Diversity drives our opportunities

Annual Report & Accounts 2017

Empresaria Group plc
An international specialist staffing group

Business

Empresaria is an international specialist staffing group, following a multi-branded business model which addresses global talent and skills shortages.

Vision

Our vision is to be a leading international, specialist staffing group. Our purpose is to help people to realise their potential. We will achieve this by continuously developing our staff and in turn delivering a quality service to our clients and candidates.

United Kingdom

Net fee income (2017)

£23.4m

Brands: LMA, FastTrack, McCall, Greycoat, Become, Ball and Hoolahan, Teamsales, ConSol Partners

See page 22

Continental Europe

Net fee income (2017)

£16.5m

Brands: Headway, Medikumppani

See page 23

Asia Pacific

Net fee income (2017)

£22.2m

Brands: Skillhouse, FINES, Become, Monroe Consulting, IMS, BW&P, McCall, LMA, Greycoat, Rishworth Aviation

See page 24

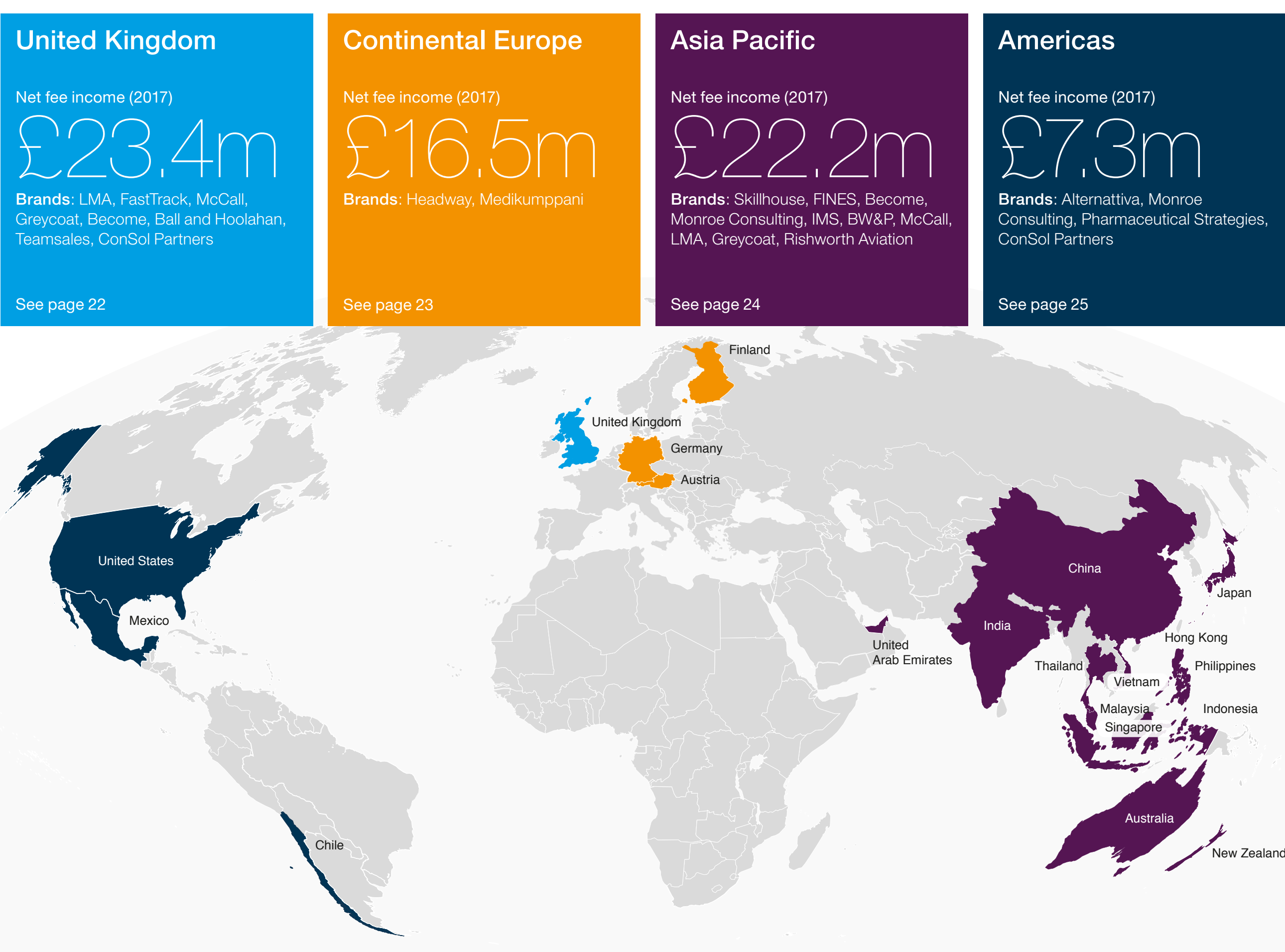
Americas

Net fee income (2017)

£7.3m

Brands: Alternattiva, Monroe Consulting, Pharmaceutical Strategies, ConSol Partners

See page 25



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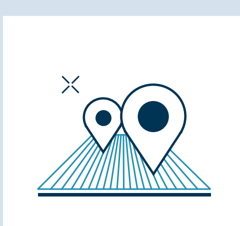
Strategy

To realise our vision, we continually respond to trends and changes in our marketplace to help our clients and candidates fulfil their potential. Our strategy is to develop leading brands and to be diversified and balanced across geographies and sectors. Our spread of operations minimises the dependence on any single market, so reducing the impact from market fluctuations and other external factors. Each brand is a specialist in their niche market, enabling them to understand the needs of clients and candidates alike, allowing them to attack the market vertically rather than horizontally. We differentiate ourselves in the marketplace by our four core business model pillars:



Multi-branded model

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Management equity philosophy

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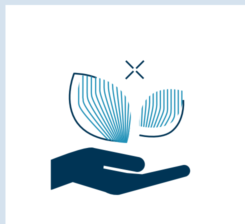

Focus on growth markets

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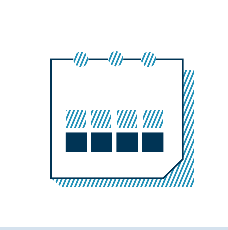

Operational focus on temporary and contract recruitment

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Our vision is to be a leading international, specialist staffing group. Our purpose is to help people to realise their potential.

Our strategy is to develop leading brands and to be diversified and balanced across geographies and sectors.

Cautionary statement

The Chairman's statement and Strategic report ('the reviews') have been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. The reviews should not be relied on by any party or for any other purpose.

The reviews contain certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Multi-branded model

We target different segments of the market with different brands. Each brand has in-depth knowledge and expertise in their specific market, enabling them to help their clients and candidates to make the best matches. We think candidates and clients want to deal with experts who understand their industry and can advise both on the best match of experience, skills and job requirements.

KEY PERFORMANCE INDICATOR

NET FEE INCOME FROM PROFESSIONAL AND SPECIALIST ROLES

This demonstrates the proportion of our business generated from professional and specialist positions.

Target: We want to maximise our exposure to professional and specialist job levels as these are generally higher margin sectors where specialist brands can offer added value services.

Progress: The ratio has increased to 87%.

2017:	2016:
87%	86%

Why this is important

Our brands are experts in their niche markets, so able to understand the requirements of both clients and candidates to help deliver the best staffing solution or candidate match. We have a global reach but operate with local knowledge, helping our brands to spot and react to opportunities quickly.

Their expertise means they know how and where to find the best candidates, providing clients with the best fit and helping candidates with their career development. Our primary focus is on professional and specialist job roles where we believe the biggest talent shortages exist and where recruitment agencies are needed to help identify hard-to-find candidates.

With different markets exhibiting different growth rates we have brands operating across multiple sectors and geographies, so we are not dependent on any single market. Our central team provides management experience, expertise and support, as well as resources to help each brand deliver to their goals.

Building scale by investing in our brands

We have a clear focus to deliver organic growth, by continually investing in and developing our brands.

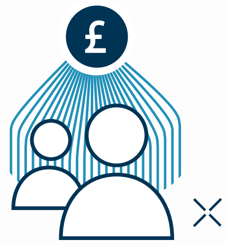
This can be through adding new staff, opening new offices or expanding operations into new areas, be that sector niches or geographies. We also identify examples of best practice across the Group to help brands find opportunities to improve productivity or collaborate. Our brands operate from 20 countries and seven core sectors, so we have expertise in operating in multiple locations and industries. Brands are able to make use of other Group offices and know-how when looking to enter new geographies, so reducing their risk and costs.

We look at bolt-on opportunities where this can help accelerate entry into a new sector niche or geography. We use external investments to enter new markets, filling in gaps in our existing sector or geographic coverage.

18
Brands

20
Countries

Management equity philosophy



The Group applies a philosophy of management equity to align the interests of shareholders and key management through the sharing of risk and reward, with operating company management teams owning shares directly in their own businesses. This helps attract and then retain ambitious and talented managers. Our decentralised structure and entrepreneurial culture enables managers to run their businesses effectively, reacting to local opportunities but also benefitting from being part of a global organisation and the support and advice this provides.

KEY PERFORMANCE INDICATOR

NUMBER OF MANAGERS HOLDING EQUITY

This demonstrates how many senior managers around the Group are incentivised through equity ownership in their companies, a key element of our business model.

Target: All brands have management holding equity.

Progress: The total number of managers holding equity in their company is 51, down 6 on the prior year due to the mergers and divestment in the year. Currently one brand has no management holding equity (2016: one).

2017:	2016:
51	57

Why this is important

The staffing industry is a people business, run by people, for people. The success of our business is dependent on having the best staff available and giving them the operational freedom to run their business. It is important to develop staff who are passionate about what they do, who want to help their clients and candidates to realise their potential.

We use management equity to first attract, and then retain key management across our Group. This ensures they take a longer term view and aligns the interests of all shareholders, to build businesses that can deliver sustainable returns.

How it works

Senior management have the opportunity to retain or acquire shares in the operating company they are responsible for.

Management can create a meaningful capital value over time if they grow the profit in their business. This works well with our decentralised structure, as the local management team run their business with a high level of operational autonomy.

This aligns the interests of management with Empresaria as a majority shareholder, encouraging a long-term view for the business.

Acquisition of shares

- At least 51% of the shares are owned by Empresaria.
- A minority share position is retained by management or acquired by them at fair value.

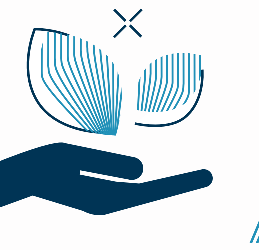
Holding period

- Shares can be offered for sale after a specified holding period, typically between 4 and 5 years.
- Shares can be offered for sale over a minimum 2 to 3 year period.
- The decision to purchase the shares is at Empresaria's sole discretion. There are no put options in place.
- The decision to buy shares is based on each specific situation, with consideration given to management succession plans, recent trading performance and potential of the business in the next few years.

Valuation

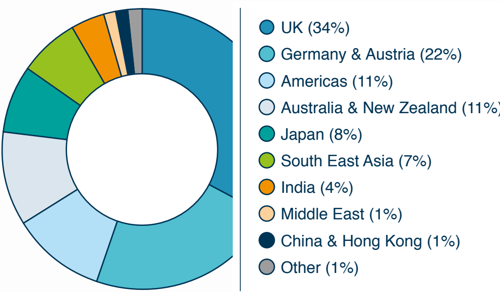
- Valuation basis is agreed up-front and documented in a shareholders' agreement.
- The valuation is typically based on the average profit after tax for the previous three full years before the shares are sold, using Empresaria's trading multiple (share price divided by last EPS) less 0.5, to ensure it is earnings-accretive to Empresaria's shareholders. The multiple is capped at a maximum of 10.

Focus on growth markets

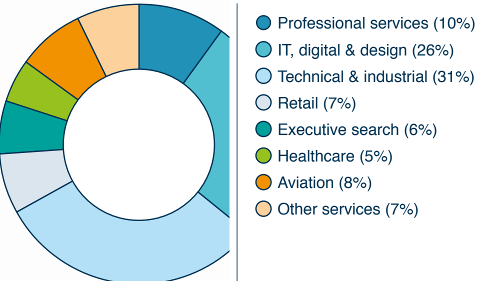


We target businesses that operate in growth regions and sectors. We have a good spread across both established and emerging staffing markets and across different industry sectors. By having a balanced and diversified spread of operations across different markets we are not reliant on any single market and can mitigate the impacts of a slow-down in any particular market.

Net fee income by geography (%)



Net fee income by sector (%)



Why this is important

We want to operate in markets where there are good growth prospects, to help us deliver a sustainable growth in profit. We know that markets operate at different speeds and economies go through cycles, so our spread of operations across sectors and geographies reduces the risk from a downturn in any single market.

Market size

We have a good spread of operations across both established and emerging staffing markets, with 71% of our net fee income derived from the UK, Germany, Japan and USA, which are the four largest staffing markets in the world.

These markets provide a significant market opportunity for our brands to operate as niche market experts as well as making it easier to find experienced managers who have the passion, skills and expertise to develop international brands.

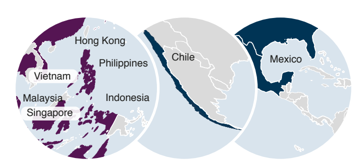
The World Employment Confederation estimates in their 2017 Economic report that the global staffing market generates €417 billion in sales revenue, which includes €279 billion from agency sales (temporary and contract), €36.8 billion from direct recruitment (permanent) and €3.3 billion from RPO (Offshore recruitment services).

Global market staffing sales

(2017)

€417bn

See page 22 for Operating review



Asia and Latin America

With the exception of Japan and Australia, the Asian and Latin American staffing markets are relatively immature. There are low levels of temporary recruitment in South East Asia, but as this staffing market develops we expect temporary staffing to grow and we are well positioned to benefit from this. There is a significant long-term growth potential in these emerging staffing markets due to the size of their populations, concentration of work in large cities and increasing levels of middle class with better education levels than previous generations. We have a good presence across the emerging staffing markets with a particular focus on Asia Pacific, India and Latin America.

In these markets we focus on the key economic centres, where we will see the best return on our investment. We do not have large networks of branch offices, but focus on where the workers and clients are concentrated, so having access to the greatest pool of vacancies and candidates.

India

We have a fast-growing Offshore Recruitment Services business operating out of India and providing a range of recruitment services, primarily to clients in the USA and UK. We see this having good potential for future growth as agencies in established markets look to manage their cost base and increase operational flexibility by outsourcing certain parts of the recruitment process.

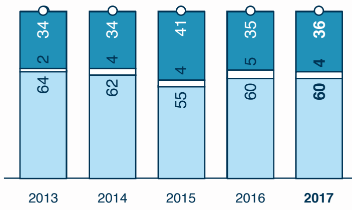
Germany and Austria

The German staffing market is the least mature of these markets, having only de-regulated in 2004, but is already the fourth largest staffing market in the world and we expect it to grow to be the biggest in Europe over the medium term.

Operational focus on temporary and contract recruitment

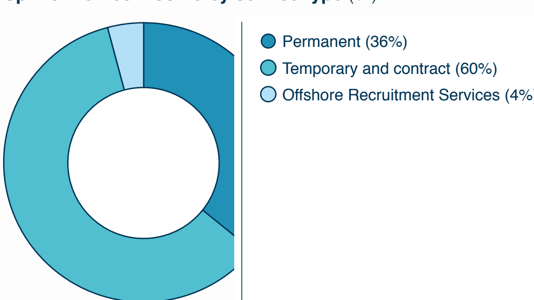
Providing ongoing temporary and contract recruitment services develops long-term client relationships and helps financial planning through more predictable earnings. Temporary staffing is generally more stable throughout the economic cycle and provides clients and candidates with the flexibility to organise their business and careers.

Split of net fee income from temporary and contract services (%)



Permanent
Offshore Recruitment Services
Temporary and contract

Split of net fee income by service type (%)



Permanent (36%)
Temporary and contract (60%)
Offshore Recruitment Services (4%)

Why this is important

The Group has three main service lines, temporary and contract recruitment, permanent recruitment and Offshore Recruitment Services. Overall we aim for a bias in temporary and contract recruitment, which is generally more stable throughout the economic cycle, although this also depends on the maturity of the staffing sector in each country, with some low maturity markets focused purely on permanent sales. With temporary and contract recruitment, we typically have a long-term relationship with our clients and a more predictable income stream, which helps with resourcing and planning.

Temporary staffing in key markets

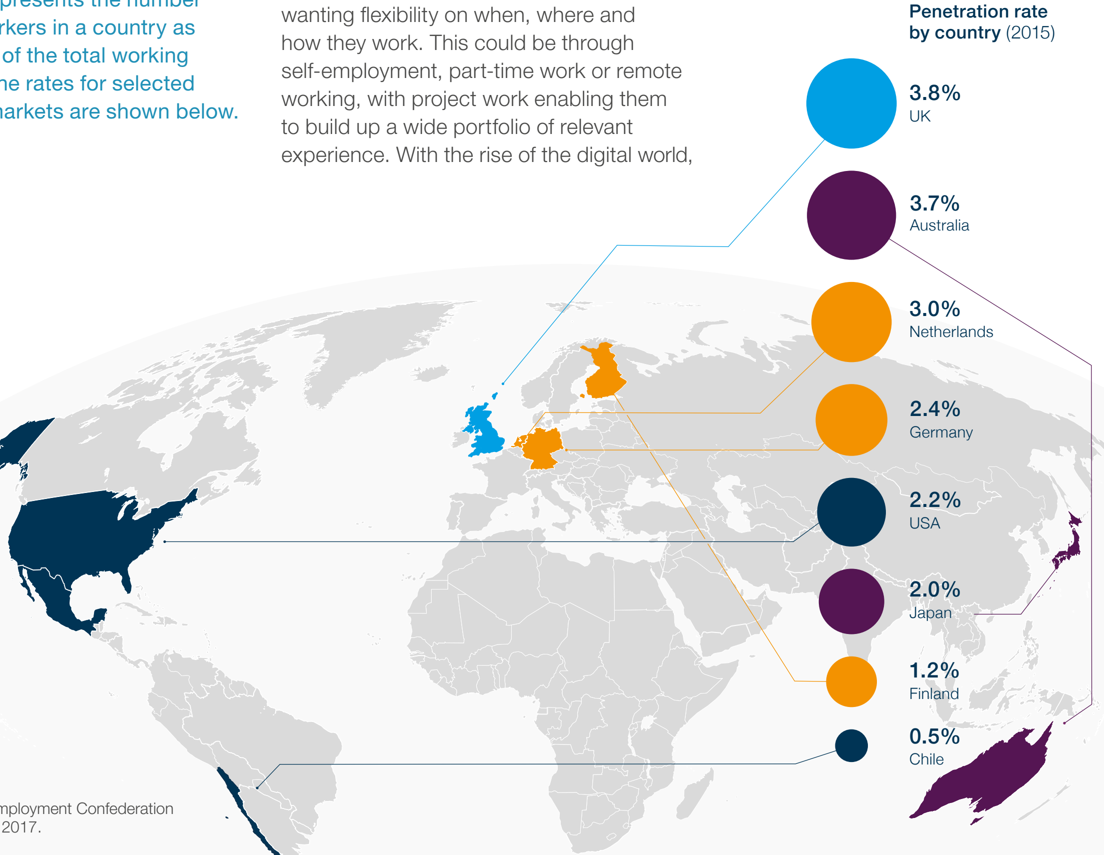
As a Group we have an overall bias towards contract and temporary recruitment, providing workers with the flexibility to work when they want and also helping people to enter the working environment.

In the established staffing markets we have a high proportion of temporary and contract recruitment. The established markets are typically larger and more regulated. We monitor changes in regulations across our territories and we participate in consultation exercises with the regulators, to help them understand the benefits to their economies and businesses from temporary labour solutions. In those markets where there is no or little regulation of labour markets we focus more on permanent recruitment, but with the expertise around the Group we are well placed to develop temporary recruitment solutions as these markets develop.

Temporary penetration rates in key markets

The most regulated markets typically have the highest temporary penetration rate, which represents the number of agency workers in a country as a percentage of the total working population. The rates for selected key staffing markets are shown below.

In established staffing markets there is an ongoing trend towards flexible working practices. This is being driven by both clients wanting solutions for specific projects, to manage their costs or deal with seasonal demand, and by candidates wanting flexibility on when, where and how they work. This could be through self-employment, part-time work or remote working, with project work enabling them to build up a wide portfolio of relevant experience. With the rise of the digital world, it is increasingly easy for candidates to work from anywhere in the world, reducing geographic boundaries and time zone issues.



Source: World Employment Confederation Economic report 2017.

Chairman's statement

The Group has delivered another record year of profit. Our business model and strategy is delivering consistently, with 18 quarters of year-on-year net fee income growth for the period to December 2017.

As well as the growth in profit, our diversification across sectors and geographies helps to reduce risk and insulate the Group from difficulties in individual markets.

Empresaria is a global business, operating from locations in 20 countries. Whilst global reach is clearly important, local focus is key with our management teams running their businesses in alignment with local market conditions and opportunities.

As part of our strategy to develop leading brands, we invest to help them develop and take a leading position within their niche sector area of expertise. It is important that each brand has the potential to develop within the Group and where changes are needed, we identify and implement them. In line with this ethos, we ended 2017 with 18 brands, having merged two brands and exited from another. The Board sees good opportunities for growth across the Group and we will continue to invest in our brands to build capacity and coverage.

The market

As we enter 2018 the worldwide economic conditions are largely positive, with synchronised growth forecast for the first time since the global financial crisis. The main markets that we operate in are expected to grow, and this includes the UK where we continue to operate under a cloud of Brexit uncertainty. We are seeing candidate shortages across our markets and regions. We play a vital role in helping client companies find the right resources they need to grow.

The positive economic outlook suggests a good year ahead for the staffing sector, with "Staffing Industry Analysts" forecasting 6% growth in the global staffing sector in 2018. Against this is ongoing geo-political uncertainty, which could derail growth in any territory, as well as the impact of new legislation in our markets, with particular changes in Germany and Japan impacting the temporary staffing markets in 2018. Our diversity puts us in a good position to both manage the impact of localised issues and make the most of positive market conditions.

People, values & culture

The Board has over 100 years of combined experience in the staffing industry and during the year we took steps to strengthen the board with Spencer Wreford taking on the role of Chief Operating Officer. We look forward to welcoming Tim Anderson to the board as Group Finance Director by the end of March 2018.

As we have continued to invest in our brands, the average number of staff across the Group in the year has increased to 1,367 (2016: 1,282). The success of the Group is down to the hard work of every one of them and the Board would like to thank each individual for their contribution to our success.

A key part of our business model, and one that aligns key operating company management and Empresaria shareholder interests, is subsidiary management equity, where management hold shares in their operating companies. This approach helps Empresaria to attract and retain the best people. At the end of the year we had 51 management shareholders owning shares in the operating companies they are responsible for.

It is important for businesses to have a clear vision to help frame all decision making and identify priorities for investment. We operate in a people business and our purpose is to help people to achieve their potential, whether this is our internal staff who can develop meaningful careers within the Group, our candidates who we help to find work, or our clients who we help to identify the best candidates.

We operate with a decentralised structure, with local management responsible for running their businesses but clear governance and control oversight from the centre. We believe in a strong and clear governance approach and expect high standards and compliance across the Group. Our culture is based on shared ownership and reward. We are a Group of like-minded people with a passion for helping people realise their potential.

We take stakeholder engagement seriously. We have regular communication with Group companies and staff through our newsletters, we present to investors to explain our strategy and results, both to institutional investors and private shareholders and we engage with regulators and Government agencies both directly in response to consultations or proposals and through our membership of worldwide trade associations.

Shareholder returns

The Group has delivered six consecutive years of double-digit growth in adjusted diluted earnings per share as we look to build a sustainable business for the long-term benefit of shareholders and other key stakeholders. The adjusted measures exclude amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments. We use the adjusted measures as we believe they reflect the underlying trading results and are measures typically used by investors and the analyst community.

The Board has reviewed the dividend and in line with our progressive dividend policy, for the year ended 31 December 2017, we propose an increase of 15% to 1.32p per share (2016: 1.15p per share) to be approved by shareholders at the Annual General Meeting. The dividend will be paid on 31 May 2018 to shareholders on the register on 4 May 2018.

Highlights of 2017

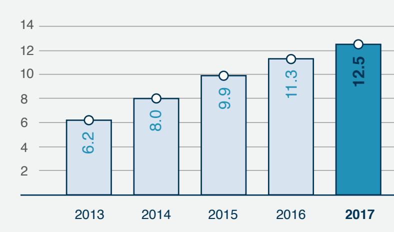
KEY PERFORMANCE INDICATOR

ADJUSTED DILUTED EARNINGS PER SHARE GROWTH

This demonstrates return to shareholders, in line with our strategy of delivering a sustainable growth in earnings per share.

Progress: Adjusted diluted EPS grew by 11%, representing the sixth year of consecutive growth.

Adjusted diluted EPS (p)



At the end of the year we initiated a small share buy-back programme, which concluded in January 2018 with the total purchase of 260,384 shares at a cost of £249,445. These shares are held in an Employee Benefit Trust to cover potential exercises of vested share options thus reducing the dilutive effect of issuing new shares. Based on the number of vested options and the share price at the time, this was a sensible use of capital for the benefit of all shareholders.

Outlook

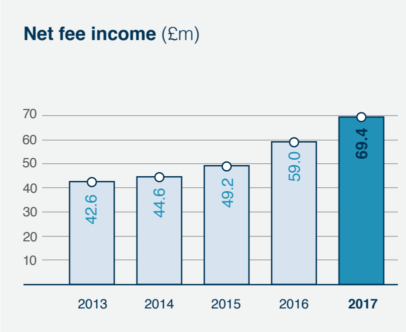
The Group has a strong platform from which to deliver the next phase of growth. The economic conditions are positive and whilst we maintain a cautious view on political risk, we see good opportunities to develop our Group further during the year ahead. We have a proven strategy and brands that have the potential to grow their profit.

Tony Martin
Chairman

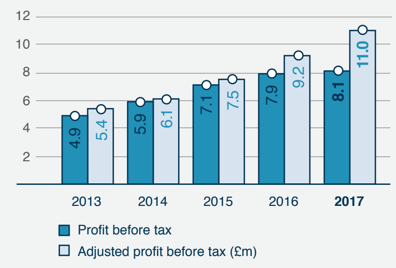
13 March 2018

Financial highlights

Net fee income (£m)

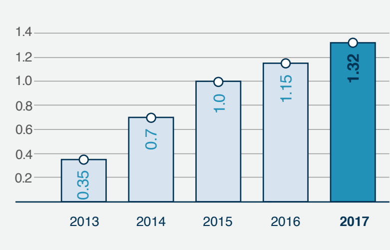


Adjusted profit before tax (£m)



Profit before tax
Adjusted profit before tax (£m)

Dividend (p)



Operational highlights

Strengthening a multi-branded group

- Entry into Vietnam through Monroe Consulting. As a Group we provide a global service, now operating from 20 countries.
- UK brands merged (Mansion House merged into LMA, Reflex HR merged into FastTrack).

Investing in staff with focus on productivity

- Average staff numbers increased to 1,367 (2016: 1,282).

Management change

- Spencer Wreford appointed Chief Operating Officer in September 2017.

Operating excellence

Become celebrates 20 years in business.

McCall celebrates 25 years in business.

Brand awards in 2017

ConSol Partners: Staffing Industry Analysts Executive Forum recognised as 2017 best staffing firm to work for in the USA (up to 51 employees).

IMS: Times Ascent Dream company to work for (IOAP The Global Outsourcing 100).

LMA: Global Recruiter APAC winner.

