31 July 2020

Impellam Group plc

(“Impellam”, the “Group” or the “Company”)

INTERIM RESULTS TO 3 JULY 2020

Impellam (AIM: IPEL) announces its unaudited interim results for the 26 weeks ended 3 July 2020.

H1 impacted by COVID-19, business model remains resilient

ADJUSTED RESULTS -	H1 2020	H1 2019[1]	Actual Inc/(Dec)	Like-for-like[(5)] Inc/(Dec)
Revenue (£ millions)	£1,024.7	£1,135.9	(9.8)%	(10.2)%
Gross profit (£ millions)	£115.2	£135.2	(14.8)%	(15.4)%
Operating profit (before amortisation and impairment) (£ millions) [(2)]	£6.8	£14.8	(54.1)%	(55.5)%
Operating profit (before amortisation and impairment) conversion (%) [(3)]	5.9%	10.9%	(5.0) ppts	
Continuing adjusted basic EPS [(4)]	(2.4)p	16.0p	(115.0)%	
Net Debt (£ millions) pre IFRS 16 [(7)]	£15.5	£73.5		

STATUTORY RESULTS -	H1 2020	H1 2019[1]	Actual Inc/(Dec)	Like-for-like[(5)] Inc/(Dec)
Revenue (£ millions)	£1,024.7	£1,135.9	(9.8)%	(10.2)%
Gross profit (£ millions)	£115.2	£135.2	(14.8)%	(15.4)%
Operating (loss)/profit (£ millions)	£(21.3)	£9.8	(317.3)%	(337.0)%
Continuing basic EPS	(58.2)p	7.9p	(837.1)%	
Net Debt (£ millions) post IFRS 16	£36.0	£101.9		

(1) 2019 financial statements restated (see note 3)

(2) Operating profit before amortisation of acquired intangible assets and impairment (see note 2)

(3) Calculated as operating profit before amortisation of acquired intangible assets and impairment / Gross profit

(4) Continuing Basic EPS before amortisation of acquired intangible assets and impairment (see note 6)

(5) % change measured at constant exchange rates

(6) Cash conversion defined as operating profit before amortisation and impairment to net cash generated from operations

(7) Net debt pre IFRS 16 is used as the basis for banking covenant calculations

Key operational highlights

- Group revenue decline of 9.8%, (10.2%[(5)]), principally due to the impact of COVID-19, Q2 decline of 16.3%[(5)] during period of lockdowns globally.
- Gross profit decline of 14.8%, (15.4%[(5)]), with the majority of the decline seen in Q2 - 25.4%[(5)], UK operations saw the greatest impact in the period, down 19.9%[(5)] whilst North America and APAC showed more resilience down 3.6%[(5)] and 8.3%[(5)] respectively.
- Global Managed Services, which represents nearly a third of the Group's gross profit, held up well, with Gross profit declining by 5.1%[(5)] in H1.
- Temporary recruitment, which represents 90.1% of gross profit decreased by 11.2%, permanent recruitment down 41.2%.
- The company took significant steps to further reduce costs through headcount reductions, salary reductions, furloughing of staff, support from government schemes and the curtailment of discretionary spend, resulting in total savings of £12.2m (10.3%).
- 12% headcount reduction across the year, with further headcount reductions actioned in June and July.
- Operating profit[(2)] of £6.8m (2019: £14.8m). Recorded non-cash impairment charges on acquired goodwill and intangibles of £22.2m, reflecting the impact of COVID-19, leading to an operating loss after the impairment charges of £21.3m (2019: £9.7m profit).
- Successfully administered the UK Government's Job Retention Scheme on behalf of our clients, paying more than 5,000 furloughed temporary workers a total of £19.5m in H1.
- Strong cash conversion[(6)] at 479% (2019: 66.4%) (excluding the deferral of UK VAT payments totalling £36.4m).
- Net debt was reduced by 64.7% from £101.9m at H1 2019 to £36.0m at H1 2020. £36.4m of the reduction as a result of the deferral of UK VAT payments until Q2 2021. Pre IFRS 16 net debt of £15.5m (2019: £73.5m) bringing the covenant leverage ratio to less than 1x (2019: 1.74x).
- Agreed £230m extension of the current £240m Revolving Credit Facility (RCF) in February 2020 until April 2023.
- Our culture of Virtuosity and an early decision to accelerate our strategy through Covid-19 ensured we were well-placed to adapt with speed and agility to volatile and uncertain market conditions providing us with competitive advantage against peers slower to react.

