

Empresaria

Stronger Together



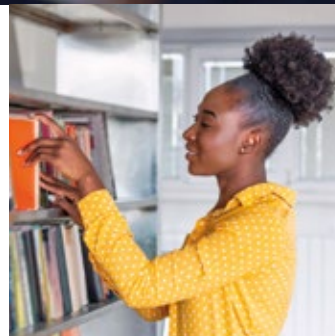
Chairman's Statement

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Operating review

[Read more on page 16 →](#)



Investment case

[Read more on page 3 →](#)

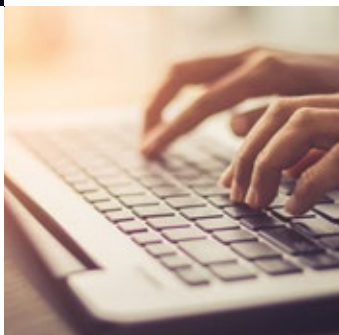


Finance review

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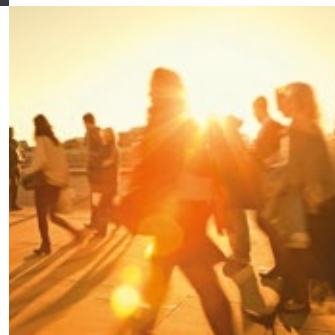
Chief Executive's Q&A

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Governance

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For further information
visit our new website

www.empresaria.com





Building a strong foundation for future growth

Driving change across the Group through:

- alignment of businesses around core sectors to better leverage synergies and cross-selling potential;
- enhancing operating models to scale the businesses more effectively; and
- driving a performance based culture.

Positioning for future growth including:

- investing in common technology;
- investing in our high performing Offshore Recruitment Services sector;
- investing in growth of our temp and contract operations; and
- investing in shared resources.

Strong record of profits and cash generation

4/5

Record profits in
4 out of the last 5 years

£74.5m

Net fee income

£9.3m

Adjusted profit
before tax

112%

Conversion of adjusted
profit before tax to cash

See Glossary for definition of terms.

At a Glance

A diversified model

Empresaria has a highly diversified business model with operations across six sectors in 20 countries offering permanent and temporary/contract recruitment services and offshore recruitment services.

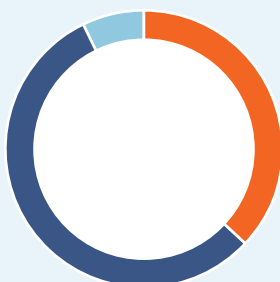


6
Sectors

20
Countries

Service type

% of net fee income



- **37%** Permanent
- **56%** Temporary and Contract
- **7%** Offshore Recruitment Services

Sector

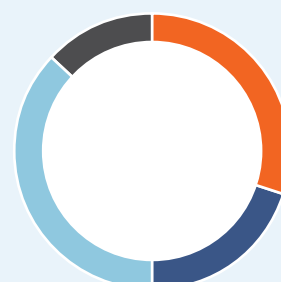
% of net fee income



- **37%** Professional
- **19%** IT
- **4%** Healthcare
- **5%** Property, Construction & Engineering
- **26%** Commercial
- **9%** Offshore Recruitment Services

Region

% of net fee income



- **30%** UK
- **20%** Continental Europe
- **37%** Asia Pacific
- **13%** Americas

Investment Case

Focused strategy aligned with our shareholders

[Read more on p9 →](#)

Our strategy is focused on delivering organic growth, investing in our existing businesses and technology to drive synergies and profits across the Group.

Aligned businesses in sectors

Signed agreement with Bullhorn in 2019 to upgrade our front office technology

Diversified business model

[Read more on p12 →](#)

Empresaria is diversified by geography, sector and service creating an ability to offset risks and challenges in one area with opportunities and growth elsewhere.

Permanent, Temporary and contract, and offshore recruitment services

20
countries

Offshore Recruitment Services sector

[Read more on p21 →](#)

Our Offshore Recruitment Services sector is unique amongst our peers.

We see great opportunity for growth both with external clients and through increased delivery to operations across the Group.

Offshore Recruitment Services sector adjusted operating profit up

88%
in 2019

Cash generative business

[Read more on p25 →](#)

Significant free cash flow generated each year allowing us to invest in the business and providing the ability to reduce our net debt.

Progressive dividend policy.

Free cash flow

£4.8m
(2018: £6.7m)

Dividend up

10% to 2.2p

Track record of strong profits

[Read more on p14 →](#)

Record levels of adjusted profit before tax delivered in 4 of the last 5 years.

4/5

Record profits in
4 out of the last 5 years

Chairman's Statement

“Our business model is a key differentiator for the Group.”



2019 performance

We are pleased to report our full year results which have delivered growth in net fee income despite a challenging economic environment in some of our key markets. As for many in the staffing sector, we have seen adverse impacts from Brexit and the weakening of the German automotive sector which combined with challenges in our UK Engineering business have resulted in a reduction in profits, but our diversification by sector and geography has delivered good growth elsewhere. For example, our Offshore Recruitment Services sector has gone from strength to strength delivering a 37% increase in net fee income and an 88% increase in adjusted operating profit.

Following our decision to align our brands around our core sectors, we have continued to make good progress in addressing operational issues, taking the decision to substantially reduce the UK engineering business and merging brands within our Professional sector. We have identified further key areas for operational improvement and investment in 2020 and we are building a strong foundation for future growth.

People & strategy

In June 2019 we appointed Rhona Driggs as Chief Executive Officer. Rhona has been with the Group since November 2018 when she joined as Chief Operating Officer. She has implemented significant operational change and initiatives, and has put in place a new clear strategy and operational investment plan for 2020 and beyond focused on delivering organic growth.

In May 2019 we launched our *Stronger Together* initiative which seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria.

Our business model is a key differentiator for the Group and in the constantly evolving staffing sector it is important that we are continually evaluating how we operate in order to ensure that our approach remains relevant and competitive.

We are currently looking at alternatives to replace our second generation management equity scheme to achieve a more relevant and more flexible performance based reward for management. Our first generation management equity scheme has been very successful when attracting new businesses into the Group, enabling us to retain key management and giving them the opportunity to continue to grow their business while holding an equity stake and we will continue to apply this principal when looking at future investments.

The average number of staff across the Group increased to 1,955 (2018: 1,625) driven by the growth in our Offshore Recruitment Services sector where average headcount has increased by 299 from last year. The success of the Group is down to the hard work and commitment of all our staff and the Board would like to thank all of them for their contribution to our continued success.

We continue to operate with a decentralised structure but with increased levels of support from the central team. Local management remain responsible for running their businesses within the context of the Group's strategic objectives and with 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.

Dividend

The Board has reviewed the dividend in line with our progressive dividend policy and for the year ended 31 December 2019 we propose a dividend of 2.2p, up 10% on the prior year, demonstrating the strength of the balance sheet and the Board's confidence in the Group's prospects. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 29 May 2020 to shareholders on the register on 15 May 2020.

Outlook

The world of work is continuing to change rapidly as technology evolves. Skilled worker shortages continue to be a key challenge as we seek to create a flexible workforce that can adopt new skills in real time.

The difficult economic environment of 2019 looks set to continue into 2020 and we have new challenges from the implementation of IR35 in the UK and the current global outbreak of coronavirus. However, with the operational changes and investments we have made in 2019 and have planned for 2020, we are building a strong foundation for the future.



Tony Martin
Chairman

17 March 2020

Operational Highlights

Stronger Together initiative launched in May

- Businesses aligned around our six key sectors
- Drive to identify and maximise synergies
- Clear plans to drive synergies in front and back office technologies (e.g. Bullhorn)
- Common core values across the group
- Greater transparency driving a performance-based culture
- Workplace groupwide communication tool launched in December 2019 to more effectively enable cross selling and improve overall communication at all levels

Strong growth in Offshore Recruitment Services

- 37% increase in net fee income
- 88% increase in adjusted operating profit
- More than 1,100 employees

Investing in growing US IT

- Austin office opened in April

Acknowledgements and Awards

- CEO, Rhona Driggs – Included in the SIA's Global Power 150 Women in Staffing as part of the International 50
- LMA – 2nd place Sunday Times Best Companies to Work for
- IMS – IAOP Global Outsourcing 100
- IMS – Gujarat Best Employer Brand
- Monroe – Human Resources Asia Awards Malaysia, Recruitment Agency of the Year (Silver)

Chief Executive's Q&A

“We are building a strong foundation that will help us drive future profits.”



Q. Congratulations on your new role! What excites you most about your new challenge?

A. Having been in the role for nearly nine months now, I see tremendous potential in the Group. We have a great opportunity to drive best practices, leverage synergies and the ability for greater collaboration to gain meaningful market share with existing clients across the globe. There is also a great ability to drive future growth and profits through leveraging the expertise in our Offshore Recruitment Services sector across our businesses. This along with creating size and scale in our sectors and markets will accelerate our growth. I am confident we have the right strategy and I am excited to start delivering on these opportunities.

Q. How was 2019 for Empresaria?

A. In 2019 Group performance was affected by economic factors such as Brexit uncertainty and the weakening of the German automotive sector which were exacerbated by issues within our UK Engineering business. However, despite these issues we delivered growth in net fee income of 3% to £74.5m with increases across all our sectors with the exception of Property, Construction & Engineering. While adjusted profit before tax was down by 18% to £9.3m we remain a very profitable group.

We made a number of operational changes during the year, including the difficult decision to close a substantial part of our UK engineering business which made a significant loss in 2019. This business had struggled for a number of years and had seen a significant reduction in its net fee income over that time. As a result of the actions we've taken our Property, Construction & Engineering sector is expected to return to profit in 2020.

In addition, we made significant changes in our businesses impacted by Brexit or the downturn in the German automotive sector. This involved right-sizing cost bases or adjusting operating models to create a more efficient operation along with driving a sales strategy to diversify our client base. These changes did not come without cost but the benefits will be seen as we move into 2020.

Our Offshore Recruitment Services sector performed strongly, delivering a 37% increase in net fee income and an 88% increase in adjusted operating profit. This performance demonstrates the value that this sector adds to the Group, something that we believe is unique amongst our peers. This sector will also be a key enabler for growth across other parts of the Group as we look to leverage this internal expertise to drive additional revenue, along with cost and operational efficiencies, in our other sectors.