Monroe Consulting: Global Recruiter Best In-house training APAC; Best small recruitment business (commended); Best Newcomer (Malaysia Gold); Best Candidate Experience (Malaysia Bronze).

Our business model

We leverage our resources

Our people
The skills and expertise of our staff.

Our financial strength
Our ability to invest in the business.

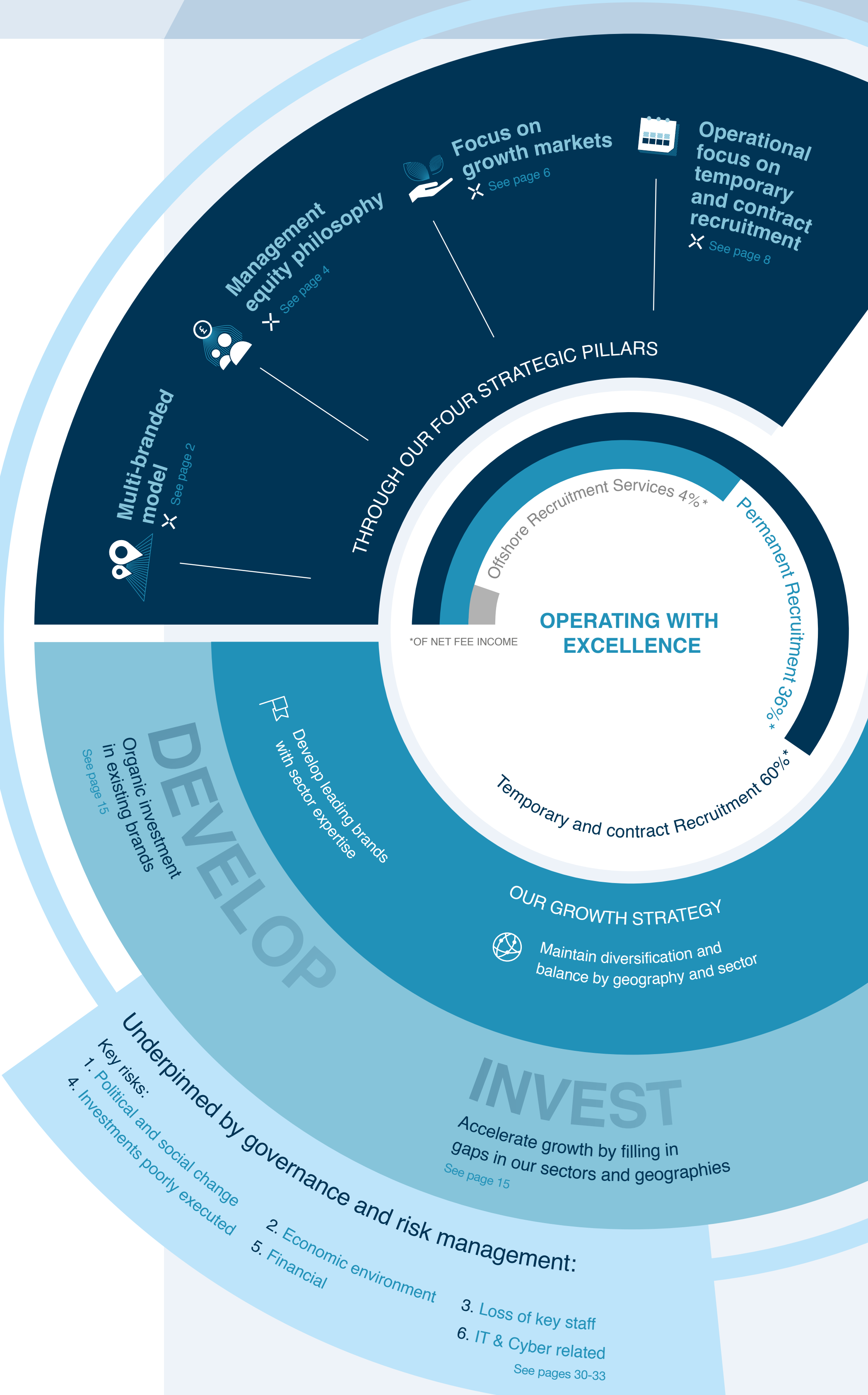
Our brand reputation
Our brands are experts in their markets.

Our values & culture
Our decentralised structure provides operational autonomy for managers.

Our network
Our brands are servicing clients and candidates in 20 countries across the world.

Our technology
Our ability to connect with clients and candidates and operate our business effectively.

Through our four strategic pillars



To generate good returns and sustainable long-term value

Our unique business model
We target different segments of the market with different brands. Each brand has specific in-depth knowledge and expertise in their market.

Investors

We aim to deliver sustainable returns for shareholders with growth in adjusted diluted earnings per share and a progressive dividend policy in line with trading performance.

Growth in profit and cash-flow allows us to re-invest in our businesses to grow their profit into the future.

Dividend (p)

1.32p

Adjusted diluted EPS (p)

12.5p

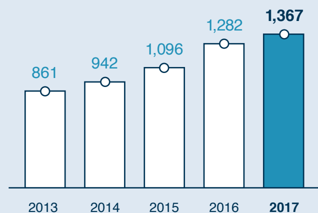
People

Our culture and values allow staff to develop and flourish, so they can achieve their goals and improve their careers.

Average employee numbers (2017)

1,367

Average staff numbers



Community

We make a direct social and economic contribution in the countries we operate in. We help people to find work, to develop their careers and support their families, and we contribute to the local economy through tax payments and use of local suppliers.

We help local businesses meet their objectives by helping them find suitable workers that fit their needs and requirements. By providing a quality value added service to our clients and candidates we enhance our brand reputation which should help generate repeat and new business.

Market drivers in our industry

Economic conditions

Confidence drives client's hiring activity and investment in staff, and confidence makes candidates more comfortable to move job. Confidence builds with good economic conditions, with growing economies creating new roles and candidates moving between existing roles. This dual impact means staffing markets are generally expected to grow at higher rates than country GDP, but different geographies and sectors exhibit different economic conditions and so demand is not spread evenly.

Market opportunity is also based on the size of the market and the level of specialism, with larger markets having a greater degree of specialism. The world economy is increasingly inter-connected with businesses operating in global markets across international boundaries. The labour markets are reacting to this with people becoming more mobile and working outside their country of birth.

Talent shortages

Talent shortages exist in many sectors, making it difficult for clients to find suitable staff, as there are insufficient workers with the necessary skills to meet demand. Clients have a number of routes to find candidates but where there is a scarcity of talent a staffing agency is invaluable to help with difficult to find candidates. There is an ageing population in developed economies which further exacerbates this skills shortage and in emerging economies where there are growing populations they often lack the skills and experience needed by clients.

Advances in technology and automation are reducing the requirement for a number of low skilled jobs, making them obsolete. However, these advances also lead to the creation of new roles that did not exist a few years ago, although there are shortages of people with experience in these new areas. There is an increasing divide between the qualifications and skills of workers and the evolving demands of the labour market.

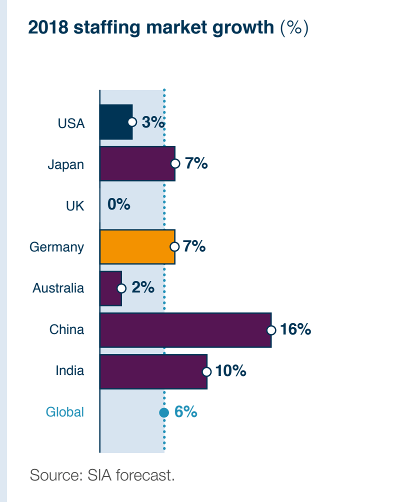
There is an ongoing trend for urbanisation, leading to a concentration of workers in the key economic centres, especially in emerging markets. The concentration of workers to the largest cities means these cities are the main drivers of economic growth and business opportunities.

Changes in market regulations and new technologies

Market regulations can be a driver of growth, with well-regulated markets encouraging temporary employment by protecting the rights of temporary workers, for example by providing the right to equal pay and conditions. New business models can create opportunities for workers, as seen with the growth of workers in the gig economy. They also create uncertainties as authorities review how to deal with the taxation of income and profits, which could lead to changes in regulations around how workers can be engaged.

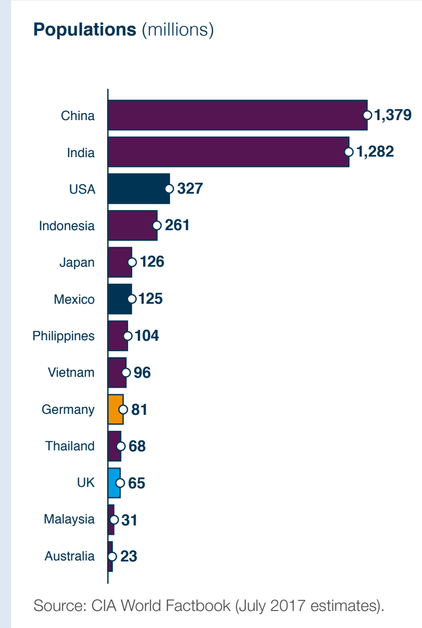
New technologies and tools in staffing are changing how we interact with candidates and clients, with some models helping the staffing industry to be more productive and some looking to bypass the agency. In established staffing markets we see an increasing use of Vendor Management Systems ('VMS') and Managed Service Providers ('MSP') where software solutions or external advisers act as the mechanism for providing staffing services to clients, reducing or removing the interaction between the end client and staffing agency. With the supply and demand for job markets becoming increasingly digitalised it can be difficult to sift through the sheer volume of data online to find the best match. This is where the experience of a staffing agency can be vital to find the right candidate.

2018 staffing market growth (%)



Source: SIA forecast.

Populations (millions)



Source: CIA World Factbook (July 2017 estimates).

How we meet our objectives

We follow an Invest and Develop approach to deliver on our strategy. We are a strategic investor, looking to invest in like-minded people who share our values and are passionate about their business.

DEVELOP

It is important for our existing brands to develop and grow their profits over the long-term. Organic investment helps them to develop their services and grow scale and coverage. This is done by the following:

- Increase the headcount in an existing brand
- Add a new vertical specialism to an existing brand
- Enter a new or existing geography with an existing brand
- Start up in a niche sector

INVEST

To accelerate our growth we also look at external investments, to fill gaps in our sector or geographic coverage or to bring in specific market knowledge into the Group.

External investment will occur where we don't currently have a presence in a region or sector or to help develop an existing brand by filling in gaps in their service offering:

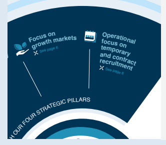
- Enter a new geography or sector with a new brand
- Grow an existing brand with a bolt-on acquisition

It is important to have the right culture fit with any external investment, typically finding businesses that have potential but have reached a point where they need help to move forward to the next level. We want to work with them to develop a leading staffing brand.

FINANCIAL DISCIPLINE

Our investment activity is dependent on the resources we have available. We are in an overall debt position and we target a 'debt to debtors' ratio of 25%.

Our preference is for investments to be funded through equity or from operating cash flows and debt to be used for working capital funding. We review investment opportunities and funding options based on our expectations for the business and the costs of raising new funds to deliver the best overall result for shareholders.



FULL BUSINESS MODEL:
Discover the full business model on page 12 of this report.

Our growth strategy

The Group's strategy is focused on growth, facilitating our vision to be a leading international, specialist staffing group.

1. Develop leading specialist brands with sector expertise

We invest in our brands to ensure they have sufficient scale and strength to deliver sustainable profits. Leading brands should be more financially stable during the economic cycle and will benefit from synergies in operational processes, training, systems and marketing.

Our strategic objectives

- **Focus on professional and specialist job levels** where there are the greatest talent shortages.
- **Sectors with good long-term growth prospects** where our niche sector expertise helps us to deliver to the needs of both clients and candidates.

Our progress in 2017

We successfully integrated two new brands into the Group from external investments made in 2016.

Rishworth Aviation provides us with a leading position in Aviation, a new high growth global sector.

ConSol Partners increases our presence in high growth IT sectors, operating across the UK, Continental Europe and US markets.

In 2017, we merged a number of brands in the UK, to bring operational synergies and cost savings to the businesses. In Professional services the Mansion House insurance brand was merged into LMA, adding a further specialism to their offering. In the Technical & Industrial sector, Reflex HR merged into FastTrack, strengthening their combined position in the market and giving clients a better national coverage.

We exited a training business in Indonesia as we focus on our core staffing business.

Our opportunities

With economic forecasts generally positive in the regions we are operating in, we see potential to continue to grow our Group profit into 2018.

With the restructuring undertaken in 2017 we have a stronger platform across the Group and the focus in 2018 is on investing in new staff and improving productivity. We see good opportunities to use technology tools to help our staff operate more effectively and efficiently and to invest more in staff training.

We also look for cost efficiencies within our operating structures and are working on a number of projects to improve reporting and streamline back office functions.

2. Maintain diversification and balance by geography and sector

Having a spread of operations across geographies and sectors reduces the reliance on any single market and minimises the impact on the Group from market fluctuations and external shocks.

- **Footprint in key economic centres** where there is the highest concentration of workers and business so delivering the best return on investment.
- **Established and emerging staffing markets** allows access to both stable mature markets and high growth emerging markets.

With the investments in Rishworth Aviation and ConSol Partners in 2016, we now have a better diversification across our sectors, including a new sector in Aviation.

Our Monroe Consulting brand opened a new office in Vietnam, our first venture in this country. This builds their South East Asia coverage, now operating in six countries in Asia Pacific and two in Latin America.

The investment in ConSol Partners has increased our presence in the USA through their office in Los Angeles. From the London office they service clients in the UK and Continental Europe. With our existing IT, digital & design brand in Japan, Skillhouse, this sector now operates across all of our regions.

10 of our 18 brands operate in more than one geographic region. We think this is important for leading brands to help spread their exposure and to deliver to the needs of clients across different geographies. We see ongoing opportunities to increase our brands' geographic coverage across the Group.

Although we do not currently expect to make any significant external investments in 2018, we continue to look at opportunities to further diversify our geographic or sector coverage either through new brands or bolt-on acquisitions.

3. Develop a solid financial foundation

Having a strong financial foundation is key to delivering long-term sustainable results for the Group.

- **Funding being available** to allow the Group to pursue internal and external investment opportunities.

With our record profit in 2017 we have generated positive cashflows. With the deferred consideration payment related to ConSol Partners paid in the year, we have seen an increase in our debt to debtors ratio to 45%, up on 38% in 2016. Whilst this remains higher than our target of 25%, it only represents 1.5 times adjusted net debt to EBITDA.

We have not made any external investments in 2017, with a focus to reduce the Group debt level.

With our diversified Group we have delivered a record profit in the year. Our business is highly cash generative and with our committed bank facilities we end the year in a strong financial position.

In 2018 we do not currently anticipate making any significant external investments, as we continue to target a reduction in our net debt and our debt to debtors ratio.

However, we continue to look at opportunities, both organic and external, to grow the Group where there is a strong strategic fit.

Chief Executive's review

We are pleased to have delivered another record year of profit, further demonstrating that our strategy of being diversified by sector and geography is working, with adjusted profit before tax growing 20% to £11.0m (2016: £9.2m).

Group performance in the year

We are pleased to have delivered another record year of profit, further demonstrating that our strategy of being diversified by sector and geography is working, with adjusted profit before tax growing 20% to £11.0m (2016: £9.2m). The 2017 results include a full year of contribution from the investments made in 2016 in Rishworth Aviation and ConSol Partners.

Group revenue increased by 32% to £357.1m (2016: £270.4m), with net fee income up 18% to £69.4m (2016: £59.0m). Our strongest results were in Japan (IT & design sector), Chile (retail sector) and in the professional services and other specialist sectors of the UK. Permanent revenue was up 14% and temporary and contract revenue was up 34%.

The two investments made in 2016 have integrated well into the Group. Rishworth Aviation has performed in line with our expectations. The decision was taken to incur professional fees to support the set-up of new bases of operations for key clients, which are already generating profitable returns and further consolidate their position as a key business partner. Our investment in ConSol has also been positive, with the UK office trading well and expanding their operations in Continental Europe. We have invested in the US office, bringing in more experienced staff and increasing their focus on temporary sales. There has been a positive contribution in the second half of the year from these changes and we see a good momentum moving into 2018.

We have continued to invest in our Group, with Monroe Consulting launching in Vietnam, a new country for the Group. This operation has started well and complements their existing footprint across South East Asia. The Group has also seen average staff numbers increase by 7% as we continue to invest in line with our leading brands strategy. In the UK, two brands were merged into FastTrack (technical & industrial) and LMA (professional services), which are expected to provide both operational and cost synergies in the coming years.

Trading summary

£m	**2017**	2016	% change	% change constant currency**
Revenue	**357.1**	270.4	32%	28%
Net fee income	**69.4**	59.0	18%	13%
Operating profit	**8.7**	8.5	2%	(3%)
Adjusted operating profit*	**11.6**	9.8	18%	13%
Profit before tax	**8.1**	7.9	3%	(2%)
Adjusted profit before tax*	**11.0**	9.2	20%	14%

* Adjusted to exclude amortisation of intangible assets, exceptional items, gain or loss on disposal of business and fair value charges on acquisition of non-controlling interests. See note 11 for a reconciliation between profit before tax and adjusted profit before tax.

** The constant currency movement is calculated by translating the 2016 results at the 2017 exchange rates.

With a Group operating in 20 countries and across various sectors, it is unrealistic to expect all brands to be performing at their peak at the same time. Our organic performance in the year has been impacted by weaker performances, primarily within the technical & industrial sector, and actions have been taken to make changes where required. At the net fee income level, the growth was driven by the investments made in 2016, with organic growth of 1%, although once currency benefits are removed, the constant currency organic net fees decreased by 3%. Germany and the Middle East were our weaker markets in the period. We saw a reduction in net fee income in Germany following the introduction of new legislation to limit the amount of time a worker can be treated as a temporary worker at the same client to 18 months as well as new minimum wage rules. We have been proactive in managing this position with worker rotations but this has resulted in lower temporary margins and a subsequent decline in profit. In the Middle East we have incurred restructuring costs in the year, bringing the cost base in line with current trading and whilst loss making, it was an improvement on the prior year and we saw a positive trend across the second half. In the UK a mixture of changes within the sales team and merger costs have put pressure on the results. As part of a mid-term growth plan, we will be investing further. The fact that we were able to deliver a record result in 2017, despite difficulties in certain markets, underlines the benefit of our strategy to be diversified across sectors and geographies and so not being reliant on any single market.

The Group temporary margin was 12.7% (2016: 14.5%) with the reduction mainly due to the full year impact of Rishworth Aviation, which has a high revenue and relatively low gross margin percentage, and the lower margins in Germany. The mix of net fee income was consistent with the prior year, with 60% from temporary and contract sales and 40% from permanent sales. The share of net fees from professional and specialist levels increased to 87% (2016: 86%). The Group generated 66% of net fee income from outside the UK (2016: 68%).

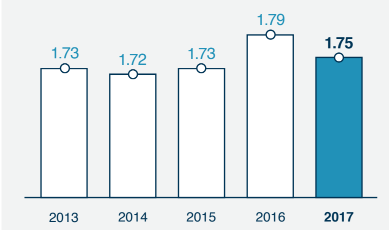
We have seen another improvement in our conversion ratio, albeit a small increase to 16.7% (2016: 16.6%). This represents six years of consecutive improvement, although the rate of growth was held back by costs incurred on exiting property leases in the UK, non-exceptional restructuring costs and investing in new staff. We have a clear focus to manage our costs, allowing investment in building the teams, but always looking for ways to operate more efficiently, with a particular focus on staff productivity.

KEY PERFORMANCE INDICATOR

STAFF PRODUCTIVITY

This is the key productivity ratio we monitor, demonstrating staff efficiency, calculated as the ratio of net fee income generated per £1 of staff cost. The staff cost includes all sales and administrative staff, reflecting the true cost of operating the Group.

Progress: At 1.75 in 2017 we have seen a small decline on 1.79 in 2016, but this remains above all other years since 2013.



Permanent revenue

+14%

Temporary and contract revenue

+34%

Net fee income

£69.4m

2016: £59.0m

Adjusted profit before tax

£11.0m

2016: £9.2m

Chief Executive's review
continued

Within our English speaking brands we have started to use our offshore recruitment outsourcing business in India to take over certain internal accounting processes, to deliver consistency, build scale and manage costs. Operating profit grew by 2% to £8.9m (2016: £8.7m), with higher amortisation costs of £1.7m (2016: £1.1m) reflecting the recent investments made by the Group, as well as a £0.9m loss on disposal for exiting the training business in Indonesia. The adjusted operating profit, stated before amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments grew by 18% to £11.6m (2016: £9.8m). The disposal was of a non-core business, which joined the Group in 2007. There was a need for a significant cash investment to restructure it for growth and we did not believe it was an ongoing fit with the Group. This was an accounting loss only and meant we did not need to make any further cash injections.

Profit before tax was up 3% to £8.1m (2016: £7.9m), with the underlying adjusted profit before tax up 20% to £11.0m (2016: £9.2m). Interest costs were level year on year, despite the increase in net debt. We also had a benefit from the weakness in Sterling on the translation of our overseas results. On a constant currency basis adjusted profit before tax was up 14% but reported profit before tax was down 2%. Currency has been beneficial for the last two years, following the Brexit vote, but based on the exchange rates at year end we would not expect to see the same benefit during 2018.

Diluted earnings per share was down 15% to 7.9p (2016: 9.3p), also impacted by the higher amortisation charges and loss on disposal. On an adjusted basis there was an 11% growth to 12.5p (2016: 11.3p), representing the sixth year of double digit percentage growth.

Five year plan
2014-2018

As we enter 2018 we start the last year of our most recent five year growth plan. We are pleased with the progress we have made in all three key measures. We will continue to work on improving the conversion ratio and all three targets remain ongoing areas of focus for the Group.

KEY PERFORMANCE INDICATOR

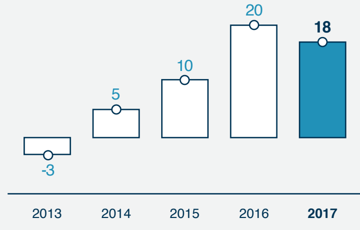
NET FEE INCOME GROWTH

Sustainable growth in net fee income is needed to deliver long-term growth in net profit and earnings per share.

Target: Average annual growth of 10%.

Progress: 18% (13% in constant currency). The last three years have been at or above our target level.

Net fee income growth (%)



KEY PERFORMANCE INDICATOR

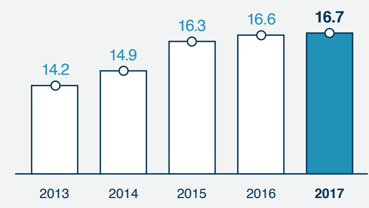
CONVERSION RATIO

This demonstrates how efficiently the business is operating and how well the cost base is being managed. It is calculated as the percentage of adjusted operating profit to net fee income.

Target: Reach 20% ratio by 2018.

Progress: 16.7%, being the sixth consecutive year of improvement. After the small growth in 2017 we do not expect to reach 20% in 2018 but continue to focus on balancing costs, productivity improvements and investments to grow net fee income to reach our target.

Conversion ratio (%)



Over the first four years of our plan we have delivered a 63% growth in net fee income, with 26% from organic growth (for businesses in the Group in 2013), 43% from new investments and 6% lost through divestments. The Board's decision to operate above the long-term debt to debtors target is explained in the Finance review.

KEY PERFORMANCE INDICATOR

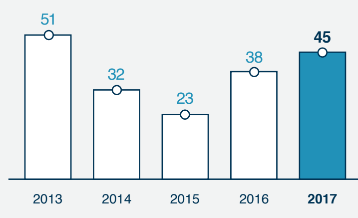
DEBT AS A % OF DEBTORS

This demonstrates how leveraged the Group is. The Group needs a sound financial foundation for long-term sustainability and to be able to react to opportunities in the market.

Target: To reduce this to 25% by 2018.

Progress: This increased to 45% from 38% in the prior year due to the acquisition based payments made in the year. Having reached the target in 2015 we took the decision to make two strategic investments using cash and debt in 2016, knowing this would significantly increase this ratio in the short-term. We expect to see this rate reduce in 2018 but not to reach the target level.

Total debt as % of trade debtors (%)



Focus into 2018

Organic growth has always been a core part of our business model and despite the low overall organic growth in the year, this remains a key focus of management. We agree specific plans with each brand to help them develop into leading brands in their sectors and we will continue to invest in new staff, locations and markets where we see opportunities to grow. We are confident that the plans we are following will help the Group deliver profitable organic growth in 2018.

We have not made any external investments during 2017, concentrating on integrating the three investments we made over a 12 month period from October 2015 to October 2016. It was important to settle them into the Group before looking for new investment opportunities. With the main focus on organic growth in 2018, we do not currently expect to make any significant external investments, but we will continue to work on identifying suitable opportunities to further develop the Group in line with our strategy. As part of balancing our sector and geographic coverage, we have a particular interest in increasing our presence in the Latin American region and the healthcare and professional services sectors. We also work with our brands to identify and execute sector specific bolt-on acquisition opportunities, to help accelerate their growth plans.

Joost Kreulen
Chief Executive Officer

13 March 2018

Operating review

United Kingdom

£m	2017	2016	2015	2014
Revenue	**86.7**	70.1	62.7	65.8
Net fee income	**23.4**	19.0	18.4	15.9
Adjusted operating profit	**2.2**	1.5	2.2	2.2
% of Group net fee income	**34%**	32%	37%	35%
Average number of employees	**294**	262	224	197

Revenue increased by 24% and net fee income was up 23%, helped by having a full year of contribution from ConSol Partners. However, excluding this the underlying movement in net fee income was a reduction of 2%, due to lower sales within our insurance and technical & industrial brands. Our UK based brands in technical & industrial merged at the beginning of 2017 and overall the integration has run smoothly. The sector has been challenging, with candidate shortages and delays to key projects and at the same time the credit community has also been very cautious in this sector and this is unlikely to improve following recent well publicised company collapses. We are working closely with the business to help them make improvements in structure and process to recover their profit levels including the introduction of an improved training programme during the year. We plan to invest in adding more staff in 2018.

In professional services we have seen positive conditions, with activity levels high throughout the year. We have merged the insurance brand into LMA, our leading professional services brand, with effect from January 2018, with resulting cost and operational synergies. We have not seen any impact on client demand due to Brexit and staff numbers have increased 10% year on year. The LMA business has a good track record of adding new service lines and we are confident they will be able to maximise the opportunities with a dedicated insurance division.

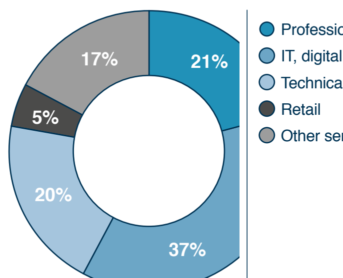
We were also pleased with the contributions in domestic services and retail (new house sales), with both growing year on year and looking to strengthen their regional presence in 2018.

In IT & digital we have strengthened our presence with ConSol Partners. From their office in London they cover the UK and Continental Europe markets and they have seen the mix shift more towards Europe over the course of the year. In the digital & design sector our two brands have invested in staff and systems, such that their net contribution has been steady with the prior year, but we have seen an improving trend over the second half of the year, in particular with stronger temporary sales, and see good opportunities to grow into 2018.