Julia Robertson, Chief Executive Officer, commented:

"2020 began with positive year over year profit growth with strong trading in Global Managed Services and the benefits of adjustments made to our cost base in Q4 2019 despite the now delayed introduction of IR35 and softer trading confidence in the UK post Brexit. During March 2020, as the world began to respond to the global pandemic through lockdown measures, we, like most organisations, began to experience the impacts on trading, felt most severely in Q2.

Although no organisation could have planned for the extent and impact of a global pandemic, the acceleration of our strategy to create an integrated, collaborative business underpinned by our culture of Virtuosity made sure we adapted swiftly and with agility.

Our primary concern was to make sure our people were safe and well and I am proud of the way we have come together as a business. We have swiftly established new ways of working, effectively hibernated jobs, adopted government support where we can whilst continuing to serve our customers and candidates with minimal to no service disruption. Notably, we also implemented and went live with significant new managed services accounts whilst in lockdown and continued to win new customers despite the turmoil in our key markets.

Through June and July, we have started to open our offices in a measured way ensuring we protect the health and safety of our people. We have learnt that we can successfully work remotely, and we will continue to explore how we maximise the balance of remote and office working so that we can drive growth by finding good work for people and people for good work.

With the inevitable reduction in customer demand, particularly in the manufacturing, hospitality, catering and education sectors, we took action to manage our cost base, our Board and senior leadership teams took pay reductions and we placed staff on furlough whilst curtailing our discretionary spend.

The reductions in customer demand have also affected our candidates. We supported many of them through the administration of the UK Job Retention Scheme and at the peak made payments to over 5,000 temporary workers.

As we entered lockdowns across all our territories our initial focus was ensuring service and business continuity and the wellbeing of our people, followed swiftly by cost management. We achieved this quickly and then turned our attention to the future shape of our business to ensure we emerged fighting fit. During July we set out how we will further accelerate delivery of our strategy to build an integrated, collaborative business, with a major focus on Global Managed Services to drive resilience whilst investing in attractive growth Specialist Staffing markets and our digital platform businesses.

Next, we further maximise collaboration across Global Managed Services and Specialist Staffing with a regional focus in our major territories (UK and Europe, North America and APAC). This will improve customer experience, retention and expansion, accelerate cross sell and reduce SG&A costs. We will continue to free up our Virtuosos to be closer to our customers and will give them greater spans of control by de-layering the organisation.

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Global Managed Services - UK, Europe, US and Australasia

The Global Managed Services segment which represents 30.7% of our gross profit has shown resilience through the pandemic. Gross profit declined by 3.5% (5.1%[(5)]) to £35.4m (2019: £36.7m). Whilst there were declines in demand across some of our client base, we benefited from customer wins implemented through 2019 and in the first half of 2020, with one go live in April, at the height of the pandemic. Cost savings were achieved across the period which offset the decline in gross profit and produced segment operating profit of £5.6m consistent with last year.

Global Specialist Staffing - UK, Europe and US

Global Specialist Staffing, which covers longer term temporary assignments and permanent recruitment in the IT and Life Science sectors, saw gross profit decline by 14.6% (15.7%[(5)]) to £23.4m (2019: £27.4m) with a mixed performance between our US and UK based businesses. In the US, SCOM and SRG demonstrated year on year gross profit growth, however Lorien was impacted by the now delayed IR35 legislation and latterly by COVID-19. Whilst temporary gross profit has remained stable in SRG UK, deferrals of permanent hires have been experienced resulting in an overall gross profit decline. Reductions in the cost base have mitigated some of the lost gross profit, however segment operating profit decreased 29.5%[(5)] to £5.4m.

Regional Specialist Staffing – UK and US

Regional Specialist Staffing which covers a wide range of sectors predominately with temporary workers on shorter term assignments and permanent placements saw gross profit decrease by 24.8% (25.4%**[(5)]**) to £35.4m (2019: £47.1m). End markets in manufacturing, hospitality, catering and education felt the impact of COVID-19, particularly in the UK, resulting in a sharp downturn in demand for temporary workers as well as a reduction in permanent placements. Although the cost base was reduced by £7.1m, segment operating profit decreased by £4.6m resulting in a loss of £1.7m (2019: profit: £2.9m).