Q. What changes have you brought forward in the Group and why?

A. The Group has historically been run as a series of independent businesses with common majority ownership and key strategic support but limited operational involvement from the central team. The result of this was limited ability of the individual businesses to realise the full benefits of being part of a global group. In May 2019 we launched our *Stronger Together* initiative which seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria.

This has led us to strategically increase investment in key areas of our central team to provide the level of support that is needed to drive growth in our brands. This has also driven the operational changes we have made that are captured in our *Stronger Together* initiative.

Q&A

These key changes include:

- Aligning our businesses around core sectors enabling them to share common experiences, leverage synergies and learn from each other.
- Increasing support from the central team, in particular in marketing, training and technology has helped align strategy and evolve best practice.
- Increasing investment in common technology (e.g. Bullhorn, Workplace). Technology is key in the staffing sector to enable us to respond to our client demands quickly and effectively to remain competitive, while a common platform increases the ability to generate cross-selling and to generate meaningful and business intelligence from across the Group.
- Evolving our operating models in certain brands to enable them to scale more effectively in the temporary segment.
- Creating a performance based culture where results are openly shared across the management levels and aligning incentive schemes across the business. This also comes with the understanding that underperformance will be addressed rapidly.

While these are significant changes to how the Group historically operated, the engagement and receptiveness across the Group has exceeded my expectations and as a result we have already started to see meaningful positive outcomes. One example of this is shown to the right as a case study on the success of our *Stronger Together* initiative with our Offshore Recruitment Services and our Healthcare Sector. I am excited about the possibilities and the early successes we have seen with this initiative that I believe are positive indicators that this is driving the change we need to grow our businesses.

Q. Where do you see the potential for growth in the Group and what are your investment priorities?

A. I see potential for growth across the whole Group, particularly with our focus on delivering the benefits of being part of a global group through our *Stronger Together* initiative which will help enable all of our brands to flourish. We are also in high growth sectors such as IT and Healthcare and expect these to be strong drivers of future profit. Our Offshore Recruitment Services sector, a business which makes Empresaria unique among our peers, has delivered very positive growth and we expect this to continue to be a key contributor to profit growth in future years.



Stronger Together Case Study

Our *Stronger Together* initiative seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria. Our Offshore Recruitment Services sector specialises in providing any aspect of the recruitment process to staffing companies in the US and the UK. They have a strong track record of demonstrating significant ROI to their clients but have historically been underutilised within Empresaria.

This is starting to change and our US Healthcare business has been leading the way in 2019. The market they operate in is primarily driven by Managed Service Providers (MSP) utilising Vendor Management System (VMS) technology to deliver to the end clients. Speed and responsiveness are key success factors in working with this client base and we were reliant on a small US based recruitment team who were struggling to cover the high volume and demand while maintaining profitable market share due to the high costs of operating in very competitive MSP space. This changed in April when they started to shift their recruitment team from onshore to offshore, delivering higher volumes, faster and at lower cost. This has been so successful that the majority of the recruitment team is now based at our operation in India with only minimal recruiting resource in the US. As a result, we have seen increases in both net fee income and profits, with an increased conversion ratio in the second half of 24% against 13% in the first half, while also allowing the business to offset the ongoing impact from margin reductions at key clients.

Chief Executive's Q&A continued

We are focused on organic growth as we look to reduce our level of net debt. Any investment in the short term will therefore be focused on our existing businesses and we do not plan on making any substantial external investments. We are also focused on increasing the proportion of net fee income we derive from temporary/contract business so that our "temp to perm ratio" increases from its present level of 60:40 towards our target level of 70:30. This requires the operating model adjustments we have made and are continuing to make to create greater scalability in our temporary/contract business.

Our investment priorities for 2020 include:

- Implementation of Bullhorn across multiple brands to ensure they have the technology to enable them to maximise their value to clients and candidates.
- Investment in our IT sector to develop our temporary and contract revenues in the US and to strengthen our temporary and contract position in the UK.
- Identification of key leadership to drive our growth and provide us with the sector and functional expertise needed to maximise our results.
- Investment in evolving our infrastructure and diversifying our revenue in our Offshore Recruitment Services sector to ensure this continues to be a high performing sector for us. We have seen rapid growth in recent years and need to continue to invest to enable this sector to deliver the next phase of growth. These investments will be key to help us ensure this continues to be a high performing sector for us in the future.

Q. What are the key drivers and trends in the staffing sector at the moment and how are these impacting Empresaria?

A. Each Empresaria business is exposed to the local drivers impacting their market and sector and these can vary significantly from business to business. The diverse nature of the Group, both by sector and geography, provides some natural protection against risks arising from these with opportunities in one market offsetting challenges in another. Our management teams are experts in their specific markets allowing them to identify and respond to local trends and drivers.

We do see trends in the wider sector which have the ability to impact the Group as a whole:

- The need for speed – Being the best is no longer good enough if you are not there first. Clients want qualified candidates quickly and will not be willing to wait for the perfect candidate. Our investments in technology and processes are aimed at improving the speed and efficiency of our operations.
- The continuing rise of MSP and Recruitment Process Outsourcing (RPO) outside of the US – An ongoing trend that continues to develop throughout global staffing markets. Some staffing firms try to resist these, but both represent excellent opportunities for businesses with the right operating models and we are investing to ensure our brands are well positioned to grow in these areas.
- The power of regional selling – Clients want to minimise the number of staffing companies they engage with and this includes across geographic regions. As a global group Empresaria is well positioned to meet these requirements, however the siloed way in which the business had historically operated did not encourage this to happen. As we bring the Group together in collaboration we will be better positioned to deliver on a regional basis and increase our market share with clients.

Q. How do you see 2020 developing for the Group?

A. We remain cognisant of economic and market headwinds particularly with the acceleration of the current coronavirus outbreak. We are unsure of the impact this will have on the staffing sector at this time however we remain confident on our longer term prospects given the positive changes we made in 2019 and the further areas for operational change and investment planned for 2020. Our *Stronger Together* initiative is gaining momentum and we are starting to see some real benefits from the changes we have made. As with any change, in particular the cultural shift we are driving, it will take time to realise those benefits but I am confident that we are well on our way to building a strong foundation that will enable us to accelerate future profits.



Rhona Driggs
Chief Executive Officer

17 March 2020

Strategic Objectives

Our Vision

To be the leading global specialist staffing group in our chosen sectors

Our Purpose

To positively impact the lives of people while delivering exceptional talent and solutions to our clients globally

Our Values

- Innovation
- Collaboration
- Accountability
- Responsibility
- Excellence

1

Build scale in key markets and sectors

We are focused on developing scale in key markets and sectors to provide clients with services across sectors, skillsets and regions. This will drive greater market share with both new and existing clients and enable us to effectively scale increasing NFI and driving greater profitability.

2

Materially increase and diversify profits

We are focused on diversifying our profit base across our business and growing our high potential businesses/sectors. This will reduce our reliance on a small number of businesses that today generate the majority of our profits and enable us to realise the potential of the Group. We are also focused on increasing our temp to perm ratio, currently at 60:40, to 70:30 over time to create a more stable profit base.

3

Invest in technology to drive revenue and productivity

Technology continues to drive innovation and competitive advantage in the staffing sector. We are investing in implementing technology that will enable us to deliver to clients and candidates more quickly, efficiently and effectively and to maintain our competitive edge.

4

Reduce net debt balancing investment activity against financial constraints

We are focused on reducing our levels of debt, with investment in existing businesses rather than significant external investments. The Group's significant external investments in 2016 were funded by net debt rather than equity at low interest rates. While our debt remains inexpensive and we are well within our covenant requirements, reduction remains a key priority.

Read more on our key performance indicators on page 14 →

Current Market Conditions

Staffing market forecasts

Generally, staffing industry growth is highly correlated with GDP growth: the stronger the economy, the stronger the staffing market. However, other factors such as regulatory changes and the maturity or penetration of the staffing market (share of GDP made up by staffing revenue) come into play. The less penetrated the market is, all else being equal, the more room it has to grow.

SIA project global staffing revenue growth to reduce to 2% in 2019 (2018: 5%) reflecting a reduction in global GDP. They project 2020 staffing growth to improve to 3% in 2020 as part of a mild pick up in global GDP but with the caveat that there are a number of external macro-economic and political risks which could jeopardise this, including the subsequent coronavirus outbreak discussed in more detail below.

We are in 7 of the 15 largest staffing markets as identified by SIA, and all the markets in which we are present are forecast to grow in 2020 with the exception of Germany which is expected to remain flat. SIA have highlighted 15 countries where they forecast double digit growth for 2019, driven by increasing penetration, and we are in 9 of these markets, 8 of which SIA forecast to grow by double digits again in 2020. Empresaria's global presence has a balanced mix between the established and the growth markets enabling us to take advantage of opportunities in both.

Digital transformation

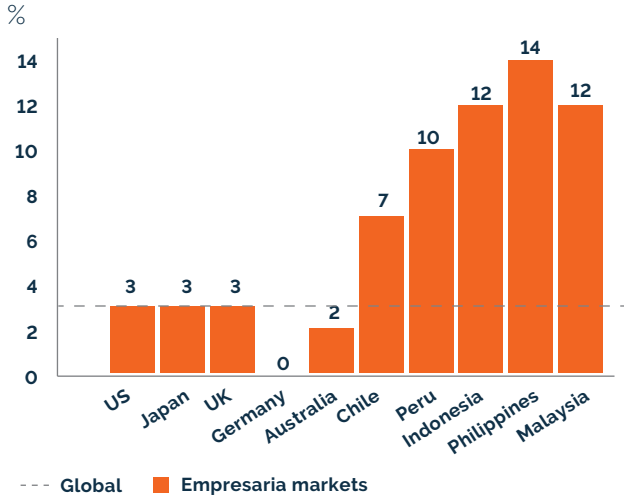
The rise of vertical talent pools and gig economy jobs are just two signs of the changing talent landscape. Uber's trial launch of Uber Works to place gig workers via staffing firms is one example of technology introducing new models for connecting talent with jobs. Bullhorn's Global Recruitment and Insights Data (GRID) report showed an overwhelming 80% surveyed see digital transformation as a positive for their business, but only 25% currently have a digital transformation strategy in place.