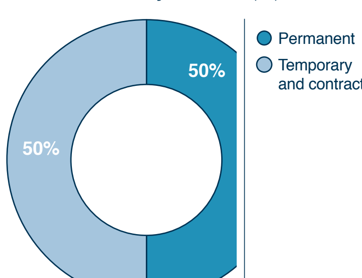
Countries:
UK

Brands:
LMA
FastTrack
McCall
Greycoat
Become
Ball and Hoolahan
Teamsales
ConSol Partners

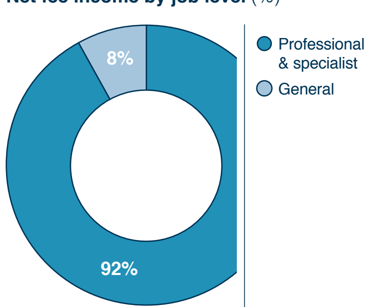
Net fee income by sector (%)



Net fee income by services (%)



Net fee income by job level (%)



Continental Europe

£m	2017	2016	2015	2014
Revenue	**98.8**	92.0	75.2	76.8
Net fee income	**16.5**	16.8	14.5	15.0
Adjusted operating profit	**5.1**	4.9	3.9	3.2
% of Group net fee income	**23%**	28%	30%	34%
Average number of employees	**125**	127	123	132

Revenue grew by 7% but net fee income was down by 2%, with the temporary margin down 2% in Germany. The adjusted operating profit of £5.1m was up £0.2m on 2016, helped by a lower allocation of central charges due to the lower share of Group net fee income.

The Headway business in Germany and Austria continues to dominate the region. The Austrian business was positive, with investments made in staff. The German temporary staffing division has integrated new sales staff and invested in training and marketing and is well positioned to benefit from these investments in 2018. The Logistics division in Germany delivered strong profits but was negatively impacted by new legislation that was implemented in April 2017 and the set up costs related to taking on new clients.

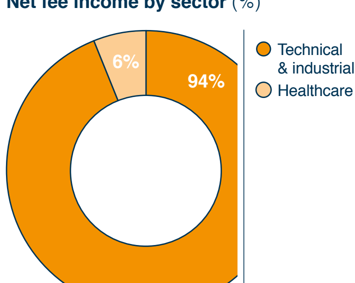
The new regulations limit the time a worker can be on a temporary contract with a client to 18 months, with new equal pay regulations also introduced. With this division operating at lower pay brackets, these changes have increased pressure on margins and projects are being managed to meet client service period restrictions. We expect there will be a continuing impact into 2018 as clients get used to the new rules. We are confident that the high quality service we provide in the market will see us well placed to respond to ongoing client needs into the long-term.

Our Finnish healthcare business has had a solid year. We oversaw a change in the senior management team during the year and are investing in marketing initiatives in 2018 to improve candidate attraction.

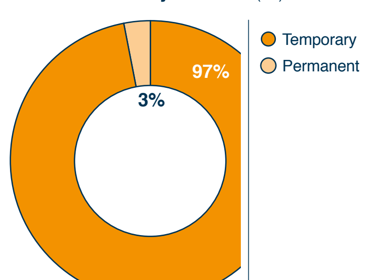
Countries:
Germany
Austria
Finland

Brands:
Headway
Medikumppani

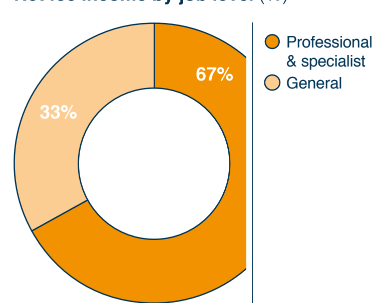
Net fee income by sector (%)



Net fee income by services (%)



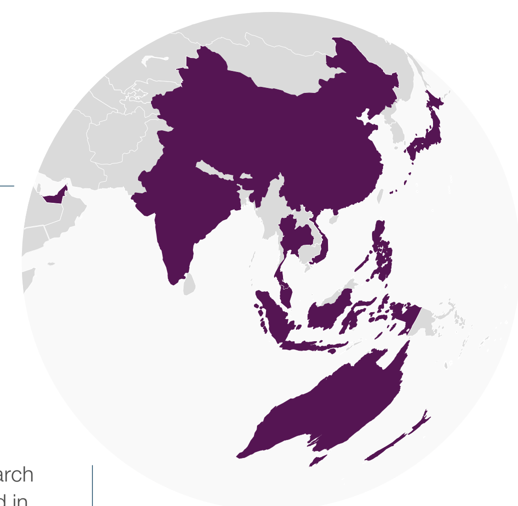
Net fee income by job level (%)



Operating review
continued

Asia Pacific

£m	2017	2016	2015	2014
Revenue	**132.7**	77.3	29.2	27.7
Net fee income	**22.2**	18.6	14.2	12.3
Adjusted operating profit	**3.5**	2.7	1.6	1.2
% of Group net fee income	**33%**	32%	29%	28%
Average number of employees	**816**	795	673	545



Revenue grew by 72% and net fee income grew 19%. This was largely due to the full year contribution from Rishworth Aviation, which has a low temporary margin of 6%, so there is a larger impact on revenue. Excluding this, net fee income was up 3%.

The Rishworth business has performed in line with expectations and has settled well into the Group, providing a new sector specialism. A key focus in the year has been on setting up new pilot bases for their largest client. Whilst this has required them to incur additional professional fees, we expect the costs to reduce for 2018 and the new bases are already making profitable contributions.

There were particularly strong performances from Skillhouse in Japan (IT, digital & design sector) where the positive economic conditions, combined with an ageing population, has created strong client demand. Candidates are in short supply and new legislation takes effect in 2018 which limits the time workers can be on temporary or outsourced contracts with clients. We have yet to see how clients will react to these changes.

In South East Asia our executive search brand, Monroe Consulting, launched in Vietnam and now operate in six countries across the region. There were good results in Thailand, Malaysia and Indonesia and investments in staff across all offices. In India there was good growth in the outsourcing services to the UK, in particular in the healthcare sector, although their profit growth was dampened by currency impacts. They invested in additional sales resources for the key UK and US markets and we see good opportunities for 2018. We exited our non-core training business in Indonesia, with a sale to the management team as it would have required significant cash and time investments to turn it around and we felt it would be more successful as an independent company.

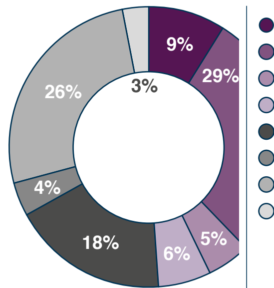
In professional services the LMA business in Singapore grew net fee income and profit. They continue to invest in new staff to capitalise on their market position.

Following a difficult period, our business in the technical & industrial sector in the Middle East has been fully restructured, with a new manager in place, and a cost base in line with current trading levels. There were additional bad debt write offs for historic issues and the UK base has been closed down. There has been an increase in oil price in the second half of the year, which should help local economic confidence and we expect a positive contribution in 2018.

Countries:
UAE
India
China
Japan
Hong Kong
Singapore
Vietnam
Thailand
Malaysia
Philippines
Indonesia
Australia
New Zealand

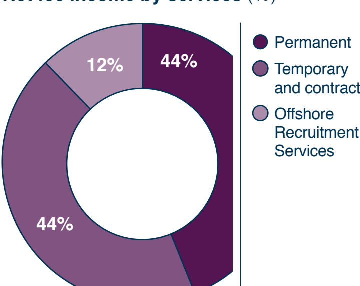
Brands:
Skillhouse
FINES
Become
Monroe Consulting
IMS
BW&P
McCall
LMA
Greycoat
Rishworth Aviation

Net fee income by sector (%)



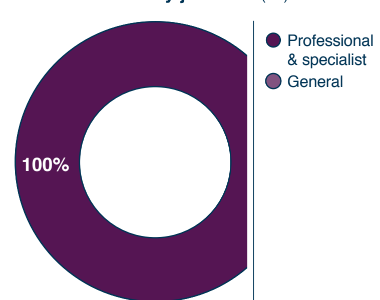
- Professional services
- IT, digital & design
- Technical & industrial
- Retail
- Executive search
- Healthcare
- Aviation
- Other services

Net fee income by services (%)



- Permanent
- Temporary and contract
- Offshore Recruitment Services

Net fee income by job level (%)



- Professional & specialist
- General

Americas

£m	2017	2016	2015	2014
Revenue	**38.9**	31.0	20.2	17.6
Net fee income	**7.3**	4.6	2.1	1.4
Adjusted operating profit	**0.8**	0.7	0.3	0.0
% of Group net fee income	**10%**	8%	4%	3%
Average number of employees	**132**	98	76	68

Revenue grew by 25% with net fee income up 59%, helped by the first full year contribution from ConSol Partners. Excluding this, the net fee income was up 17%.

In Chile, we were pleased with another year of growth, with record profits. There was growth in all key divisions, with the strongest growth in the newer permanent and temporary staffing areas but also 12% growth in net fees from the outsourcing business.

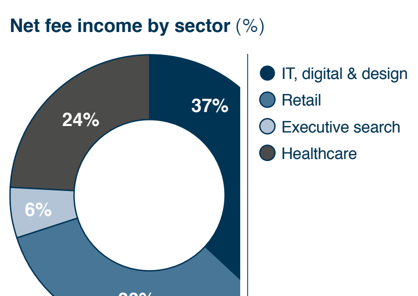
In the IT digital & design sector, we had the first full year of ConSol Partners. We invested in staff to build the temporary sales service, increased the management resource and changed the mix in favour of more experienced consultants. The growth in temporary sales is slow and we expect this will take time to see any meaningful change in the sales mix. However, the other staff changes have had a more immediate impact, with a much improved second half result to offset the first half year and this positive momentum gives us confidence moving into 2018.

In healthcare, we have seen an improving performance from Pharmaceutical Strategies in the second half of the year. Following a change in client mix during 2016 they have made progress in broadening their client base and penetration in key clients with a wider service offering. There have been positive changes in the sales and recruitment teams and we are confident that this will deliver improved returns.

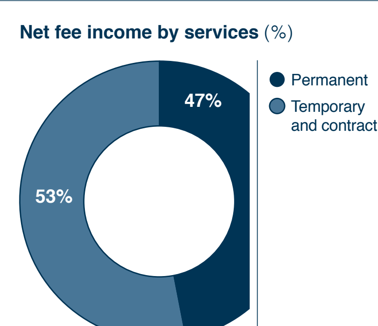
Countries:
USA
Mexico
Chile

Brands:
Alternattiva
Monroe Consulting
Pharmaceutical Strategies
ConSol Partners

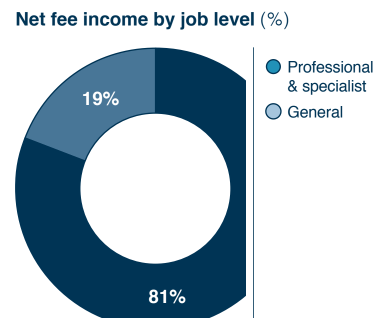
Net fee income by sector (%)



Net fee income by services (%)



Net fee income by job level (%)



Finance review

Proposed final dividend increased by 15%, in line with our progressive dividend policy.

Performance overview

	2017	2016	2015	2014	2013
Revenue (£m)	**357.1**	270.4	187.3	187.9	194.4
Net fee income (£m)	**69.4**	59.0	49.2	44.6	42.6
Operating profit (£m)	**8.7**	8.5	7.6	6.4	5.5
Adjusted operating profit (£m)*	**11.6**	9.8	8.0	6.6	6.0
Profit before tax (£m)	**8.1**	7.9	7.1	5.9	4.9
Adjusted profit before tax (£m)*	**11.0**	9.2	7.5	6.1	5.4
Diluted earnings per share (p)	**7.9**	9.3	9.3	7.5	5.2
Adjusted diluted earnings per share (p)*	**12.5**	11.3	9.9	8.0	6.2
Proposed dividend per share (p)	**1.32**	1.15	1.0	0.70	0.35

Tax

The total tax charge in the year is £3.6m (2016: £3.5m), representing an effective tax rate of 44% (2016: 44%). The effective rate based on the adjusted profit before tax, so excluding the effect of amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments is 37% (2016: 40%). This rate is higher than the UK rate due to a number of factors:

- The mix of profits is weighted towards higher tax jurisdictions, including Germany, Japan, India, Australia and New Zealand (£1.1m).
- The level of non-deductible expenses in the year (£0.5m).
- A deferred tax asset has not been recognised for certain of the tax losses around the Group (£0.4m).

Treasury

The Group's treasury function is managed centrally. Under the Group's treasury policy speculative transactions are not permitted and where possible liabilities, typically debt, match the location and currency of the related assets. The following matters are reserved for Board approval:

– Changes to the Group's capital structure.

– Approval of Group financing arrangements or significant changes to existing arrangements.

– Approval of treasury policies and any activity involving forward contracts, derivatives, hedging activity and significant foreign currency exposures.

– Approving the appointment of any of the Group's principal bankers.

Capital management and allocation

The Board monitors the overall level of debt across the Group, to ensure we operate in line with our facilities and investment plans. There is a constant need to balance the conflicting priorities of reducing the debt level, investing in the business and returning funds to shareholders through dividend payments. Any increase in bank facilities needs Board approval and treasury management is part of the monthly Board reporting. The Board has set a target debt to debtors ratio of 25% and we also monitor other key debt ratios as follows:

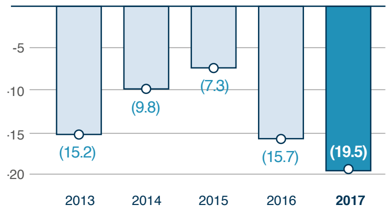
	2017	2016	2015	2014	2013
Adjusted net debt to EBITDA	**1.5**	1.5	0.8	1.3	2.2
Adjusted net debt to equity	**46%**	39%	24%	41%	70%

The principle followed by the Board is that debt should be available to fund working capital and that equity should be used for significant external investments. During 2016, the decision was taken to use debt to fund the external investments, taking into account shareholder dilution, the available funding options and the relative costs of raising new funds at the time. This was believed to be the best overall result for shareholders, based on our expectations of the business after making the investments. The Group reported net debt increased to £12.0m at 31 December 2017 (2016: £10.5m), as expected with the £5.6m deferred consideration payable on ConSol Partners in 2017. We expect to see a reduction in debt by the end of 2018 as we do not currently plan to make any significant external investments in the year.

	2017 £m	2016 £m
Cash at bank and in hand	**25.9**	20.3
Overdraft facilities	**(20.4)**	(5.1)
Invoice financing	**(9.7)**	(8.9)
Bank loans	**(7.8)**	(16.8)
Reported net debt	**(12.0)**	(10.5)
Pilot bonds	**(7.5)**	(5.2)
Adjusted net debt	**(19.5)**	(15.7)

The cash held by Rishworth Aviation at 31 December 2017 includes £7.5m for pilot bonds (2016: £5.2m), amounts which are repayable to pilots or the client throughout the contract or if it ends early. There is no legal restriction over this cash, but given the requirement to repay it over a three year period, when calculating our 'debt to debtors' ratio we exclude the cash held as pilot bonds, giving an adjusted net debt of £19.5m (2016: £15.7m) at year end. The 'debt to debtors' ratio has increased to 45%, from 38% last year, impacted by the deferred consideration spend in the year.

Adjusted net debt (£m)



The Group generates positive cash each year, with a strong correlation between operating cash flow and adjusted profit before tax.

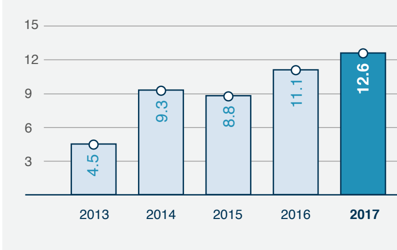
KEY PERFORMANCE INDICATOR

CASH GENERATED FROM OPERATIONS

This demonstrates how much cash is available for the Group to cover tax, financing and investments. It is measured as the operating profit of the Group, excluding non-cash items and including working capital movements.

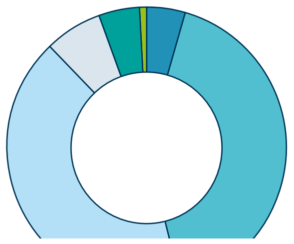
Progress: £12.6m (2016: £11.1m).

Cash generated from operations (£m)



The cash generated from operations has been utilised in 2017 as follows:

Cash generated from operations (£m)



- Net interest (£0.6)
- Taxation (£5.5m)
- Net deferred consideration (£5.5m)
- Capital expenditure on tangible fixed assets and software (£0.9m)
- Dividends to shareholders (£0.6m)
- Dividends to non-controlling interests in subsidiaries (£0.1m)

The deferred consideration includes £5.6m paid in relation to the investment in ConSol Partners. There are no further payments remaining on any existing investments. The taxation payment of £5.5m includes £0.8m of advance withholding tax on dividends, which is expected to be recovered in 2018.

Dividend

During the year, the Group paid a dividend of £0.6m in respect of the year ended 31 December 2016, amounting to 1.15p per share. For the year ended 31 December 2017, the Board is proposing a dividend of 1.32p per share, which if approved by shareholders at the Annual General Meeting, will be paid on 31 May 2018 to shareholders on the register on 4 May 2018.

Liquidity and funding risk

The Group maintains a range of appropriate facilities to manage its working capital and medium-term financing requirements. At the year end, the Group had banking facilities totalling £50.5m (2016: £52.0m). This included a reduction in the UK invoice financing facility as ConSol Partners joined the Group arrangement and so closed their previous facility. We also increased the overall level of overdrafts across the Group, with the UK term loan reducing in line with the agreed repayment terms. The amount of facility undrawn of £19.3m (2016: £15.4m) excludes the headroom on the invoice financing facility, which is available to the UK companies only. The £10.0m revolving credit facility is with HSBC Bank plc, entered into for investment funding in 2016. Connected to this facility is a £5.0m accordion arrangement which has been agreed in principle by the bank, but would need new credit approval for any draw down from this amount. As part of the bank facilities with HSBC Bank plc, security is provided by companies in the UK, Germany and New Zealand.

	2017 £m	2016 £m
Overdrafts (UK)	**8.6**	6.2
Revolving credit facility (UK)	**10.0**	10.0
Term loan (UK)	**2.0**	3.5
Overdrafts and other loans (non-UK)	**16.9**	15.3
Total overdrafts and loans	**37.5**	35.0
Invoice financing facility (UK)	**13.0**	17.0
	50.5	52.0
Amount of overdraft and loan facility undrawn at year end	**19.3**	15.4

Finance review
continued

As part of the revolving credit facility we need to meet bank covenant tests on a quarterly basis. All tests have been met during the year. The covenants and our performance against them at year end are as follows:

Covenant	Target	Actual
Net debt: EBITDA*	< 2.5 times	0.6
Interest cover	> 5.0 times	17.6
Debt service cover	> 1.25 times	5.8

* Target started at 3.0, reducing to 2.75 from the quarter ended 31 December 2016 and to 2.5 from the quarter ended 31 December 2017

Interest rate risk
The Group's bank facilities are subject to floating interest rates. This is expected to match the interest costs with the economic cycle (eg when interest rates are higher there is typically better economic growth and so for a cyclical industry such as recruitment, profits should be greater when the economy is performing positively). The overdraft and invoice financing facilities are used to fund working capital requirements for temporary and contract recruitment businesses. During a downturn there is typically an unwinding of working capital as trade receivables are collected, so reducing the financing requirement and subsequent interest cost.

The majority of UK bank accounts are included in a cash pooling arrangement. An interest optimisation model allows currency balances (including overdrafts) to be included within the cash pooling arrangement. With interest income not generally paid on current accounts, the Group aims to minimise the external interest cost by pooling surplus funds from around the Group to minimise the use of the overdraft facilities.

Finance income was £0.1m (2016: £0.1m), all being bank interest income. Finance costs were £0.7m (2016: £0.7m), which related to interest payable on invoice discounting, bank loans and overdrafts. The effective interest rate for bank facilities for the year was 2.6% (2016: 2.6%).

Foreign exchange risk
There was no foreign exchange from trading in the year (2016: Nil).

The Group remains open to translation risk from reporting overseas results in Sterling. We do not actively hedge this exposure, with the diversity of operations across different countries providing an element of natural hedge. During the year we were positively impacted overall by movements in exchange rates on the translation of Group results, the largest are detailed below:

Currency	Decline/(increase) in Sterling in the year using average rates (P&L)
Japanese Yen	2%
Indonesian Rupiah	4%
US Dollar	5%
Australian Dollar	8%
Euro	7%
Chilean Peso	9%
Thai Bhat	9%
New Zealand Dollar	(2%)

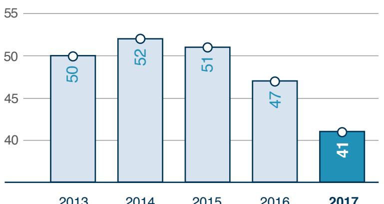
There are a small number of forward currency contracts in place at IMS (to sell US dollars and Pounds sterling) and ConSol Partners (to sell Euros). The amount covered by these at year end was £0.8m (2016: £0.6m).

Credit risk
The main credit risks arise through the use of different banks across the Group and on the Group's trade receivables. The credit ratings of the banks used within the Group are monitored with a target that no more than 10% of Group cash is held in banks with a rating below BBB (Fitch rating) or equivalent. This target was fully met throughout the year.

Debtor days are reviewed monthly with high balances followed up with local management. Average debtor days for the Group in 2017 were 41 (2016: 47), with a year-end balance of 40 (2016: 41 days). This has reduced with Rishworth Aviation joining the Group as they have low debtor days, with airlines typically paying either in advance or within a short period of pilots being paid.

The debtor days in UAE remain higher than the Group average, although good progress has been made in managing this position. The outstanding debtor balance has reduced at the end of December 2017, although there have been further bad debt write downs on historic debts during the year. The Group's bad debt expense was £0.8m in the year (2016: £0.6m).

Average debtor days



Investments and non-controlling interests

Goodwill and intangibles
Goodwill and intangibles represent the largest assets on the balance sheet and arise due to the acquisitive strategy followed by the Group. As at 31 December 2017 the balance was £54.1m (2016: £56.8m). The movements in the year were £1.7m of amortisation (2016: £1.1m) and foreign exchange loss of £1.0m (2016: gain of £4.7m).

There was no impairment in the year (2016: £0.6m). The details of the impairment review can be found in note 14 to the accounts.

Investments and disposals
A deferred consideration payment of £5.6m was paid in cash in relation to the investment in ConSol Partners in October 2016, being the final payment due for the purchase of the 65% interest.

The Group received £0.1m in deferred consideration from disposals made in 2013 of the Bar 2 payroll business and in March 2015 of the GiT business.

In September 2017 the Group disposed of its 51% investment in PT Learning Resources, a non-core training business in Indonesia. This resulted in a loss on disposal of £0.9m, after consideration received of £0.1m. The loss represents the write off of historic funding balances with no cash paid to the purchaser. Further cash consideration of £0.2m could be receivable, but is contingent on the outcome of a local tax investigation. No asset has been recognised at this stage.

Management equity philosophy and non-controlling interests

A key component of our business model is management equity, where senior management own shares directly in the operating companies they are responsible for. Details of how this operates can be found in the Strategic review on page 4.

When we acquire a majority stake in a business, the shares remaining with the founder are called 'first generation shares'. There are no material changes to the rights belonging to these first generation shares retained by founder management. We also enable senior management to acquire 'second generation shares'. This will often be when the first generation shares have been acquired by Empresaria and we want to incentivise the next tier of management in the operating company to grow the business to the next level. Management need to buy the second generation shares at market value, investing their own cash, which is at risk if the business does not perform. To help lower the market value of the second generation shares (to make it affordable for management to acquire a meaningful stake in the business they are responsible for) and to protect the profit that we have already acquired, we set a 'threshold profit' level. These second generation shares only start creating value for management if the profit grows above the 'threshold profit' level. The second generation shares typically have restrictions, such as limited or no entitlement to dividends and the price paid by the management shareholder reflects these restricted rights.

Based on the results for the year ended 31 December 2017, the total value of all non-controlling interests (shares held by management in the operating companies they are responsible for), if purchased in full in 2018 using the valuation mechanisms in existing shareholders agreements, would total £9.4m (2016: £9.0m), ignoring any potential discounts under the shareholders agreements for shares being acquired before the end of the holding period. There is no legal obligation on the Group to acquire the shares held by management at any time.

In some situations the consideration payable under the shareholders' agreement for second generation equity may be greater than the fair value of the shares under IFRS 13, where there are restrictions over the rights of the shares, typically over dividends. The valuation mechanism in the majority of shareholders' agreements uses an earnings multiple, which does not differentiate between shares with restricted rights and those without restrictions. If the price paid for the shares is in excess of this fair value, this additional amount paid is recognised as a charge in the income statement. These charges are treated as adjusting items when presenting the adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

In April 2017, we increased our interest in Monroe Consulting (executive search in the Philippines) from 70% to 90%. The consideration was £0.1m, all paid in cash. This purchase is treated as a fair value charge in the income statement.

In May 2017, we increased our shareholding in Monroe Consulting (executive search in Thailand) by 10%, taking our interest up to 80%. The consideration of £0.2m was paid in cash. This purchase is treated as a fair value charge in the income statement. At the same time we have sold 10% second generation equity (taking our interest back to 70%) to local managers who became first time shareholders in the company. In line with our equity model, the second generation shares only create value if the profits exceed historic levels.

Post balance sheet events

There were no post balance sheet events.

Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. The Group's UK and German overdraft facilities were renewed in March 2018 for a further 12 months. Given the business forecasts and early trading performance, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements. Further details on going concern are found in note 1.

Spencer Wreford
Group Finance Director
and Chief Operating Officer

13 March 2018

Risks and uncertainties – Managing our risk

The Board has ultimate responsibility for effective risk management across the Group. The risk management process followed by the Board is designed to improve the likelihood of delivering against strategy, to protect the interests of shareholders, to improve the quality of decision-making and to help safeguard our assets. We have an established process for identifying and monitoring the key operational and strategic risks in the Group. The risk management process consists of a Group risk register and a Risk appetite policy.

Risk register

This is reviewed by the Board at each meeting with risks added, amended or removed as appropriate and actions updated. The Group register is prepared based on individual brand registers which are updated during the annual budget cycle and reviewed regularly during the year with senior management at brand-level Board meetings. The Audit Committee oversees the internal control and financial control frameworks to help mitigate risk.

Risk appetite policy

The Board wishes to minimise the exposure to risks but accepts and recognises a trade-off exists between risk and reward in delivering to a growth strategy. The risk appetite has been reviewed and approved by the Board and is presented as part of the annual budgeting process. The Board has set a number of internal targets that frame its appetite for risk, with boundaries defining the limits the Group should operate within and trigger points to help monitor and identify where there is an increased risk of reaching the boundaries.

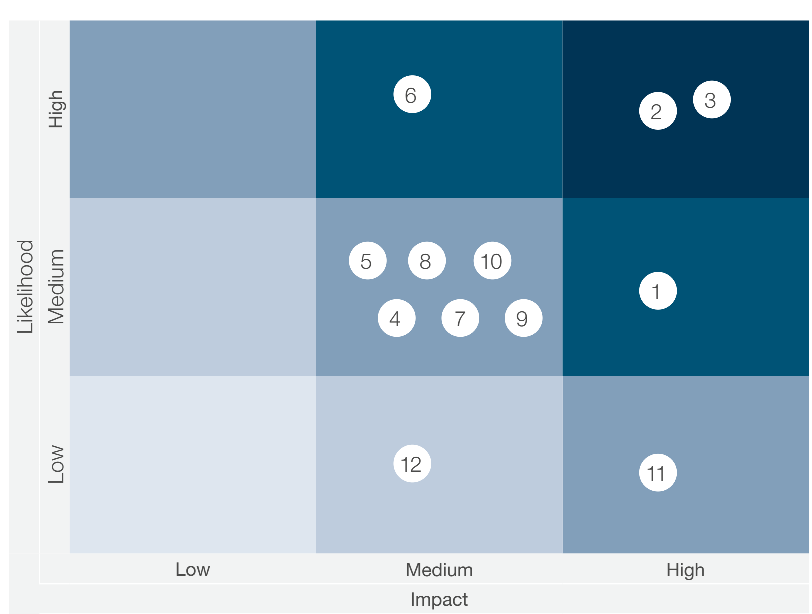
Group control environment

Group companies operate under a system of internal controls which includes, but is not limited to, a clear delegated authority to operational management, formal risk appraisals through the annual budget process, a comprehensive financial reporting system, investment evaluation and significant capital expenditure approval process and the self-certification by operating company management of compliance with controls and Group policies and procedures. The day to day risk management is the responsibility of the brand Managing Directors and this is regularly reviewed during meetings with the Executive Directors.

