



## UNAUDITED INTERIM RESULTS

Impellam Group plc ("Impellam") - London AIM: IPEL; 25 July 2013

Impellam announces its unaudited interim results for the 26 weeks ended 28 June 2013.

### Key highlights

- Revenue £591.7 million (2012: £590.9 million)
- Gross profit £83.8 million (2012: £86.0 million)
- Segment EBITDA from continuing operations of £17.3 million (2012: £21.3 million)
- Operating profit £11.8 million (2012: £12.8 million)
- Conversion of gross profit into operating profit of 14.1% (2012: 14.9%)
- Earnings per share of 20.1p (2012: 20.9p)
- Interim dividend of 5.0 pence per share (2012: 7.0 pence per share) payable to all shareholders on the register on 2 August 2013.

Andrew Wilson, Chairman, commented:

"The outlook in our core Staffing markets in the United Kingdom and North America is positive with both divisions showing growth in their Managed Services and Specialist Staffing operations. We will invest judiciously in the opportunities that we see in these markets.

Performance in both our Medacs Healthcare and Carlisle Support Services divisions was disappointing. However, the longer term growth outlook for both of them remains positive. I am confident that the correct actions are being taken to address the weaknesses that have emerged in these businesses in the first half of this year.

The contrasting fortunes of our four operating divisions means that in comparison with the first half of 2012, performance has been flat at the EPS level. Challenges remain and will need to be addressed in the second half of the year. Our expectation is that we will see a continuance of the strong performance in the core UK and US businesses in the second half of the year but that the corrective changes we will implement in Medacs and Carlisle will continue, for the short term, to hold back growth in EPS.

Underlying profitability and resilient cash generation remains a very strong feature of the business. Therefore, in line with stated intentions, I am happy to report that the Group is proposing a 5.0 pence per ordinary share interim dividend which is 4.0 times covered. The dividend will be paid on 2 September 2013 to all shareholders on the share register on 2 August with an ex-dividend date of 31 July 2013.

Julia Robertson, Chief Executive, commented:

"I am very encouraged by the consistent and reliable trading performances of our Staffing businesses in the United Kingdom and North America, both of which are delivering improved margins and profits whilst positioning themselves to take advantage of the accelerating opportunities in both geographies for managed services and specialist staffing.

Our Healthcare business, Medacs, is developing and adapting to challenging market conditions in Doctor recruitment in the UK. It continues to invest in new geographies, service offerings and markets whilst benefiting from the Group's deep understanding of Managed Services provision to ensure delivery of consistent future earnings.

Carlisle Support Services has experienced a challenging and disappointing first half due to a combination of internal and external factors and we are responding accordingly, in particular looking at ways to leverage Group capability and resource to improve market position, process and profitability."

### **Impellam United Kingdom**

Revenue increased 1.5% to £372.1 million and gross profit increased by 0.8% to £50.7 million with the business returning to year on year net fee income growth in Q2 of 2013. Market indicators suggest a continued improvement in the outlook for the UK economy and our portfolio of specialist staffing businesses are poised to capitalise on this trend in the second half of the year, complementing our Managed Services businesses which continue to take market share. In addition, we are seeing pleasing growth in perm placement fees which now represent 17.2% (2012: 16.3%) of net fee income.

Operating profit in the segment improved to £12.3 million from £11.7 million in the prior year as a result of both net fee income growth and further improvements in efficiency. Operating profit conversion improved to 24.3% in the period.

### **Impellam North America**

Revenue increased 7.7%\* to £95.2 million and gross profit increased by 6.8%\* to £18.9 million. Our North American business has now seen five quarters of year on year growth primarily due to the take up of high value, innovative client solutions in our Managed Services business.

In order to deliver top line growth and increased efficiency, we have invested in new front and back office platforms. Therefore, although we are seeing year on year growth in EBITDA, increased amortisation charges have impacted operating profits which are flat. As the US economy continues to recover, we remain confident that these investments will pay off in terms of improved year on year EBIT in the second half.