We are currently engaged in several technology initiatives to ensure we remain competitive in connecting talent with jobs, this includes our recently signed engagement with Bullhorn to upgrade our front office technology. In order to remain competitive, we need to tap into diverse talent pools. This type of operational adaptability requires a digitised technology infrastructure that can be rapidly configured.

80%
see digital transformation as positive for their business

Only **25%**
have a digital transformation strategy in place

SIA staffing market forecasts



Legislative and regulatory changes

The legislative and regulatory landscape is continually evolving across the staffing sector, primarily driven by governments' desire to improve workers' rights and conditions and to minimise tax losses. We see changes in our markets each year, and normally these are positive for the staffing market in the long term, particularly in developing markets where a significant portion of the workforce or staffing activity could be operating unofficially.

Current legislative activity includes:

- UK – IR35 is being extended to apply to the private sector. This will change the way in which temporary and contract workers are engaged by our clients, bringing more into the PAYE system. With our global footprint, our exposure to the UK temporary and contract market is less than 15% of our net fee income, but we are well prepared and have been actively engaging with our clients to approach this in a manner which is both compliant and enables them to continue to operate a workforce that fits their needs. While we expect to see some limited short term impact from this change, we also see opportunities to target.
- California, US – On 1 January 2020 AB5 came into effect and will turn many independent contractors into employees and, much like IR35, places the burden of proof for classifying individuals as independent contractors on the hiring entity. While we operate in California our business is almost 100% permanent placement so will see no direct impact. However, there could be opportunities as companies may start to hire more permanent staff.



Coronavirus

The coronavirus outbreak is a new and growing threat which has the potential to impact the global economy. At the date of this report the impact on the Group has been limited, but it is starting to impact recruitment processes in countries with a greater number of cases. Our presence in China is small, so we do not see a large impact there. The impact in our aviation business is starting to be felt with reduction in demand for pilots as airlines assess the impact and there is a risk that vulnerable airlines could go out of business if they lose significant revenue. In markets where cases are increasing, including the UK, we see greater caution being exercised with increased levels of home working and recruitment processes being conducted through video conferencing.

The staffing sector often feels the effects of economic issues ahead of other sectors as the first reaction of companies can be to pause or halt recruitment processes. So far no significant financial effect has been felt by the Group but the Board is monitoring the situation closely.

Our Business Model

Our global footprint with local market expertise in niche businesses drives our competitive edge.

Our resources

People

Our people are everything. We are invested in developing the skills and expertise of our employees and providing our candidates with outstanding service and opportunities.

Clients

Our relationships with clients drives our success. We seek to provide our clients with the best experience and talent in the marketplace.

Financial strength

Our financial strength enables us to invest in our clients, our people and our business.

Brand reputation

Our brands are experts in their markets and services as demonstrated by the long tenure of our brands in our markets.

Global network

Our brands operate from 20 countries across the world and service many more from hub locations.

Technology

Our ability to connect with clients and candidates quickly and effectively.

How we create value

Our people focussed business model and global expertise sets us apart from our competitors and enables us to deliver on our strategy

Multi-branded with focused sector driven approach

The Group operates in six sectors, targeting different segments of the market with different brands. Each has in-depth knowledge and expertise in their specific market.

Why this is important

Our brands' 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. This enables them to build strong and lasting relationships with both clients and candidates.

Our niche approach makes it easier to engage with candidates and clients in markets where there are skills shortages.

Diversified by geography and sector

The Group is diversified by both geography and sector, operating in 20 countries and across six sectors. This spread of operations helps mitigate economic and political risks as well as providing opportunities to drive our growth.

Our geographical spread is well balanced with a presence in both established and emerging markets. 60% of our net fee income is delivered by our presence in the four largest staffing markets (USA, Japan, UK, Germany) while we also have a significant presence in Latin American and Asia Pacific where we believe there are excellent opportunities for long-term growth.

Why this is important

Our diversification helps mitigate economic and political risks from individual markets and helps provide a more stable base for the Group to invest and grow.

Our presence in established markets provides opportunities for our niche sector experts to deliver in markets where there are typically skills and labour shortages.

Our presence in the less mature markets within Latin America and Asia Pacific provides opportunities for long-term growth as these markets develop.

Empowered and supported leadership

The Group empowers its leaders as they are the experts in the markets in which they operate. The staffing industry is continually evolving, and success cannot be achieved in isolation. The support structures we have put in place allow our businesses to maximise their potential for success.

Why this is important

The staffing industry is constantly evolving, with greater competition, the impact of technology and a complex and evolving regulatory environment. In order to be successful we must be able to respond to these changes, challenges and opportunities.

The Group provides a strong support network, driven through its sector structure which enables each of our business leaders to maximise the potential of their operations.

This allows us to operate effectively as a Group, and to maximise benefit for our stakeholders.

Range of staffing services

The Group has three main service lines: permanent recruitment; temporary and contract recruitment; and offshore recruitment services. While we provide a full range of staffing services, we have a bias towards temporary and contract recruitment, which is generally more stable throughout the economic cycle.

Why this is important

The overall bias towards temporary and contract recruitment helps mitigate our economic risks and the more predictable income streams derived from longer-term relationships help with resourcing and planning.

Our focus also reflects the markets we operate in, the opportunities we identify and the services in demand.

Our Offshore Recruitment Services sector makes us unique amongst our peers and has shown strong growth. We believe this will continue to be a driver of future growth.

The long-term value we deliver

We look to generate long-term value for all our stakeholders

Our investors

We aim to deliver sustainable returns for investors through growing adjusted earnings per share and a progressive dividend policy. Our strong cash flow allows us to invest in our businesses to grow our profits into the future.

Record adjusted PBT in 4 of the last 5 years

210% increase in dividend per share over last 5 years

Our clients

We deliver exceptional talent and solutions to our clients globally enabling them to deliver on their own strategies and objectives.

Our people

Our culture and values allow our employees and candidates to develop and flourish so they can achieve their goals, realise their potential, and improve their careers.

107% increase in average employee numbers over last 5 years

Our communities

We make direct social and economic contributions in the countries we operate in. We positively impact the lives of people, helping them to find work and develop their careers, and we contribute to the local economy through tax payments and use of local suppliers. We help local and global businesses by delivering exceptional talent and solutions to our clients.

Delivered through our strategy

[Read more on page 9 →](#)

Key Performance Indicators

We measure progress against our objectives using the following performance measures.

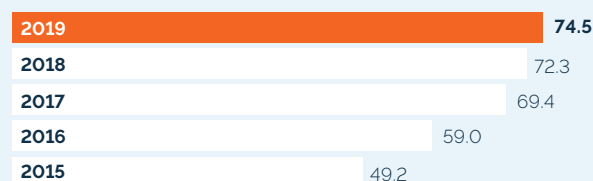
Key to strategy

- 1 Build scale in key markets and sectors
- 2 Materially increase and diversify profits
- 3 Invest in technology to drive revenue and productivity
- 4 Reduce net debt balancing investment activity against financial constraints

Net fee income

1,2,3

£74.5m



Why and how we measure

Net fee income is the Group's principal 'revenue' measure incorporating both permanent fees and the gross margin earned on temporary and contract workers, and offshore recruitment services.

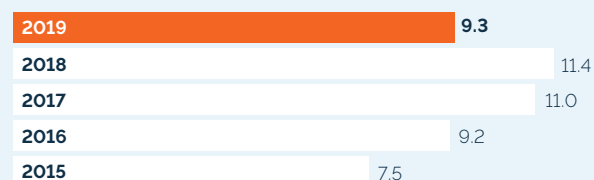
How we have performed

Net fee income has increased by 3% in 2019 despite the challenging economic environment with growth across all our sectors apart from Property, Construction & Engineering.

Adjusted profit before tax

2

£9.3m



Why and how we measure

Adjusted profit before tax measures the Group's underlying profit performance and is stated before amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items and fair value charges on acquisition of non-controlling shares.

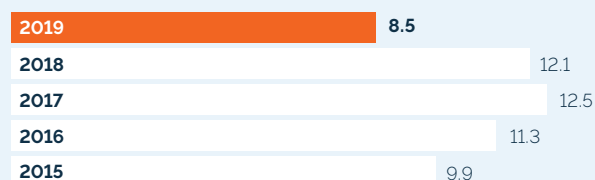
How we have performed

Adjusted profit before tax has reduced by 18% in 2019 reflecting the challenges faced with Brexit, the German automotive sector, and in our UK engineering business.

Adjusted, diluted earnings per share

2

8.5p



Why and how we measure

Adjusted, diluted earnings per share measures the underlying performance of the Group's earnings for its shareholders. Adjusted earnings is assessed before those items excluded in adjusted profit before tax along with their related tax impacts.

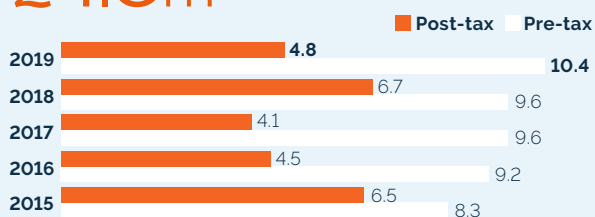
How we have performed

Adjusted EPS has fallen by 30% during 2019 reflecting the fall in profits along with a change in the mix, with those businesses where there is a higher non-controlling interest contributing more of the Group's profit.

Free cash flow

4

£4.8m



Why and how we measure

Free cash flow is the level of cash generated that is available for investment by the Group. It is calculated as net cash from operating activities per the cash flow statement, adjusted to exclude working capital movements related to cash held in respect of pilot bonds and after deducting payments made under lease agreements. As an international business tax cash flows can be volatile so a pre-tax free cash flow figure is also presented.

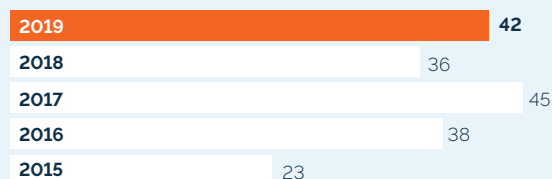
How we have performed

Free cash flow reduced in the year with higher tax outflows following the completion of tax audits. Pre-tax cash flows are very stable and for 2019 represent a 112% conversion of adjusted profit before tax to cash.

Debt to debtors ratio

4

42%



Why and how we measure

The majority of the Group's debt is short term and matched against working capital requirements. The Groups debt to debtors ratio is calculated as adjusted net debt as a percentage of trade debtors. Adjusted net debt excludes cash held in respect of pilot bonds.