The risk management process identified a number of risks across the Group, as detailed in the chart below. The principal risks, that are most likely to affect business operations and hence the financial results and delivery of strategy, are explained in more detail in the following pages.

Risk matrix chart

1 Political and social changes
2 Economic environment
3 Loss of key staff
4 Investments poorly executed
5 Financial (funding and foreign exchange)
6 Cyber security
7 Management capacity
8 Competition
9 Exposure to key clients
10 Data protection
11 Payments to temporary workers
12 Protection of assets



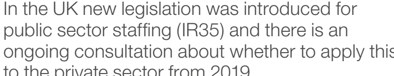
1. Political and social change

IMPACT ON THE BUSINESS

The Group's businesses are subject to legislation, regulations and changes in political sentiment in each of their locations. In particular, this impacts temporary recruitment which is regulated to protect the rights and treatment of temporary workers and in developing staffing markets where new regulations are introduced as the market develops. Any changes to labour regulations, tax laws or political views on the staffing industry could impact on the manner in which any business, or the Group as a whole, conducts its business and could therefore affect the financial performance of the Group. In some territories a recruitment licence is required. If local laws and regulations are not followed it could lead to sanctions being taken against the Company, including penalties, fines and licences being revoked.

Social changes impact how people search for jobs and where they are likely to live. Our businesses need to target the locations where people want to work. They need to be able to identify and communicate with candidates to ensure job vacancies are filled.

CHANGE IN RISK PROFILE



In the UK new legislation was introduced for public sector staffing (IR35) and there is an ongoing consultation about whether to apply this to the private sector from 2019.

In the USA President Trump continues to look to reduce the cost related to the Affordable Care Act. At this stage there have not been any changes that have made a significant impact on our business.

In Germany new legislation started in April 2017 to limit the length of time a worker can be a temporary worker to 18 months. There are also new minimum wage regulations that apply after 9 months. This has negatively impacted our temporary staffing business in Germany and we expect this will continue into 2018 through continuing pressure on margins.

The Brexit negotiations create uncertainty for businesses operating in the UK and Continental Europe. At this stage there is no clarity about the UK's future trading relationship with the EU or what the UK's immigration policy will be after March 2019. There has been a benefit on translating Group results into Sterling from the devaluation of the currency, but rates remain volatile.

In Japan two pieces of new legislation take effect in 2018. The first limits the time a worker can work on a temporary contract with a client to 3 years. The second limits the time a position can be outsourced to 5 years before the worker can insist on being taken on for an "indefinite term".

ACTIONS TAKEN TO MITIGATE RISK

The Group closely monitors the legal and regulatory environment in our markets, in particular where we operate temporary recruitment as this is an area with greater levels of regulations. The Group has membership of many local industry associations and we use professional advisers with good local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant in the territories in which we operate.

Our strategy is designed to minimise the negative impact from any political and social changes:

- Diversification and balance across sectors and regions helps to reduce the potential impact in any one area
- Focus on professional and specialist job levels reduces the exposure to changes in legislation, which are typically introduced to protect the most vulnerable and lowest paid workers
- Focus on key economic centres means we are targeting the main centres where candidates want to work

By developing leading brands in our sectors we are experts in our markets, helping us to react to changes in legislation, as well as making it easier to attract candidates because of our reputation and knowledge.

2. Economic environment

IMPACT ON THE BUSINESS

The performance of staffing businesses has historically shown a strong correlation with the performance of the economies in which they operate. An economic slowdown will impact on the demand for recruitment services and could reduce the Group's profits.

CHANGE IN RISK PROFILE

The global economy overall is expected to grow in 2018, with all key economies forecasting growth for the first time since the financial crisis. However, these economies are increasingly inter-linked and there are many areas of uncertainty, so we take a cautious view on these forecasts.

The full impact on the UK economy from the decision to leave the EU remains unclear and such uncertainty can negatively impact on investment in staff.

Governments around the world are increasingly adopting protectionist trade policies which could impact on economic growth and the ability to bring overseas workers into a market.

The oil price has recovered from recent lows, but remains significantly below historic highs. The economies of the Middle East are particularly reliant on the oil price and our business in UAE has suffered from a slow-down in the local economy in the last few years.

ACTIONS TAKEN TO MITIGATE RISK

The Group's strategy is designed to minimise the negative impact from an economic downturn in any one market, whilst acknowledging that a significant economic downturn will impact all businesses:

- *Sector and geographic diversification*
  This has improved with the full year impact from the investments made in 2016 in Rishworth Aviation and ConSol Partners
- *Develop core brands*
  By creating more robust businesses they should be able to better withstand any economic downturn

We focus on temporary recruitment as this is typically less volatile than permanent recruitment during the economic cycles. Overall we continue to have a bias towards temporary and contract staffing.

Risks and uncertainties – Managing our risk
continued

3. Loss of key staff

IMPACT ON THE BUSINESS

The Group's success relies on recruiting and retaining key staff.

The loss of a key staff member without a suitable successor in place could lead to a reduction in trading and profitability. The choice of the wrong manager for a business could lead to sub-optimal decision-making and losing ground to competitors or failing to operate procedures properly and so being liable to reputational damage, fines or penalties.

CHANGE IN RISK PROFILE

There have been a number of changes in senior management during 2017 as part of business restructuring which we believe will help the business to develop positively in 2018.

ACTIONS TAKEN TO MITIGATE RISK

A key part of the Group's business model is management equity, incentivising key management through equity ownership and tying them to the business for the long term. We monitor the number of managers with equity in their own businesses and work with existing shareholders to identify key staff to purchase equity in the future.

Currently there is one brand in the Group with no management shareholder (2016: one brand).

4. Investments poorly executed

IMPACT ON THE BUSINESS

There is a risk of losing value from poorly executed investments. If an investment is overvalued the Group will pay too much for it and risks a lower return on investment in the future from profits being generated. A poorly executed integration into the Group could lead to lost value or lost opportunities.

Organic investments in new offices will generally be loss making in the first 1-2 years so this needs to be carefully managed to minimise the costs to the business. New office openings increase the risk of lower returns than planned if costs are not managed well.

CHANGE IN RISK PROFILE

We have opened a new office in Vietnam with the Monroe Consulting brand.

The external investments made in 2016 have been integrated into the Group and we continue to work with them to identify opportunities to develop their businesses.

We continue to look for new investment opportunities for the Group.

ACTIONS TAKEN TO MITIGATE RISK

All material investments, whether organic or external, must have Board approval. Investments must have a clearly defined integration plan, with the Executive Directors having responsibility for implementation of the plan. Due diligence findings need to be acted upon to minimise any risks identified pre-acquisition. Any funding requirements must be taken into account for Group cash flow forecasts to ensure sufficient and appropriate funding is in place.

When investing in organic growth or bolt-on acquisitions for existing brands it is key that local management are fully involved and driving the process to ensure the best chance of success.

With any investment activity the fit of the people is the most important factor. This is especially important in our Group where there is a highly decentralised structure. This is the first criteria that must be met before any investment activity is pursued.

5. Financial

IMPACT ON THE BUSINESS

The Group is reliant on debt financing to fund the working capital of the business.

By operating from 20 countries the Group is exposed to movements in foreign currency rates. The Group reports in Sterling but has operations in countries with different currencies. Negative movements in exchange rates would impact the reporting of Group profitability and may devalue the cash and assets around the Group.

If the Group was unable to secure funding at current levels it could be forced to dispose of parts of the business to repay the existing debt. An increase in interest rates will increase costs and so reduce the profit in the business.

If debt levels are too high there is an opportunity cost from not being able to pursue investment opportunities to further develop the Group.

CHANGE IN RISK PROFILE

In 2017 we have continued to benefit from movements in currency rates to translate results into our reporting currency, however, the Sterling exchange rates remain volatile.

The Group's total debt has increased during 2017 as a result of the investments made in 2016.

There have been increases in interest rates in the UK and USA (two regions that are important to us for our debt exposure). It is expected there will be further increases in interest rates during 2018, but this should also be in response to positive economic conditions.

ACTIONS TAKEN TO MITIGATE RISK

The Group finances its operations by a combination of cash reserves from retained profit, bank borrowings and issuing new equity. Treasury management is led by the Group finance team, which manages and monitors external and internal funding requirements and maintains the key Group banking relationships.

The Group is exposed to movements in interest rates for its primary facilities. The Group does not currently hedge this exposure but monitors movements in the relevant interest rates to be able to react if the rates move adversely.

Approximately two thirds of the Group's business is transacted outside of the UK so we are exposed to movements in exchange rates. The Group does not currently hedge translation risk as there is to some degree a natural hedge from our strategy of being diversified by region. Intra-Group balances are hedged, where possible, using cash or overdraft balances to act as a natural currency hedge, for US Dollar, Euro, Japanese Yen, Singapore Dollar, Australian Dollar, Mexican Peso and UAE Dirham.

A limited number of forward contracts have been used to hedge trading currency risks for IMS in India and ConSol Partners in Continental Europe.

6. IT & Cyber related

IMPACT ON THE BUSINESS

The risk of cyber-attacks has increased in the wider business environment, with threats from hackers, viruses or sensitive information being accessed without authorisation.

A successful breach could lead to the loss of sensitive data on clients or candidates, damage to our brand reputation, business disruption or the loss of commercially sensitive information.

With increasingly stringent regulatory environments around data protection there is an ongoing risk of failing to comply with regulations, leading to fines and damage to brand reputation.

CHANGE IN RISK PROFILE

There have been a number of high profile cyber-attacks around the world in 2017. The threat from this is always changing and as we grow our brands in size, they are more likely to be a target for hackers and criminals.

New legislation is being introduced in the EU in May 2018 (General Data Protection Regulation), which introduces new rights for individuals and promotes good data governance and accountability amongst organisations. This will lead to changes in how the Group companies operate and deal with data. There are significant fines for non-compliance.

ACTIONS TAKEN TO MITIGATE RISK

We have policies in place to safeguard assets and data within the Group. We also use external advisers to monitor the security of our Group websites and systems to meet a minimum standard of security and we continue to monitor ongoing cyber-security threats.

We are working through the GDPR legislation to ensure that all Group companies are compliant by May 2018.

Corporate social responsibility

Empresaria believes that corporate and social responsibility is an important part of the Group's culture and looks to adopt good practice in these areas. The Board gives due consideration to risks arising from social, environmental and ethical issues as part of its ongoing risk review process. We have a responsibility towards all stakeholders and believe this is an important consideration for the long-term growth of the business.

1. Local communities

A positive contributor to the community

The Group and senior management are fully supportive and encourage staff to work with their local communities and charitable concerns. The decision on what contribution to make is down to the local staff in each country.

Group companies are involved in a range of activities to provide help, support or money to local communities in their country of operation. Some examples of the work being done are detailed below.

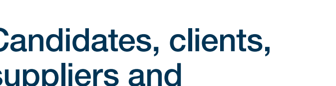
- In Indonesia, staff at Monroe Consulting continued their annual tradition of helping run a health clinic for disadvantaged children and their families at the Bantar Gebang rubbish dump in Jakarta.
- The Thailand team increased their sponsorship to The Gift Of Happiness Foundation, a respected charity for poverty-stricken children and their families. This enabled the Foundation to expand and extend its reach.
- In the UK, LMA team members paid a weekly visit to an inner city school in London to read with children. They also raised over £6,000 for the NSPCC through a variety of different fundraising initiatives including a London to Brighton bike ride, sky diving and a sponsored hair shave.
- Teamsales supported a fundraising event in aid of the children's charity, Variety. Greycoat Lumleys donated items to the Grenfell Tower clothing appeal and Christmas Shoe Box appeal for South Africa as well as donating prizes in support of the RHC Inaugural Family Gala and NSPCC, Sparkles in aid of Downs Syndrome. Staff also took part in a Richmond Park run to raise money for The Royal Marsden Cancer Charity.
- Become Manchester successfully appointed three apprentices through local government funded apprenticeship organisations. The apprentices gained comprehensive training and work experience while studying to achieve NVQs in Business Administration and all were offered full time roles. Become Manchester also supported students at Shilington Education by giving interview, CV and portfolio advice at the end of their courses and running creative competitions where winners and runners up had the chance to attend The Roses Creative Awards which Become sponsors.
- During the Christmas period, staff at ConSol Partners donated brand new toys to the Great Ormond Street Children's Hospital. The staff also took part in various fundraising activities throughout the year, such as hosting Cake Sales to raise money for Daisy, a charity funding research into treating a rare form of brain cancer found in children.
- In Japan, FINES Tokyo provided more than 20 free lectures to high school students in the suburban areas giving guidance on how to find good jobs, interview preparation and industry updates.
- In India the IMS team were involved in a range of activities from giving blood, sponsoring a fund raising dance event as part of their support of a winter jacket distribution project and joining the Joy of giving festival celebration for underprivileged children.

IMS blood donation camp – more than 150 units of blood donated

Greycoat – Richmond Park run fundraising for Royal Marsden Cancer Charity

March 2017

April 2017



2. Candidates, clients, suppliers and shareholders

Upholding high ethical and corporate governance standards, promoting integrity in dealing with all stakeholders

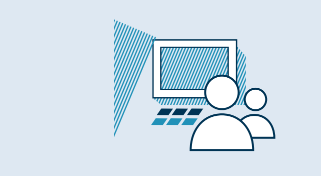
Empresaria's business is all about finding people jobs and so helping them develop their careers. This is important to enable people to provide for themselves and their families and we aim to provide candidates and clients with the best possible service.

The Group actively promotes integrity in its dealings with employees, shareholders, customers and suppliers and the authorities of the countries in which it operates. Empresaria recognises that its reputation is a valuable asset gained over a long period.

The Group promotes high ethical standards in carrying on its business activities and has Codes of Conduct for dealing with gifts, hospitality, corruption, fraud and the use of inside information. All staff must comply with the laws and regulations of the country in which they operate.

The Group aims to provide a high quality service to clients and candidates alike and seeks to build strong and lasting relationships with all parties. The Group ensures that advertising and public communications avoid untruths or overstatements. Empresaria builds relationships with suppliers based on mutual trust and endeavours to pay suppliers on time and in accordance with agreed terms of business.

The Group builds relationships with candidates based on trust and quality of service. It recognises that information about candidates is sensitive and confidential and must be kept securely and not disclosed without their permission.



3. Our staff

Making it a good place to work with opportunities to develop skills and experience to improve staff careers and help staff to realise their potential

As a diversified international business, we recognise the importance of working in a culturally sensitive way with local communities and follow non-discriminatory employment policies. We encourage the employment of local nationals at all levels in the Group.

Employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability.

The Group recognises the need to provide a safe working environment for its staff and clients. Each office is responsible for ensuring that their business operates in compliance with Group policies and local health and safety legislation.

The Group operates an employee exchange programme which allows staff to spend between a week and a month working in an office of another Group company in another country, to learn how their business operates and to swap ideas and best practice.

The Group communicates with staff by providing regular Group news through a quarterly newsletter. News is also made available on its intranet site, which also stores key Group policies and procedures.

4. Society at large

Environmental impact

Whilst it is recognised that the Group operates in a business sector that has a low environmental impact, the Group remains committed to minimising its impact on the environment. The Group is aware that this is an area of increasing importance to employees, shareholders and customers alike. The Group is not involved in the manufacture of any tangible products and has identified the principal areas of environmental impact as energy use, waste recycling, paper and printing and travel.

The Group encourages the recycling of office waste and waste paper and has seen a continued reduction in the use of printed materials around the Group by increasingly relying on electronic media for its primary marketing activity. The full Annual Report is also provided to the majority of shareholders in an electronic format to further reduce our printing costs and environmental impact, with a much smaller summary report sent to all shareholders.

As an internationally diverse group we recognise that some travel is inevitable and necessary for the effective management of the business, however, full use is made of remote conferencing facilities and working from home to minimise this as far as is practical.

LMA fundraising – London to Brighton bike ride

June
2017

IMS winter jackets distribution – More than 2,500 jackets distributed by employees to underprivileged children

December
2017

Corporate governance statement

Dear Shareholder

I am pleased to present the Board's annual report on corporate governance.

The Board continues to recognise that good corporate governance encourages effective and entrepreneurial management. It is a vital component to support management in their delivery of the Group's strategic objectives and to operate a sustainable business for the benefit of all stakeholders.

The Board seeks to follow best practice in corporate governance appropriate with the size of the Company and the regulatory framework that applies to AIM companies and to align these practices with the expectations of the Company's stakeholders. We recognise the importance of adopting effective corporate governance practices in the best interests of all shareholders.

We continue to review updates to the principles and provisions of the UK Corporate Governance Code (the 'Code') and consider and implement any changes to the Company's corporate governance practices as appropriate. Although the Company is not required to report on compliance with the Code, since its shares are traded on the AIM market, the Company applies the Main Principles of the Code as outlined in the overview provided below and provides further explanation for areas of deviation.

Our corporate governance framework is described in more detail on the following pages.

Tony Martin
Chairman

13 March 2018

BOARD OF DIRECTORS

Protecting and advancing shareholders' interests, providing overall direction for the Group and maintaining a framework of delegated authorities and controls.

AUDIT COMMITTEE

Monitors and reviews the integrity of financial statements, oversees the relationship with the external auditor and has oversight for internal control and risk.

See the Audit Committee report on pages 48 to 49.

NOMINATION COMMITTEE

Monitors and reviews the structure, size and composition of the Board and considers succession planning, to ensure the right skills and expertise are maintained for effective management.

See the Nomination Committee report on page 50.

REMUNERATION COMMITTEE

Considers and sets remuneration policy for Executive Directors and the Chairman and monitors the level and structure of remuneration for senior management.

See the Directors' remuneration report on pages 51 to 54.

Corporate governance framework

Leadership

The Board challenges the strategy and performance of the Group to ensure the advancement of shareholders' interests.

This section provides information on the division of responsibilities of the Board, that enable it to provide effective direction to the Group and ensure efficient management of the Group's operations.

See page 38

Effectiveness

The balance of skills, experience and independence of the Directors and their knowledge of the Group is regularly monitored by the Board.

This section provides information on the annual review of the independence of Directors and any conflicts of interest. It also details the development activities undertaken by, and support provided to, Directors in order for them to effectively carry out their duties.

See page 39

Accountability

The Board is responsible for identifying and managing any significant risks to the Group.

This section provides information on the approval process for reporting to the Board, the systems employed to manage risks and other internal control procedures.

See page 40

Remuneration

The Company's remuneration policies are regularly assessed by the Board, to ensure that they remain fair and responsible.

This section provides information on the Company's remuneration policies and practices.

See page 40

Relations with shareholders

The Board holds regular events to maintain an open dialogue with investors.

This section provides information on the provision of information to, and other communications with both existing and potential new shareholders, to convey the Group's performance, strategy and objectives.

See page 41

Corporate governance framework
continued

Leadership

The role of the Board

The Company is controlled through the Board, which has established Audit, Remuneration and Nomination Committees (the 'Committees'), to which it delegates clearly defined powers. The Board is collectively responsible for the long-term success of the Company.

There is a formal schedule of matters reserved for consideration by the Board ('Schedule of Matters Reserved') which includes responsibility for the following:

- approval of overall Group strategy and objectives
- approval of the Group annual budget and monitoring progress towards its achievement
- changes to the Group's capital structure
- changes to the Group's principal activities
- review and approval of the annual financial statements
- changes to the senior management structure
- approval of Group financing arrangements and treasury policy
- approval of major investments, disposals and additional investments in existing operations
- approval of major unbudgeted expenditure

The Schedule of Matters Reserved is reviewed by the Board, at least annually, to ensure it remains appropriate and complete. In tandem, the Board also reviews an approved schedule of operational matters, which are delegated to management of the operating subsidiaries.

The Terms of Reference for each of the Committees are available to view on the Company's website (empresaria.com). Details of Committee membership and the work carried out by the Committees can be found in the Audit Committee report on pages 48 to 49. Directors' remuneration report on pages 51 to 54 and Nomination Committee report on page 50.

During the year, the number of formal scheduled meetings of the Board and Committees and individual attendance by the members were as follows:

	Main Board*	Audit Committee	Remuneration Committee	Nomination Committee
Tony Martin (Chairman)	9/9	–	–	–
Joost Kreulen (Chief Executive Officer)	9/9	–	–	–
Spencer Wreford (Group Finance Director and Chief Operating Officer)	9/9	–	–	–
Penny Freer (Joint Senior Independent Director)	9/9	5/5	3/3	1/1
Zach Miles (Joint Senior Independent Director)	9/9	5/5	3/3	1/1

* The Board held nine scheduled meetings in the year, which were each attended by all Directors. There was also one meeting outside the normal course of events, which was also attended by all Directors.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer, with no one individual having unfettered powers of decision. The statement of division of responsibilities can be found on the Company's website (empresaria.com).

The Chairman is primarily responsible for the running of the Board, promoting high standards of corporate governance and ensuring the effectiveness of the Board. The Chief Executive Officer is responsible for the executive leadership and management of the Group, to ensure implementation and delivery of Group strategy.

All Board meetings have a pre-agreed formal agenda setting out those matters for discussion, together with supporting papers. Time is allocated at all meetings to discuss any other business, which all Directors are invited by the Chairman to raise.

All Non-Executive Directors participate in strategy development and decisions required to implement actions to progress towards meeting the objectives of the Company.

Effectiveness

Composition of the Board

The Board has a balance and depth of skills and experience, together with suitable knowledge of the Group, to enable them to discharge their respective duties and responsibilities effectively.

Conflicts of interest of all Directors are reviewed on an annual basis and Directors have continuing obligations to update the Board on any changes to these conflicts. Situations which may create a conflict of interest are presented to the Board for review and approval as appropriate.

Independence

The independence of all Non-Executive Directors is reviewed on an annual basis, with reference to their independence of character and judgement and whether any circumstances or relationships exist that could affect their judgement. The review of independence is also considered in relation to Committee memberships in line with recommendations of the Code. The Chairman, Tony Martin, is considered to be non-independent due to his significant shareholding in the Company. The Board considers Penny Freer and Zach Miles to be independent, notwithstanding their periods of tenure. The Board notes in particular their skills and external experience, their involvement and insight in Board meetings and their ability to objectively challenge management. Penny Freer holds a shareholding in the Company but the Board considers this to be highly immaterial and does not affect her independence.

Appointments to the Board

A Nomination Committee is in place to review the appointment of new Directors. Details of the work of the Nomination Committee and the process used for Board appointments can be found in the Nomination Committee report on page 50.

Commitment

The Chairman and Non-Executive Directors serve under letters of appointment, which are available for inspection at the Company's registered office and at the Annual General Meeting.

The annual time commitments are as follows:

- Chairman – not less than 25 days
- Non-Executive Directors – not less than 20 days

During 2017 Penny Freer served three additional days and Tony Martin served three and a half additional days. The time commitments were reviewed by the Nomination Committee, which was satisfied with the current letters of appointment.

Neither Executive Director holds any external Non-Executive Director role.

Development

On appointment, the Directors receive a tailored introduction to the Group. Throughout their period of office, Directors are provided with regular business updates. Developments in corporate governance are reported to the Board by the Company Secretary.

All Directors determine the training requirements appropriate to their role and the needs of the Company's business. Examples of events include the attendance by the Chairman at two annual Staffing Industry Analysts Executive Conferences and workshops, in San Diego California, USA, and in London. The Chief Executive Officer joined the Chairman for the San Diego California event. The Chairman of the Audit Committee regularly refreshes his skills and knowledge by attending seminars and reviewing publications including those published by the FRC on the New Code principles and accounting standards. The Chairman of the Remuneration Committee regularly attends seminars delivered by Deloitte LLP on audit, corporate governance, remuneration and succession planning, as well as attending one-on-one sessions with industry experts at a specialist remuneration consultancy. It has not been deemed appropriate to formalise a training and development programme for each Director.

Corporate governance framework
continued

Information and support

Prior to the beginning of each year, Board meetings are scheduled in line with the key financial reporting dates. A more detailed agenda, together with the Board papers, is distributed in a timely manner before each Board meeting. All Directors receive sufficient relevant information on financial, business and corporate issues to enable informed decisions to be taken by them at the Board meetings. Any specific actions arising during meetings are agreed by the Board and a follow-up procedure monitors their completion. Monthly financial and operational reviews are distributed to the Board, irrespective of whether a scheduled meeting is to take place. This assists the Board to keep informed of developments on a regular basis.

The Directors are advised by the Company Secretary, a solicitor since 2001, and are able to take independent professional advice in the furtherance of their duties as necessary.

Evaluation

The Board has considered the benefits from undertaking formal evaluations of its performance and those of its Committees and individual Directors. Formal Executive Director performance evaluations are conducted annually in preparation for the review and approval of the annual remuneration packages. Each Non-Executive Director's performance is evaluated as an outcome of the formal performance evaluations of the Committee(s) of which they are a member.

The Audit and Remuneration Committees oversee an annual self-evaluation process, which is used by the Board and by each Committee to determine their effectiveness and opportunities for improvement. Further details of the Committee performance reviews can be found in the Audit Committee report as set out on page 49 and the Directors' remuneration report as set out on page 51.

The Board considers that the evaluation of the Executive Directors and the Committees provides an appropriate review of each Director's performance in relation to their specific roles. A formal evaluation of Board performance has not been deemed necessary due to the size and composition of the Board.

Details on the Director appointments by shareholders can be found in the Directors' Report on page 45.

Accountability

Financial and business reporting

The Board reviews and approves all reports on the Company's position and prospects to present a fair, balanced and understandable assessment of the Company's position, performance, business model and strategy. This includes reports of a statutory and regulatory nature, as required by the AIM rules, which are of a price-sensitive nature.

Risk management and internal control

Risk management remains the responsibility of the Board. The Audit Committee has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management system. Risk management is reviewed at every Board meeting as part of the formal Board process.

The Board has identified and evaluated the significant risks faced by the Group for the delivery of the Group strategy. The Board has agreed how each risk is to be addressed and the necessary actions to be taken. Details of the principle risks identified are set out in the Strategic report on pages 1 to 35.

The Audit Committee meets specifically to review the effectiveness of the Group's risk management and internal control systems and to review the Group and subsidiary risks identified and progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board. A separate Audit Committee report is set out on pages 48 to 49 and provides details of the role and activities of the Audit Committee and its relationship with the external auditor.

Remuneration

A separate Directors' remuneration report is set out on pages 51 to 54 and provides details of the remuneration policy, level and components of remuneration and procedure for fixing the individual remuneration packages of individual Directors.

Relations with shareholders

Dialogue with shareholders

The Directors seek to maintain a mutual understanding of objectives between the Company and its shareholders by:

- making annual and interim presentations to institutional investors;
- meeting shareholders to discuss long-term issues and obtain their views;
- presenting to shareholders at externally run events; and
- communicating regularly during the year.

Relations with shareholders are managed principally by the Executive Directors. The views of shareholders are communicated to the Board as a whole through regular Board meetings and communication between meetings. Although primary responsibility for effective communication with shareholders lies with the Chairman, the Executive Directors prepare presentations for institutional and private investors following the interim and preliminary announcements. The annual and interim presentations made to investors are made available to all shareholders on the Company's website, as well as any recorded interviews with the Executive Directors.

