term loan	(14.2)	-
Net (debt) / cash	**(14.8)**	**8.0**

The Barclays agreement was increased by £50m to £120m in connection with the acquisition of Lorien and its term extended to November 2017. The CIT facility remained at $25m which continues to February 2017. The receivable facilities provide the Group with continued operational flexibility. Rates of interest for the invoice discounting facilities are based on UK Base rate plus a margin of 1.35% (previously 1.50%) in the UK, and in the US, US Prime plus 1.75%. In addition, at 2 January 2015, the Group had outstanding letters of credit drawn against its US borrowing facilities amounting to £5.2 million (December 2013: £4.2 million).

Further funding has been negotiated during year through a term loan facility of £15 million, also with Barclays Bank plc. This facility is repayable by equal quarterly payments from December 2014 until termination in September 2019. This loan accrues interest at a margin of 1.75% over UK LIBOR.

In addition, we have a £6 million non-recourse factoring agreement with Citibank to finance certain Lorien receivables which accrues interest at 1.85% over UK Base rate.

The Group continues to focus on the conversion of EBITDA into sustained positive cash flow, investment in high returning projects and the control of its working capital. Borrowing levels are controlled by the Group finance department which manages treasury risk in accordance with policies set by the Board. The Group finance department does not engage in speculative transactions nor does it operate as a profit centre. Short term debt and cash are maintained at floating rates. The Group's financial liabilities are denominated primarily in sterling. The US operations' profit streams and net assets when reported at a Group level are affected by movements in exchange rates, but the Group does not hedge this exposure. Exposure to currency risk at a transactional level is minimal, with most transactions being carried out in local currency.

Taxation

A tax charge of £5.0 million (2013: credit £0.1 million) was recorded in the period. The Group has limited UK trading tax losses brought forward, but has access to substantial tax losses in the US, the use of which is subject to certain restrictions.

Within the UK, the Group is a major contributor to the UK Treasury. During the period, the UK businesses collected and remitted payments to the UK Treasury amounting to £275.1 million (2013: £279.6 million) in the form of VAT, income tax and national insurance as well as Corporation tax. Of this amount, employer's national insurance and corporation tax of £55.4 million (2013: £54.3 million) represented a cost to the business.

Capital management

The Group's capital base is primarily used to finance its working capital requirement; the key component of which is trade receivables. Trade receivables in the staffing and support services sectors are managed according to a range of DSO targets. Terms of trade are strictly adhered to and monitored with approval of extended payment terms requiring senior finance involvement in accordance with delegated authority policies. In certain of the Group's managed services businesses, the amounts payable to third party suppliers are not due until shortly after the receipt of the client receivable. As noted below the Group has committed facilities that ensure there is sufficient liquidity to meet ongoing business requirements.

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

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In coming to their conclusion the Directors have considered the Group's profit plans for the coming period together with outline projections for 2016 and 2017. 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 singly or in combination. On a regular basis, and at least quarterly, the Board review updated projections of future borrowing requirements, facility usage and resulting headroom, together with projected covenant compliance; these are based 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.

Principal risks facing the business

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

Darren Mee
Group Finance Director

Consolidated income statement

For the fifty-three weeks ended 2 January 2015

	Note	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Continuing operations			
Revenue	2	1,323.4	1,206.2
Cost of sales		(1,129.5)	(1,032.9)
Gross profit		193.9	173.3
Administrative expenses		(159.9)	(172.9)
Operating profit	2	34.0	0.4
Operating profit before non-recurring items		36.7	28.6
Non-recurring items	3	(2.7)	(23.2)
Goodwill impairment	3	-	(5.0)
Operating profit		34.0	0.4
Finance expense		(2.1)	(1.5)
Finance expense - non-recurring items	3	(0.3)	-
Profit / (loss) before taxation		31.6	(1.1)
Taxation (charge) / credit	4	(5.0)	0.1
Profit / (loss) for the period attributable to owners of the parent Company		26.6	(1.0)
Earnings / (loss) per share	5		
Attributable to owners of the parent Company			
- basic		59.6	(2.3)p
- diluted		59.6	(2.3)p