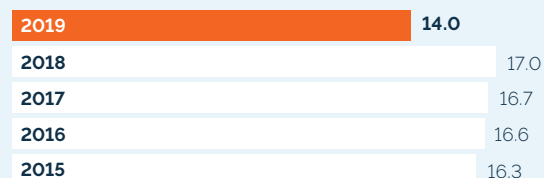
How we have performed

The Group's debt to debtors ratio has increased during the year reflecting the increase in net debt and a reduction in trade receivables. We continue to focus on reducing the overall level of debt with the aim of reducing the debt to debtors ratio to 25%.

Conversion ratio

3

14.0%



Why and how we measure

The conversion ratio measures how efficient we are at converting our net fee income to profit. It is calculated as adjusted operating profit as a percentage of net fee income.

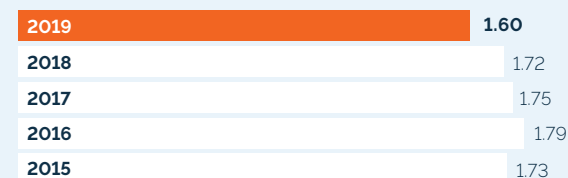
How we have performed

The conversion ratio has reduced in the year reflecting the reduction in profits. We continue to focus on efficiencies and productivity in the business with the longer term ambition of achieving a 20% conversion ratio.

Staff productivity

3

1.60x



Why and how we measure

Staff productivity measures how effective our staff are at delivering income for the Group. It is measured as total net fee income divided by total staff costs within administrative costs.

How we have performed

Staff productivity has reduced in the year reflecting the challenges and issues in the UK and Germany. A key part of the Group's strategy is focused on improving productivity.

Operating Review



Professional

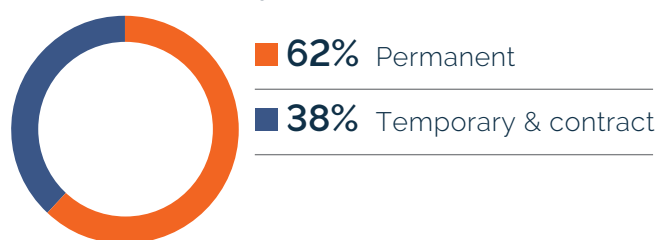
37%

of Group net fee income

Countries:

Australia, Chile, China, Indonesia, Malaysia, Mexico, New Zealand, Philippines, Singapore, Thailand, UK, Vietnam

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	125.0	139.7
Net fee income	27.3	26.8
Adjusted operating profit	3.5	4.5
% of Group net fee income	37%	37%
Average number of employees	413	375

Revenue reduced by 11% (10% in constant currency), net fee income was up 2% (1% in constant currency) with adjusted operating profit decreasing by 22% reflecting a mix of performances across the sector.

The reduction in revenue was largely driven by our aviation business which, as previously communicated, expected more challenging market conditions in 2019. However, a significant part of the reduction in revenue is due to a change in the billing structure for a number of pilots which, following a base transfer, have moved from our payroll onto our client's payroll. This means that while we achieve the same net fee income, we do not gross up the revenue for salary costs. The challenging market conditions are expected to continue into 2020 as we are now seeing an adverse impact from the ongoing grounding of the Boeing 737 Max and an ongoing reduction in demand for new pilots from a large client. The current outbreak of coronavirus is starting to have an impact with airlines delaying recruitment processes while they assess the impact.

Brexit uncertainty had a significant impact in the UK, predominantly on our professional services business which has a high exposure to the financial services sector. Steps have been taken to right size the cost base and we expect to see the benefits of this as we move into 2020.

During the year we merged our marketing/digital business under our professional services business, at the same time closing our loss-making operation in Hong Kong. This business had been struggling to grow and had a high cost base and this move will generate immediate cost savings and provide improved opportunity for long term growth. Our office in Auckland, New Zealand, which opened in early 2019, continues to show good promise, but our office in Brisbane, Australia, which opened around the same time, has proven unsuccessful and was subsequently closed.

Elsewhere in professional we saw strong net fee income growth in our Asia-based executive search business, although in 2019 this was offset by increases in the cost base. Our domestic services business had another good year showing increases in both net fee income and profits.

Overall adjusted operating profit for the sector was down reflecting the significant impact of Brexit on professional services and the reduction in our aviation business.



IT

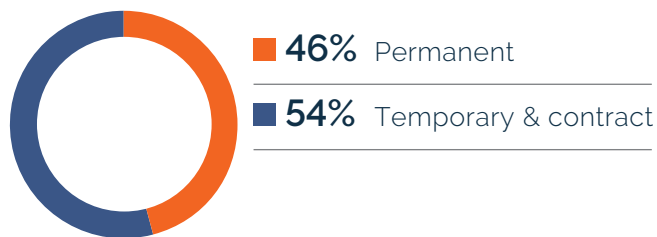
19%

of Group net fee income

Countries:

Japan, UK, USA

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	45.2	44.0
Net fee income	14.4	13.6
Adjusted operating profit	3.2	3.2
% of Group net fee income	19%	19%
Average number of employees	116	115

Revenue increased by 3% (0% in constant currency), with net fee income up 6% (3% in constant currency) and adjusted operating profit unchanged from 2018.

In Japan we saw net fee income growth as increases in permanent fees more than offset the challenges of rebuilding the temp base following the regulatory changes in 2018.

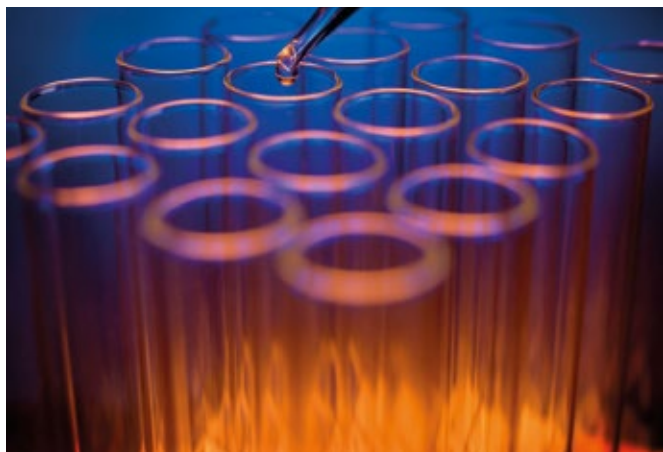
In the UK net fee income grew strongly with growth coming mainly from permanent recruitment. We will be investing in 2020 to strengthen our position in the temp market.

The US saw a fall in net fee income after a very strong 2018 which saw benefit from the growth of the cryptocurrency market. This market declined sharply at the start of 2019 and other sources of revenue have had to be found. The Austin office which opened in April 2019 is progressing well and is already breaking even as we move into 2020. We are investing in growing our presence in the US temp market as we are currently permanent placement focused. There is a tremendous opportunity to grow in this market and this will also build more stability into the financial results.

Total adjusted operating profit for the sector was flat year on year with growth in the UK and Japan offset by the fall in the US.

We invested further in this segment by acquiring additional shares in ConSol Partners taking our ownership to 82.5%. This business has performed well since joining the Group and our investment reflects the Group's commitment to investing in high potential sectors.

Operating Review continued



Healthcare

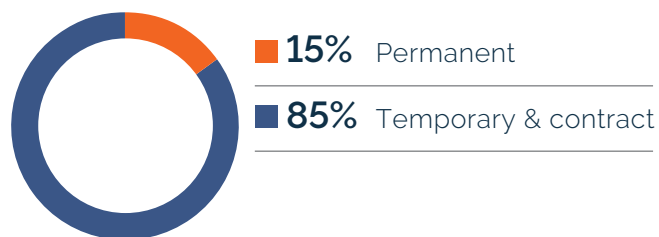
4%

of Group net fee income

Countries:

Finland, USA

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	11.3	11.3
Net fee income	2.8	2.7
Adjusted operating profit	0.5	0.5
% of Group net fee income	4%	4%
Average number of employees	21	29

Revenue was unchanged (down 1% in constant currency), net fee income grew by 4% (2% in constant currency) and adjusted operating profit was unchanged.

The first half of 2019 saw a slow start to the year for the sector with our businesses in both Finland and the US struggling with operational issues.

In Finland we had a reduction in the number of contractors on assignment due to recruitment challenges. In September we appointed a new managing director to the business and there has been a rejuvenated recruitment effort which is starting to see results. The business is in the early stages of leveraging our offshore recruitment operation in India to improve delivery and reduce cost.

In the US we were struggling to deliver both on volume and speed in a very competitive MSP environment. We restructured the operations in April and aligned our structure to the demands of our clients which included leveraging our internal offshore recruitment services expertise to meet the high volume and speed requirements. As a result, we were able to employ a much larger team (note this headcount is shown with the Offshore Recruitment Services sector) for a lower cost and significantly increase fill ratios. Following this we have seen much improved profitability in the second half of the year.

Total adjusted operating profit for the sector is in line with the prior year with the improvements seen in the second half of the year offsetting the slow start.



Property, Construction & Engineering

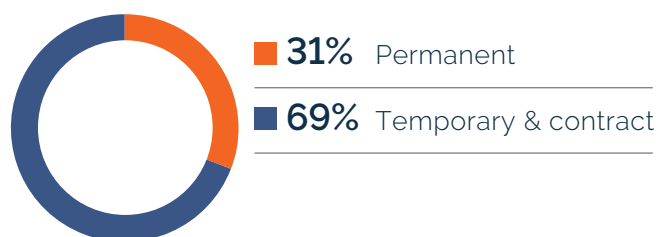
5%

of Group net fee income

Countries:

UK

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	22.4	31.6
Net fee income	3.8	5.3
Adjusted operating (loss)/profit	(1.2)	0.5
% of Group net fee income	5%	7%
Average number of employees	61	67

Revenue fell by 29%, net fee income by 28% and the sector recorded an adjusted operating loss of £1.2m. There is no currency translation impact as all operations are UK based.

The fall in results was driven by our UK engineering business. This business had been struggling with declining net fee income in recent years and in 2019 Brexit and challenging market conditions combined with the insolvency of certain clients and the early closure of major projects resulting in further material decline in revenues. Due to this deterioration in trading, a restructuring of the UK engineering business was undertaken resulting in the closure of a substantial part of the business with selected profitable elements retained.