Constructive use of the Annual General Meeting

The Board seeks to use the Annual General Meeting to communicate with shareholders. Shareholders are encouraged to participate in the Annual General Meetings, at which the Chairman presents updates on the Group's performance. The Board, together with the Chairmen of the Committees, will be available at the 2018 Annual General Meeting to answer questions from shareholders.

Board of Directors

Tony Martin
Chairman

Appointed: July 2004
Committee Membership: None

Skills and experience:
Tony has over 30 years' experience of running international specialist staffing companies. He served as Chairman and CEO of Select Appointments (Holdings) Plc ('Select') from 1992 to 1999 when he became Vice Chairman and member of the Board of Management of Vedior N.V., the world's third largest staffing services group. In August 2000 he assumed the role of Chairman and CEO, which he served until his retirement in February 2004. Tony held the position of Executive Chairman at Corporate Services Group until standing down in September 2007. Prior to his appointment at Select, he was responsible for half of the operations of Adia S.A, the world's second largest Staffing Services group at that time and now part of Adecco. Before joining Adia, he resided in the United States for 20 years and served as President and Chief Operating Officer of a state-wide Financial Services group based in California.

Tony is a former Chairman of the Federation of Recruitment and Employment Services, now known as the Recruitment and Employment Confederation, the recognised representative of the Staffing Services Industry. He is also a Founder Member of the Recruitment International Hall of Fame and was recipient of the Staffing Industry Analysts Leadership Award 2014.

Other key external appointments:
None

Joost Kreulen
Chief Executive Officer

Appointed: January 2012
Committee membership: None

Skills and experience:
Joost has 30 years' experience of working in the staffing sector. He has been with Empresaria since 2009. He was initially responsible for its Asian operations and more recently also for a number of its UK based businesses before being appointed Chief Executive Officer in January 2012. Prior to joining Empresaria, Joost had spent 20 years working in various roles for businesses which now form part of Randstad N.V., most recently as head of specialist staffing operations in the Netherlands.

Other key external appointments:
None

Spencer Wreford
Group Finance Director and Chief Operating Officer

Appointed: May 2010
Committee Membership: None

Skills and experience:
Spencer has been with Empresaria for nearly eight years, during which time he has gained a deep understanding of the Group and has worked closely with the operating companies on a wide range of financial and operational matters. He joined as Group Finance Director, before taking on the role of Chief Operating Officer in September 2017. Prior to joining Empresaria Spencer worked in senior finance roles, particularly with international businesses in the services sector. He joined Empresaria from BPP Group, where he was the Finance Director of the BPP Professional Education division, a provider of international professional training. Prior to this he spent eight years at ITE Group Plc, the international conference and exhibition organising group, as Deputy Finance Director, during which time he also spent six months as Acting Group Finance Director. Spencer is a member of the Institute of Chartered Accountants of England and Wales, qualifying with Arthur Andersen.

Other key external appointments:
None

Zach Miles
Non-Executive Director

Appointed: October 2008

Committee membership:
Audit Committee (Chairman), Remuneration Committee, Nomination Committee

Skills and experience:

Zach has 30 years' experience working in the staffing sector, as a Finance Director, CEO and Chairman. Before joining Empresaria, Zach held the position of Chairman and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chairman since February 2004. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments (Holdings) Plc. His career in the recruitment industry began in 1988. He was formerly a partner in the international accountancy firm Arthur Andersen and is a qualified Chartered Accountant. Together with Penny Freer, Zach performs the role of Senior Independent Director.

Other key external appointments:

Chairman of the Board of Trustees of Rapport Housing and Care.

Penny Freer
Non-Executive Director

Appointed: December 2005

Committee membership:
Remuneration Committee (Chairman), Nomination Committee (Chairman), Audit Committee

Skills and experience:

Penny has worked in investment banking for over 25 years. She is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2004 Penny was Head of Equity Capital Markets at Robert W Baird and from 2004 to 2005, Deputy Chairman of Robert W Baird Limited. Prior to this she was Head of Small/Mid Cap Equities for Credit Lyonnais. Together with Zach Miles, Penny performs the role of Senior Independent Director.

Other key external appointments:

Senior Independent Director, Advanced Medical Solutions plc; Non-Executive Director, Crown Place VCT plc; Non-Executive Director, Centric Health.

Directors' report

The Directors present their annual report on the affairs of Empresaria Group plc, together with the financial statements and auditor's report, for the year ended 31 December 2017. The Corporate governance statement set out on pages 36 to 41 forms part of this report.

Post balance sheet events

There have not been any significant events since the balance sheet date. An indication of likely future developments in the business of the Group is included in the Strategic report.

Financial instruments

Information about the use of financial instruments by the Group is given in note 22.

Dividends

For the year ended 31 December 2017 the Directors recommend a final dividend of 1.32p per ordinary share of 5p in the Company ('ordinary share') to be paid on 31 May 2018 to shareholders on the register on 4 May 2018. For the year ended 31 December 2016 a final dividend was paid of 1.15p per ordinary share on 31 May 2017.

Capital structure

Details of the issued share capital is shown in note 21. There has not been any movement in the issued share capital of the Company during the year. The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (the 'Articles') and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Issue and acquisition of the Company's own shares

Further to shareholders' resolutions passed on 3 May 2017, in December 2017 the Company commenced a limited share purchase program. During December 2017, the Company purchased 96,500 ordinary shares (representing 0.2% of the Company's called up ordinary share capital) for an aggregate consideration of £93,445. During January 2018, the Company purchased 163,884 ordinary shares (representing 0.3% of the Company's called up ordinary share capital) for an aggregate consideration of £156,000. The ordinary shares purchased were transferred to the Company's Employee Benefit Trust and the Company intends that they will be used to satisfy the exercise of options vested under the Company's Long Term Incentive Plan ('LTIP').

At the end of the year, the Directors had authority, under the shareholders' resolutions passed on 3 May 2017, as follows:

Resolution	Resolution number	Number of shares	Number of shares issued or purchased under the authority as at the date of the report
Issue shares (1/3 of issued share capital plus additional)	7(a)	20,436,492	0
Issue shares by way of rights issue (2/3 of issued share capital)	7(b)	32,679,421	0
Purchase through the market (5% of issued share capital)	9	2,450,957	260,384

All authorities expire on the earlier of the conclusion of the 2018 Annual General Meeting or 31 July 2018.

Details of employee share schemes

The Company may issue options over ordinary shares to Directors and other senior executives under the Company's LTIP. Details of all Awards made and vested under the LTIP can be found in the Directors' remuneration report on pages 53 to 54 and in note 28.

Directors

The Directors who held office during the year were:

Director	Position	Last appointed by shareholders	Full years in role at 2017 AGM
Tony Martin	Chairman	3 May 2017	13
Joost Kreulen	Chief Executive Officer	20 May 2015	5
Spencer Wreford	Group Finance Director and Chief Operating Officer	5 May 2016	7
Zach Miles	Joint Senior Independent Director	20 May 2015	9
Penny Freer	Joint Senior Independent Director	20 May 2015	11

Appointment, retirement and replacement of Directors

The Board of Directors of the Company (the ‘Board’) support and comply with the requirement of the UK Corporate Governance Code (the ‘Code’) that all Directors submit themselves for re-election at least every three years. The Articles require that a third of the Directors retire by rotation each year. The Articles may be amended by special resolution of the shareholders. Any Directors appointed to the Board during the year will submit themselves for re-election at the next Annual General Meeting following their appointment.

At the 2017 Annual General Meeting, Tony Martin was re-elected to the Board. At the 2018 Annual General Meeting, Joost Kreulen, Penny Freer and Zach Miles will retire by rotation and submit themselves for re-election, having been last appointed by shareholders on 20 May 2015. Tim Anderson is due to be appointed to the Board on 21 March 2018, when he joins the Company as the new Group Finance Director, and will submit himself for re-election at the 2018 Annual General Meeting.

Biographical details of all Directors who held office during the year can be found on pages 42 to 43.

Directors’ powers

The Directors’ powers are conferred on them by the Articles and applicable legislation. Further details can be found in the Corporate governance statement on pages 36 to 41.

Directors’ insurance

The Company maintains Directors’ and Officers’ Liability insurance which gives appropriate cover for any legal action brought against its Directors.

Directors’ indemnities

The Group has made no qualifying third party indemnity provisions for the benefit of its Directors during the year.

Political contributions

The Group did not make any political donations during the year (2016: Nil).

Substantial shareholdings

The Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

	No. of Ordinary Shares	Percentage of voting rights and issued share capital	No. of Ordinary Shares	Percentage of voting rights and issued share capital
Name of holder	as at 31 December 2017		as at 13 March 2018	
A V Martin (Director)	13,924,595	28.41%	13,924,595	28.41%
Liontrust Investment Partners LLP	6,406,844	13.07%	6,361,334	12.98%
Beleggingsclub ‘t Stockpaert	3,005,000	6.13%	3,005,000	6.13%
Close Brothers Asset Management	2,472,324	5.04%	2,472,324	5.04%
H M van Heijst	2,400,000	4.90%	2,400,000	4.90%
M W R Hunt (former Director)	1,880,000	3.84%	1,880,000	3.84%

Directors’ report
continued

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, a quarterly newsletter to all staff, the Group’s website and intranet.

Greenhouse gas emissions reporting

The regulations concerning the reporting of greenhouse gas emissions do not apply to the Company.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution to reappoint them will be proposed at the 2018 Annual General Meeting.

By order of the Board

James Chapman
Company Secretary

Old Church House
Sandy Lane
Crawley Down
Crawley
West Sussex
RH10 4HS

13 March 2018

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the AIM rules and have chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 102 ('FRS 102'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group's financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board on 13 March 2018 and is signed on its behalf by:

By order of the Board

Joost Kreulen
Chief Executive Officer

Spencer Wreford
Group Finance Director and Chief Operating Officer

13 March 2018

Audit Committee report

Zach Miles
Chairman of the Audit Committee

Monitoring and reviewing the integrity of financial statements with an oversight for internal control and risk.

Role and composition of the Audit Committee

The Audit Committee has responsibility, on behalf of the Board, to monitor the integrity of the financial statements of the Company, review the adequacy of internal control and risk management systems and oversee the relationship with the external auditor. The Terms of Reference for the Audit Committee can be found on the Company's website (empresaria.com).

The Audit Committee makes whatever recommendations to the Board it deems appropriate, on any area within its remit, where action or improvement is needed.

The Audit Committee is appointed by the Board from the independent Non-Executive Directors of the Company, with a minimum requirement of two such Directors, one of whom should be a financially qualified member. Appointments are for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee. The independent Non-Executive Directors who served on the Committee during the year are:

Name	Date of appointment to the Committee	Qualification
Zach Miles (Chairman)	1 October 2008	Chartered accountant
Penny Freer	2 November 2011	

Meetings

The Audit Committee is required to meet formally twice per year. During 2017, the Committee held five formal meetings, which were scheduled around the financial reporting timetable. The Audit Committee invites the Group Finance Director and senior representatives of the external auditor to attend all of its meetings, although it reserves the right to request any of these individuals to withdraw from the meeting.

Audit Committee activity

Financial and business reporting

Since the beginning of 2017 to the date of this report, the Audit Committee has reviewed the 2016 and 2017 financial statements, the 2017 interim statement (unaudited) and carried out a going concern review. Reviews of the financial statements included the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements, including:

- going concern;
- carrying value of goodwill, intangible assets and investments;
- appropriateness of provision balances; and
- tax accounting, including deferred tax assets value.

For the going concern and the carrying value of goodwill and investments, the Committee examined the assumptions supporting the Group's profit and cash flow forecasts and the sensitivities applied to those forecasts, the banking facilities available and the assessment of the Group's covenant compliance based on the forecasts. Details of the matters reviewed are included in notes 1 to 3 and 14.

For the other key judgements and estimates, the Committee was satisfied with the assumptions made and the accounting treatments adopted.

Risk management and internal control

Risk management is the responsibility of the Board. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the Strategic report on pages 30 to 33. The Audit Committee keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

Due to the size of the Group, and the costs involved, the Audit Committee continues to recommend to the Board that there is no requirement for a separate internal audit function. A summary of the internal controls for Group companies is presented to the Audit Committee, including updates on the resolution of any control weaknesses identified. The internal controls are reviewed by the Group finance function. During the year the Audit Committee reviewed and approved a change in approach for the internal control reviews in the year.

Every year the Audit Committee review the Group's treasury policy, for approval by the Board. The Audit Committee also review the Group's risk framework reports, to be presented to and discussed by the Board.

The Group's whistleblowing policy contains arrangements for the Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters.

The Group has a mandatory Code of Conduct, which sets out the minimum expected behaviours for all employees. A copy of this can be found on the Company's website (empresaria.com).

External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Terms of Reference assign responsibility to the Audit Committee for overseeing the relationship with the external auditor. During 2017, the Audit Committee has continued to manage the relationship with the external auditor, including in relation to the 2016 and 2017 Audit Committee reports.

The Group's policy on non-audit related services prescribes the types of engagements for which the external auditor can be used and those engagements which are prohibited. For engagement for services which are non-recurring in nature, prior approval must be sought from the Audit Committee. The auditor has not performed any non-audit services during the year.

Note 7 includes disclosure of the auditor's remuneration for the year, including an analysis of audit services, audit related services and other non-audit services under those headings prescribed by law.

Deloitte LLP was first appointed as the Company's auditor in October 2002. Following an external tender process during 2013 Deloitte LLP was reappointed for the 2014 and subsequent audits, resulting in a current tenure of 15 years.

Following completion of the 2017 audit process, the Audit Committee is satisfied with the performance of Deloitte LLP and has recommended to the Board that Deloitte LLP is reappointed.

Assessment of the Audit Committee

Following completion of the 2017 audit process, the Audit Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its Terms of Reference including:

- presentation of compliance reports by the Compliance Officer
- review and implementation of risk management processes by subsidiaries
- ongoing, regular reviews of internal controls
- monitoring developments in corporate governance and compliance.

The Board concluded that the Audit Committee has acted in accordance with its Terms of Reference and had ensured the independence and objectivity of the external auditor.

The Chairman of the Audit Committee will be available at the 2018 Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit Committee

Zach Miles
Chairman of the Audit Committee

13 March 2018

Nomination Committee report

Penny Freer
Chairman of the Nomination Committee

Monitoring and reviewing the structure, size and composition of the Board and ensuring the right skills and expertise are maintained for effective management.

Role and composition of the Nomination Committee

The Nomination Committee has responsibility, on behalf of the Board, to keep under review the structure, size and composition of the Board and the leadership needs of the Group. The Terms of Reference for the Nomination Committee can be found on the Company's website (empresaria.com).

The Nomination Committee is required to report to the Board on its proceedings and make recommendations it deems appropriate, on any area within its remit, where action or improvement is needed.

The Nomination Committee is appointed by the Board from the Non-Executive Directors, with a minimum requirement of two such Directors. Appointments to the Committee are made by the Board and are for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

The independent Non-Executive Directors who served on the Nomination Committee during the year are:

Name	Date of appointment to the Committee
Penny Freer (Chairman)	5 November 2013
Zach Miles	5 November 2013

Meetings

The Nomination Committee is required to meet formally once per year. During 2017, the Nomination Committee held one formal meeting. Since the beginning of 2017 to the date of this report, the Nomination Committee has been involved in changes to the composition of the board and the new director appointment process as well as focusing on a review of its role and responsibilities.

Composition of the Board and Committees

The Nomination Committee reviewed the composition of the Board and the Committees. As the Group continues to grow, the role of Chief Operating Officer was created. This change was supported by the Nomination Committee. All Directors continue to serve in their roles and no other compositional changes were proposed by the Nomination Committee.

Appointment process

Tim Anderson is to be appointed to the Board as an Executive Director on 21 March 2018 and will take over as Group Finance Director.

At the beginning of the appointment process, the Nomination Committee considered in detail which areas of expertise the Board would most benefit from and reviewed the detailed role specification accordingly. Each candidate was thoroughly assessed against the role specification and those shortlisted underwent a comprehensive interview process with the whole Board.

Succession planning

The Nomination Committee continues to consider the adequacy of the succession plan approved by the Board.

Time commitments of Non-Executive Directors

The Nomination Committee continues to keep under review the Non-Executive Directors' time commitments. Currently the Board does not have a separate policy or objectives on diversity, including gender. The Nomination Committee, in making recommendations to the Board, will give due regard to the benefits of diversity in the Boardroom, including gender.

On behalf of the Nomination Committee

Penny Freer
Chairman of the Nomination Committee

13 March 2018

Directors' remuneration report

The Board has considered the principles of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and has complied where practical and where it supports the Board's policies. This Directors' remuneration report meets the relevant requirements of the AIM rules and describes how the Board has applied, where appropriate, the principles relating to Directors' remuneration in the Code.

A resolution to approve the Directors' remuneration report will be proposed at the 2018 Annual General Meeting. The Companies Act 2006 requires the auditor to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The Directors' remuneration report therefore highlights those parts that have been audited.

The information provided in this part of the Director's remuneration report is not subject to audit.

Role and composition of the Remuneration Committee

The Remuneration Committee has responsibility, on behalf of the Board, for setting the remuneration policy for all Executive Directors and the Company's Chairman and recommending and monitoring the level and structure of remuneration for senior management. The Terms of Reference for the Remuneration Committee can be found on the Company's website (empresaria.com).

The Remuneration Committee is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Remuneration Committee is appointed by the Board from the independent Non-Executive Directors, with a minimum requirement of two such Directors. No Director is involved in any decisions as to their own remuneration.

The independent Non-Executive Directors who served on the Remuneration Committee during the year were:

Name	Date of appointment to the Committee
Penny Freer (Chairman)	13 December 2005
Zach Miles	1 October 2008

Meetings

The Remuneration Committee is required to meet at such times as the Chairman of the Remuneration Committee shall require. During 2017, the Remuneration Committee held three formal meetings. The Chairman of the Company has been invited to attend meetings where appropriate.

Remuneration practices

The Remuneration Committee recommended and monitored the level and structure of remuneration for senior management as well as monitoring remuneration trends across the Group. A review was carried out on the ongoing appropriateness and relevance of the remuneration policy.

The Remuneration Committee determined the 2018 individual remuneration packages, targets for annual bonus scheme and pension arrangements for the Executive Directors and the 2018 fees for the Non-Executive Directors.

Assessment of the Remuneration Committee

The Remuneration Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its Terms of Reference including:

- executive bonus and LTIP schemes reviewed and assessed considering current best practice and performance measures
- succession planning for Directors and senior executives developed

The Chairman of the Remuneration Committee will be available at the 2018 Annual General Meeting to answer any questions about the work of the Remuneration Committee.

Directors' remuneration report
continued

Remuneration policy for the Executive Directors
Executive remuneration packages are designed to attract, retain, motivate and reward Executive Directors, whilst aligning rewards with the business objectives and performance and the interests of shareholders.

Link between business objectives and remuneration policy
It is the Company's policy for performance-related pay of Executive Directors to be linked to key performance indicators of the Company. The Company's key objectives include developing sustainable growth in earnings, through a combination of organic growth and investments, alongside a gradual reduction in debt levels. The performance measures chosen to link executive remuneration to the achievement of these objectives are growth in earnings per share, conversion ratio and debtor days.

Director's contracts and letters of appointment
It is the Company's policy that Executive Directors should have contracts with indefinite terms providing for a maximum of 12 months' notice by the Company or the individual. In the event of early termination, the Executive Directors' contracts provide for compensation up to a maximum of the basic salary for the notice period.

The details of the Executive Directors' contracts are summarised as follows:

Director	Effective date of contract	Notice period
Chief Executive Officer (Joost Kreulen)	1 January 2012	12 months
Group Finance Director and Chief Operating Officer (Spencer Wreford)	4 May 2010	6 months

Non-Executive Directors, including the Chairman, serve under letters of appointment, which either party can terminate on three months' written notice.

Annual fees of Directors
The basic annual salary of each Executive Director is reviewed annually by the Remuneration Committee with changes taking effect on 1 January. The remuneration for the Non-Executive Directors (including the Chairman) is determined by the Board within the limits set by the Articles and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. The fees are reviewed each year as part of the annual budgeting process. The Non-Executive Directors do not receive any additional remuneration for chairing Committees.

Aggregate Directors' remuneration
The information provided in the table below is subject to audit.

The total amounts for Directors' remuneration were as follows:

	2018	2017						2016					
Name of Director	Salary £000	Salary £000	Benefits-in-kind* £000	Annual bonuses £000	Money purchase pension contributions £000	Additional fees £000	Total £000	Salary £000	Benefits-in-kind* £000	Annual bonuses £000	Money purchase pension contributions £000	Additional fees £000	Total £000
Executive													
Joost Kreulen	226	221	11	26	33	–	291	216	9	47	34	–	306
Spencer Wreford	185	175	7	20	17	–	219	170	7	37	17	–	231
Non-Executive													
Tony Martin	64	62	–	–	–	4	66	61	–	–	–	–	61
Penny Freer	41	40	–	–	–	3	43	39	–	–	–	4	43
Zach Miles	41	40	–	–	–	–	40	39	–	–	–	–	39
	557						**659**						**680**

* Benefits-in-kind include private medical insurance and travel and accommodation costs for Joost Kreulen and car allowance and private medical insurance for Spencer Wreford.

The amounts for additional fees represent the fees incurred as a result of additional days worked in excess of the number of days referred to in the letter of appointment.

The following information is not subject to audit.

Pension and other benefits-in-kind

In addition to the basic remuneration payable under the service agreements, each of the Executive Directors is entitled to a pension provision and a range of other benefits, including private medical insurance and car allowance. The Company has agreed to make contributions into the Executive Directors' private pension schemes as follows:

- Chief Executive Officer – 15% of basic salary
- Group Finance Director and Chief Operating Officer – 10% of basic salary

The Non-Executive Directors (including the Chairman) have no right to compensation on the early termination of their appointments and do not participate in the LTIP or receive any other benefits.

Annual bonus

The Remuneration Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to the Executive Directors. The annual bonus for the 2017 financial year was based on three specific strategic Key Performance Indicators: adjusted earnings per share, conversion ratio and debtor days. Based on the Remuneration Committee's assessment of the financial performance against those KPIs, it has determined that bonus payments amounting to 12% of the maximum bonus (100% of basic salary) should be made to the Executive Directors.

Long Term Incentive Plan (LTIP)

The Remuneration Committee has responsibility for supervising the Company's LTIP and making Awards under its terms. The maximum value of ordinary shares that could be Awarded in a year is 175% of basic salary. The current policy is to review the final audited results of the Company prior to agreeing if Awards are to be made.

Five Awards have been made up to the date of this report. For each Award the performance targets are 70% earnings per share ('EPS') growth and 30% share price growth. The percentage of Awards vesting would be in accordance with performance at the following levels (subject to the terms of the LTIP):

Performance below the threshold	No Award
Performance at the threshold level	20% of the relevant part of the Award vests
Performance at the maximum level	100% of the relevant part of the Award vests

Between these points there is a straight-line release of the Award.

A summary of the qualifying conditions with respect to performance for the three Awards yet to vest as at 31 December 2017 is as follows:

Date of award	12 March 2014	9 March 2016	15 March 2017
Expected vesting date	March 2018	March 2019	March 2020
Performance targets			
1) EPS growth			
Measurement period	31/12/2014 – 31/12/2017	31/12/2015 – 31/12/2018	31/12/2017 – 31/12/2019
Threshold	10% + RPI	10% + RPI	10% + RPI
Maximum	30% + RPI	30% + RPI	30% + RPI
2) Share price growth			
Measurement period	12/03/2014 – close of business on the day following announcement of the preliminary results for the year ended 31/12/2017	09/03/2016 – close of business on the day following announcement of the preliminary results for the year ended 31/12/2018	15/03/2017 – close of business on the day following announcement of the preliminary results for the year ended 31/12/2019
Threshold	50%	50%	50%
Maximum	100%	100%	100%

EPS growth is the annual growth in EPS over the relevant measurement period. Share price growth is the absolute share price growth over the relevant measurement period.

Directors' remuneration report

continued

The information provided in the table below is subject to audit.

Details of the options for Officers who served during the year are as follows:

Name of officer	Date of award	Maximum awards as at 1 January 2017	Maximum awards granted during the year	Lapsed awards	Vested awards (options granted)	Options exercised
Joost Kreulen	28/09/2011	720,000	–	–	720,000	–
	06/09/2013	563,380	–	165,416	397,964	–
	12/03/2014	379,630	–	–	–	–
	09/03/2016	244,892	–	–	–	–
	15/03/2017	–	192,368	–	–	–
Spencer Wreford	28/09/2011	500,000	–	–	500,000	–
	06/09/2013	394,366	–	115,791	278,575	–
	12/03/2014	277,778	–	–	–	–
	09/03/2016	192,963	–	–	–	–
	15/03/2017	–	151,686	–	–	–
James Chapman	15/03/2017	–	19,124	–	–	–

The following information is not subject to audit.

Shareholding guidelines

There are no requirements for Executive Directors or senior executives to hold shares in the Company.

The Directors had the following interests in the Company's share capital:

	31 December 2017		31 December 2016	
	Number of ordinary shares	**Percentage holding**	Number of ordinary shares	Percentage holding
Executive Directors				
Joost Kreulen (Chief Executive Officer)	**60,000**	**0.12%**	60,000	0.12%
Spencer Wreford (Group Finance Director and Chief Operating Officer)	**15,000**	**0.03%**	15,000	0.03%
Non-Executive Directors				
Tony Martin (Chairman)	**13,924,595**	**28.41%**	13,924,595	28.41%
Penny Freer	**15,000**	**0.03%**	15,000	0.03%
Zach Miles	**–**	**0.00%**	–	0.00%
Total	**14,014,595**	**28.59%**	14,014,595	28.59%

No Director had any interest(s) in the share capital of any other Group company.

During the period between 31 December 2017 and 13 March 2018, no changes took place in the above interests.

This report was approved by the Board of Directors on 13 March 2018 and signed on its behalf by:

Penny Freer
Chairman of the Remuneration Committee

13 March 2018

Independent auditor's report

to the members of Empresaria Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Empresaria Group plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Parent Company balance sheets;
- the Consolidated and Parent Company statements of changes in equity;
- the Consolidated cash flow statement;
- the Statement of accounting policies; and
- the related notes 1 to 28 for the Group and notes 1 to 10 for the Parent Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the carrying value of goodwill and other intangible assets.
Materiality	The materiality that we used for the Group financial statements was £675,000 which was determined on the basis of 7.5% of reported profit before tax after adding back the loss on disposal.
Scoping	Our global testing approach was focused primarily on UK, Germany, New Zealand, Chile, Japan, India and Indonesia and were subject to a combination of full scope audits and audit of specified account balances. These locations account for 85% of the Group's net assets, 91% of the Group's revenue and 82% of the Group's profit before tax.