### **Medacs Healthcare Group**

Revenue decreased 8.7% to £87.7 million and gross profit declined by 9.0% to £12.2 million. The business is experiencing challenging market conditions with margins under pressure and growth in demand in specific clinical areas being subject to short supply. Buying patterns in the NHS are also changing with shorter lead times and multiple buying frameworks for medical professionals alongside increased penetration of new entrants, particularly those offering solutions aimed at enabling the NHS to reduce VAT related costs.

We are also bearing increased costs associated with both enhanced compliance requirements and in the sourcing of the required medical professionals for the demand available. Accordingly, operating profit of the segment fell to £2.1 million.

We continue to invest in attractive markets and in June made a strategically important and earnings enhancing acquisition of a business placing Nurses and Doctors into permanent positions in Singapore. In addition we have invested in the development of our Managed Services offering where we are able to leverage our market leading experience elsewhere in the Group into the emerging Healthcare managed services market.

## **Carlisle Support Services**

Revenue decreased 9.4% to £36.7 million and gross profit declined by 57.4% to £2.0 million. Whilst some underlying progress is being made in our cleaning and security business, the costs associated with the mobilisation and re-engineering of recent contract wins is substantially depressing gross margin percentages compared to prior periods. In addition, and in-line with prevailing market conditions, the business is continuing to see little or no recovery in demand in the retail market as customers continue to defer shop refurbishment as they assess their brick and mortar strategy versus their investment in on-line channels. Accordingly, the business reported an operating loss of £2.0 million in the first half.

Recognising the evolving market, changes to the management structure have recently been made to enable us to leverage our overall Group experience and capability in the mobilisation of high volume labour solutions to the retail, transport and logistics sectors. In the medium term, this will enable us to deliver a differentiated value proposition in the support services sector whilst creating operational improvement and cost synergies.

The short term outlook for this business continues to be mixed. The expected benefits from the new management structure and the conversion of contract wins into profitable long term income streams will take time to achieve and further losses are expected in the second half of the year.

### **Cash flow, net debt and net assets:**

The Group used £20.2 million of cash in operations in the first twenty-six weeks of the year (2012: £7.5 million), a principle factor being the timing of quarter end VAT payments. Our main measure of working capital management, days sales outstanding (DSO), continue to be well controlled. DSO for the Group was 39.8 at 28 June 2013 compared to 38.4 at 28 December 2012 and 38.5 days at 29 June 2012.

Net debt increased by £41.1 million to £24.3 million as at 28 June 2013 (28 December 2012: net cash £16.8 million, 29 June 2012: net debt £12.9 million). During the first half of 2013, the Group paid £15.4 million in dividends (2012: nil), utilised £2.7 million on capital expenditure (2012: £2.0 million), spent £1.0 million on a small in-fill acquisition in Singapore to extend the Medacs geographical coverage, and paid interest of £0.6 million (2012: £0.6 million). With continuing profitability and the utilisation of historic tax losses, the Group paid £1.9 million in Corporation tax in the period (2012: £2.5 million).

In addition, the Group has outstanding letters of credit drawn against its US borrowing facilities amounting to \$6.1 million (28 December 2012: \$6.1 million).

At 28 June 2013, the Group had net assets of £127.7 million (28 December 2012: £133.5 million).

## Financial results for the twenty-six weeks to 28 June 2013

The table below sets out the results for the Group by segment for the first half of 2013. The segment reporting has been aligned to that used for the full year reporting in 2012. Comparative amounts for 2012 have therefore been restated.