We were also impacted by Brexit uncertainty as the fall in new house sales in the UK reduced demand for our business supplying sales professionals. This business experienced one of the worst markets in its history but remained profitable due to its efficient operating model.

We are working on ways in which to diversify the revenues in this sector creating a more rounded supplier focused on white collar roles.

Future growth and investment in this sector will be targeted at the skilled, white collar market where we see greater opportunity and less risk. This sector is expected to return to profit in 2020 as a result of the actions taken.

Operating Review continued



Commercial

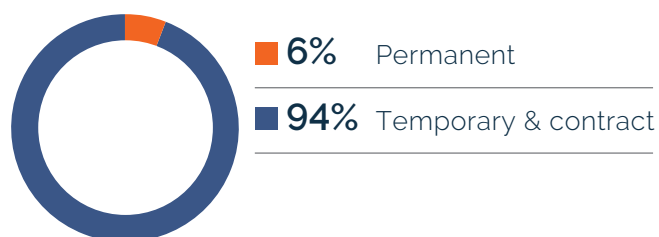
26%

of Group net fee income

Countries:

Chile, Germany, Japan, Peru

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	142.4	132.7
Net fee income	19.7	19.2
Adjusted operating profit	5.4	5.6
% of Group net fee income	26%	27%
Average number of employees	273	272

Revenue increased by 7% (9% in constant currency), net fee income by 3% (3% in constant currency) while adjusted operating profit fell by 4%.

In Germany the 2018 legislation changes are now business as usual and we are not experiencing any ongoing adverse effects. Our businesses there have successfully integrated these changes into their operations, with our logistics business returning to net fee income growth. However, we have been impacted by the weakening of the German automotive sector in our temp business and this significantly impacted both net fee income and profitability in the period. Action was taken to right size the cost base of the business and we are starting to realise the benefit of these actions.

In Latin America we see great opportunity for our businesses to work together to generate improved results through cross-selling in the region and this is something we will be looking to aggressively drive forward in 2020. In Chile we had another solid year with growth in both net fee income and adjusted operating profit, while our business in Peru, which joined the Group in July 2018, has continued to perform well, growing its client base in what is a competitive and low margin market. A full year contribution from Peru in 2019 resulted in an increase to sector net fee income of £1.0m.

Sector adjusted operating profit has fallen slightly year on year with the adverse impact of the German automotive sector outweighing the positive contributions elsewhere.



Offshore Recruitment Services

9%

of Group net fee income

Countries:

India, UAE

Revenue increased by 54% (54% in constant currency), net fee income by 37% (37% in constant currency) and adjusted operating profit by 88%.

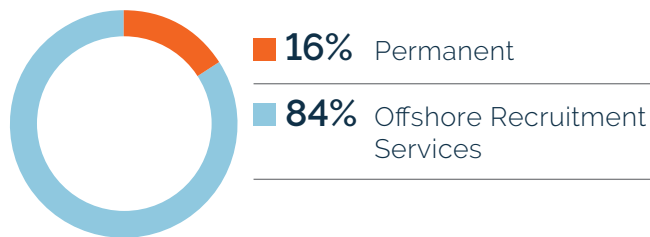
Our Offshore Recruitment Services sector has continued to see substantial growth, delivering another very strong year with growth across all its target markets with the US leading the way with increased demand and several new client wins.

This success takes us to over 1,100 full time employees at 31 December 2019 and we have identified a need to increase investment in the infrastructure of the business in 2020 in order to support its future growth.

We see this sector as integral to the future success of Empresaria, both through its delivery to external clients, but also through increased internal delivery to operations across the Group. An example of the value they can deliver is given in the *Stronger Together* case study on page 7.

Our UAE operation sits under the Offshore Recruitment Services structure and we see opportunity to bring these services to the UAE and the surrounding region.

Net fee income by service



Financials

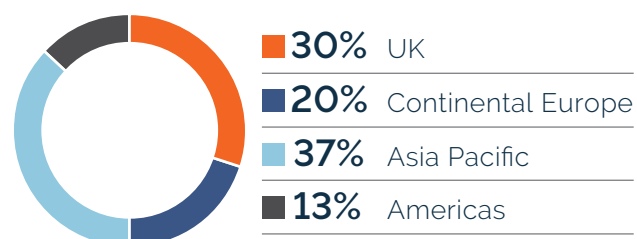
	2019 £m	2018 £m
Revenue	12.2	7.9
Net fee income	7.0	5.1
Adjusted operating profit	3.2	1.7
% of Group net fee income	9%	7%
Average number of employees	1,051	752

Operating Review continued



Regional Summary

Net fee income by region



The UK was our worst performing region, impacted by Brexit and the issues in our UK engineering business, and showing declines in revenue, net fee income and adjusted operating profit. While there were positive performances, most notably in our domestic services operation, these were not enough to offset the declines elsewhere.

In Continental Europe we saw revenue, net fee income and adjusted operating profit reduce. This was a result of the impact of the weakening of the German automotive sector combined with the issues in our Healthcare business in Finland.

Asia Pacific has been our strongest performing region with growth in net fee income and adjusted operating profit. The fall in revenue is primarily driven by a change in income recognition following changes under a key contract which did not impact net fee income (see Professional on page 16). The biggest driver of growth has been our Offshore Recruitment Services sector.

In the Americas performance has been in line with the prior year, with the increases in revenue and net fee income being primarily driven by a full year contribution from our investment in Peru which joined the Group in July 2018. The positive results seen in our Commercial operations have been more than offset by the reduction in profits in our US IT business as discussed on page 17.

Financials

	Revenue		Net fee income		Adjusted operating profit	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
UK	77.6	85.7	22.6	23.7	1.2	2.9
Continental Europe	93.1	96.1	14.7	15.6	4.0	4.7
Asia Pacific	126.4	136.8	27.7	24.5	7.2	6.1
Americas	61.4	48.6	10.0	8.9	2.2	2.3
Central and consolidation	(0.5)	(0.4)	(0.5)	(0.4)	(4.2)	(3.7)
Total	358.0	366.8	74.5	72.3	10.4	12.3

Finance Review

“Net fee income growth despite a challenging economic environment.”



Revenue

£358.0m

2018: £366.8m

Net fee income

£74.5m

2018: £72.3m

Adjusted operating profit

£10.4m

2018: 12.3m

Adjusted profit before tax

£9.3m

2018: 11.4m

Overview

The Group has delivered growth in net fee income of 3% against a challenging economic background. The impact of Brexit, the weakening of the German automotive sector, combined with a deterioration in our UK engineering business have resulted in adjusted profit before tax falling by 18% to £9.3m and reported profit before tax falling to £2.9m (2018: £9.4m).

Despite the reduction in profits pre-tax free cash flow increased to £10.4m (2018: £9.6m) reflecting working capital inflows. But with the impact of higher tax cash flows and investment activity, adjusted net debt has increased to £19.1m (2018: £17.1m). Investment activity has been focused on our existing businesses and included capital expenditure of £1.5m and the July investment in additional shares in our UK and US IT business for consideration of £3.5m.

Income statement

	2019 £m	2018 £m	% change	% change constant currency ²
Revenue	358.0	366.8	-2%	-2%
Net fee income	74.5	72.3	+3%	+2%
Operating profit	4.0	10.3	-61%	-61%
Adjusted operating profit ¹	10.4	12.3	-15%	-16%
Profit before tax	2.9	9.4	-69%	-69%
Adjusted profit before tax ¹	9.3	11.4	-18%	-19%
Diluted (loss)/earnings per share	(1.6)p	9.1p	-118%	
Adjusted diluted earnings per share ¹	8.5p	12.1p	-30%	

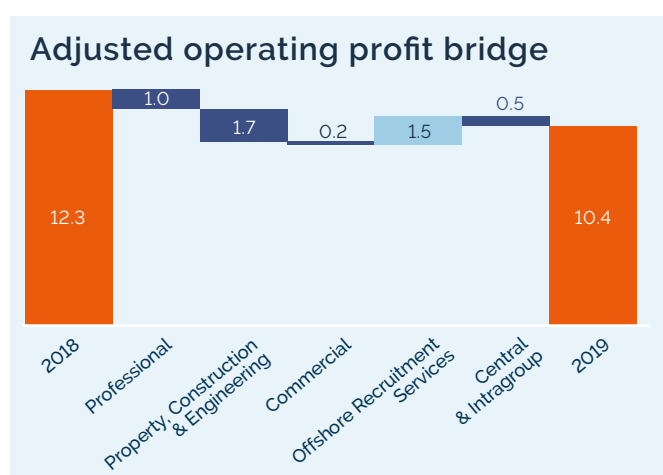
1. Adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items, fair value charges on acquisition of non-controlling shares and, in the case of earnings, any related tax. See note 11 for a reconciliation between profit before tax and adjusted profit before tax.

2. The constant currency movement is calculated by translating the 2018 results at the 2019 exchange rates.

Finance Review continued

Income statement

Net fee income increased by 3%, 2% in constant currency. Adjusted operating profit reduced by 15%, 16% in constant currency, reflecting the growth in our Offshore Recruitment Services sector which was more than offset by the challenges elsewhere. A detailed analysis by sector is provided in the operating review on pages 16 to 22. Central costs have increased to £4.2m (2018: £3.7m) reflecting investments in central staff including marketing, training and technology.



Adjusted profit before tax has reduced by 18%, 19% in constant currency, to £9.3m reflecting the lower operating profit along with the adoption of IFRS 16 Leases which has increased the net interest charge by £0.4m with no restatement of comparatives. Reported profit before tax shows a more significant reduction to £2.9m with goodwill impairment charges of £2.5m and exceptional costs of £2.1m. The goodwill impairment charge arises following the decision to exit a substantial part of the Group's lossmaking UK engineering business. Exceptional costs include £1.1m related to the UK engineering business, £0.5m of costs associated with merging brands within the Professional sector and £0.5m costs related to the Group's change of Chief Executive Officer in June 2019. Further details on exceptional items are provided in note 5.

The total tax charge for the year is £2.4m (2018: £3.6m), representing an effective tax rate of 83% (2018: 38%) and reflecting the high level of non-deductible goodwill impairment. On an adjusted basis, the effective rate was 37% (2018: 34%). Based on the tax rates in the countries in which we operate a lower tax rate would be expected, the effective rate is higher due to a number of factors, including:

- the level of non-deductible expenses in the year (£0.4m);
- withholding and dividend taxes resulting from overseas operations (£0.1m); and
- deferred tax assets not recognised for certain tax losses around the Group (£0.3m).