Independent auditor's report

to the members of Empresaria Group plc
continued

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:	We have nothing to report in respect of these matters.
• the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

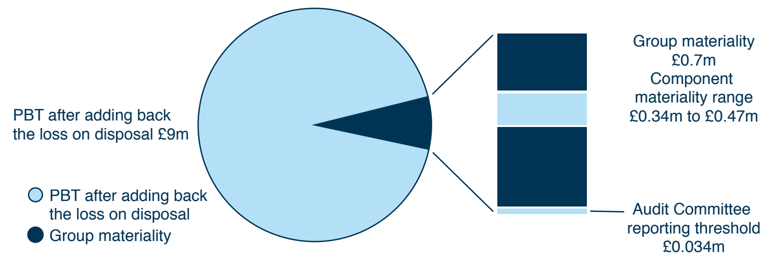
Carrying value of goodwill and other intangible assets	
Key audit matter description	Empresaria plc has achieved growth through a mix of organic growth and acquisition of recruitment businesses. As at 31 December 2017 it holds goodwill of £35.9m and associated intangible assets of £18.2m on its consolidated balance sheet. IAS 36 requires that management perform an impairment review annually using projected cash flows discounted at a rate which takes into account the risks within those cash flows. Management must apply their judgement in preparing the discounted cash flow which forms the basis of the impairment review. In particular management must consider the supportability of the bridge between results achieved for the year ended 31 December 2017 and the forecast results for 2018 and beyond with a focus on those CGUs that have under-performed. Pharmaceutical Strategies was identified as the CGU sensitive to movements to the inputs in the model. Management has included a disclosure in note 14 explaining the impact of reasonably possible changes in assumptions. The Group's accounting policy in relation to impairment of intangible assets including goodwill is included in note 2 and is further described in note 14. This is discussed by the Audit Committee on pages 48 to 49.
How the scope of our audit responded to the key audit matter	In order to address this key audit matter we have: • Evaluated the design and implementation of management's controls over the preparation and review of impairment assessments • Challenged the supportability of the bridge between actual results as at 31 December 2017 and forecast results for 2018 and beyond. For territories that had under-performed we discussed business performance with both local and Group management and obtained corroborative evidence to validate explanations received. Key procedures included reviewing newly signed contracts for both clients and consultants, reviewed external market research to understand pipeline and reviewed post year end performance against budget to assess accuracy of initial forecast • Recalculated the country specific discount factors using our internal specialists to assess whether those employed in management's model were within the predicted range • Assessed historical forecasting accuracy through comparing 2017 actuals to 2017 budgets • Challenged growth rates through a combination of using internal specialists to review industry and country specific data provided by management • Assessed management's sensitivities as well as applying an additional set of our own sensitivities • Checked the mathematical accuracy of the schedules supporting the cash flow model • Reviewed the disclosures explaining the impact of reasonably possible changes in assumptions.
Key observations	From the work performed above, we concluded that the inputs and assumptions applied in the valuation model, and the disclosures made, were appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	Group financial statements £675,000	Parent Company financial statements £472,500
Basis for determining materiality	7.5% of reported profit before tax after adding back the loss on disposal of £0.9m associated with PT Learning Resources. Group materiality equates to approximately 0.2% of revenue and 1.4% of net assets.	1.2% of net assets as capped by the upper limit of the component materiality range
Rationale for the benchmark applied	In determining our materiality benchmark we considered a number of benchmarks and the performance indicators most applicable to the users of the financial statements, the nature of the business and comparative audit reports for listed entities. We determined that profit before tax is a key measure used by analysts in presenting business performance to users of the financial statements.	Net assets is the key measure used by users of the financial information of a parent company being that of a holding company for the investments.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £33,750, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

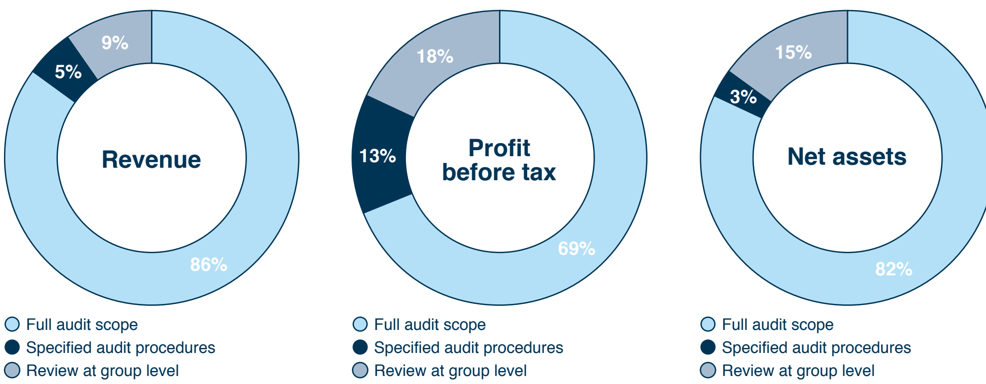
Independent auditor's report

to the members of Empresaria Group plc
continued

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, how the Group is organised, the consolidation process, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement throughout the Group. Based on that assessment, we focused our Group audit scope primarily on the Group operations in the UK, Germany, New Zealand, Chile, Japan, India and Indonesia.

UK, Germany, New Zealand, Chile and Indonesia were subject to a full audit, whilst Japan and India were subject to audit procedures on specified account balances. Our testing in these locations was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations account for 85% of the Group's net assets, 91% of the Group's revenue and 82% of the Group's profit before tax. The materiality used in each location where we performed an audit or audit of specified account balances procedures ranged from £337,500 to £472,500.



The group audit engagement team visited the German component audit team as part of our oversight of their work. For the other locations set out above a senior member of the group audit engagement team held detailed discussions with the component teams in order to update our understanding of the operations, risks and control environments of each component as well as a review of the component auditors' working papers. The group audit engagement team performed the audit of the UK businesses without the involvement of a component team.

For all other locations the group audit engagement team performed analytical review procedures at Group level to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. At the parent entity level we also tested the consolidation process.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.	**We have nothing to report in respect of this matter.**

James Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom

13 March 2018

Consolidated income statement

	Note	2017 £m	2016 £m
Continuing operations			
Revenue	4	**357.1**	270.4
Cost of sales		**(287.7)**	(211.4)
Net fee income	4	**69.4**	59.0
Administrative costs		**(57.8)**	(49.2)
Adjusted operating profit*	4	**11.6**	9.8
Exceptional items	5	**–**	–
Fair value on acquisition of non-controlling shares	5	**(0.3)**	(0.2)
Loss on business disposal	6	**(0.9)**	–
Intangible amortisation	15	**(1.7)**	(1.1)
Operating profit	4, 7	**8.7**	8.5
Finance income	9	**0.1**	0.1
Finance costs	9	**(0.7)**	(0.7)
Profit before tax	11	**8.1**	7.9
Tax	10	**(3.6)**	(3.5)
Profit for the year		**4.5**	4.4
Attributable to:			
Equity holders of the Parent		**4.1**	4.8
Non-controlling interest		**0.4**	(0.4)
		4.5	4.4

* 'Adjusted operating profit' is stated before exceptional items, gain or loss on business disposal, intangible amortisation and fair value on acquisition of non-controlling shares.

	Note	2017	2016
From continuing operations			
Earnings per share:			
Basic	12	**8.0**	9.6
Diluted	12	**7.9**	9.3
Earnings per share (adjusted):			
Basic	12	**12.6**	11.7
Diluted	12	**12.5**	11.3

Consolidated statement of comprehensive income

	2017 £m	2016 £m
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	**(1.2)**	5.1
Items that will not be reclassified to income statement:		
Exchange differences on translation of foreign operations of non-controlling interest	**(0.1)**	0.5
Net (expense) / income recognised directly in equity	**(1.3)**	5.6
Profit for the year	**4.5**	4.4
Total comprehensive income for the year	**3.2**	10.0
Attributable to:		
Equity holders of the Parent	**2.9**	9.9
Non-controlling interest	**0.3**	0.1
	3.2	10.0

Consolidated balance sheet

	Note	2017 £m	2016 £m Revised*
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1.4**	1.6
Goodwill	14	**35.9**	36.0
Other intangible assets	15	**18.2**	20.8
Deferred tax assets	20	**1.0**	1.0
		56.5	59.4
Current assets			
Trade and other receivables	17	**53.1**	50.2
Cash and cash equivalents	19	**25.9**	20.3
		79.0	70.5
Total assets		**135.5**	129.9
LIABILITIES			
Current liabilities			
Trade and other payables	18	**42.0**	44.9
Current tax liabilities		**2.6**	3.1
Borrowings	19	**36.6**	15.7
		81.2	63.7
Non-current liabilities			
Borrowings	19	**1.3**	15.1
Deferred tax liabilities	20	**4.1**	4.4
Total non-current liabilities		**5.4**	19.5
Total liabilities		**86.6**	83.2
Net assets		**48.9**	46.7
EQUITY			
Share capital	21	**2.4**	2.4
Share premium account	21	**22.4**	22.4
Merger reserve		**0.9**	0.9
Retranslation reserve		**5.0**	6.1
Equity reserve		**(7.5)**	(7.3)
Other reserves		**(0.7)**	(0.4)
Retained earnings		**19.6**	16.2
Equity attributable to owners of the Company		**42.1**	40.3
Non-controlling interest		**6.8**	6.4
Total equity		**48.9**	46.7

* See note 1.

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 13 March 2018.

Signed on behalf of the Board of Directors

Joost Kreulen
Director

Spencer Wreford
Director

Consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2015	2.4	22.4	0.9	1.0	(7.2)	(0.6)	11.9	2.9	33.7
Profit for the year	–	–	–	–	–	–	4.8	(0.4)	4.4
Dividend	–	–	–	–	–	–	(0.5)	–	(0.5)
Currency translation differences	–	–	–	5.1	–	–	–	0.5	5.6
Share of non-controlling interest in Intangibles related balances on business acquisition	–	–	–	–	–	–	–	2.6	2.6
Share of non-controlling interest in other net assets on business combination	–	–	–	–	–	–	–	1.0	1.0
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.1)	–	–	(0.2)	(0.3)
Share based payment	–	–	–	–	–	0.2	–	–	0.2
Balance at 31 December 2016	2.4	22.4	0.9	6.1	(7.3)	(0.4)	16.2	6.4	46.7
Profit for the year	–	–	–	–	–	–	4.1	0.4	4.5
Dividend	–	–	–	–	–	–	(0.6)	–	(0.6)
Currency translation differences	–	–	–	(1.1)	–	(0.1)	–	(0.1)	(1.3)
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.2)	–	–	0.1	(0.1)
Purchases of own share in Employee Benefit Trust	–	–	–	–	–	–	(0.1)	–	(0.1)
Share based payment	–	–	–	–	–	(0.2)	–	–	(0.2)
Balance at 31 December 2017	**2.4**	**22.4**	**0.9**	**5.0**	**(7.5)**	**(0.7)**	**19.6**	**6.8**	**48.9**

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium account' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Merger reserve' relates to premiums arising on shares issued subject to the provisions of section 612 'Merger relief' of the Companies Act 2006.
- 'Retranslation reserve' represents the exchange differences arising from the translation of the financial statements of foreign subsidiaries.
- 'Equity reserve' represents movement in equity due to acquisition of non-controlling interests under IFRS 3 Business combination.
- 'Other reserves' represents the share based payment reserve of £0.6m (2016: £0.8m) and exchange differences on intercompany long-term receivables amounting (£1.3m) (2016: (£1.2m)) which are treated as a net investment in foreign operations.
- 'Retained earnings' represents accumulated profits less distributions and income / expense recognised in equity from incorporation.
- 'Non-controlling interest' represents equity in a subsidiary not attributable, directly or indirectly, to the Group.

Consolidated cash flow statement

	Note	2017 £m	2016 £m Revised*
Profit for the year		**4.5**	4.4
Adjustments for:			
Depreciation and software amortisation		**1.0**	0.9
Intangible amortisation (identified as per IFRS 3 'Business combinations')		**1.7**	1.1
Taxation expense recognised in income statement		**3.6**	3.5
Loss on business disposal		**0.9**	–
Share based payments		**(0.2)**	0.2
Net finance charge		**0.6**	0.6
		12.1	10.7
Increase in trade receivables		**(2.8)**	(1.2)
Increase in trade payables		**3.3**	1.6
Cash generated from operations		**12.6**	11.1
Interest paid		**(0.7)**	(0.8)
Income taxes paid		**(5.5)**	(4.7)
Net cash from operating activities		**6.4**	5.6
Cash flows from investing activities			
Cash acquired with business acquisitions		**–**	7.9
Consideration paid for business acquisitions		**(5.6)**	(14.3)
Consideration received for business disposals		**0.1**	0.1
Purchase of property, plant and equipment and software		**(0.9)**	(0.8)
Finance income		**0.1**	0.1
Net cash used in investing activities		**(6.3)**	(7.0)
Cash flows from financing activities			
Purchases of own shares in Employee Benefit Trust		**(0.1)**	–
Non-restricted shares acquired in existing subsidiaries		**–**	(0.2)
Increase in borrowings		**15.3**	2.4
Proceeds from bank loan		**0.1**	11.3
Repayment of bank and other loan		**(9.2)**	(1.2)
Increase in invoice discounting		**0.7**	0.8
Dividends paid to shareholders		**(0.6)**	(0.5)
Dividends paid to non-controlling interest in subsidiaries		**(0.1)**	(0.2)
Net cash from financing activities		**6.1**	12.4
Net increase in cash and cash equivalents		**6.2**	11.0
Effect of foreign exchange rate changes		**(0.6)**	1.6
Cash and cash equivalents at beginning of the year		**20.3**	7.7
Cash and cash equivalents at end of the year	19	**25.9**	20.3

	2017 £m	2016 £m
Bank overdrafts at beginning of the year	**(5.1)**	(2.3)
Increase in the year	**(15.3)**	(2.4)
Effect of foreign exchange rate changes	**–**	(0.4)
Bank overdrafts at end of the year	**(20.4)**	(5.1)
Cash, cash equivalents and bank overdrafts at end of the year	**5.5**	15.2

* See note 1.

Notes to the Consolidated financial statements

1 Basis of preparation and general information

Empresaria Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex, RH10 4HS. Its company registration number is 3743194.

The consolidated financial statements are for the twelve months ended 31 December 2017. The financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU) and therefore the Group financial statements comply with AIM rules.

The financial statements have been prepared under the historical cost convention except that they have been modified to include the revaluation of certain financial assets and liabilities at fair value. The measurement bases and principal accounting policies of the Group are set out below.

These consolidated financial statements are presented in Pounds Sterling (£) because that is the presentational currency of the Group. Foreign operations are included in accordance with the policies set out in note 2.

Changes in accounting policies

Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted.

Amendments to IAS 7:	Disclosure Initiative
Amendments to IAS 12:	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014-2016:	Amendments to: IFRS 12 Disclosure of Interests in Other Entities

No amendments to these financial statements have been made as a result of adopting new and revised standards and interpretations.

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40 (amendments)	Transfers of Investment Property

IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Annual Improvements to IFRSs 2014-2016 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures

IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

IFRS 9 *Financial Instruments* (effective 1 January 2018)

IFRS 9 introduces a new classification approach for financial assets and liabilities. The categories of financial assets will be reduced from four to three and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. The Directors do not expect this to have a material impact on the financial statements.

IFRS 15 *Revenue from Contracts with Customers* (effective 1 January 2018)

An assessment of the impact of IFRS 15 has been completed following review of the contracts that exist across the Group's revenue streams. The review has concluded that revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue and had IFRS 15 been applied in the current reporting period, it would not have had a material impact on the financial statements.

IFRS 16 *Leases* (effective 1 January 2019)

IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

Notes to the Consolidated financial statements
continued

1 Basis of preparation and general information continued

The standard will also impact a number of statutory measures such as operating profit, and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. A reasonable estimate of the financial effect of the standard is not available until this review is complete. IFRS 16 will become effective in the Group's financial year 2019.

Going concern

The Group's activities are funded by a combination of long-term equity capital and bank facilities, primarily term loans, a revolving credit facility, invoice discounting and overdrafts. The day-to-day operations are funded by cash generated from trading and the use of invoice discounting and overdraft facilities. The board has reviewed the Group's profit and cash flow projections, and applied sensitivities to the underlying assumptions.

These projections demonstrate that the Group will meet its obligations as they fall due with the use of existing facilities. The revolving credit facility has a term until 2021, the UK term loan will be fully repaid during 2018 and the Group's primary overdraft facilities are due for renewal in January and February 2019. Based on informal discussions the Board has had with its lenders, we have no reason to believe that these facilities will not continue to be available to the Group for the foreseeable future. The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate significantly or if the funding available from invoice discounting or overdrafts were to become unavailable. Thus the Group continues to prepare the financial statements on a going concern basis.

Revised presentation of cash pooling arrangements

Following an agenda decision by the IFRS Interpretation Committee regarding offsetting and cash pooling arrangements, the Group has revised its disclosure of its cash pooling arrangements. This requires grossing up cash and overdraft balances associated with cash pooling arrangements. As a result we revised the comparative balance sheet and cash flow presentation at 31 December 2016. The impact is to increase cash and cash equivalents and short term borrowings by £2.3m at 31 December 2016 (2015: £Nil). There was no impact on net debts.

The impact of this change as at 31 December 2015 was £Nil and therefore a 'Consolidated balance sheet' for 2015 has not been presented.

2 Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries including the Employee Benefit Trust (EBT) from the date on which the Group obtains control and cease to be consolidated from the date on which the Group ceases its control. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

Intra-group transactions and profits are eliminated fully on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination taking into accounting any restrictions on non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is a maximum of one year. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the income statement. Changes in the fair value of contingent consideration classified as equity is accounted for within equity. Consideration linked to post-combination employee services are identified separately from the business combination. Payment for these services is accounted for as post-acquisition remuneration separately from the acquisition accounting.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except for deferred tax assets and liabilities or assets related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits respectively.

Non-controlling interest

In applying the Group's management equity philosophy, subsidiary management may be offered the opportunity to acquire shares in the subsidiary that they are responsible for, at market value. There are no services supplied by any employee in relation to this purchase of the shares in the subsidiary. After an agreed period, management may offer to sell the shares back to the Company. The Company does not have any obligation to acquire these shares.

If amounts are paid for non-controlling interests in a subsidiary that exceed the fair value of the equity acquired this excess amount is charged to the income statement.

Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired and is stated after separating out identifiable intangible assets.

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If, after measurement, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is tested at least annually for impairment. Goodwill is allocated to each of the Group's cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated against goodwill and then to the other assets of the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period. Goodwill is carried at cost less accumulated impairment losses.

On disposal of a subsidiary, the attributable goodwill is included in the calculation of profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2006) has been retained at the previous UK GAAP carrying amount.

Intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably.

Intangible assets acquired separately – intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with any changes being accounted for on a prospective basis.

Intangible assets acquired in a business combination – Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (regarded as their cost). They are subsequently reported at cost less accumulated amortisation and accumulated impairment on the same basis as intangible assets acquired separately.

Notes to the Consolidated financial statements
continued

2 Summary of significant accounting policies continued

Amortisation of intangible assets

Amortisation is charged to the income statement and calculated using the straight-line method over its estimated useful life as follows:

Customer relations	up to fifteen years
Trademarks	up to fifteen years
Software	up to three years

Impairment of tangible and intangible assets excluding goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed against their recoverable amount for any indication of impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that it does not exceed the carrying amount that would have existed had no impairment loss been recognised. The reversal of the impairment loss is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and any recognised impairment loss. Depreciation is calculated using the straight-line method to write off the cost or valuation of the assets less their residual values over their useful lives as follows:

Leasehold property	over the term of the lease up to a maximum of 10 years
Fixtures, fittings and equipment	up to three years
Motor vehicles	up to five years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with any changes accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Borrowing costs

Interest costs are recognised as an expense in the period in which they are incurred. Facility arrangement fees incurred in respect of borrowings are amortised over the term of the agreement.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within the balance sheet in current liabilities – short-term borrowings.

Invoice financing

The Group's operating activities in the UK are part funded by an invoice discounting facility. The debt provider has full recourse to the Group for any irrecoverable debt; these debts are presented within current borrowings and the asset due from the customer in current assets in the Group's balance sheet.

Movements in the invoice discounting balance are treated as 'Cash flow from financing activities' in the Group's Cash flow statement.

Interest charges on invoice discounting are included in finance costs and service charges are included in administrative costs in the Group's income statement.

Financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in profit or loss or charged directly against equity.

Generally, the Group recognises all financial assets using transfer value basis. An assessment of whether a financial asset is impaired is made at least at each reporting date. For receivables, this is based on the latest credit information available, (i.e. recent third-party defaults and external credit ratings). Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item Finance costs or Finance income, respectively.

Financial assets are recognised in the Group's balance sheet and, other than hedging instruments, can be divided into the following categories:

- financial assets at fair value through profit and loss (FVPL)
- loans and receivables

Financial assets at fair value through profit and loss (FVPL)
Financial assets are classified as at FVPL when the financial assets is (i) contingent consideration that may be paid by an acquiree as part of the business combination; (ii) held for trading; or (iii) it is designated as at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's trade and other receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific third party will default. Any change in their value is recognised in profit or loss.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements.

Financial liabilities
The Group's financial liabilities include borrowings and trade and other payables (including finance lease liabilities). They are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in the instrument's fair value that are reported in the profit or loss are included in the income statement line items Finance costs or Finance income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue and revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax, trade discounts, rebates and other sales-related taxes.

Permanent placement revenue is recognised at the point when the candidate commences employment. Contract placement revenue (including outsourced services) is recognised on the basis of actual work performed in the relevant period based on timesheets submitted. Training revenue is recognised at the point when the training is provided to clients.

An assessment of the impact of IFRS 15 has been completed following review of the contracts that exist across the Group's revenue streams. The review has concluded that revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue and had IFRS 15 been applied in the current reporting period, it would not have had a material impact on the financial statements.

Net fee income
Net fee income represents revenue less the remuneration cost of temporary workers. For permanent placements net fees are equal to revenue. For Training and Offshore recruitment services net fee income represents revenue less costs of staff directly providing those services.

Notes to the Consolidated financial statements
continued

2 Summary of significant accounting policies continued

Employee benefits

Retirement benefit costs

Payments made to defined contribution retirement benefit schemes are charged to the income statement as they fall due.

Severance payment provision

As per local legislation in certain territories severance payment provisions have been provided. These are charged to the income statement.

Share based payments

The Group issues equity-settled share-based payments to senior management, which are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The fair value of the options granted is measured using a Monte Carlo simulation model and Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The Group provides finance to an Employee Benefit Trust (EBT) to purchase company shares to partly meet the obligation to provide shares when employees exercise their options or awards. Costs of running the EBT are charged to the income statement. Shares held by the EBT are deducted from other reserves. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards.

Leases

Leases that result in the Group receiving substantially all of the risks and rewards of ownership of an asset are treated as finance leases. An asset held under a finance lease is recorded in the balance sheet and depreciated over the shorter of its estimated useful life and the lease term. Future instalments net of finance charges are included within borrowings. Minimum lease payments are apportioned between the finance charge element, which is allocated to each period to produce a constant periodic rate of interest on the remaining liability and charged to the income statement and the principal element which reduces the outstanding liability.

Rental costs arising from operating leases are charged on a straight-line basis over the period of the lease. Where an incentive is received to enter into an operating lease, such incentive is treated as a liability and recognised as a reduction to the rental expense on a straight-line basis over the period of the lease.

Forward contract for foreign currency

Forward currency contracts are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss.

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

(i) Functional and presentational currency

Items included in the individual financial statements of each Group company are measured using the individual currency of the primary economic environment in which that subsidiary operates (its 'functional currency'). The consolidated financial statements are presented in Pounds Sterling which is the Company's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised initially in other comprehensive income. These exchange differences are reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(iii) Group companies

The results and financial position of Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity within the retranslation reserve.

(iv) Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of net investment hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

Notes to the Consolidated financial statements
continued

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not clear from other sources. These estimates and judgements are continually evaluated and are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Critical judgements in applying the Group's policies

The following are the critical judgements, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business combinations, contingent consideration , intangible assets (including goodwill)

In prior periods the directors have been required to make judgements, estimates and assumptions related to business combinations, including determining contingent consideration and the value of intangible assets. No such judgements or estimations were made in relation to the 2017 financial statements.

Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities with the next financial year, are discussed below:

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amount is determined based on the value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Details of the impairment review calculation and sensitivities are set out in note 14. The same estimations are required if intangibles are tested for impairment.

4 Segment analysis

Information reported to the Group's Chief Executive, who is considered to be chief operating decision maker of the Group for the purpose of resource allocation and assessment of segment performance, is based on geographic region. The Group's business is segmented into four regions, UK, Continental Europe, Asia Pacific and the Americas.

The Group has one principal activity, the provision of staffing and recruitment services. Each unit is managed separately with local management responsible for implementing local strategy.

The analysis of the Group's business by geographical origin is set out below:

Year ended 31 December 2017	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	**Total £m**
Revenue	86.7	98.8	132.7	38.9	**357.1**
Net fee income	23.4	16.5	22.2	7.3	**69.4**
Adjusted operating profit*	2.2	5.1	3.5	0.8	**11.6**
Operating profit	1.7	4.9	1.8	0.3	**8.7**

* 'Adjusted operating profit' is stated before exceptional items, gain or loss on business disposal, intangible amortisation and fair value on acquisition of non-controlling shares.

Revenue of Continental Europe includes £83.9m from Germany and revenue of Asia Pacific includes £97.5m from New Zealand.

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Eliminations £m	**Total £m**
Property, plant and equipment	0.3	0.2	0.7	0.2	–	**1.4**
Goodwill	11.9	14.5	6.3	3.2	–	**35.9**
Other intangibles assets	6.5	1.0	5.9	4.8	–	**18.2**
Deferred tax assets	0.2	–	0.5	0.3	–	**1.0**
Other segmental assets	29.3	22.5	31.5	23.3	(27.6)	**79.0**
Segmental liabilities	(37.3)	(22.5)	(27.5)	(18.1)	18.8	**(86.6)**
Net assets	10.9	15.7	17.4	13.7	(8.8)	**48.9**
Capital expenditure incurred (including intangibles)	0.2	0.2	0.4	0.1		**0.9**
Significant non-cash expenses (depreciation, amortisation and trade receivable impairment)	1.0	0.4	1.5	0.6		**3.5**

Non-current assets of Continental Europe include £14.1m from Germany, non-current assets of Asia Pacific include £9.7m from New Zealand and non-current assets of Americas include £7.4m from United States of America.

The analysis of the Group's revenue and net fee income by client destination is set out below:

Year ended 31 December 2017	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	**Total £m**
Revenue	107.8	129.8	78.7	40.8	**357.1**
Net fee income	20.8	22.9	17.0	8.7	**69.4**

The analysis of the Group's business by geographical origin is set out below:

Year ended 31 December 2016	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	**Total £m**
Revenue	70.1	92.0	77.3	31.0	**270.4**
Net fee income	19.0	16.8	18.6	4.6	**59.0**
Adjusted operating profit*	1.5	4.9	2.7	0.7	**9.8**
Operating profit	1.3	4.7	1.7	0.8	**8.5**

* 'Adjusted operating profit' is stated before exceptional items, gain or loss on business disposal, intangible amortisation and fair value on acquisition of non-controlling shares.

Revenue of Continental Europe includes £78.2m from Germany and revenue of Asia Pacific includes £43.3m from New Zealand.

Notes to the Consolidated financial statements
continued

4 Segment analysis continued

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Eliminations £m	**Total £m**
Property, plant and equipment	0.4	0.1	0.9	0.2	–	**1.6**
Goodwill	11.9	14.0	6.6	3.5	–	**36.0**
Other intangibles assets	7.0	1.1	6.9	5.8	–	**20.8**
Deferred tax assets	0.2	–	0.6	0.2	–	**1.0**
Other segmental assets	36.7	20.5	27.3	20.9	(34.9)	**70.5**
Segmental liabilities	(38.6)	(21.0)	(27.4)	(16.3)	20.1	**(83.2)**
Net assets	17.6	14.7	14.9	14.3	(14.8)	**46.7**
Capital expenditure incurred (including intangibles)	0.3	0.2	0.3	–		**0.8**
Goodwill and intangible impairment	–	–	0.6	–		**0.6**
Significant non-cash expenses (depreciation, amortisation and trade receivable impairment and reversal of contingent consideration)	0.5	0.4	1.1	–		**2.0**

Non-current assets of Continental Europe include £13.7m from Germany, non-current assets of Asia Pacific include £10.8m from New Zealand and non-current assets of Americas include £8.7m from United States of America.