Healthcare - UK, Europe and Australasia

Our Healthcare business experienced unprecedented levels of demand, driven by Covid-19 across all our territories, however a shortage of candidates, partly resulting from our doctors', nurses' and care workers' need to self-isolate and their illness together with reduced demand for elective surgery resulted in a revenue increase of 0.4% (1.3%[(5)]) but a gross profit decline of 12.5% (11.6%**[(5)]**) to £21.0m (2019: £24.0m). Given the importance of our role in the healthcare supply chain we maintained headcount and cost and as a result segment operating profit decreased by £1.2m to a small loss of £0.7m (2019: profit: £0.5m). As the number of cases reduces and lockdown eases the demand has started to increase to meet delayed elective surgeries.

Impairment of goodwill and acquired intangibles

Due to the impact COVID-19 has on current trading performance and strength of future growth, together with increases in the discount factors applied to future cash flows we have conducted an impairment review of our acquired intangible assets. As a result, a non-cash charge of £22.2m has been made in H1, details of which are set out in note 8.

Cash flow, net debt and net assets

The Group generated £32.6 million of net cash from operations, excluding the deferral of UK VAT, in the first twenty-six weeks of the year (2019: £22.3m). Days Sales Outstanding, being total trade receivables divided by average daily invoiced sales, reduced by 3.3 days to 36.2 days from 39.4 days at the end of FY2019. Day-to-day control of cash and tight control of working capital continues to be a priority for the Group. Net debt reduced by 78.9% year on year from £73.5m in H1 2019 to £15.5m in H1 2020 excluding the impact of IFRS 16. The deferral of VAT in UK represents £36.4m of this decrease. This was down 79% from £72.3m at the end of FY2019. Net debt after IFRS 16 adjustments decreased by £65.9m to £36.0m (H1 2019: £101.9m).

The Group has outstanding letters of credit drawn against its US borrowing facilities amounting to £3.52m (3 January 2020: £3.35m).

At 3 July 2020, the Group had net assets of £220.9m (3 January 2020: £246.5m), the decrease arising from the £22.5m impairment of goodwill and acquired intangibles.

We continue to model scenarios to ensure the Group has sufficient liquidity over the period ahead. With our current level of net debt (pre IFRS 16) of £17.0m, our £240 million of available facilities (£230 million to April 2023) and strong relationship with our lenders we do not envisage the need for any additional financial support within in the scenarios we have modelled.

Dividend and dividend policy

On 27 April 2020 the Board announced the suspension of the share buyback programme, though maintained authority to acquire shares on an ad hoc basis if deemed appropriate by the board. During the period prior to the announcement 964,878 shares were purchases at a total value £3.2m. Since the 27 April 2020 two ad hoc purchases were made with a total of 361,500 shares acquired at a total value of £0.83m. On 30 June 2020, the Company announced it would reinstate the Share Purchase Plan for the period to the release of this statement and post period end has purchased 77,411 shares at a cost of £0.18m. From the date of this release the Share Purchase Plan has once again been suspended though the Company retains the authorities to buy back shares in the future and may consider ad hoc purchases of shares if deemed appropriate by the Board.

Trading outlook

Our strength in Global Managed Services, our mixed portfolio and geographical spread together with strong cost and cash management allowed us to weather the peak of the crisis well. Looking ahead, these key strengths together with our increasingly integrated and delayered Virtuoso structure will ensure we are well placed to benefit from improving market conditions. We anticipate periodic lockdowns across our geographies over the coming months and we will use the lessons learned in Q2 to ensure we continue to adapt quickly to mitigate business interruptions and fluctuations in supply and demand.

Financial results for the twenty-six weeks to 3 July 2020

The table below sets out the results for the Group by segment for the first half of 2020.

Unaudited	Revenue			Gross profit			Operating profit[2]		
£'million	H1 2020	H1 2019	Like-for-like change[1]	H1 2020	H1 2019	Like-for-like change[1]	H1 2020	H1 2019	Like-for-like change[1]
Global Managed Services	357.1	372.0	(4.4)	35.4	36.7	(5.1)	5.6	5.4	(0.7)
Gross profit %				9.9%	9.9%				
Global Specialist Staffing	284.7	336.0	(15.6)	23.4	27.4	(15.7)	5.4	7.6	(29.5)
Gross profit %				8.2%	8.2%				
Regional Specialist Staffing	284.4	326.4	(13.7)	35.4	47.1	(25.4)	(1.7)	2.9	(164.5)
Gross profit %				12.4%	14.4%				
Healthcare	123.5	123.0	1.3	21.0	24.0	(11.6)	(0.7)	0.5	(224.3)
Gross profit %				17.0%	19.5%				
Inter-segment revenues	(25.0)	(21.5)		-	-		-	-	
Total	1,024.7	1,135.9		115.2	135.2		8.6	16.4	
Corporate costs[3]							(1.8)	(1.6)	
Operating profit before amortisation and impairment[2]							**6.8**	**14.8**	
Amortisation of acquired intangible assets							(5.9)	(5.0)	
Impairment							(22.2)	-	
Operating (loss)/ profit							**(21.3)**	**9.8**	