<u>Group results (unaudited)</u> £'million	<u>Revenue</u>			<u>Gross profit</u>			<u>Operating profit</u>	
	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>2013</u>	<u>2012</u>
Impellam United Kingdom	372.1	366.7	1.5	50.7	50.3	0.8	12.3	11.7
Impellam North America*	95.2	87.6	7.7	18.9	17.6	6.8	2.0	2.0
Medacs Healthcare Group	87.7	96.1	(8.7)	12.2	13.4	(9.0)	2.1	4.6
Carlisle Support Services	36.7	40.5	(9.4)	2.0	4.7	(57.4)	(2.0)	0.1
	<u>591.7</u>	<u>590.9</u>	0.1	<u>83.8</u>	<u>86.0</u>	(2.6)	<u>14.4</u>	<u>18.4</u>
Depreciation and amortisation							2.9	2.9
EBITDA							17.3	21.3
Central costs							(2.6)	(2.6)
Operating profit before non-recurring items							11.8	15.8
Non-recurring items							-	(3.0)
<b>Operating profit</b>							<u>11.8</u>	<u>12.8</u>

\* % change measured in local currency

## Consolidated income statement

For the twenty-six weeks ended 28 June 2013

	Notes	2013 £m	2012 £m
<b>Continuing operations</b>			
Revenue	2	591.7	590.9
Cost of sales		<u>(507.9)</u>	<u>(504.9)</u>
<b>Gross profit</b>		83.8	86.0
Administrative expenses		<u>(72.0)</u>	<u>(73.2)</u>
<b>Operating profit</b>	2	11.8	12.8
Operating profit before restructuring costs		11.8	15.8
Restructuring costs		<u>-</u>	<u>(3.0)</u>
Operating profit		11.8	12.8
Finance expense		<u>(0.7)</u>	<u>(0.7)</u>
<b>Profit before taxation</b>		11.1	12.1
Taxation	3	<u>(2.3)</u>	<u>(2.8)</u>
<b>Profit for the period attributable to owners of the parent Company</b>		<u>8.8</u>	<u>9.3</u>
<b>Earnings per share for equity holders of the parent Company</b>			
Basic and diluted	4	<u>20.1p</u>	<u>20.9p</u>

## Consolidated statement of comprehensive income

For the twenty-six weeks ended 28 June 2013

	2013 £m	2012 £m
<b>Profit for the period</b>	8.8	9.3
<b>Other comprehensive income:</b>		
<b>Losses recognised directly in equity</b>		
Currency translation differences (net of tax)	<u>0.7</u>	<u>(0.1)</u>
<b>Total comprehensive income for the period attributable to owners of the parent Company</b>	<u>9.5</u>	<u>9.2</u>

## Consolidated balance sheet

	28 June 2013 £m	28 December 2012 £m
<b>Non-current assets</b>		
Property, plant and equipment	5.1	5.2
Goodwill	51.6	51.1
Other intangible assets	48.2	47.7
Deferred tax assets	2.8	3.1
Financial assets	1.9	1.8
	<u>109.6</u>	<u>108.9</u>
<b>Current assets</b>		
Trade and other receivables	242.6	227.8
Cash and short-term deposits	18.0	37.8
	<u>260.6</u>	<u>265.6</u>
<b>Total assets</b>	<u>370.2</u>	<u>374.5</u>
<b>Current liabilities</b>		
Trade and other payables	178.2	197.3
Taxation liabilities	3.8	3.3
Short-term borrowings	42.3	21.0
Provisions	3.8	3.8
	<u>228.1</u>	<u>225.4</u>
<b>Net current assets</b>	<u>32.5</u>	<u>40.2</u>
<b>Non-current liabilities</b>		
Other payables	-	0.1
Provisions	4.7	5.5
Deferred taxation liabilities	9.7	10.0
	<u>14.4</u>	<u>15.6</u>
<b>Total liabilities</b>	<u>242.5</u>	<u>241.0</u>
<b>Net assets</b>	<u>127.7</u>	<u>133.5</u>
<b>Equity</b>		
Issued share capital	0.4	0.4
Share premium account	15.6	15.5
	16.0	15.9
Other reserves	93.7	93.0
Retained earnings	18.0	24.6
<b>Total equity</b>	<u>127.7</u>	<u>133.5</u>