The analysis of the Group's revenue and net fee income by client destination is set out below:

Year ended 31 December 2016	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	**Total £m**
Revenue	81.8	100.5	54.5	33.6	**270.4**
Net fee income	19.5	18.3	15.3	5.9	**59.0**

The following segmental analysis by sector has been included as additional disclosure to the requirements of IFRS 8:

	Revenue 2017 £m	Revenue 2016 £m	**Net fee income 2017 £m**	Net fee income 2016 £m
Professional services	**14.3**	12.8	**6.9**	5.8
IT, digital & design	**56.4**	34.4	**17.9**	11.9
Technical & industrial	**129.7**	127.4	**21.3**	22.9
Retail	**35.2**	28.9	**4.9**	3.9
Healthcare	**13.5**	12.5	**3.5**	3.4
Executive search	**4.7**	4.1	**4.5**	3.9
Aviation	**97.4**	43.3	**5.7**	2.5
Other services	**5.9**	7.0	**4.7**	4.7
	357.1	270.4	**69.4**	59.0

5 Exceptional items and fair value on acquisition of non-controlling shares

Exceptional items

Exceptional items are those which, in management's judgement, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information.

	2017 £m	2016 £m
Impairment of goodwill (note 14)	–	0.5
Impairment of intangibles	–	0.1
Contingent consideration (credit)	–	(0.6)
	–	–

Further details can be found in the Finance review section on page 28.

Fair value on acquisition of non-controlling shares

The following purchases of non-controlling shares are treated as a fair value charge in the income statement.

	2017 £m	2016 £m
Fair value on acquisition of non-controlling shares	0.3	0.2
	0.3	0.2

In April 2017, the Group increased its interest in Monroe Consulting (Executive search in the Philippines) from 70% to 90%. The consideration of £0.1m was paid in cash.

In May 2017, the Group increased its interest in Monroe Consulting (Executive search in Thailand) by 10%, taking its interest up to 80%. The consideration of £0.2m was paid in cash.

6 Loss on business disposal

In September 2017 the Group disposed of its 51% investment in PT Learning Resources, a training business in Indonesia. Group's share of net assets of this subsidiary at the date of disposal were as follows:

	2017 £m
Property, plant and equipment	0.1
Trade and other receivables	0.9
Trade and other payables	(0.4)
Cash and cash equivalents	0.1
Tax prepayments and deferred tax assets	0.1
Net assets (funded by historic Intercompany loan)	0.8
Non-controlling interest and foreign exchange balances	0.2
	1.0
Consideration received*	(0.1)
Loss on business disposal	0.9

* Further cash consideration of £0.2m could be receivable, but is contingent on the outcome of an ongoing local tax investigation. No asset for this has been recognised at this stage.

During the year PT Learning Resources contributed £0.7m (2016: £1.9m) to the Group's revenue. Apart from the loss on business disposal, its operations contributed a loss of £0.2m (2016: £Nil) to the Group's profit after tax. It contributed operating cash out flow of £0.2m (2016: £0.1m) to the Group's net operating cash flows.

Notes to the Consolidated financial statements
continued

7 Profit before tax

Profit before tax is stated after charging / (crediting):

	2017 £m	2016 £m
Depreciation of property, plant and equipment	**0.9**	0.8
Amortisation of software	**0.1**	0.1
Intangible amortisation (identified as per IFRS 3 'Business combinations')	**1.7**	1.1
Fair value on acquisition of non-controlling shares	**0.3**	0.2
Loss on business disposal	**0.9**	–
Operating lease charges:		
– Land and buildings (office)	**2.5**	2.1
– Motor vehicles (office)	**0.4**	0.3
– Project based accommodation	**1.8**	1.3
– Project based transportation	**0.3**	0.3
Net foreign exchange gain	**–**	–
Share based payments	**(0.2)**	0.2
Acquisition related costs	**–**	0.3
Trade receivable impairments	**0.8**	0.6
Auditor's remuneration	**0.3**	0.4

The analysis of auditor's remuneration is as follows:

	2017 £000	2016 £000
Fee payable to the Company's auditor for the audit of the Group annual accounts	**342**	358

Auditor's remuneration includes fees payable of £238,000 (2016: £264,000) for the audit of the Company's subsidiaries pursuant to legislation. There were no non-audit fees payable during the year (2016: £Nil).

8 Directors and employees

	2017 £m	2016 £m
Staff costs		
Wages and salaries	**35.9**	29.6
Social security costs	**3.3**	2.6
Pension costs	**0.7**	0.6
Share based payments	**(0.2)**	0.2
	39.7	33.0

Details of Directors' remuneration are given on pages 51 to 54.

	2017 No.	2016 No.
Average monthly number of persons employed (including directors)		
Sales, distribution and administration	**1,367**	1,282

9 Finance income and cost

	2017 £m	2016 £m
Finance income		
Bank interest receivable	**0.1**	0.1
	0.1	0.1
Finance cost		
On amounts payable to invoice discounters	**(0.2)**	(0.2)
Bank loans and overdrafts	**(0.5)**	(0.4)
Interest on tax payments	**–**	(0.1)
	(0.7)	(0.7)
Net finance cost	**(0.6)**	(0.6)

10 Taxation

(a) The tax charge for the year is based on the following:

	2017 £m	2016 £m
Current taxation		
Current tax charge	**(3.8)**	(3.3)
Adjustment to tax charge in respect of previous periods	**–**	(0.1)
	(3.8)	(3.4)
Deferred tax charge – current year	**0.2**	(0.1)
Tax expense	**(3.6)**	(3.5)

(b) Factors affecting the tax charge for the year

	2017 £m	2016 £m
Profit before taxation	**8.1**	7.9
Profit before tax at standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**(1.6)**	(1.6)
Effects of:		
Expenses not deductible for tax purposes	**(0.3)**	(0.2)
Loss on business disposal and Fair value on acquisition of non-controlling shares not deductible for tax purposes	**(0.2)**	–
Current year losses not recognised for tax purposes	**(0.3)**	(0.3)
Write down of losses previously recognised for tax purposes	**(0.1)**	(0.2)
Adjustment to tax charge in respect of previous periods	**–**	(0.1)
Amortisation disallowed	**–**	(0.1)
Overseas tax at different tax rates	**(1.1)**	(1.0)
Tax expense	**(3.6)**	(3.5)

The movement in deferred tax is explained in note 20.

There was Nil tax recognised in the Consolidated statement of comprehensive income (2016: £Nil).

The reduction in the tax rate from 20% to 19.25% reflects a reduction in the standard rate of corporation tax in the UK from 20% to 19% with effect from 1 April 2017. The 19.25% rate is the average UK rate applicable for the year ended 31 December 2017 (2016: 20%).

Notes to the Consolidated financial statements
continued

11 Reconciliation of adjusted profit before tax to profit before tax

	2017 £m	2016 £m
Profit before tax	**8.1**	7.9
Loss on disposal	**0.9**	–
Fair value on acquisition of non-controlling shares	**0.3**	0.2
Intangible amortisation	**1.7**	1.1
Adjusted profit before tax from continuing operations	**11.0**	9.2

12 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the average number of shares in issue during the year. A reconciliation of the earnings and weighted average number of shares used in the calculations is set out below.

The calculation of the basic and diluted earnings per share is based on the following data:

	2017 £m	2016 £m
Earnings		
Earnings attributable to equity holders of the parent	**4.1**	4.8
Adjustments:		
Loss on disposal	**0.9**	–
Fair value on acquisition of non-controlling shares	**0.3**	0.2
Intangible amortisation	**1.7**	1.1
Non-controlling shares of intangible amortisation	**(0.2)**	–
Tax on intangible amortisation	**(0.4)**	(0.2)
Earnings for the purpose of adjusted earnings per share	**6.4**	5.9

Number of shares	Millions	Millions
Weighted average number of shares – basic	**50.9**	50.2
Dilution effect of share options	**0.5**	1.7
Weighted average number of shares – diluted	**51.4**	51.9

Earnings per share	Pence	Pence
Basic	**8.0**	9.6
Dilution effect of share options	**(0.1)**	(0.3)
Diluted	**7.9**	9.3

Earnings per share (adjusted)	Pence	Pence
Basic	**12.6**	11.7
Dilution effect of share options	**(0.1)**	(0.4)
Diluted	**12.5**	11.3

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period after deducting shares held by the Employee Benefit Trust, although the impact of this in 2017 was minimal since the shares were purchased in December 2017. The Trustees have waived their rights to dividends on the shares held by the Employee Benefit Trust.

The dilution on the number of shares is from share options. Further details of these share options can be found in note 28 and the Directors remuneration report on pages 51 to 54.

13 Property, plant and equipment

2017	Leasehold property £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January 2017	**0.6**	**6.1**	**0.2**	**6.9**
Additions	**–**	**0.8**	**–**	**0.8**
Disposals	**–**	**(0.9)**	**–**	**(0.9)**
Exchange differences	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2017	**0.6**	**5.8**	**0.2**	**6.6**
Accumulated depreciation				
At 1 January 2017	**0.2**	**5.0**	**0.1**	**5.3**
Depreciation	**–**	**0.9**	**–**	**0.9**
Disposals	**–**	**(0.8)**	**–**	**(0.8)**
Exchange differences	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2017	**0.2**	**4.9**	**0.1**	**5.2**
Net book value				
At 31 December 2016	**0.4**	**1.1**	**0.1**	**1.6**
At 31 December 2017	**0.4**	**0.9**	**0.1**	**1.4**

Fixtures, fittings and equipment includes £0.1m (2016: £0.1m) of secured finance leases.

2016	Leasehold property £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January 2016	0.6	4.6	0.3	5.5
Additions	–	0.7	–	0.7
Assets acquired with business acquisition	–	0.5	–	0.5
Disposals	–	(0.4)	(0.1)	(0.5)
Exchange differences	–	0.7	–	0.7
At 31 December 2016	0.6	6.1	0.2	6.9
Accumulated depreciation				
At 1 January 2016	0.2	3.6	0.2	4.0
Depreciation	–	0.8	–	0.8
Acquisition	–	0.4	–	0.4
Disposals	–	(0.3)	(0.1)	(0.4)
Exchange differences	–	0.5	–	0.5
At 31 December 2016	0.2	5.0	0.1	5.3
Net book value				
At 31 December 2015	0.4	1.0	0.1	1.5
At 31 December 2016	0.4	1.1	0.1	1.6

Fixtures, fittings and equipment includes £0.1m (2015: £0.1m) of secured finance leases.

Notes to the Consolidated financial statements
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14 Goodwill

	2017 £m	2016 £m
At 1 January	**36.0**	25.2
Acquisition of new subsidiary undertakings	**–**	8.1
Impairment (note 5)	**–**	(0.5)
Foreign exchange	**(0.1)**	3.2
At 31 December	**35.9**	36.0

Goodwill arising on business combinations is reviewed and tested for impairment on an annual basis or more frequently if there is an indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) at lowest level of cash flow, including goodwill, with the recoverable amount of that income-generating unit. The recoverable amounts of the CGUs are determined from value-in-use calculations.

The key assumptions for the value-in-use calculations are as follows:

Operating profit and pre-tax cash flows

The operating profit and pre-tax cash flow is based on approved annual budget for the CGUs approved by the Group's Management Board which are compiled using expectations of fee growth, consultant productivity and operating costs. The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by Management and extrapolates cash flows in perpetuity based on the long-term growth rates using margins that are consistent with the business plan approved by the Group's Management Board.

Discount rates

The pre-tax, country specific rate used to discount the forecast cash flows ranges from 8% to 15% (2016: 10% to 20%) reflecting current local market assessments of the time value of money and the risks specific to the relevant CGUs. These discount rates reflect estimated industry weighted average cost of capital in each market.

Pre-tax discount rates used for various cash generating units in operating segments are as follows:

UK:	9%
Continental Europe:	8%
Asia Pacific:	10% to 15%
Americas:	10% to 13%

Growth rates

Growth rates used to extrapolate beyond the most recent forecasts and to determine terminal values are based upon the long term average GDP growth forecast, which are consistent with external sources, for the relevant country. Growth rates range from 1.8% to 7.9%. Any growth rate in excess of 6.0% was capped for the purpose of this calculation. GDP growth is a key driver of our business, and is therefore a key consideration in developing long-term forecasts.

Growth rates used for various cash generating units in operating segments are as follows:

UK:	1.5%
Continental Europe:	1.4% to 1.6%
Asia Pacific:	0.6% to 6.0% (capped)
Americas:	3.0%

Impairment reviews were performed at the year-end by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated.

As part of the impairment review, management has considered the sensitivity of the recoverable amount for each unit to changes in the growth rates and discount rate. This sensitivity analysis showed that the long-term growth rate could reduce to nil without giving rise to any additional impairment of goodwill. The discount rates were also increased by adding an additional 3% to the country specific pre-tax discount rates. None of these changes in the key assumptions are expected to reasonably occur.

As at 31 December 2017 the Group holds goodwill of £2.5m and intangible assets of £4.8m related to Pharmaceutical Strategies. This has been tested for impairment and there is no indication that there has been any impairment. Given the reduction in profit contribution since the business was acquired, the assumptions in the value in use calculation are based on a return to the pre-acquisition profit level within 3 years, following an improving trading performance through 2017 and management projections of growth, with industry growth rates thereafter. The market remains positive and the business is geared to deliver an increased trading level, in line with the pre-acquisition performance. We have set our targets and growth model to get back to this position. As part of the impairment review we have calculated separate sensitivity analysis based on a 5 year period to get back to pre-acquisition profit levels, an increase of 2% in the weighted average cost of capital and a lower long-term growth rate. In all cases no impairment is indicated. However, a change in these assumptions increases the risk of an impairment in future periods. As an indication of the possible range of outcomes, if the growth rate is reduced after 2018 to industry rates, there is an impairment risk of £1.3m, whilst an additional 1% increase in the weighted average cost of capital (on top of the 2% increase in the sensitivity) would lead to an impairment risk of £0.6m.

Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination.

The carrying amount of goodwill as per operating segments has been allocated as follows:

	2017 £m	2016 £m
Goodwill by region		
United Kingdom	**11.9**	11.9
Continental Europe	**14.5**	14.0
Asia Pacific	**6.3**	6.6
Americas	**3.2**	3.5
	35.9	36.0

15 Intangible assets

2017	Intangible assets identified as per IFRS 3 'Business combination'				
	Customer relationship & candidate database £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
Carrying amount at 1 January 2017	14.2	9.6	23.8	0.6	24.4
Additions	–	–	–	0.1	0.1
Foreign exchange	(0.5)	(0.4)	(0.9)	–	(0.9)
Gross carrying amount at 31 December 2017	13.7	9.2	22.9	0.7	23.6
Amortisation					
Carrying amount at 1 January 2017	2.2	0.9	3.1	0.5	3.6
Charge for year	1.1	0.6	1.7	0.1	1.8
Accumulated amortisation at 31 December 2017	3.3	1.5	4.8	0.6	5.4
Net book value as at 31 December 2016	12.0	8.7	20.7	0.1	20.8
Net book value as at 31 December 2017	10.4	7.7	18.1	0.1	18.2

Notes to the Consolidated financial statements
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15 Intangible assets continued

2016	Intangible assets identified as per IFRS 3 'Business combination'				
	Customer relationship & candidate database £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
Carrying amount at 1 January 2016	6.1	3.2	9.3	0.5	9.8
Additions	–	–	–	0.1	0.1
Acquisition	7.4	5.8	13.2	–	13.2
Impairment	(0.2)	–	(0.2)	–	(0.2)
Foreign exchange	0.9	0.6	1.5	–	1.5
Gross carrying amount at 31 December 2016	14.2	9.6	23.8	0.6	24.4
Amortisation					
Carrying amount at 1 January 2016	1.5	0.6	2.1	0.4	2.5
Charge for year	0.8	0.3	1.1	0.1	1.2
Impairment	(0.1)	–	(0.1)	–	(0.1)
Accumulated amortisation at 31 December 2016	2.2	0.9	3.1	0.5	3.6
Net book value as at 31 December 2015	4.6	2.6	7.2	0.1	7.3
Net book value as at 31 December 2016	12.0	8.7	20.7	0.1	20.8

16 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest, change of ownership interest not resulting in loss of control is given in note 6 to the Company's financial statements.

The following consolidated UK subsidiary companies are exempt from an annual audit under section 479A of the Companies Act 2006 for which the Company has provided a guarantee under section 479C of the Companies Act 2006. This guarantees all outstanding liabilities to which the subsidiary is subject to as at 31 December 2017 until they are settled in full. The guarantee is enforceable against the Company by any person to whom the subsidiary is liable in respect of those liabilities.

Name of subsidiary	Company number	Type of subsidiary
Mansion House Recruitment Limited	03276279	Active
Reflex HR Limited	05150663	Active
Alpion Recruitment Limited	09949926	Active Non-Trading
Empresaria Americas Finco Limited	09917053	Holding Non-Trading
Empresaria Healthcare Limited	09946765	Holding Non-Trading
Empresaria Malaysia Holdings Limited	08701593	Holding Non-Trading
Empresaria NZ Limited	10164295	Holding Non-Trading
Interim Management International Limited	04067140	Holding Non-Trading
Oval (888) Limited	04819545	Active Non-Trading
TLN 1004 Limited	04598490	Active Non-Trading
TLN 1006 Limited	03570249	Active Non-Trading
Empresaria Americas Limited	08926961	Holding Non-Trading
Empresaria GIT Holdings Limited	05669458	Holding Non-Trading
Empresaria GIT Limited	05669176	Holding Non-Trading
Empresaria Asia Limited	07384224	Holding Non-Trading
Empresaria Indonesia Holdings Limited	10362003	Holding Non-Trading
Empresaria NZ Finco Limited	10804049	Holding Non-Trading
Empresaria T&I Limited	10432476	Holding Non-Trading
Empresaria Technology (Holdings) Limited	10322758	Holding Non-Trading
Empresaria Vietnam Holdings Limited	10485853	Holding Non-Trading

17 Trade and other receivables

	2017 £m	2016 £m
Current		
Trade receivables	**44.0**	42.1
Less provision for impairment of trade receivables	**(0.8)**	(1.0)
Net trade receivables	**43.2**	41.1
Prepayments	**1.5**	2.0
Accrued income	**3.1**	2.5
Deferred and contingent consideration	**0.2**	0.3
Corporation tax receivable	**1.8**	0.7
Other receivables	**3.3**	3.6
	53.1	50.2

Trade receivables include £31.7m (2016: £30.4m) on which security has been given as part of bank facilities.

All amounts are due within one year. The carrying value of trade receivables is considered to be a reasonable approximation of fair value.

Further analysis on trade receivables is set out in note 22.

18 Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	**2.1**	1.5
Other tax and social security	**8.4**	8.8
Pilot bonds*	**7.5**	5.2
Client deposits	**0.7**	0.8
Temporary recruitment worker wages	**3.9**	4.3
Other payables	**2.0**	1.5
Accruals	**17.4**	17.2
Deferred and contingent consideration	**–**	5.6
	42.0	44.9

All amounts are payable within one year. The fair values of trade and other payables are not materially different from those disclosed above.

* The pilot bonds represent unrestricted funds held by Rishworth Aviation that are typically repayable to the pilot over the course of a contract, which typically last between three and five years. If the pilot terminates their contract early, the outstanding bond is payable to the client. For this reason the full bond value is shown as a current liability. If the bonds are repaid in line with existing contracts, £4.5m (2016: £3.3m) would be repayable in more than one year.

Notes to the Consolidated financial statements
continued

19 Financial liabilities

a) Borrowings

	2017 £m	2016 £m
Current		
Bank overdrafts	**20.4**	5.1
Amounts related to invoice financing	**9.7**	8.9
Current portion of bank loans	**6.5**	1.7
	36.6	15.7
Non-current		
Bank loans	**1.3**	15.1
	1.3	15.1
Total financial liabilities	**37.9**	30.8

At 31 December 2017 the UK multi-currency revolving credit facility of £10.0m, expiring in 2021, had a balance of £1.0m (2016: £8.5m). The facility was entered into in the year ending 31 December 2016 to part-fund the investments in Rishworth Aviation and ConSol Partners. Interest is payable at 1.5% plus LIBOR or EURIBOR.

At 31 December 2017 the UK term loan, expiring in 2018, had a balance of £2.0m (2016: £3.5m). No drawdowns were made during the year (2016: drawdowns of £2.9m to part fund the investment in Rishworth Aviation and also fund the contingent consideration payment due for Pharmaceutical Strategies). £1.5m of this loan was repaid during the year and £2.0m is due to be repaid during the year ending 31 December 2018. Interest is payable at 1.5% above UK base rate. A German bank loan of Euro 5.0m (2016: Euro 5.0m) remains outstanding with an expiry in 2018. Interest is payable at EURIBOR plus 3%.

Overdraft facilities are in place in the UK with a limit of £7.5 million (2016: £5.0m). The balance on this multi-currency facility as at 31 December 2017 was £4.1m (2016: £0.9m). The interest rate was fixed during the year at 1.0% above applicable currency base rates. A UK based $1.5m overdraft facility to provide working capital funding to Pharmaceutical Strategies had a balance of $Nil (2016: $0.7m) as at 31 December 2017. Interest on this USD facility is payable at 2% over currency base rates. During the year a $2.0m overdraft facility was set up in the United States directly with Pharmaceutical Strategies to replace this facility which will not be renewed in 2018. The balance at 31 December 2017 was $1.0m. Interest is payable at LIBOR plus 2%. An €8.0 million overdraft facility is also in place in Germany. The balance at 31 December 2017 was €4.8m (2016: €1.2m). Interest is payable at EURIBOR plus 2.3%.

The UK facilities are secured by a first fixed charge over all book and other debts given by the Company and certain of its UK subsidiaries, Headway in Germany and Rishworth Aviation in New Zealand.

Other overseas overdraft and loans had interest rates of between 1.6% and 7.4%.

b) Movement in net borrowings

	2017 £m	2016 £m
As at 1 January	**(10.5)**	(7.3)
Net increase in cash and cash equivalents before cash / overdraft acquired with business acquisition	**6.2**	3.1
Net cash acquired with business acquisition	**–**	7.9
Amounts related to invoice financing acquired with business acquisition	**–**	(1.2)
Net increase in overdrafts and loans	**(6.2)**	(12.5)
Increase in invoice financing	**(0.7)**	(0.8)
Currency translation differences	**(0.8)**	0.3
As at 31 December	**(12.0)**	(10.5)

c) Analysis of net borrowings

	2017 £m	2016 £m
Financial liabilities – borrowings	**(37.9)**	(30.8)
Cash and cash equivalents	**25.9**	20.3
As at 31 December	**(12.0)**	(10.5)

Cash and cash equivalents at 31 December 2017 include cash with banks of £253,000 (2016: £329,000) held by a subsidiary in China which is subject to currency exchange restrictions.

The cash and cash equivalents above include £7.5m (2016: £5.2m) of pilot bonds held by Rishworth Aviation. See note 18 for more details.

20 Deferred tax

	Tax losses £000	Capital allowances £000	Holiday pay £000	Timing differences £000	Intangible assets £000	**2017 Total £000**	Total 2016 £000
1 January	134	7	139	540	(4,206)	**(3,386)**	(135)
(Charge) / credit to income	(15)	(4)	59	(118)	262	**184**	(132)
Business disposal	–	–	–	(24)	–	**(24)**	–
Business acquisition	–	–	–	–	–	**–**	(3,099)
Foreign exchange difference	(3)	–	(6)	(20)	114	**85**	(20)
31 December	116	3	192	378	(3,830)	**(3,141)**	(3,386)

Analysis of deferred tax	**2017 £000**	2016 £000
Deferred tax asset	**982**	1,018
Deferred tax liability	**(4,123)**	(4,404)
	(3,141)	(3,386)

At the balance sheet date, the Group has unused tax losses of £2.1m (2016: £2.4m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £0.5m (2016: £0.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £1.6m (2016: £1.8m) as it is not considered probable that the losses will be fully utilised before they expire.

No deferred tax liability is recognised on temporary differences of £5.5m (2016: £5.7m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The tax impact of these temporary differences is £0.6m (2016: £0.9m) assuming all unremitted earnings were remitted in full in the year.

Notes to the Consolidated financial statements
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21 Share capital and Share premium

Share capital

	2017 Number of shares	£m	2016 Number of shares	£m
Issued, allotted and fully paid				
Ordinary shares of 5p each	**49,019,132**	**2.4**	49,019,132	2.4

Share premium

	2017 £m	2016 £m
Balance at 1 January and 31 December	**22.4**	22.4

Shares held by Employee Benefit Trust

	2017 Number of shares	2016 Number of shares
Allotted and fully paid		
Ordinary shares of 5p each	**96,500**	–

22 Financial instruments

The principal financial assets of the Group are cash and cash equivalents and trade and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial liabilities are trade and other creditors that arise directly from operations, amounts owed to invoice discounters and bank loans. Further information on the Group's treasury policy and activities during the year can be found in the Finance review on pages 26 to 29.

Credit risk analysis

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Classes of financial assets – carrying amounts

	2017 £m	2016 £m
Cash and cash equivalents	**25.9**	20.3
Trade and other receivables *	**49.8**	47.6

* Trade and other receivables exclude prepayments, tax and social security total amounting £3.3m (2016: £2.6m).

The credit risk on liquid funds is limited because the third parties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a likely reduction in the recoverability of the cash flows. The Group has no significant concentration of risk, with exposure spread over a large number of third parties and customers.

Trade receivables ageing and impairment losses

The age of trade receivables net of impaired debts as of the reporting date is as follows:

	2017 £m	2016 £m
0-30 days	**22.9**	25.1
31-60 days	**13.5**	10.0
61-90 days	**5.1**	4.1
Over 90 days	**1.7**	1.9
Total trade receivables (note 17)	**43.2**	41.1

Average trade receivables days during the year was 41 days (2016: 47 days).

All of the Group's trade receivables have been reviewed for indicators of impairment and a provision of £0.8m (2016: £1.0m) has been recorded accordingly.

Included in the Group's trade receivable balance are debtors with a carrying amount of £34.0m (2016: £30.1m) which are not past due and a carrying amount of £9.2m (2016: £11.0m) which are past due at the reporting date. For these balances the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The age of past due trade receivables net of impaired debts as of the reporting date is as follows:

	2017 £m	2016 £m
0-30 days	**6.1**	6.5
31-60 days	**1.9**	2.3
61-90 days	**0.8**	1.1
Over 90 days	**0.4**	1.1
Total past due trade receivables	**9.2**	11.0

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 £m	2016 £m
Balance as 1 January	**1.0**	0.4
Impairment loss recognised	**0.8**	0.6
Impairment loss utilised	**(1.0)**	–
Balance at 31 December	**0.8**	1.0

Notes to the Consolidated financial statements
continued

22 Financial instruments continued

Liquidity risk analysis

The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis with regular cash flow forecasts. In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient undrawn committed borrowing facilities.

As at 31 December 2017, the Group's liabilities have contractual maturities which are summarised below:

	Current within 6 months		6 to 12 months		Non-current 1 to 5 years	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Long-term bank loans	**5.2**	0.8	**1.3**	0.9	**1.2**	13.9
Trade and other payables	**33.6**	36.1	**–**	–	**–**	–
Other short-term financial liabilities	**30.1**	14.0	**–**	–	**–**	–
Total	**68.9**	50.9	**1.3**	0.9	**1.2**	13.9

* Trade and other payables in above table exclude other tax and social security amounting £8.4m (2016: £8.8m).