1. *% change measured at constant exchange rates*
2. *Before amortisation of acquired intangibles and impairment*
3. *Includes costs in 2019 previously shown as separately disclosed items (see note 2)*

Consolidated income statement

For the twenty-six weeks ended 3 July 2020

	Notes	26 weeks 3 July 2020 £m Unaudited	26 weeks 5 July 2019 £m Unaudited (as restated)
Continuing operations			
Revenue	2	1,024.7	1,135.9
Cost of sales		(909.5)	(1,000.7)
Gross profit	2	115.2	135.2
Administrative expenses		(136.5)	(125.4)
Operating (loss)/profit	2	(21.3)	9.8
Operating profit before amortisation and impairment		6.8	14.8
Amortisation of acquired intangible assets		(5.9)	(5.0)
Impairment	8	(22.2)	-
Operating (loss)/profit		(21.3)	9.8
Finance income		0.2	0.2
Finance expense	4	(3.3)	(4.8)
(Loss)/profit before taxation		**(24.4)**	**5.2**
Taxation	5	(2.7)	(1.3)
(Loss)/profit for the period from continuing operations		**(27.1)**	**3.9**
Profit from discontinued operations, net of tax		-	0.7
(Loss)/profit for the period attributable to owners of the parent Company		**(27.1)**	**4.6**
Earnings per share for equity holders of the parent Company			
Basic & diluted	6	(58.2)p	9.3p

Consolidated statement of comprehensive income

For the twenty-six weeks ended 3 July 2020

	26 weeks 3 July 2020 £m Unaudited	26 weeks 5 July 2019 £m Unaudited (as restated)
(Loss)/profit for the period	(27.1)	4.6
Other comprehensive income:		
Currency translation differences (net of tax)	5.6	2.2
Total comprehensive (loss)/income for the period, net of tax, attributable to owners of the parent Company	(21.5)	6.8

Consolidated balance sheet

As at 3 July 2020

	Notes	3 July 2020 £m Unaudited	3 January 2020 £m Audited
Non-current assets			
Property, plant and equipment		6.2	6.7
Right-of-use assets		21.0	25.4
Goodwill	8	135.1	148.0
Other intangible assets	8	105.9	117.8
Financial assets		1.5	1.5
Deferred tax assets		10.8	13.6
Trade and other receivables		6.3	5.7
		286.8	318.6
Current assets			
Trade and other receivables		537.1	574.7
Tax receivable		3.8	2.5
Cash and cash equivalents	7	135.0	132.3
		675.9	709.5
Total assets		962.7	1,028.1
Current liabilities			
Short-term borrowings	7	16.1	24.7
Lease liabilities	7	10.1	10.6
Trade and other payables		567.6	550.4
Tax payable		3.1	1.8
Provisions		6.1	3.6
		603.0	591.1
Net current assets		66.6	118.4
Non-current liabilities			
Long-term borrowings	7	96.0	140.9
Lease liabilities	7	16.8	21.1
Other payables		1.6	1.6
Provisions		4.5	5.4
Deferred tax liabilities		19.9	21.5
		138.8	190.5
Total liabilities		741.8	781.6
Net assets		220.9	246.5
Equity			
Issued share capital		0.5	0.5
Share premium account		30.1	30.1
		30.6	30.6
Other reserves		125.9	120.3
Retained earnings		64.7	95.9
Total equity attributable to owners of the parent Company		221.2	246.8
Non-controlling interest		(0.3)	(0.3)
Total equity		220.9	246.5

Consolidated statement of changes in equity

For the twenty-six weeks ended 3 July 2020

Unaudited	Total share capital and share premium £ m	Other reserves £ m	Retained earnings £ m	**Total equity attributable to equity owners of the parent £ m**	Non-controlling interest £ m	**Total equity £ m**
4 January 2020	30.6	120.3	95.9	**246.8**	(0.3)	**246.5**
(Loss)/profit for the period	-	-	(27.1)	**(27.1)**	-	**(27.1)**
Other comprehensive income	-	5.6	-	**5.6**	-	**5.6**
Total comprehensive (loss)/income in the period	-	5.6	(27.1)	**(21.5)**	-	**(21.5)**
Transactions with owners, recorded directly in equity						
Purchase of Treasury shares	-	-	(4.1)	**(4.1)**	-	**(4.1)**
3 July 2020	30.6	125.9	64.7	**221.2**	(0.3)	**220.9**