Adjusted, diluted earnings per share fell by 30% to 8.5p. This reflects the reduction in adjusted profit before tax, along with an increase in the allocation of profits to non-controlling interests. Those businesses with higher non-controlling ownership have performed more strongly relative to the rest of the Group in 2019 resulting in this increased allocation. Reported diluted loss per share was 1.6p (2018: earnings per share 9.1p).

Balance sheet

	2019 £m	2018 £m
Goodwill and other intangible assets	49.0	54.8
Trade and other receivables	55.2	57.3
Cash and cash equivalents	17.6	25.4
Right-of-use assets	10.6	-
Other assets	4.7	3.6
Assets	137.1	141.1
Trade and other payables	(37.7)	(41.9)
Borrowings	(35.2)	(37.2)
Lease liabilities	(11.2)	-
Other liabilities	(5.0)	(7.4)
Liabilities	(89.1)	(86.5)
Net assets	48.0	54.6

Goodwill and intangible assets represent the largest assets on the balance sheet and arise from the investments the Group has made. As at 31 December 2019 the balance was £49.0m (2018: £54.8m). The movements in the year were £1.9m of amortisation of intangible assets (2018: £1.8m), foreign exchange losses of £1.5m (2018: gain of £0.6m), software additions of £0.1m (2018: £0.2m) and an impairment charge of £2.5m (2018: £0.3m) related to the Group's UK engineering business.

Trade and other receivables includes trade receivables of £45.6m (2018: £48.1m) with the reduction from 2018 reflecting a lower level of activity at the end of 2019 against the prior year, including as a result of the restructuring of the UK engineering business. Average debtor days for the Group in 2019 were 44 (2018: 42), with debtor days at 31 December 2019 of 44 (2018: 44). The bad debt expense during the year was £0.6m (2018: £0.7m).

Cash and borrowings are discussed in the financing section below.

Right-of-use assets and associated lease liabilities have been recognised in accordance with IFRS 16 Leases. Comparative financial information has not been restated. Further information is provided in notes 1 and 25 to the financial statements.

Cash flow

The Group is highly cash generative with a strong correlation between pre-tax profits and cash flows. The Group measures its free cash flow as a key performance indicator and defines this as net cash from operating activities per the cash flow statement excluding cash flows related to pilot bond liabilities (see financing section below) and after deducting payments made under lease agreements.

	2019 £m	2018 £m
Net cash from operating activities per cash flow statement	7.5	4.5
Cash flows related to pilot bonds	3.8	2.2
Payments under lease agreements	(6.5)	–
Free cash flow	4.8	6.7
Taxation	5.6	2.9
Free cash flow (pre-tax)	10.4	9.6

The reduction in free cash flow in 2019 compared to 2018 reflects higher tax payments in the year. As an international business the Group's tax cash flows can be more volatile but, as can be seen from the table, pre-tax the Group's free cash flows are much more stable. Free cash flow (pre-tax) for 2019 equates to 112% of adjusted profit before tax (2018: 84%) demonstrating the Group's ability to convert profits into cash.

In 2019 the Group utilised its free cash flow as follows:

	2019 £m	2018 £m
Free cash flow	4.8	6.7
Acquisition of businesses (net of net funds acquired)	(0.2)	(1.9)
Purchase of shares in subsidiary undertakings	(3.5)	–
Capital expenditure	(1.5)	(1.5)
Dividends paid to shareholders	(1.0)	(0.6)
Dividends paid to non-controlling interests	(0.6)	(0.4)
Purchase of own shares	–	(0.4)
Other	–	0.5
(Increase)/reduction in adjusted net debt	(2.0)	2.4

The purchase of shares in subsidiary undertakings relates to the acquisition of further shares in ConSol Partners in July 2019 (see note 6).

Capital expenditure of £1.5m reflects investments in our offices in India where the operations in Ahmedabad moved into a single purpose-built office in early 2019 having previously been spread across multiple sites. Dividends paid to shareholders were £1.0m reflecting the increased final dividend for 2019 while dividends paid to non-controlling interests were £0.6m.

Financing

The Group's treasury function is managed centrally and the Group's financial risk management policies are set out in note 24.

	2019 £m	2018 £m
Cash and cash equivalents	17.6	25.4
Pilot bonds	(1.5)	(5.3)
Adjusted cash	16.1	20.1
Overdraft facilities	(17.9)	(22.0)
Invoice financing	(6.9)	(9.7)
Bank loans	(10.4)	(5.5)
Total borrowings	(35.2)	(37.2)
Adjusted net debt	(19.1)	(17.1)

Adjusted net debt at 31 December 2019 increased to £19.1m (2018: £17.1m). Adjusted net debt excludes cash of £1.5m (2018: £5.3m) held to match pilot bonds within our aviation business. Where required by the client, pilot bonds are taken at the start of the pilot's contract and are repayable to the pilot or the client during the course of 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, and that to hold these is a client requirement, we exclude cash equal to the amount of the bonds when calculating our adjusted net debt measure. At the start of 2019 a major client removed the requirement to hold bonds and as a result the level of bonds held fell significantly. This had no impact on our adjusted net debt measure.

During 2019 the month end average adjusted net debt position was £18.7m (2018: £19.0m) with a high of £23.0m at 30 September (2018: £21.2m at 28 February) and a low of £15.3m at 31 January (2018: £17.1m at 31 December).

Finance Review continued

Our debt to debtors ratio (adjusted net debt as a percentage of trade receivables) has increased to 42% (2018: 36%) reflecting the increase in adjusted net debt and reduction in trade receivables. We continue to be focused on reducing our debt levels with the aim of reducing the debt to debtor ratio to 25%.

Total borrowings were £35.2m (2018: £37.2m) being bank overdrafts of £17.9m (2018: £22.0m), bank loans of £10.4m (2018: £5.5m) and invoice financing of £6.9m (2018: £9.7m). The Group's borrowings are principally held to fund working capital requirements and are predominantly due within one year. As at 31 December 2019, £10.0m of borrowings are shown as non-current, which is the amount drawn under the Group's revolving credit facility.

The Group maintains a range of facilities to manage its working capital and financing requirements. At 31 December 2019 the Group had facilities totalling £55.1m (2018: £49.4m).

	2019 £m	2018 £m
UK facilities		
- Overdrafts	7.5	7.5
- Revolving credit facility	14.0	10.0
- Invoice financing facility	13.0	13.0
Total UK facilities	34.5	30.5
Continental Europe facilities	12.2	12.9
Asia Pacific facilities	2.4	1.5
Americas facilities	6.0	4.5
	55.1	49.4
Undrawn facility (excluding invoice financing)	11.5	16.7

During the year the revolving credit facility was extended to £14.0m from £10.0m by activating £4.0m of the £5.0m accordion arrangement. These funds were drawn in order to purchase the additional shares in ConSol Partners in July. A further £1.0m is available under this accordion arrangement and is agreed in principle with the bank but would need new credit approval for any draw down.

Covenants are tested on a quarterly basis in respect of the revolving credit facility. All tests have been met during the year. The covenants and our performance against them as at 31 December 2019 are as follows:

Covenant	Target	Actual
Net debt: EBITDA	< 2.5 times	1.0
Interest cover	> 5.0 times	172
Debt service cover	> 1.25 times	3.0

Management equity

As discussed in the Chairman's statement, the Group was built on a management equity philosophy, with key management holding a meaningful stake in the business they are responsible for. We are looking at alternative incentive schemes to replace the second generation equity but existing shareholdings remain in place and continue to be reflected in these accounts. The model typically operates as follows:

Acquisition of shares

At least 51% of shares are held by Empresaria with the balance being held by management, either having been retained when Empresaria initially invested, or subsequently acquired by them at fair value. Shares retained by management upon initial investment typically have no material changes to their rights and are termed first generation shares. Shares subsequently sold to management, either because first generation shares have been acquired by Empresaria or issued to incentivise the next tier of management, are termed second generation shares. Second generation shares are acquired by management at a fair value which is made more affordable by setting a profit threshold level such that these shares only create value once that threshold is exceeded. Second generation shares typically have restrictions such as limited or no entitlement to dividends.

Holding period

Shares can be offered for sale after a specified holding period, typically four or five years. Shares cannot all be sold in one year requiring a minimum of two or three years for full disposal. While management can choose to offer their shares for sale, the decision to purchase these is solely at the discretion of Empresaria and there are no put or call options in place. Empresaria's decision to buy shares is based on each specific situation, with consideration given to management succession plans, recent trading performance and the potential of the business in the next few years.

Valuation

The valuation basis is agreed up front and documented in the shareholders' agreements. The valuation is typically based on the average profit after tax for the previous three years using Empresaria's trading multiple (share price divided by adjusted EPS) less 0.5 with a cap of 10, to ensure that it is earnings accretive to Empresaria's shareholders.

Based on the Group's results for the year ended 31 December 2019, and using the valuation mechanisms in shareholders' agreement but ignoring holding period requirements, the potential payment to acquire non-controlling interests in full in 2020 would be £10.5m based on Empresaria's share price at close on 13 March 2020, and could be up to a maximum of £14.2m using the maximum multiple that could be applied. Of these amounts approximately 90% relates to first generation shares. 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 such as 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 our adjusted profit and earnings measures.

During the period the Group acquired additional shares in ConSol Partners for consideration of £3.5m. The two founding management shareholders left their operational roles within this business at the end of 2019 following a successful handover period with incoming management. They continue to work with the Group on a consultancy basis, but we expect that they will offer their remaining shares to Empresaria at the next window in May.

Other shares acquired from or sold to management were for total consideration of less than £0.1m.

Dividend

During the year, the Group paid a dividend of 2.0p per share in respect of the year ended 31 December 2018. For the year ended 31 December 2019, the Board is proposing a dividend of 2.2p per share, an increase of 10% in line with the Group's progressive dividend policy and demonstrating the strength of the Group's balance sheet and the Board's confidence in the Group's prospects. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 29 May 2020 to shareholders on the register on 15 May 2020.

Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities including the latest available information on the coronavirus outbreak and the potential impact on the Group. 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.