Consolidated statement of comprehensive income

For the fifty-three weeks ended 2 January 2015

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Profit / (loss) for the period	26.6	(1.0)
Other comprehensive income:		
Items that may be subsequently reclassified into income:		
Currency translation differences (net of tax)	0.8	(0.7)
Total comprehensive income for the period, net of tax attributable to owners of the parent Company	27.4	(1.7)

Consolidated balance sheet

As at 2 January 2015

	Unaudited 2 January 2015 £ m	Audited 27 December 2013 £ m
Non-current assets		
Property, plant and equipment	5.7	4.3
Goodwill	80.8	46.8
Other intangible assets	85.7	47.2
Deferred tax assets	4.1	2.9
Financial assets	1.8	1.7
	178.1	102.9
Current assets		
Trade and other receivables	286.3	225.3
Cash and cash equivalents	53.4	35.1
	339.7	260.4
Total assets	517.8	363.3
Current liabilities		
Trade and other payables	260.6	192.9
Taxation liabilities	2.9	-
Short-term borrowings	57.0	27.1
Provisions	1.4	7.0
	321.9	227.0
Net current assets	17.8	33.4
Non-current liabilities		
Other payables	8.0	-
Long-term borrowings	11.2	-
Provisions	4.5	15.3
Deferred tax liabilities	16.4	8.9
	40.1	24.2
Total liabilities	362.0	251.2
Net assets	155.8	112.1
Equity		
Issued share capital	0.5	0.4
Share premium account	30.1	15.6
	30.6	16.0
Other reserves	100.6	92.3
Retained earnings	24.6	3.8
Total equity attributable to owners of the parent Company	155.8	112.1

Consolidated cash flow statement

For the fifty-three weeks ended 2 January 2015	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Cash flows from operating activities		
Profit / (loss) before taxation from continuing operations	31.6	(1.1)
Adjustments for:		
Finance expense	2.1	1.5
Goodwill impairment	-	5.0
Depreciation and impairment of property, plant and equipment *	2.0	2.1
Amortisation of software and client relationships	4.0	3.8
Loss on disposal of property, plant and equipment	-	0.6
	39.7	11.9
(Increase) / decrease in trade and other receivables	(2.0)	1.5
Increase / (decrease) in trade and other payables	10.5	(3.2)
(Decrease) / increase in provisions	(17.3)	12.6
Cash generated by operations	30.9	22.8
Taxation paid	(4.7)	(4.5)
Net cash generated by operating activities	26.2	18.3
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (note 6)	(39.5)	(0.6)
Purchase of property, plant and equipment	(3.2)	(1.9)
Purchase of intangible assets	(2.1)	(3.4)
Proceeds of disposal of property, plant and equipment	-	0.1
Net movement in other financial assets	-	0.1
Net cash utilised by investing activities	(44.8)	(5.7)
Cash flows from financing activities		
Shares issued (net of transaction costs)	14.6	0.1
New long-term loans	15.0	-
Repayment of long-term loans	(0.8)	-
Net movement in short-term borrowings	15.5	6.1
Dividends paid	(5.8)	(19.8)
Finance expense paid	(1.4)	(1.1)
Net cash outflow from financing activities	37.1	(14.7)
Net increase / (decrease) in cash and cash equivalents	18.5	(2.1)
Opening cash and cash equivalents	35.1	37.8
Foreign exchange losses on cash and cash equivalents	(0.2)	(0.6)
Closing cash and cash equivalents	53.4	35.1

* includes £0.2 million depreciation relating to the Carlisle Support Services business charged above the line in cost of sales which is not added back in arriving at EBITDA