Consolidated cash flow statement

For the twenty-six weeks ended 3 July 2020

	26 weeks 3 July 2020 £m Unaudited	26 weeks 5 July 2019 £m Unaudited (as restated)
Cash flows from operating activities		
Profit before taxation	(24.4)	5.2
Adjustments for:		
Depreciation and amortisation	15.0	14.2
Impairments	22.2	-
Net interest charge	3.1	4.6
Discontinued operations	-	(0.7)
	15.9	23.3
Decrease / (Increase) in trade and other receivables	51.8	(39.2)
(Decrease) / Increase in trade and other payables	1.2	39.1
Increase in provisions	1.4	0.7
Cash generated by operations	70.3	23.9
Taxation paid	(1.3)	(1.6)
Net cash generated by operating activities	69.0	22.3
Cash flows from investing activities		
Purchase of property, plant and equipment	(0.9)	(1.7)
Purchase of intangible assets	(1.9)	(4.0)
Finance interest received	0.3	0.2
Net movement in other financial assets	-	(0.1)
Net cash utilised on investing activities	(2.5)	(5.6)
Cash flows from financing activities		
(Decrease) / Increase in short-term borrowings	(53.4)	14.0
(Decrease) in overdraft	(0.6)	(0.5)
Purchase and cancellation of own shares	(4.1)	(5.7)
Finance expense paid	(3.4)	(4.8)
Repayment of lease liabilities	(5.4)	(5.7)
Receipt from lease debtors	1.2	1.4
Cash outflow on discontinued operations	-	(2.5)
Net cash (outflow) from financing activities	(65.7)	(3.8)
Net (decrease) / increase in cash and equivalents	0.8	12.9
Opening cash and cash equivalents	132.3	117.1
Foreign exchange gain / (loss) on cash and cash equivalents	1.9	(1.4)
Closing cash and cash equivalents	135.0	128.6

Notes to the interim financial statements

1 Basis of preparation

I. Statement of compliance

The 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 period ending 1 January 2021. 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 for the 26 weeks to 3 July 2020 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 period ended 3 January 2020 were reported on by the auditors without qualification but did contain a paragraph in relation to a “material uncertainty with regards to going concern” related to the inherent uncertainties caused by COVID-19.

The Directors continue to consider the Group’s profit and cash flow plans for the coming period and continue to run forecasts and downside “stress test” scenarios. The projections assess our potential debt requirements against the Group’s £240m of committed facilities and against the key covenant ratios’ over this period. The Group has cyclical working capital requirements which increase during periods of higher trading levels and therefore as we have experienced a significant short term decline in trading the working capital requirements and therefore net debt has initially reduced providing a natural hedge against the sharp downturn. In our projections, as business activity increases our working capital requirements and net debt levels would rise, but to levels within our facility. In these projections the Group's key covenant ratio of net debt being less than 2.5x the last twelve months EBITDA is not breached at the quarterly testing points. The scenario’s include additional cost mitigation actions, such as reduced performance bonus, travel and entertainment, marketing activity, reduced capital expenditure and postponement in share buybacks, and, furloughing of certain staff. In the event that there is a more significant downturn than in these scenarios there are further mitigating actions which could include but are not limited to, further reductions in capital expenditure, further reductions in non-business critical expenditure as well as the potential to reduce working hours and further headcount reductions.

Over Q2, during the period of global lockdowns, our business model has been tested and proved to be resilient. We have performed ahead of our downside scenario’s, both from a gross profit and cost perspective. However, although we now have experience of managing through the first wave of this crisis it still remains hard to predict what the continuing and future impact that CVOID-19 may have on our business. We continue to run stress test scenario’s and under these scenarios the Group could withstand a material and prolonged decline in revenue and continue to operate within the available banking facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its Financial Statements. However, if the impacts of COVID-19 are worse or more prolonged than the Directors’ expectations, and further mitigating actions are not sufficient, the Group may need to seek additional support.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

The published annual report and accounts 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

The accounting policies used in this report are with those applied at 3 January 2020.