# Consolidated cash flow statement

For the twenty-six weeks ended 28 June 2013

	2013 £m	2012 £m
<b>Cash flows from operating activities</b>		
Profit before taxation	11.1	12.1
Adjustments for:		
Net interest charge	0.7	0.7
Depreciation and amortisation	2.9	2.9
	<u>14.7</u>	<u>15.7</u>
Increase in trade and other receivables	(11.8)	(38.6)
(Decrease) / increase in trade and other payables	(22.2)	15.3
(Decrease) / increase in provisions	(0.9)	0.1
	<u>(20.2)</u>	<u>(7.5)</u>
<b>Cash utilised by operations</b>	(20.2)	(7.5)
Taxation paid	(1.9)	(2.5)
	<u>(22.1)</u>	<u>(10.0)</u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary	(1.0)	-
Purchase of property, plant and equipment	(1.0)	(0.8)
Purchase of intangible assets	(1.7)	(1.2)
Net movement in other financial assets	0.1	0.1
	<u>(3.6)</u>	<u>(1.9)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary share capital	0.1	-
Net movement in short-term borrowings	21.3	12.4
Dividend paid	(15.4)	-
Purchase and cancellation of own shares	-	(2.0)
Finance expense paid	(0.6)	(0.6)
	<u>5.4</u>	<u>9.8</u>
<b>Net cash inflow from financing activities</b>	5.4	9.8
<b>Net decrease in cash and equivalents</b>	(20.3)	(2.1)
Opening cash and cash equivalents	37.8	22.3
Foreign exchange loss on cash and cash equivalents	0.5	(0.2)
	<u>18.0</u>	<u>20.0</u>
<b>Closing cash and cash equivalents</b>	18.0	20.0

**Consolidated statement of changes in equity**

For the twenty-six weeks ended 28 June 2013

	Total share capital and share premium £ m	Other reserves £ m	Retained earnings £ m	Total equity £ m
<b>28 December 2012</b>	15.9	93.0	24.6	133.5
<b>Other comprehensive income</b>	-	0.7	-	0.7
Profit for the period	-	-	8.8	8.8
Shares issued on exercise of options	0.1	-	-	0.1
Dividends paid	-	-	(15.4)	(15.4)
<b>28 June 2013</b>	16.0	93.7	18.0	127.7



# Notes to the interim financial statements

## 1 Basis of preparation

### I. Statement of compliance

The unaudited interim financial statements presented in this financial report have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union that are expected to be applicable to the consolidated financial statements for the 52 weeks ending 27 December 2013. As permitted, this interim report has been prepared in accordance with the AIM Rules for Companies and does not seek to comply with IAS 34 "Interim Financial Reporting".

### II. Statutory information

The financial information, which is unaudited, for the twenty-six weeks to 28 June 2013 does not constitute the statutory accounts of the Group for the relevant period within the meaning of section 434 of the Companies Act 2006.

The published annual report and accounts of Impellam Group plc for the 52 weeks ended 28 December 2012 were reported on by the auditors without qualification, did not contain an emphasis of matter paragraph, did not contain any statement under section 498 of the Companies Act 2006, and have been delivered to the Registrar of Companies.

### III. Accounting policies, new IFRS and interpretations

The accounting policies used in this report are consistent with those applied at 28 December 2012.

No new and/or revised IFRS and IFRIC publications that come into force in the period have any impact on the accounting policies, financial position or performance of the Group.

## 2 Segmental information

Twenty-six weeks ended 28 June 2013

<b>Continuing operations</b>	Impellam United Kingdom  £m	Impellam North America  £m	Medacs Healthcare Group  £m	Carlisle Support Services  £m	<b>Group total  £m</b>
<b>Segment revenue</b>	372.1	95.2	87.7	36.7	<b>591.7</b>
<b>Segment EBITDA</b>	13.9	2.7	2.5	(1.8)	<b>17.3</b>
Depreciation and amortisation	(1.6)	(0.7)	(0.4)	(0.2)	<b>(2.9)</b>
<b>Segment EBIT</b>	12.3	2.0	2.1	(2.0)	<b>14.4</b>
Unallocated – Corporate cost					<b>(2.6)</b>
<b>Operating profit</b>					<b>11.8</b>
Finance expense					<b>(0.7)</b>
<b>Profit before taxation</b>					<b>11.1</b>
Taxation					<b>(2.3)</b>
<b>Profit for the period</b>					<b>8.8</b>