Consolidated statement of changes in equity

For the fifty-three weeks ended 2 January 2015

Audited	Total share capital and share premium £ m	Other reserves £ m	Retained earnings £ m	Total equity £ m
29 December 2012	15.9	93.0	24.6	133.5
Currency translation differences (net of tax)	-	(0.7)	-	(0.7)
Total other comprehensive income	-	(0.7)	-	(0.7)
Loss for the period	-	-	(1.0)	(1.0)
Total comprehensive income in period	-	(0.7)	(1.0)	(1.7)
Exercise of share options	0.1	-	-	0.1
Dividends paid	-	-	(19.8)	(19.8)
27 December 2013	16.0	92.3	3.8	112.1
Unaudited				
28 December 2013	16.0	92.3	3.8	112.1
Currency translation differences (net of tax)	-	0.8	-	0.8
Total other comprehensive income	-	0.8	-	0.8
Profit for the period	-	-	26.6	26.6
Total comprehensive income in period	-	0.8	26.6	27.4
Shares issued in placing	15.0	-	-	15.0
Merger reserve created on acquisition	-	7.5	-	7.5
Transaction costs relating to share placing	(0.4)	-	-	(0.4)
Dividends paid	-	-	(5.8)	(5.8)
2 January 2015	30.6	100.6	24.6	155.8

Notes to the consolidated financial statements

For the fifty-three weeks ended 2 January 2015

1. Basis of preparation

- Statement of compliance

  The financial statements presented in this financial report have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union that are applicable to the consolidated financial statements for the period ended 2 January 2015.

- Financial information

  The financial information, which is unaudited, for the fifty three weeks to 2 January 2015 does not constitute the statutory accounts of the Group for the relevant period within the meaning of section 434 of the Companies Act 2006. Such statutory accounts will be completed in due course and delivered to the Registrar of Companies.

- Accounting policies, new IFRS and interpretations

  The accounting policies used in this report are consistent with those applied at 27 December 2013. No other new and/or revised IFRS and IFRIC publications that come into force in the period and were adopted have had any impact on the accounting policies, financial position or performance of the Group.

2. Segment information

Following a strategic review in late 2013 and early 2014 the management structures have been re-aligned and reporting to the chief operating decision maker (CODM) changed in 2014. Segments and comparative figures have been restated for 2013 to reflect these changes.

Continuing operations

Fifty-three weeks ended 2 January 2015 - Unaudited

	Revenue	EBITDA	Depreciation and amortisation *	**Segment Operating profit /(loss) before non-recurring items**	Non-recurring items # (note 3)
	£ m	£ m	£ m	**£ m**	£ m
Managed services - United Kingdom	**597.2**	16.3	(0.1)	**16.2**	-
Specialist staffing - United Kingdom	**544.0**	25.0	(1.0)	**24.0**	-
Managed services - North America	**95.3**	1.7	(1.1)	**0.6**	-
Specialist staffing - North America	**91.4**	3.0	(0.2)	**2.8**	-
Inter-segment revenues	**(65.5)**	-	-	**-**	-
Shared costs	-	(0.1)	(3.0)	**(3.1)**	-
Total staffing services	**1,262.4**	45.9	(5.4)	**40.5**	-
Carlisle support services	**61.0**	0.2	(0.4)	**(0.2)**	**1.3**
Operating segments	**1,323.4**	46.1	(5.8)	**40.3**	1.3

* a further £0.2 million of depreciation relating to the Carlisle Support Services business is charged above the line in cost of sales.

Other information	Managed services - UK Days	Specialist staffing - UK Days	Managed services - NA Days	Specialist staffing - NA Days	**Group total** **Days**
Days' sales outstanding (DSO)	27.0	38.0	20.2	48.3	**41.7**

Fifty-two weeks ended 27 December 2013 - Audited

	Revenue **£ m**	EBITDA £ m	Depreciation and amortisation * £ m	**Segment Operating profit /(loss) before non-recurring items** **£ m**	Non-recurring items # (note 3) £ m
Managed services - United Kingdom	**482.3**	14.9	(0.3)	**14.6**	-
Specialist staffing - United Kingdom	**502.5**	19.3	(1.0)	**18.3**	-
Managed services - North America	**88.2**	2.5	(1.3)	**1.2**	-
Specialist staffing - North America	**104.2**	4.1		**4.1**	-
Inter-segment revenues	**(45.0)**	-	-	**-**	-
Shared costs	-	1.2	(2.6)	**(1.4)**	-
Total staffing services	**1,132.2**	42.0	(5.2)	**36.8**	-
Carlisle support services	**74.0**	(3.7)	(0.5)	**(4.2)**	**(23.3)**
Operating segments	**1,206.2**	38.3	(5.7)	**32.6**	(23.3)

* a further £0.2 million of depreciation relating to the Carlisle Support Services business is charged above the line in cost of sales.