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

2 Segmental information

Twenty-six weeks ended 3 July 2020 - unaudited

	Revenue £ m	Gross profit £ m	**Segment Adjusted operating profit £ m**
Global Managed Services	**357.1**	35.4	**5.6**
Global Specialist Staffing	**284.7**	23.4	**5.4**
Regional Specialist Staffing	**284.4**	35.4	**(1.7)**
Healthcare	**123.5**	21.0	**(0.7)**
Inter-segment revenues	**(25.0)**	-	**-**
Operating segments	**1,024.7**	115.2	**8.6**

Twenty-six weeks ended 5 July 2019 – unaudited (as restated)

	Revenue £ m	Gross profit £ m	**Segment Adjusted operating profit £ m**
Global Managed Services	**372.0**	36.7	**5.4**
Global Specialist Staffing	**336.0**	27.4	**7.6**
Regional Specialist Staffing	**326.4**	47.1	**3.0**
Healthcare	**123.0**	24.0	**0.4**
Inter-segment revenues	**(21.5)**	-	**-**
Operating segments	**1,135.9**	135.2	**16.4**

Unaudited	26 weeks 3 July 2020 £ m	26 weeks 5 July 2019 £ m (as restated)
Segment adjusted operating profit	8.6	16.4
Corporate costs	(1.8)	(1.0)
Corporate costs (previously in separately disclosed items)	-	(0.6)
Operating profit before amortisation and impairment	**6.8**	**14.8**
Amortisation of acquired intangibles	(5.9)	(5.0)
Impairment	(22.2)	-
Operating (loss)/profit	(21.3)	9.8
Finance income	0.2	0.2

Finance expense	(3.3)	(3.9)
Finance expense (previously in separately disclosed items)	-	(0.9)
Taxation income/(charge)	(2.7)	(1.3)
(Loss)/profit for the period from continuing operations	(27.1)	3.9

The above table reconciles the adjusted operating profit to the standard profit measure under International Financial Reporting Standards (Operating Profit). This is the Alternative Profit Measure used when discussing the performance of the Group. The Directors believe that adjusted operating profit 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. All discussions within the Group on segmental and individual brand performance refer to adjusted operating profit. Corporate costs represent costs associated with being a listed company with a wide portfolio of brands and therefore are not allocated to the segments.

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

In 2019 several items were reported as separately disclosed items, however due to ongoing review these have been restated as follows:

- Corporate costs - £0.6m

The Group de-merged Carlisle Support Services Group in 2019, incurring costs of £0.8m.

Acquisition costs relate to contingent consideration in respect of Global Medics in 2019, credit of £0.4m.

Legal costs of £0.2m for ongoing litigation.

- Finance expense - £0.9m

In 2019 the Group negotiated an amend and extend to its Revolving credit facilities ("RCF") arrangement before the 2020 expiry date, the outstanding fees for the original RCF have been taken as a cost in 2019.

3 Comparative restatement

The amounts in the prior year interim statement has been restated due to changes to separately disclosed items discussed above and adjustments required as a result of adopting new standards in the period, the most significant of which were IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases', as well as some misstatements identified during the preparation of the annual financial statements.

The misclassification of some revenue streams led to an increase in revenue for the Group of £0.9m with a corresponding increase in cost of sales and, under IFRS 15, an additional £0.3m in cost of sales was required due to amortisation of implementation costs recognised as part of the comparative statements disclosed in the financial statements for the period ended 3 January 2020.

Under IFRS 16 several adjustments were required which have had a net decrease in operating profit of £0.2m and a decrease in the net interest expenses of £0.1m.

As a result of these adjustments the tax charge was reduced by £0.1m.

The cash flow for the prior period has been restated in relation to the above as well as for some reclassifications on the balance sheet which occurred between the prior interim statement and the annual financial statements.

These are summarised below:

- The cash outflow on the discontinued operations is now being disclosed as a financing activity rather than an investing activity
- Bank overdrafts are no longer offset against cash balances leading to an increase in opening cash for the prior period of £39.9m with a £0.5m outflow included in investing activities.
- £0.8m previously disclosed as a payment of deferred consideration have been reclassified as a movement in creditors.
- An arrangement fee relating to the revolving credit facility taken out during the first half of the prior year has been reallocated against movements in the credit facility leading to a £1.5m inflow relating to movements in creditors and a similar outflow on the movements in short term borrowing.