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

All bank loans are on floating interest rates.

At the year end the Group had £19.3m (2016: £15.4m) of undrawn bank facilities (excluding invoice financing).

There was no loan repayment default during the year (2016: Nil). At the year end past due loans were nil (2016: Nil).

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks.

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt, which includes the borrowings and cash and cash equivalents disclosed in note 19 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 21 and in the Consolidated statement of changes in equity.

The board reviews the capital structure of the Group on an ongoing basis, considering the cost of capital and the risks associated with each class of capital. The Board closely monitors the level of borrowings.

Debt to debtors ratio

	2017 £m	2016 £m
Total net borrowing	**12.0**	10.5
Trade receivables	**43.2**	41.1
Debt to debtors ratio	**28%**	26%

Gearing ratio

	2017 £m	2016 £m
Gross borrowings	**37.9**	30.8
Less: Cash and cash equivalents	**(25.9)**	(20.3)
Net debts	**12.0**	10.5
Equity attributable to company shareholders	**42.1**	40.3
Net debt to equity ratio	**29%**	26%

Debt to EBITDA ratio

EBITDA represents earning before interest, tax, depreciation and amortisation

	2017	2016
Debt to EBITDA ratio	**95%**	98%

Foreign currency risk

The majority of the Group's transactions are carried out in the local currency of the respective country the business is operating in. However, the Group does undertake transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuation arise. The majority of exposures to currency exchange rates arising from overseas sales are mitigated by incurring purchases and cost of sales in the same currency.

To mitigate the Group's exposure to foreign currency risk, non-local currency cash flows are monitored and if applicable, forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

As at 31 December 2017 there were a small number of forward currency contracts in place. The amount covered by these at year end was £0.9m (2016: 0.6m). The fair value of these as at 31 December 2017 were £Nil (2016: £0.1m).

The Group's currency exposures are on the translation of subsidiaries results into Pounds Sterling, sales and purchase transactions in foreign currency and on foreign currency monetary items. There is an element of natural hedge by having operations in different countries. The amount of currency retranslation loss recognised in equity was £1.2m (2016: gain £5.1m).

Notes to the Consolidated financial statements
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22 Financial instruments continued

Foreign currency monetary items and it's sensitivity analysis

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are set out below:

A 10% weakening of the following currencies against relevant functional currency at 31 December would have (decreased) / increased equity and the income statement by the amounts shown below. Calculations are performed based on net monetary items balances at 31 December for the same currency. The analysis assumes that all other variables, in particular interest rates, remain constant. Actual results in the future may differ materially from those projected, due to the development in the global financial market.

	Foreign currency monetary items		**Sensitivity analysis impact of non-functional currency foreign exchange exposure**		
2017	**Assets £m**	**Liabilities £m**	**Sensitivity**	**Profit and loss £m**	**Equity £m**
US Dollars	**5.6**	**(5.2)**	US Dollars (10%)	**(0.1)**	**(0.1)**
Euro	**11.2**	**(10.3)**	Euro (10%)	**(0.1)**	**(0.1)**
Japanese Yen	**0.2**	**0.1**	Japanese Yen (10%)	**–**	**–**

	Foreign currency monetary items		Sensitivity analysis impact of non-functional currency foreign exchange exposure		
2016	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
US Dollars	9.8	(11.4)	US Dollars (10%)	0.2	0.2
Euro	8.4	(7.4)	Euro (10%)	(0.1)	(0.1)
Japanese Yen	0.9	(0.2)	Japanese Yen (10%)	(0.1)	(0.1)

A 10% strengthening of the above currencies against relevant functional currency at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In Management's opinion, the sensitivity analysis does not completely represent the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group manages its interest rate risk through a combination of cash pooling, shareholder funding and borrowing. Management monitors movements in interest rates to determine the most advantageous debt profile for the Group. At 31 December 2017, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. For further information see note 19.

	2017	2016
Effective interest rate on borrowings in the year	**2.6%**	2.6%

An increase of 100 basis points in interest rates would have decreased equity and the income statement by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Interest rate

	2017 £m	2016 £m
Net result for the year	**(0.3)**	(0.3)
Equity	**(0.3)**	(0.3)

Fair value

The carrying value of all financial instruments equates to fair value.

23 Financial commitments

Operating leases

	Motor vehicles		Land and buildings (office)		Project based accommodation	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Total minimum operating lease payments due:						
Within one year	**0.6**	0.6	**1.9**	2.0	**0.5**	0.4
One to five years	**0.6**	0.7	**3.4**	3.7	**–**	–
After five years	**–**	–	**0.7**	0.9	**–**	–
	1.2	1.3	**6.0**	6.6	**0.5**	0.4

24 Dividends

	2017 £000	2016 £000
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 1.15p (2015: 1.0p) per share	**564**	490
Proposed final dividend for the year ended 31 December 2017 is 1.32p (2016: 1.15p) per share	**644**	564

The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

25 Contingent liabilities

Guarantees

Cross guarantees exist in respect of bank loans and overdrafts between certain of the Group companies. Guarantees and contingencies exist in the ordinary course of business.

26 Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, retained earnings of the Parent Company are not presented as part of these financial statements. The Parent Company's loss for the financial year was £2.2m (2016: £Nil).

Notes to the Consolidated financial statements
continued

27 Related party transactions
Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. These transactions include intra-group management charges and net interest charges to subsidiaries, which amounted to £3.3m (2016: £3.1m) and £0.8m (2016: £0.5m), respectively.

Remuneration of key management personnel
The Group delegates operational decision making and day to day running of the operating companies to the subsidiary management, however, key strategic decisions must be approved by the Parent Company. Therefore overall authority and responsibility for planning, directing and controlling the entities of the Group sits with the Parent Company Board of Directors, who are considered the key management personnel.

The remuneration of directors, who are the key Management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on page 52.

	2017 £m	2016 £m
Short-term employee benefits	**0.6**	0.7

Directors' transactions
Dividends totalling £161,168 (2016: £140,146) were paid in the year in respect of ordinary shares held by the Company's Directors.

Management equity
As part of the Group's management equity philosophy, the following transactions were entered into with related parties (subsidiary management) during the year.

Purchased by the Group

Company	% of shares	Aggregate consideration £000	Seller
Empresaria Thailand Holdings Limited	10%	247	J Tolmie
Empresaria Philippines Holdings Limited	20%	62	S Gatland
BWP Holdco Limited	8.6%	Nil	M Banger
	1.1%	Nil	P Liffen
	25.2%	–	P Reynolds
Mansion House Recruitment Limited	17.5%	1	J Coles
	8.8%	Nil	R Thompson
Reflex HR Limited	15%	2	R Dobell

Second generation shares sold by the Group

Company	% of shares	Aggregate consideration £000	Purchaser
Interactive Manpower Solutions Private Limited	0.2%	4	K Jayaram
Empresaria Thailand Holdings Limited	10%	7	I Yuenyao L Laurel N Jenudomsup V Chutviriyacharoen

28 Share based payments

The Company operates a share option scheme for Directors and senior executives.

	2017 Number of share options	2016 Number of share options
Outstanding at beginning of year	**3,273,009**	2,835,154
Expired during the year	**(281,207)**	–
Granted during the year	**363,178**	437,855
Outstanding at the end of the year	**3,354,980**	3,273,009

All the options have a zero cost exercise price. In 2017 a credit of £160,000 (2016: £226,000 expense) was recognised in the income statement due to lower number of options expected to vest. The fair value was estimated using a Black-Scholes model for the EPS element and a Monte Carlo model for the total shareholder return element. Details of the performance conditions can be found in the Directors' remuneration report on pages 51 to 54.

The inputs into these models are as follows:

	Award in 2017	Award in 2016	Award in 2014
Share price at date of grant	**138.5p**	87.5p	54p
Weighted average exercise price	**Nil**	Nil	Nil
Expected volatility	**36.3%**	36.1%	43.7%
Expected life	**3 years**	3 years	4 years
Risk-free rate	**0.11%**	0.58%	1.47%
Expected dividend yields	**0.83%**	1.03%	0.65%
Vesting dates	**March 2020**	March 2019	March 2018

The expected volatility is determined from the daily log normal distributions of the Company share price over a period equal to the expected holding period calculated back from the date of grant. The risk free rate was the zero coupon bond yield derived from UK government bonds at the date of grant, with a life equal to the expected holding period.

Included in the total number of share options above are 1,897,000 share options already vested. As of the date of this report none of those options have been exercised. Further details can be found in the Directors' remuneration report on page 54.

Parent Company balance sheet

	Note	2017 £m	2016 £m
Non-current assets			
Tangible assets	5	**–**	–
Investments	6	**49.0**	41.9
		49.0	41.9
Current assets			
Debtors (including amounts falling due after more than one year of £Nil (2016: £Nil))	7	**4.3**	12.4
Cash at bank		**–**	–
Creditors: amounts falling due within one year	8	**(21.8)**	(10.2)
Net current assets		**(17.5)**	2.2
Total assets less current liabilities		**31.5**	44.1
Creditors: amounts falling due after more than one year	9	**(1.0)**	(10.5)
Net assets		**30.5**	33.6
			–
Capital and reserves			
Called up share capital	10	**2.4**	2.4
Share premium account		**22.4**	22.4
Merger reserve		**0.9**	0.9
Other reserves		**0.7**	0.9
Equity reserve		**(0.2)**	(0.2)
Profit and loss account		**4.3**	7.2
Shareholders' funds		**30.5**	33.6

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 13 March 2018.

Signed on behalf of the Board of Directors

Joost Kreulen
Director

Spencer Wreford
Director

Parent Company statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Other reserve £m	Equity reserve £m	Profit and loss account £m	Total Shareholders' funds £m
At 1 January 2016	**2.4**	**22.4**	**0.9**	**0.7**	**(0.2)**	**7.7**	**33.9**
Profit for the financial year and total comprehensive income	–	–	–	–	–	–	–
Dividend paid on equity shares	–	–	–	–	–	(0.5)	(0.5)
Movement in share options	–	–	–	0.2	–	–	0.2
At 31 December 2016	**2.4**	**22.4**	**0.9**	**0.9**	**(0.2)**	**7.2**	**33.6**
Loss for the financial year and total comprehensive loss	–	–	–	–	–	(2.2)	(2.2)
Dividend paid on equity shares	–	–	–	–	–	(0.6)	(0.6)
Movement in share options	–	–	–	(0.2)	–	–	(0.2)
Purchases of own shares by Employee Benefit Trust	–	–	–	–	–	(0.1)	(0.1)
At 31 December 2017	**2.4**	**22.4**	**0.9**	**0.7**	**(0.2)**	**4.3**	**30.5**

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium account' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Merger reserve' relates to premiums arising on shares issued subject to the provisions of section 612 'Merger relief' of the Companies Act 2006.
- 'Equity reserve' represents amounts recognised in relation to historic expired options over a subsidiary company.
- 'Other reserves' primarily represents movements in relation to share based payments.
- 'Retained earnings' represents accumulated profits less distributions and income/expense recognised in equity from incorporation.

Notes to the Parent Company financial statements

1 Basis of preparation and significant accounting policies

The financial statements are for the twelve months ended 31 December 2017. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

These financial statements are presented in Pounds Sterling (£).

The accounting policies have been applied consistently throughout the period for the purposes of preparation of these financial statements. The Company has taken advantage of a disclosure exemption and has elected not to present a cashflow statement.

Accounting policy for the Company in the United Kingdom

Going concern

Details of going concern are given in note 1 to the Group accounts.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the year end. Exchange rate differences are dealt with through the income statement.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and equipment: between one and five years.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Fixed asset investments

The Company's investments in shares in Group companies are stated at cost less provisions for impairment. Any impairment is charged to the income statement as it arises.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Financial Instruments

Short term debtors and creditors are measured at transaction price, less any impairment. Loans receivable and other financial liabilities, including amounts due from and to subsidiary undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Pension costs

Pension costs are charged to the income statement and relate to contributions made to pension schemes. Contributions to the scheme are charged to the income statement as they become due for payment.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. The Company reported a loss after tax for the financial year ended 31 December 2017 of £2.2m (2016: £nil).

3 Directors and employees

	2017 £m	2016 £m
Staff costs		
Wages and salaries	**1.1**	1.1
Social security costs	**0.1**	0.1
Share based payments	**(0.2)**	0.2
	1.0	1.4
Bonus costs	**0.1**	0.1
	1.1	1.5

	2017 Number	2016 Number
Average monthly number of persons employed (including directors)	**15**	15

Pension contributions made in the year were £92,430 (2016: £94,172).

Details of Directors' remuneration are given on pages 51 to 54.

4 Dividends

During 2017 Empresaria Group plc paid a dividend of £0.6m to its equity shareholders (2016: £0.5m). This amounted to 1.15p per ordinary share (2016: 1.0p).

A final dividend is proposed for the year ended 31 December 2017 of 1.32p per ordinary share (2016: 1.15p). The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid on 31 May 2018 to members registered on 4 May 2018.

5 Tangible assets

The following table shows the significant additions and disposals of property, plant and equipment:

	Fixtures, fittings and equipment £m
Cost	
At 1 January 2017	**0.6**
Additions	**–**
Disposals	**(0.1)**
At 31 December 2017	**0.5**
Accumulated depreciation	
At 1 January 2017	**0.6**
Charge for the year	**–**
Disposals	**(0.1)**
At 31 December 2017	**0.5**
Net book value	
At 31 December 2016	**–**
At 31 December 2017	**–**

Notes to the Parent Company financial statements
continued

6 Investments held as fixed assets

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2017	**49.2**
Additions	**8.4**
At 31 December 2017	**57.6**
Impairment	
At 1 January 2017	**7.3**
Impairment charge	**1.3**
At 31 December 2017	**8.6**
Net book value	
At 31 December 2016	**41.9**
As 31 December 2017	**49.0**

Investments comprise of the following subsidiary companies:

Company	Class of share held	**2017 Effective % holding**	2016 Effective % holding
Registered office: Old Chuch House, Sandy Lane, Crawley Down, West Sussex. RH10 4HS UK			
Alpion Recruitment Limited	Ordinary	**100**	100
Ball and Hoolahan Limited	Ordinary	**90**	90
Beresford Wilson and Partners Limited	Ordinary	**88**	62
BWP Holdco Limited	'A' Ordinary	**88**	62
ConSol Partners (Holdings) Limited	'A' Ordinary	**65**	65
ConSol Partners Limited	Ordinary	**65**	65
Creative People Limited	Ordinary	**90**	90
Empresaria Americas Finco Limited	Ordinary	**100**	100
Empresaria Americas Limited*	Ordinary	**100**	100
Empresaria Asia Limited*	Ordinary	**100**	100
Empresaria Indonesia Holdings Limited (formerly Empresaria China (Holdings) Ltd)	Ordinary	**100**	100
Empresaria GIT Holdings Limited*	'A' and 'B' Ordinary	**100**	100
Empresaria GIT Limited	Ordinary	**100**	100
Empresaria T&I Holdings Limited (formerly Empresaria Gulf Limited)*	Ordinary	**100**	100
Empresaria Healthcare Limited*	Ordinary	**100**	100
Empresaria Malaysia Holdings Limited	'A' Ordinary	**70**	70
Empresaria Mexico Holdings Limited	'A' Ordinary	**51**	51
Empresaria North America Limited	'A' Ordinary	**88**	88
Empresaria NZ Limited*	Ordinary	**100**	100
Empresaria Philippines Holdings Limited	'A' Ordinary	**90**	70
Empresaria T&I Limited* (formerly Empresaria Technical & Industrial Holdings Limited)*	Ordinary	**100**	100
Empresaria Technology (Holdings) Limited*	Ordinary	**100**	100
Empresaria Thailand Holdings Limited	'A' Ordinary	**70**	70
Empresaria Vietnam Holdings Limited	Ordinary	**100**	100
EMR1000 Limited*	Ordinary	**100**	100
FastTrack Management Services Limited*	'A' Ordinary	**75**	75
Global Crew UK Limited	Ordinary	**83**	83
Greycoat Investments Limited*	Ordinary	**100**	100
Greycoat Placements Limited*	'A' Ordinary	**90**	90

Company	Class of share held	2017 Effective % holding	2016 Effective % holding
Interim Management International Limited*	Ordinary	**100**	100
LMA Recruitment Limited*	'A' Ordinary	**63**	63
Lumley Employment Company Limited (Dissolved 3 January 2017)	n/a	**–**	90
Become Recruitment Limited (formerly Mac People Limited)	Ordinary	**90**	90
Mansion House Recruitment Limited*	Ordinary	**100**	74
McCall Limited*	'A' Ordinary	**82**	82
NMS Czech Holding Limited*	'A' Ordinary	**51**	51
Oval (888) Limited*	'A' and 'B' Ordinary	**100**	100
Publishing People Limted	Ordinary	**90**	90
Reflex HR Limited*	Ordinary	**100**	85
Teamsales Limited*	'A' Ordinary	**95**	95
The Recruitment Business Holdings Limited*	'A' Ordinary	**90**	90
The Recruitment Business Limited	Ordinary	**90**	90
The Recruitment Store (2000) Limited	Ordinary	**90**	90
TLN 1004 Limited*	'A' and 'B' Ordinary	**100**	100
TLN 1006 Limited*	'A' and 'B' Ordinary	**100**	100
Web People Recruitment Limited	Ordinary	**90**	90
Registered office: Stanley & Williamson, Level 1 34 Burton Street, Kirribilli NSW 2061, Australia			
The Recruitment Business Pty Limited	Ordinary	**90**	90
Registered office: Bahnofstrasse 22, 3300, Ametetten, Austria			
headwayaustria GesmbH	Ordinary	**100**	100
Registered office: Ave. Isidore Goyenechea 3250, 13th Floor, Santiago, District of Las Condes, Chile			
Empresaria Group Chile Limitada*	Ordinary	**100**	100
Registered office: Alcade Jorge Monckebery 77, Santiago, Chile			
A-Consulting Limitada	Ordinary	**56**	56
Alternattiva Empresa De Servicios Transitorios Limitada	Ordinary	**56**	56
Instituto De Capacitacion Complementaria De La Empresa Limitada	Ordinary	**56**	56
Marketing y Promociones S.A. 'Alternattiva'	Ordinary	**56**	56
Registered office: Room 16F02, No. 828-838, Zhangyang Road, Pudong New Area, Shanghai, China			
Monroe Consulting China Group (formerly named Empresaria Intelligence HR Consultants)*	Ordinary	**100**	100
Registered office: Linnankatu 13a B32, 6th Floor, 20100 Turku, Finland			
Mediradix Oy*	Ordinary	**96**	96
Registered office: Landshuter Strabe73, 84030, Ergolding, Germany			
Empresaria Holding Deutschland GmbH*	Ordinary	**100**	100
headwaylogistic administration GmbH	Series A and Series B	**84**	84
headwayindustrie GmbH	Ordinary	**84**	84
headwaypersonal GmbH	Series A and Series B	**90**	90
Registered office: Kurt-Schumacher-Strasse 62, 45699 Herten, Germany			
headwaylogistic GmbH	Ordinary	**84**	84
Registered office: 22/F, 3 Lockhart Road, Wanchai, Hong Kong			
LMA Recruitment Limited	Ordinary	**100**	100
Registered office: Unit B, 10th Floor E168, nos 166-168 Des Voeux Road Central, Sheung Wan, Hong Kong			
The Recruitment Business Limited	Ordinary	**90**	90

Notes to the Parent Company financial statements
continued

6 Investments held as fixed assets continued

Company	Class of share held	2017 Effective % holding	2016 Effective % holding
Registered office: Ground Floor, 001 Raghupati Niketan, Opp. Ishita Appartments, Navrangpur, Ahmedabad, Gujarat, 380 009, India			
Interactive Manpower Solutions Private Limited*	Ordinary	**71**	71
Registered office: Jalan Wijaya 1 No. 71, Jakarta, 12170, Indonesia			
PT. Learning Resources	'A' Ordinary	**–**	51
Registered office: Gedung Soverein Plaza, Lt 16 UnitA-B, Jl. TB simatupang Kav. 36, Jakarta, SELTAN 12430, Indonesia			
PT. Monroe Consulting Group	'A' Ordinary	**90**	90
Registered office: No. 2 TR Building, 2-10-4 Yoyogi, Shibuya-ku, Tokyo, Japan			
FINES K.K.	Ordinary	**51**	51
FINES Tokyo K.K.	Ordinary	**51**	51
Registered office: 8-27 Toranomon 3-chome, Minato-ku, Tokyo, Japan			
Skillhouse Staffing Solutions K.K.	Ordinary	**90**	90
Registered office: Portman House, Hue Street, St Helier, JE4 5RP, Jersey			
Rhinefield Limited*	Ordinary	**100**	100
Registered office: 14A Jalan Tun Mohd Fuad, Taman Tun Dr Ismail, 60000, Kuala Lumpur, Wilayah Persektuan, Malaysia			
Monroe Consulting Group Malaysia Sdn. Bhd.	Ordinary	**70**	70
Registered office: Insurgentes 1796 4to Piso, Colonia Florida, DF 01030, Mexico			
Monroe Consulting Mexico S.A. de C.V.	Class II Ordinary	**51**	51
Registered office: GVW Accountants Limited, Level 1, 109 Carlton Gore Road, Newmarket, 1023 New Zealand			
Global Resources Asia Limited	Ordinary	**83**	83
Rishworth Holdco Limited	Ordinary	**83**	83
Rishworth Aviation Asia Limited	Ordinary	**83**	83
Rishworth Aviation Asia Pacific Limited	Ordinary	**83**	83
Rishworth Aviation Europe Limited	Ordinary	**83**	83
Rishworth Aviation Limited	Ordinary	**83**	83
Rishworth Aviation International Limited	Ordinary	**83**	83
Rishworth Personnel Limited	Ordinary	**83**	83
Rishworth Solutions Limited	Ordinary	**83**	83
Registered office: Unit 605 Richvill Corporate Tower, 1107 Alabang-Zapote Road, Madrigal Business Park, 1780, Philippines			
HR Philippines Holdings, Inc.	Ordinary	**90**	70
Registered office: Unit 2108 Trade & Financial Tower, 7th Avenue Corner 32nd Street, Global City, Taguig, 1634, Philippines			
Monroe Consulting Philippines Inc	Ordinary	**90**	70
Registered office: 10 Anson Road #35-06A, International Plaza, 079903, Singapore			
Global Crew Asia Pte Ltd	Ordinary	**83**	83
Global Resources Aviation Singapore PTE Ltd	Ordinary	**83**	83
Registered office: 133 Cecil Street, #17-01B, Keck Seng Tower, 069535, Singapore			
Learning Resources Solution Pte. Limited	Ordinary	**–**	51
LMA Recruitment Singapore Pte. Limited	Ordinary	**60**	60
McCall Singapore Pte. Limited	Ordinary	**82**	82

Company	Class of share held	2017 Effective % holding	2016 Effective % holding
Registered office: Postova3, 811 06, Bratislava, Slovakia			
Gate1234 s.r.o.	Ordinary	**100**	100
Registered office: Norrtullsgatan 6, 4th Floor, 11329 Stockholm, Sweden			
Rishworth Aviation AB	Ordinary	**83**	83
Registered office: No. 209/1 K Towers B, 23rd Floor, unit2, Sukhumvit 21 (Asoke) Road, Bangkok, 10110, Thailand			
Monroe Holdings (Thailand) Company Limited	Ordinary	**70**	70
Registered office: 28th Floor, Lake Rajada Office Complex Bldg, 193/119 Rachadapisek Rd, Klongtoey, Bangkok, 10110, Thailand			
Monroe Recruitment Consulting Group Company Limited	Ordinary	**70**	70
Registered office: Office 306, Building 19, Dubai Knowledge Village, PO Box 5000693, United Arab Emirates			
Beresford Wilson and Partners FZ-LLC	Ordinary	**88**	62
Registered office: 615 South Dunpont Highway, Dover, Kent County, DE 19903, United States			
ConSol Partners LLC	Ordinary	**65**	65
Registered office: 2711 Centreville Road, Suite 400 City of Wilmington, New Castle County, DE 19808, United States			
Empresaria USA, Inc.	Common Stock	**88**	88
Registered office: 477 Main Street, Stoneham, MA 02180, United States			
Medical Recruitment Strategies, LLC	'A' and 'B' Ordinary	**88**	88
Pharmaceutical Strategies, LLC	'A' and 'B' Ordinary	**88**	88
Recruitment Strategies Group, LLC	'A' and 'B' Ordinary	**88**	88
Recruitment Strategies, LLC	'A' and 'B' Ordinary	**88**	88

* These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December 2017 and 31 December 2016.

The nature of each investment is the provision of staffing services and each entity operates in its country of incorporation.

7 Debtors

	2017 £m	2016 £m
Amounts owed by subsidiary undertakings (including amounts falling due after more than one year of £nil (2016: £nil))	**3.3**	11.2
Other debtors	**0.5**	0.4
Prepayments and accrued income	**0.5**	0.8
	4.3	12.4

Notes to the Parent Company financial statements
continued

8 Creditors: amounts falling due within one year

	2017 £m	2016 £m
Bank overdraft and loans due within one year	**16.6**	4.6
Trade creditors	**0.1**	0.1
Amounts owed to subsidiary undertakings	**4.3**	4.4
Other creditors	**0.1**	0.1
Accruals	**0.7**	1.0
	21.8	10.2

9 Creditors: amounts falling due after more than one year

	2017 £m	2016 £m
Bank loans	**1.0**	10.5
	1.0	10.5

At 31 December 2017 the UK multi-currency revolving credit facility of £10.0 million, expiring in 2021, had a balance of £1.0 million (2016: £8.5 million). The facility was entered into in the year ending 31 December 2016 to part-fund the investments in Rishworth Aviation and ConSol Partners. Interest is payable at 1.5% plus LIBOR or EURIBOR.

At 31 December 2017 the UK term loan, expiring in 2018, had a balance of £2.0 million (2016: £3.5 million). No drawdowns were made during the year ending 31 December 2017. In the year ending 31 December 2016 drawdowns from this term loan of £2.9 million were made to part fund the investment in Rishworth Aviation and also fund the contingent consideration payment due for Pharmaceutical Strategies. £1.5 million of this loan was repaid during the year and £2.0 million is expected to be repaid during the year ending 31 December 2018. Interest is payable at 1.5% above UK base rate.

The interest rate on the UK bank overdraft was fixed during the year at 1.0% above applicable currency base rates. A $1.5 million overdraft facility to provide working capital funding to Pharmaceutical Strategies had a balance of $nil (2016: $0.7 million) as at 31 December 2017. Interest on this USD facility is payable at 2% over currency base rates:

	2017 £m	2016 £m
Bank loans		
Repayable within one year	**2.0**	1.5
Repayable between one and two years	**–**	1.5
Repayable between two and five years	**1.0**	9.0
	3.0	12.0

10 Called up share capital

	Number of shares 2017	2017 £m	Number of shares 2016	2016 £m
Allotted and fully paid				
Ordinary shares of 5p each	**49,019,132**	**2.4**	49,019,132	2.4

The Company has one class of ordinary share which carries no rights to fixed income. All ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2017 the Company purchased 96,500 of its own shares for a total consideration of £93,445. The shares have subsequently been transferred to the Employee Benefit Trust to meet the obligation to provide shares when employees excercise their options or awards. Subsequent to 31 December 2017 the Company has purchased a further 163,884 shares for a total consideration of £156,000 making the total number of shares purchased 260,834 for a total consideration of £249,445.

Officers and professional advisers

Directors
Joost Kreulen
Spencer Wreford
Tony Martin
Penny Freer
Zach Miles

Secretary
James Chapman

Registered office
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Sandy Lane
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Company registration number
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