Other information	Managed services - UK Days	Specialist staffing - UK Days	Managed services - NA Days	Specialist staffing - NA Days	**Group total** **Days**
Days' sales outstanding (DSO)	23.2	39.4	25.4	42.1	**37.1**

Reconciliation of segment operating profit to profit/(loss) after tax is as follows:

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 restated £ m
Segment operating profit before non-recurring items	40.3	32.6
Corporate costs	(3.6)	(4.0)
Operating profit before non-recurring items	36.7	28.6
Non-recurring items[#] (note 3)	(2.7)	(23.2)
Goodwill impairment	-	(5.0)
Operating profit	34.0	0.4
Finance expense	(2.1)	(1.5)
Finance expense - non-recurring	(0.3)	-
Taxation (charge) / credit	(5.0)	0.1
Profit / (loss) for the period from continuing operations	26.6	(1.0)

[#] Non-recurring items comprise acquisition costs, abortive transaction costs and senior management restructuring, net of a credit from onerous contract provisions. In 2013, they represent onerous contract provision and associated costs, net of a credit on certain corporate property exit costs.

3. Non-recurring items and goodwill impairment

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Acquisition costs (a)	3.0	-
Abortive transaction costs (b)	0.5	-
Senior management restructuring (c)	0.5	-
Contract exit costs, onerous contract provision and associated impairment of assets – Carlisle (d)	(1.3)	23.3
Net credit on property exit costs less provision release – Corporate (e)	-	(0.1)
	2.7	23.2
Group goodwill impairment re Carlisle Support Services	-	5.0
Total included in Operating profit	2.7	28.2
Finance expense - non-recurring items (f)	0.3	-

a) The costs associated with the acquisition of Career Teachers Limited and Lorien Limited have been expensed to the income statement as a non-recurring item due to the size of expense and as the costs are not incurred in the normal course of trading. These costs include bonuses arising from the achievement of successful acquisitions in the year.

b) Certain third party deal costs were incurred during the period in connection with a potential acquisition including associated fund raising costs. The costs have been taken to the income statement as non-recurring items due to their size and as they were not incurred in the normal course of trading.

c) The senior management of the Group has been restructured during the course of the year which has resulted in termination payments being made. These have been shown as exceptional due to their being outside of normal activities size and due to their significance.

d) During the period the Group has successfully negotiated the exit of one of the onerous contracts, the expected losses of which it had previously provided for in full to the end of the contract term. As a consequence, the expected future losses have been reduced which has allowed £1.3 million of excess provision to be released to the income statement. As the set-up of the provision for the onerous contract was taken as a non-recurring item in the income statement in 2013, the release of provision has also been taken as a non-recurring item

In 2013, the Carlisle Support Services exceptional item arose from the write-off of start-up costs previously capitalised on a contract found to be onerous and the provision for future losses on this contract extending for a further 4.25 years, together with the cost of early exit from a second contract. The cash impact of these items in 2013 was £7.0 million, the balance being paid out in 2014. A tax credit of £5.4 million was recognised for these onerous contract costs.

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

f) Finance costs previously capitalised have been written off due to the negotiation of a new Receivable Financing agreement pursuant to the acquisition of Lorien Limited.

4. Taxation

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 £ m
Current income tax		
UK Corporation tax on results for the period	6.2	0.7
Adjustments in respect of previous periods	0.3	(0.4)
	6.5	0.3
Foreign tax in the period	0.1	0.2
Total current income tax	6.6	0.5
Deferred tax credit	(1.6)	(0.6)
Taxation charge / (credit) in the income statement	5.0	(0.1)

5. Earnings / (loss) per share

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

Diluted earnings per share amounts are calculated on the same basis but after adjusting the denominator for the effects of dilutive options. There are no dilutive options in 2014, in 2013 the only potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans and those associated with the former Chairman. There were 83,165 options outstanding at 28 December 2012 under the former arrangement and 250,000 under the latter, however, these were exercised or cancelled during the period and there are none now outstanding.