4 Finance expense - unaudited

Finance expense	26 weeks 3 July 2020 £ m	26 weeks 5 July 2019 £m (as restated)
Revolving credit facilities	2.7	3.2
Write off capitalised finance costs	-	0.9
Interest on lease liabilities	0.5	0.7
Other interest expense	0.1	-
Income statement	3.3	4.8

5 Taxation – unaudited

Income tax expense is recognised based on management's best estimate of the effective annual income tax rate expected for the full financial year which has been estimated as (11.2%) (2019: 25%). The increase in the effective tax rate is largely driven by the goodwill impairment charge and the increase in the deferred tax liabilities as a result of the deferred reduction of the UK corporation tax rate.

6 Earnings per share - unaudited

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

Diluted earnings per share amounts are calculated on the same basis but after adjusting the denominator for the effects of dilutive options. The only potentially dilutive shares arise from the share options issued by the Group under its share-based compensation plans. There were no options outstanding at either 3 July 2020 or 5 July 2019.

Excluding the 19,841 shares owned by The Corporate Services Group Ltd Employee Share Trust, the weighted average number of shares in 2020 is 46,511,510 (2019: 49,160,900).

	26 weeks 3 July 2020 £m	26 weeks 5 July 2019 £m (as restated)
Continuing (loss)/profit for the period	(27.1)	3.9
Discontinued profit for the period	-	0.7
Total (loss)/profit for the period	(27.1)	4.6
Impairment of goodwill (net of tax)	16.7	-
Impairment of other intangible assets (net of tax)	4.5	-
Acquired intangibles amortisation (net of tax)	4.7	4.0
Total adjusted (loss)/profit	(1.2)	8.6
Continuing adjusted (loss)/profit	(1.2)	7.9
Discontinued adjusted profit	-	0.7
Weighted average number of shares	46,511,510	49,160,900

Basic and diluted EPS	26 weeks 3 July 2020 Pence	26 weeks 5 July 2019 Pence (as restated)
Continuing unadjusted basic earnings per share	(58.2)	7.9
Discontinued unadjusted basic earnings per share	-	1.4
Total unadjusted basic earnings per share	(58.2)	9.3
Impairment of goodwill (net of tax)	35.8	-
Impairment of other intangible assets (net of tax)	9.8	-
Acquired intangible asset amortisation (net of tax)	10.2	8.1
Total adjusted basic earnings per share	(2.4)	17.4
Continuing adjusted basic earnings per share	(2.4)	16.0
Discontinued unadjusted basic earnings per share	-	1.4

7 Additional cash flow information - unaudited

Unaudited	4 January 2020 £ m	Cash flow £ m	Interest charged £ m	Interest paid £ m	Change in short term borrowings £ m	Foreign exchange £ m	3 July 2020 £ m
Cash and short-term deposits	132.3	59.0	(0.1)	0.1	(58.2)	1.9	135.0
Bank overdraft	(39.0)	-	-	-	0.6	-	(38.4)
Revolving credit	(165.3)	1.4	(2.7)	2.7	53.4	(1.3)	(111.8)
Hire purchase	(0.3)	-	-	-	-	-	(0.3)
Lease liabilities	(31.7)	-	(0.6)	0.6	5.4	(0.6)	(26.9)
Lease debtor	7.3	-	0.3	(0.3)	(1.2)	0.3	6.4
Net debt	(96.7)	60.4	(3.1)	3.1	-	0.3	(36.0)

The overdraft is included in trade and other payables on the balance sheet, and the lease debtor is included in trade and other receivables.

8 COVID-19

The global outbreak of COVID-19 has significantly disrupted our main markets which have seen unprecedented declines in GDP during the first half of 2020. This has had a significant impact on our business, most notably in the second quarter as countries entered lockdown.

We are continuing to monitor and address the impacts of the COVID-19 outbreak, but it remains uncertain as to the extent of the impact on our business.

i) Goodwill and other intangible assets

The impairment review methodology for goodwill and acquired intangibles is unchanged from that described in the Annual Report and Financial Statements for the period ended 3 January 2020. We consider the disruptive nature of Covid-19 to our markets to be an indicator of impairment. The main drivers of the impairments set out below are a result in a revision to our assumptions on discount factors, which have increased due to changes in the risk premium, and future growth assumptions.

Goodwill	Cost £ m	Impairment £ m	Net carrying value £ m
Opening balance at 4 January 2020	158.2	(10.2)	148.0
Impairment in the period	-	(16.6)	(16.6)
Foreign exchange and other movements	3.7	-	3.7
Closing balance at 3 July 2020	161.9	(26.8)	135.1

Foreign exchange and other movements to goodwill arises from the retranslation of goodwill balances held in foreign currencies relating to the acquisition of Bartech Holdings Corporation, in the US Staffing CGU.