Tim Anderson
Chief Financial Officer

17 March 2020

Section 172 Statement

The Board of Directors act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in s172 of the Companies Act 2006. The Company's key stakeholders are its shareholders, internal staff, candidates, clients and suppliers. At the core of the Board's decision-making process is a desire to make decisions that are for the long-term strategic benefit of the Group and its stakeholders as a whole.

From the end of 2018, the Board commenced a process of greater engagement with stakeholders, to help develop and clarify the Company's purpose, values and long-term strategy. The feedback received was taken into account in making decisions throughout 2019, which became a period of significant strategic and operational change across the Group, and illustrations of these can be found in various places in this Strategic Report.

Specific examples of how s172 has been taken into account and applied by the Board in their decision making during the year include:

- **Strategy:** Working with a variety of stakeholders, the Company has developed a greater clarity of strategic objectives for the Group and their delivery, focusing on delivery of organic growth. These have resulted in a number of developments through the year, such as:
 - the development of a clear Empresaria culture and set of values, which help create an environment in which employees can achieve their goals, realise their potential and improve their careers;
 - Workplace, an online collaboration tool from Facebook, has been rolled out across all Group companies, to enable direct and immediate engagement with all employees around the world;
 - the realignment of our brands into six core sectors enabling them to share common experiences and leverage synergies;
 - the '*Stronger Together*' initiative launched in May 2019 and discussed in the Chairman's Statement, the Chief Executive's Q&A and the case study on pages 6 and 7; and
 - the assessment of alternative performance based reward schemes for management to replace the second general management equity scheme.
- **Investment:** The Board is at all times acutely aware of investor sentiment regarding debt levels and weighs up the desire to reduce leverage against the need to make investment decisions for long-term benefit. During the year, the Board made the decision to make a significant further investment in ConSol Partners, a business operating in the high potential IT sector that has performed well since joining the Group in 2016. The Board also approved a budget that enabled the Group to invest in areas to drive long-term productivity and organic growth, including investment in:
 - increased capacity for our fast-growing Offshore Recruitment Sector;
 - front and back office technologies (eg Bullhorn) across multiple brands; and
 - providing greater central support, particularly for marketing, training and technology.
- **Managing losses:** The difficult trading conditions experienced by the Group's UK engineering business had negatively affected the Group's performance for some time. The Company had made several previous attempts to reinvigorate and invest in this business, to halt the decline and position it for growth. With the further material decline experienced in 2019, the decision was taken to close a substantial part of the business, making a number of redundancies, while retaining profitable elements. The decisions to continue to support that business and ultimately, when it became clear that selected lines were no longer viable, to close them, were made having full consideration of each of the factors set out in section 172, most notably the interests of and the impact on the employees, candidates and clients of that business, but also those of our shareholders and the wider Group. The closure plan was formulated and executed with the main aims of minimising costs, the swift re-employment of redundant staff and minimal disruption to candidates and clients.

Risks and Uncertainties – Managing our Risk

The Board has ultimate responsibility for establishing the Group’s appetite for risk and 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, protect the interests of shareholders, improve the quality of decision-making and 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 incorporates a risk appetite policy and a Group risk register.

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 our 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.

Risk register

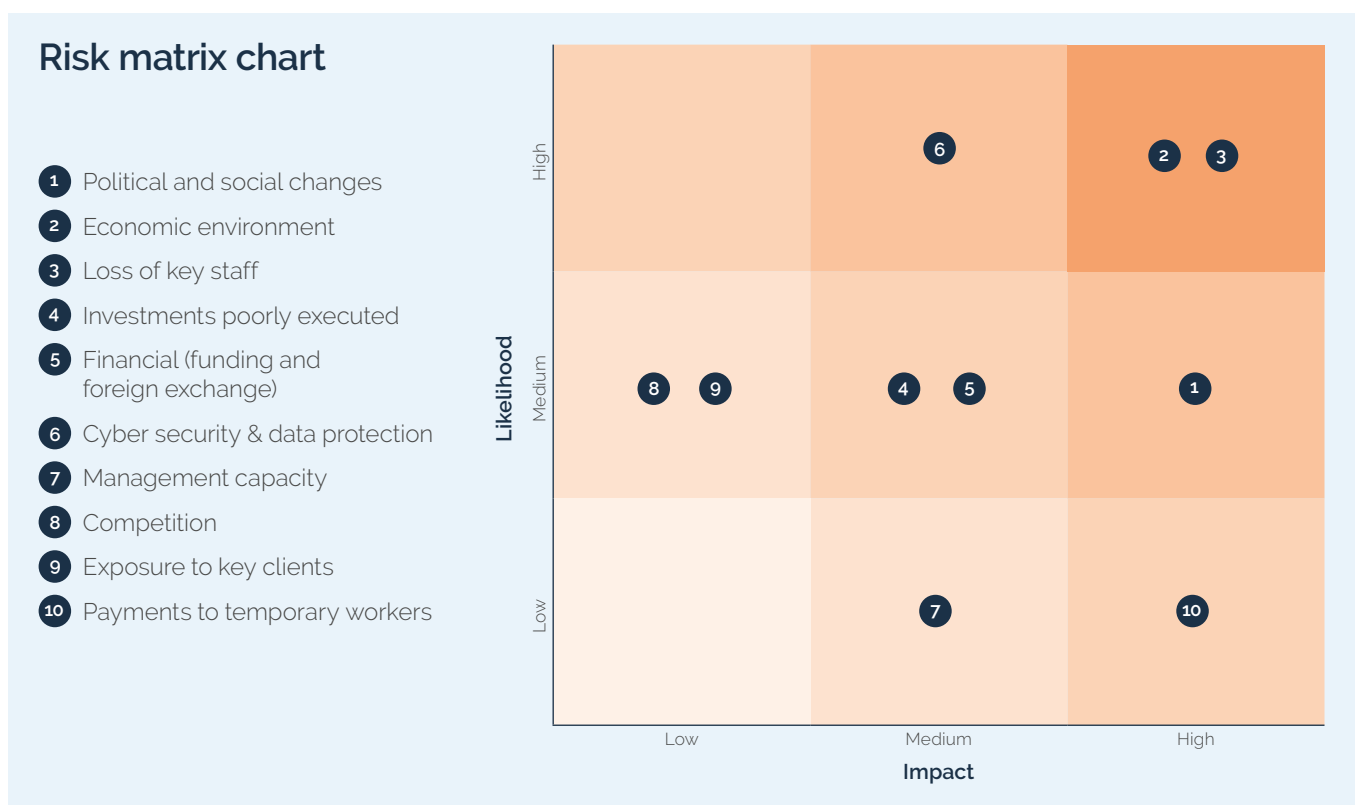
The Group’s risk register is reviewed by the Board at each meeting with risks added, amended or removed as appropriate and actions updated. The Group register is prepared based on individual brand registers which are

updated during the annual budget cycle and reviewed regularly during the year with senior management. The Audit Committee oversees the internal control and financial control frameworks to help mitigate risk.

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 and capital expenditure approval processes; and 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.




Risks and Uncertainties – Managing our Risk continued


1. Political and social change

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>The Group's businesses are subject to legislation, regulation and changes in political sentiment in their markets. This particularly impacts temporary recruitment which is regulated to protect the rights of workers and 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 how we operate 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 business, including penalties, fines and licences being revoked.</p> <p>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.</p>	<p>Brexit uncertainty impacted our UK businesses throughout 2019. The UK formally left the EU on 31 January 2020, but significant uncertainty remains over the UK's ongoing relationship with the EU. There is no current expectation that Brexit will significantly adversely impact employment or other relevant legislation or regulations.</p> <p>In the UK the Government plans to apply IR35 (which clarifies an individual's tax employment status) to the private sector from 6 April 2020. We are working with our clients and candidates to ensure that the impact is fully understood, processes and practices are changed as needed and we continue to meet our clients' recruitment needs. IR35 creates both opportunities and risks and while we do not expect it to have a major adverse impact, there may be some impact in the short term.</p> <p>Chile has experienced a period of civil unrest with inequality and labour laws being identified as issues. While there was minimal impact on our business, there is an expectation this will lead to changes in labour laws and regulations. We expect these to strengthen workers right and to have a positive impact on the labour market and our operations.</p>	<p>The Group closely monitors the legal and regulatory environment in all our markets. The Group has membership of many local industry associations and we use professional advisers with local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant.</p> <p>Our business model helps us to mitigate the negative impacts from political and social changes:</p> <ul style="list-style-type: none"> • Diversification and balance across sectors and regions helps to reduce the potential impact in any one area • Focus on key economic centres means we are targeting the main centres where candidates want to work <p>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.</p>


2. Economic environment

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>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.</p>	<p>The global economy is currently unpredictable with many areas of uncertainty, not least from the current outbreak of coronavirus so we take a cautious view on forecasts. The coronavirus outbreak has the potential to adversely impact the global economy, particularly in the short term. The situation is developing rapidly and while it has not yet had a significant financial impact on the Group the situation is expected to worsen before it improves.</p> <p>The full impact on the UK economy from leaving the EU remains unclear and this uncertainty may continue to 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.</p>	<p>The Group's business model and strategy helps mitigate the impact from an economic downturn in any one market, whilst acknowledging that a global economic downturn will impact all businesses:</p> <ul style="list-style-type: none"> • Diversification across sectors and regions • By developing and scaling our leading brands businesses should be more robust more able to withstand any economic downturn • We have a bias towards temporary and contract recruitment as this is typically less volatile than permanent recruitment during the economic cycle. <p>The Group fully complies with local guidance and client requirements in place in response to the Coronavirus. Where possible alternative recruitment practices such as video interviewing are being employed to maintain recruitment activity.</p>


3. Loss of key staff

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>The Group's success relies on recruiting and retaining key staff.</p> <p>The loss of a key staff member without a suitable successor in place could impact 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 at risk of reputational damage or penalties.</p>	<p>There have been only limited changes to key operational management during the year. These have either been driven by the Group in order to address operational issues, or have been planned in advance with successful transfer to incoming management.</p> <p>At board level Rhona Driggs has been promoted to Chief Executive Officer, having previously served as Chief Operating Officer.</p>	<p>To date, the Group's has employed a management equity philosophy to incentivise key management through equity ownership, tying them to the business for the long term. The Group is looking at alternative options to the second generation equity schemes and will replace these with a new long term incentive plan designed to appropriately retain and reward key management and driving a pay for performance culture.</p>