Twenty-six weeks ended 29 June 2012 - restated

<b>Continuing operations</b>	Impellam United Kingdom £m	Impellam North America £m	Medacs Healthcare Group £m	Carlisle Support Services £m	<b>Group Total £m</b>
<b>Segment revenue</b>	366.7	87.6	96.1	40.5	<b>590.9</b>
<b>Segment EBITDA</b>	13.5	2.5	5.0	0.3	<b>21.3</b>
Depreciation and amortisation	(1.8)	(0.5)	(0.4)	(0.2)	<b>(2.9)</b>
<b>Segment EBIT</b>	11.7	2.0	4.6	0.1	<b>18.4</b>
Unallocated – Corporate cost					<b>(2.6)</b>
<b>Operating profit before non-recurring items</b>					<b>15.8</b>
Non-recurring items					<b>(3.0)</b>
<b>Operating profit before finance costs and taxation</b>					<b>12.8</b>
Finance expense					<b>(0.7)</b>
<b>Profit before taxation</b>					<b>12.1</b>
Taxation					<b>(2.8)</b>
<b>Profit for the period</b>					<b>9.3</b>

The segment reporting has been aligned to that used for the full year reporting. Comparative amounts for 2012 have therefore been restated.

Non-recurring items include restructuring and reorganisation costs.

### 3 Taxation

Income tax expense is recognised based on management's best estimate of the effective annual income tax rate expected for the full financial year.

### 4 Earnings per share

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

Diluted earnings per share amounts are calculated on the same basis, but after adjusting the denominator for the effects of dilutive options. The only potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans. There were no outstanding options as at 28 June 2013 (2012: 83,165). These option numbers has no effective impact on the earnings per share figures in either period; hence the diluted and basic figures are the same.

The weighted average number of shares calculated for the period from 29 December 2012 to 28 June 2013 for the basic calculation is 43,885,881 (2012: 44,496,014), excluding the shares owned by The Corporate Services Group Employee Share Trust.

### 5 Additional cash flow information

	28 December 2012 £m	Cash flow £m	Foreign exchange £m	28 June 2013 £m
Cash and short term deposits	37.8	(20.3)	0.5	18.0
Short term borrowings - revolving credit	<u>(21.0)</u>	<u>(21.3)</u>	<u>-</u>	<u>(42.3)</u>
Net cash / (debt)	<u>16.8</u>	<u>(41.6)</u>	<u>0.5</u>	<u>(24.3)</u>

### 6 Dividends

During the period the Board has approved and paid a special dividend of 35.0 pence per share on 10 April 2013, amounting to £15.4 million. The Board has also paid a final dividend for 2012 of 5 pence per share on 10 July 2013, amounting to £2.2 million.

The Board also announces the payment of an interim dividend of 5.0 pence per share, amounting to £2.2 million payable on 2 September 2013 to all shareholders on the register on 2 August 2013.

**Enquiries:** For further information please contact the appropriate individual below.

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**Note to Editors:**

Impellam Group plc, trading on AIM (Symbol: IPEL), conducts business primarily in the UK and North America, with smaller operations in Australia, Ireland, New Zealand and mainland Europe. The Group employs nearly 6,000 people, including 2,200 managers and consultants and more than 3,500 support services workers, across a network of 230 branch and regional offices. The Group operates more than 15 specialty brands across a broad range of staffing sectors which are complemented by businesses in the outsourced support services sector. Impellam Group is ranked 18th on the Staffing Industry Analysts' 2011 Top Global Staffing Companies List.

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