Excluding the 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust, the weighted average number of shares in 2014 is 44,625,529 (2013: 43,893,143) and the fully diluted average number of shares is also 44,625,529 (2013: 44,004,826).

The calculations of basic earnings per share ("EPS") is based upon the following consolidated income statement data:

	Unaudited 53 weeks 2 January 2015 £ m	Audited 52 weeks 27 December 2013 Restated# £ m
Profit / (loss) for the period	26.6	(1.0)
Non-recurring items (net of tax)	2.8	17.8
Customer relationship amortisation (net of tax)	1.0	0.8
Goodwill impairment	-	5.0
Adjusted profit for the period	30.4	22.6

EPS calculation

	Unaudited 53 weeks 2 January 2015 Pence	Audited 52 weeks 27 December 2013 Restated# Pence
Unadjusted earnings per share	59.6	(2.3)
Non-recurring items (net of tax)	6.3	40.6
Customer relationship amortisation (net of tax)	2.2	1.8
Goodwill impairment	-	11.4
Adjusted earnings per share	68.1	51.5

The comparative figures for 2013 have been restated for the tax effect on the adjustments and with the inclusion of customer relationship amortisation.

6. Business combinations - unaudited

Acquisition of Lorien Limited

On 3 November 2014 the Group acquired 100% of the shares of Lorien Limited, an unlisted company incorporated in the United Kingdom and specialising in recruitment, in exchange for cash and shares in the Group. The Group acquired Lorien Limited in order to expand its portfolio of brands and to gain entry to the technical and IT recruitment marketplace

Assets acquired and liabilities assumed

The fair values of identifiable assets and liabilities of Lorien Limited as at the date of acquisition were:

	Acquired book value £ 000's	Fair value recognised on acquisition £ 000's
Property, plant and equipment	203	203
Brand value	-	12,956
Customer relationships	-	15,757
Trade and other receivables	52,539	52,539
Cash and short-term deposits	19,002	19,002
	71,744	**100,456**
Trade and other payables	(47,133)	(47,133)
Taxation liabilities	(738)	(738)
Short-term borrowings	(30,453)	(30,453)
Provisions	(481)	(481)
Deferred tax liabilities	-	(5,742)
	(78,805)	(84,547)
Total identifiable net (liabilities) / assets at fair value	**(7,061)**	**15,909**
Goodwill arising on acquisition		23,792
Purchase consideration		**39,701**

The goodwill of £23.8 million comprises the value of its employees and their close understanding of their client requirements which are of great importance in the recruitment business and expected synergies arising from the acquisition with Lorien Limited providing candidates for fellow Group companies. Goodwill is allocated wholly to the Managed services segment and included in the Impellam United Kingdom cash generating unit for impairment testing.

The deferred tax liability arises from the tax effect of temporary timing differences relating to brand values and customer relationships.

Purchase consideration	**£ 000's**
Shares issued, at fair value	7,500
Cash consideration	22,321
Contingent consideration liability	9,879
Total consideration	**39,701**

Other cash flows on acquisition	£ 000's
Transaction costs of the acquisition (included in cash flows from operating activities)	2,138
Net debt acquired with the subsidiary (included in cash flows from financing activities)	11,451
Transaction cost attributable to issuance of shares (included in cash flows from financing activities, net of tax)	407
Net other cash out flow on acquisition	**13,996**

The Group issued 1,630,426 million shares as part consideration for the 100% interest in Lorien Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition which was £4.60. The fair value of the consideration given is therefore £7.5 million. The excess of fair value over nominal value is transferred to a merger reserve in accordance with s612 of the Companies Act 2006.

Transaction costs of £1.8 million have been expensed and included in administrative costs with a further £0.3 million expensed as finance cost and £0.4 million expensed against share premium.

Contingent consideration

As part of the purchase agreement with the previous owners of Lorien Limited, a contingent consideration has been agreed. There will be additional payments due, in cash or shares at the Group's option, to the previous owners of Lorien Limited as follows:

a) up to £6.0 million if adjusted EBITDA exceeds £7.5 million in the 12 months to 31 January 2015.

b) up to £13.9 million if adjusted EBITDA exceeds £9.0 million in the 12 months ending 31 January 2016.