Due to the challenging trading period as a result of Covid-19 an impairment of £14.3m was recognised against the Information Technology CGU which is in the Global Specialist Staffing reporting segment. Just under £2.1m was recognised against the Engineering CGU and just under £0.3m against the Online platform CGU, both of which are in the Regional Specialist Staffing reporting segment. As noted, these impairments have been driven by COVID-19 and the subsequent revisions to our assumptions on discount factors, which have increased due to changes in the risk premium, and future growth assumptions.

Other intangible assets	Software £ m	Brand values £m	Client relationships £m	Total £ m
Cost – 4 January 2020	34.7	84.6	54.7	174.0
Additions	1.9	-	-	1.9
Disposals	(1.1)	-	-	(1.1)
Impairment	-	(5.6)	-	(5.6)
Foreign exchange	(0.2)	0.8	0.7	1.3
Cost – 3 July 2020	35.3	79.8	55.4	170.5
Accumulated amortisation – 4 January 2020	17.3	6.8	32.1	56.2
Charge for the period	3.4	3.1	2.5	9.0
Disposals	(1.0)	-	-	(1.0)
Foreign exchange	-	0.2	0.2	0.4
Accumulated amortisation – 3 July 2020	19.7	10.1	34.8	64.6
Net carrying value – 3 July 2020	15.6	69.7	20.6	105.9

Included in software additions for the 26 weeks ended 3 July 2020 are internally generated software development costs of £0.9m which have been capitalised at cost. These costs have been assessed as having a finite life of between three and five years and are amortised, from the date the software is available for use, on a straight-line basis over this period.

Client relationships have resulted from business combinations and have been assessed as having a finite life of ten years. They are amortised, from the date of acquisition, on a straight-line basis over this period.

Brand values have resulted from business combinations and have been assessed as having a finite life of between 3 and 20 years depending on the prominence of the brand. They are amortised on a straight-line basis over this period.

These assets are all reviewed for impairment when there are changes in events or situations that indicate the carrying value may not be recoverable. Due to the challenging trading period as a result of Covid-19 an impairment of £5.6m was recognised against the value of the Education brand values which are within the Regional Specialist Staffing reporting segment.

ii) Government assistance income

Various local governments announced measures to provide both financial and non-financial assistance to the disrupted industry sectors and the affected business organisations. From April, the Group took advantage of Job Retention scheme launched by the UK Governments, whereby it was reimbursed for a portion of salaries of the personnel, who have been furloughed. The compensation was presented as a deduction in reporting the related staff expense.

iii) Allowance for expected credit risk

Due to COVID-19 and the impact on some of our customers we impaired our trade receivables by £1.3m during the period. In addition, we undertook a review of our expected credit loss provision against trade receivables and given the decreased trade receivable balance and the additional impairment already made, no addition to the year-end provision was considered necessary.

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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

Note to Editors:

Impellam is a leading Global Talent Acquisition and Managed Workforce Solutions provider supported by talent-focused specialist staffing brands with deep heritages, vertical sector expertise and loyal candidate networks.

Clients across the world trust us to deliver Managed Services and talent-focused Specialist Staffing in the UK, North America, Australasia, the Middle East and Europe. Working with them are 2,800 Impellam people, bringing a wealth of expertise through our 16 market-leading brands across 106 locations. Every year, we connect carefully chosen candidates with good work at all levels. They include technology and digital specialists, scientists, clinical experts, engineers, nurses, doctors, lawyers, teachers, receptionists, drivers, chefs, administrators, warehouse and call centre operatives.

Underpinning everything we do is our Virtuoso strategy which recognises it is our people who make the difference. Virtuosos make and deliver on promises and grow with their customers through sector, service or international expansion which ensures there is never a need for a customer or candidate to leave Impellam. Impellam is the sixth[1] largest Global Talent Acquisition and Managed Workforce Solutions provider in the world.

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

1 By SUM (confirmed by Staffing Industry Analysts). Spend Under Management (SUM) is the total amount of client expenditure which our Managed Services brands manage on behalf of their clients. This equates to revenue earned where Impellam acts as principal plus gross billings to customers where Impellam acts as agent (2018 published numbers). Management use this measure as it reflects the total value of the client spend to the Group and not just the revenue generated

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