As at the acquisition date, the fair value of the contingent consideration was estimated to be £9.9 million. The fair value is determined using managements best estimate of EBITDA for these periods.

Significant unobservable valuation inputs are provided below:

Adjusted EBITDA for Lorien Limited
Discount rate

A significant increase / (decrease) in EBITDA of Lorien Limited would result in higher / (lower) fair value of the contingent consideration liability, while significant increase / (decrease) in discount rate would result in (lower) / higher fair value of the liability.

At 2 January 2015 the performance indicators have not changed significantly from those used at the date of acquisition.

From the date of acquisition, Lorien Limited has contributed £51.4 million of revenue and £1.3 million to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £1,607 million and the profit before tax from continuing operations would have been £38.9 million.

Acquisition of Career Teachers Limited

On 6 March 2014 the Group acquired 100% of the shares of Career Teachers Limited, an unlisted company incorporated in the United Kingdom and specialising in recruitment, in exchange for cash and loan notes in the Group. The Group acquired Career Teachers Limited in order to expand its portfolio of brands and to gain entry to the London teachers recruitment marketplace

Assets acquired and liabilities assumed

The fair values of identifiable assets and liabilities of Career Teachers Limited as at the date of acquisition were:

	Acquired book value £ 000's	Fair value recognised on acquisition £ 000's
Property, plant and equipment	2	2
Brand value	-	11,457
Trade and other receivables	3,162	3,162
Cash and short-term deposits	2,020	2,020
	5,184	**16,641**
Trade and other payables	(2,127)	(2,127)
Taxation liabilities	(642)	(642)
Deferred tax liabilities	-	(2,291)
	(2,769)	(5,060)
Total identifiable net assets at fair value	**2,415**	**11,581**
Goodwill arising on acquisition		10,217
Purchase consideration		**21,797**

The goodwill of £10.2 million comprises the value of expected synergies arising from the acquisition together with entry into the Greater London teachers market. Goodwill is allocated wholly to the Specialist services segment and included in the Impellam United Kingdom cash generating unit for impairment testing.

The deferred tax liability arises from the tax effect of temporary timing differences relating to brand value.

Purchase consideration	**£ 000's**
Loan notes issued, at fair value	1,129
Cash consideration	19,168
Deferred consideration liability	1,500
Total consideration	**21,797**

Other cash flows on acquisition	**£ 000's**
Transaction costs of the acquisition (included in cash flows from operating activities)	1,163
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(2,020)
Net other cash inflow on acquisition	**(857)**

Transaction costs of £1.2 million have been expensed and included in administrative costs.

As at the acquisition date, the fair value of the loan notes was estimated to be £1.1 million. The fair value is determined using the discounted cash flow method.

From the date of acquisition, Career Teachers Limited has contributed £19.7 million of revenue and £2.5 million to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £1,333.1 million and the Group profit before tax from continuing operations would have been £34.2 million.

7. Net cash / (debt) - unaudited

	27 December 2013 £ m	Cash flow £ m	On acquisition £m	Foreign exchange £m	2 January 2015 £ m
Cash and short-term deposits	35.1	18.5	-	(0.2)	53.4
Revolving credit	(27.1)	(15.5)	(11.4)	-	(54.0)
Term loan	-	(14.2)	-	-	(14.2)
Net cash / (debt)	8.0	(11.2)	(11.4)	(0.2)	(14.8)

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Impellam Group plc, traded on the AIM (Symbol: IPEL) is a leading provider of managed services and specialist staffing expertise and is primarily based in the UK and North America, with smaller operations in Australasia, Ireland and mainland Europe. Impellam Group plc provides fulfilling jobs to doctors, lawyers, accountants, nurses, teachers, scientists, receptionists, drivers, chefs, administrators, engineers, technology specialists, cleaners, security guards, and manufacturing and warehouse operatives through 18 specialist businesses across a broad range of sectors. Impellam Group plc manage them as teams or individually and help clients build better businesses in a changing world. Impellam Group plc is the 2nd largest recruitment business in the UK, 12th worldwide with over 2,500 Impellam people across over 234 locations worldwide.