4. Investments poorly executed

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>There is a risk of losing value from poorly executed external investments. If an investment is overvalued the Group will pay too much for it and risk 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.</p> <p>Investment in existing operations whether through new offices, investments in process or technology if poorly implemented could have an adverse impact with the potential to harm existing business.</p>	<p>The Group has undertaken no external investments in 2019.</p> <p>In January 2019 our we opened new offices in Brisbane, Australia and Auckland, New Zealand in our Professional sector. Following a review of early performance the office in Brisbane was closed in late 2019 but we continue to see good opportunities in Auckland.</p> <p>In April 2019 we opened a new office in Austin, USA for our IT sector. This office is performing well.</p> <p>We are investing in implementing Bullhorn technology across a number of our brands. This will help maintain and improve the Group's competitiveness and is expected to deliver significant benefits.</p>	<p>All material investments must have Board approval. Investments must have a clearly defined integration plan, with Executive Directors having responsibility for its implementation. Due diligence findings need to be acted upon to minimise risks identified pre-acquisition. Funding requirements must be taken into account to ensure sufficient and appropriate funding is in place.</p> <p>Investment in organic growth or bolt-on acquisitions for existing brands is done with full involvement of local management so they are driving the process and to ensure the best chance of success.</p> <p>With our people focused business model, the fit of the people is the most important factor in any investment and is the first criteria that must be met before any investment activity is pursued.</p> <p>The Bullhorn implementation is being undertaken in a phased way, brand by brand reducing any implementation risks.</p>

5. Financial

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>The Group is reliant on debt financing to fund the working capital of the business.</p> <p>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.</p> <p>Any increase in interest rates will increase costs and so reduce the profit in the business.</p> <p>If debt levels are too high there is an opportunity cost from not being able to pursue investment opportunities to further develop the Group.</p> <p>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. Movements in exchange rates impact the reporting of Group profitability and may devalue the cash and assets around the Group.</p>	<p>UK interest rates have remained unchanged through 2019. There is some uncertainty as to how these will move in the rest of 2020, after a reduction in March, with this likely to be influenced by the coronavirus outbreak and how the economy reacts to leaving the EU.</p> <p>Sterling exchange rates remain volatile and although the net impact on the Group's revenue and profits in 2019 has been comparatively small, the strengthening of sterling towards the end of the year would indicate a potential for this to have a more significant impact on the Group's results in 2020.</p> <p>The Group also has an increased level of cross-border sales which creates increased exposure as sales are in a different currency from the cost base.</p>	<p>The Group finances its operations through its operating cash flows, bank borrowings and issuing new equity. Treasury management is led by the Group finance team, who manage and monitor funding requirements and maintain the Group's key banking relationships.</p> <p>The Group is exposed to movements in interest rates. The Group does not currently hedge this exposure but monitors movements in the relevant rates to be able to react if they move adversely.</p> <p>Approximately 70% of the Group's business is outside the UK resulting in exposure to movements in exchange rates on translating overseas operations. The Group does not currently hedge this risk as there is to some degree a natural hedge from our geographical diversification. Intra-Group balances are hedged where possible, using cash or overdraft balances to act as a natural currency hedge.</p> <p>A limited number of forward contracts are used to hedge trading currency risks for our operation in India which derives all of its revenue from outside of India.</p>

6. Cyber security and data protection

Impact on the business	Change in risk profile 	How we mitigate the risk
<p>The risk of cyber-attacks is an ever present one in the wider business environment. A successful breach could lead to the loss of sensitive data on clients or candidates, damage to our reputation, business disruption or the loss of commercially sensitive information.</p> <p>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.</p>	<p>The threat from this is always changing and as we grow our businesses, they are more likely to be a target for hackers and criminals.</p> <p>Bringing businesses together through greater collaboration and common systems increases the potential impact of a breach but allows improved security to be in place reducing the likelihood.</p>	<p>We have policies in place to safeguard assets and data within the Group. We have placed an increased emphasis on cyber security with increased oversight and training to ensure we meet a minimum standard of security. As we invest further in technology, we will also invest in ensuring our cyber security measures and policies keep step and reflect the changes in the Group.</p>

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.

Key events

Germany

Supporting KlinikClowns in putting a smile on the faces of children in hospital



India

Supporting the Loomba foundation in Ahmedabad

UK

Bake sale in support of the NSPCC



Indonesia

Supporting a local orphanage during Ramadan

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 contributions to make is down to the local teams 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 are detailed below.

- In India, IMS, through their IMS People Possible Foundation, took part and hosted many events, volunteering and raising money for charity. Including: supporting Loomba Foundation in creating a sustainable livelihood for 150 poor widows and destitute women in Ahmedabad; donating 1,330 sweet boxes to poor families in Gujarat, during the Diwali weekend; hosted a funfair for more than 65 children from slums of Navarachit; and donated more than 156 units of blood in association with the Indian Red Cross.
- In the UK, LMA team members raised over £16,000 for the NSPCC through a variety of different fundraising initiatives including an office bake off, running the London marathon and their annual charity quiz.
- In Chile, Alternativa supported the foundation Casa Sagrada Familia by bringing presents to the children living there. The foundation provides support to the families of children who are undergoing cancer treatment.
- In Germany, headwaypersonal donated to various charities including a hospital which provides clowns for children's entertainment.
- In the US, Pharmaceutical Strategies donated to Toys for Tots, Brigham Women's Hospital and a school fund.
- In the UK, become continued to work closely with Shillington, a specialist design education organisation. Each year the Become team identify star students whose work really stands out and look to help them find their first roles in the competitive design industry.
- In Indonesia, Monroe donated money to a local orphanage during Ramadan and invited the children for Iftar.
- In Germany, headwaylogistic made donations to youth sports and sports institutions locally. They also supported the Recklinghausen Animal Shelter.
- In the UK, ConSol Partners took part in Donate your Day in support of War Child. Employees chose to donate one day's salary to the cause which helps children in war-torn countries across the world.
- In Finland, Medikumppani donated money in December for children's Mental Health Care in Finland.

Candidates, clients, suppliers and shareholders

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

Our purpose is to positively impact the lives of people while delivering exceptional talent and solutions to our clients globally and to achieve this we must engage with our stakeholders in the right way.

The Group actively promotes integrity in its dealings with employees, candidates, shareholders, clients 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 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.

Our employees

Making it a good place to work with opportunities to develop skills and experience to improve careers and help our people 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 through a variety of means including internal communication tools and regional meetings. The Group's uses Workplace for internal communication and this also provides access to Group policies and procedures.

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 clients 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 Annual Report is provided to shareholders in electronic format unless they request otherwise.

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

Introduction to Corporate Governance

"I am pleased to present Empresaria's Corporate Governance Statement for 2019, a year of significant change for the Group. Good corporate governance is key to delivering long-term success, for the benefit of all stakeholders."



QCA Code compliance

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code ('QCA Code'). The sections below set out the ways in which the Group applies the key principles of the QCA Code in support of the Group's medium to long-term success.

Introduction

(QCA Principle 10)

The primary responsibility of the Chair is to lead the Board effectively and this includes overseeing the adoption, delivery and communication of the Company's corporate governance model. The Company Secretary assists and reports directly to the Chair on corporate governance matters. The Chair ensures that the Board as a whole plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives. The Board ensures that the Group adopts policies and procedures that the Directors consider appropriate with regard to the Group's size and activities.

The Board is committed to ensuring that a strong governance framework operates throughout the Group, recognising that good corporate governance is a vital component to support management in their delivery of the Company's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The Board recognises that the process of identifying, developing and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business, the composition of the Board and developments in corporate governance.

The Board consider that the QCA Code 2018 is most appropriate to the size of the Company, the regulatory framework that applies to AIM companies and is best aligned to the expectations of the Company's stakeholders. The Board considers that the Company does not depart from any of the principles of the QCA Code and the relevant disclosures and explanations are set out in this Corporate Governance Statement.

The QCA's 10 principles of corporate governance

Deliver growth

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

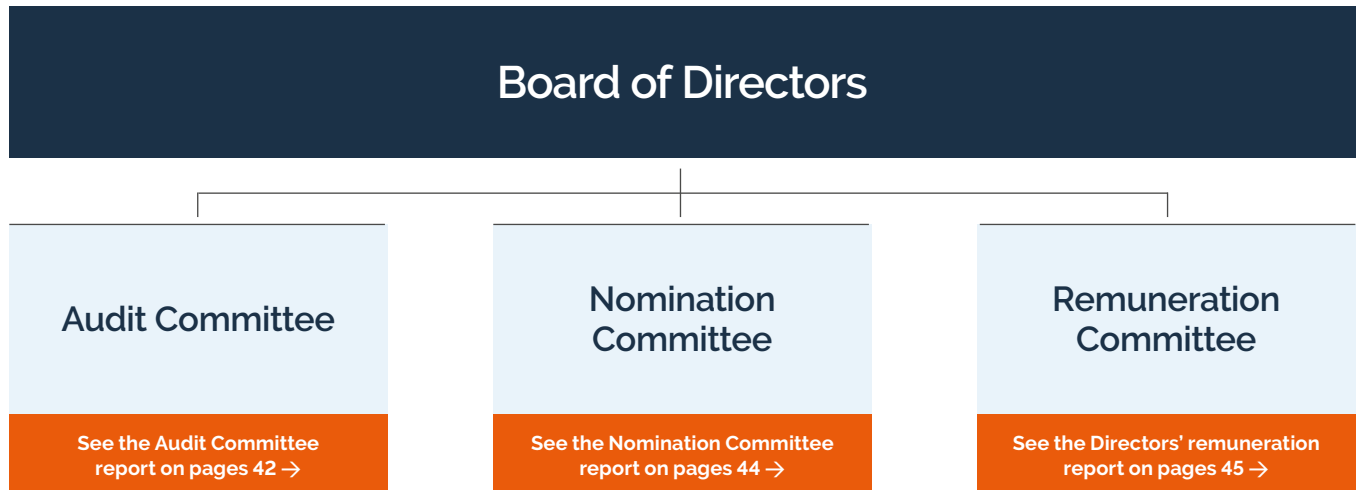
Maintain a dynamic management framework

5. Maintain the board as a well-functioning, balanced team led by the chair.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

Build trust

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Governance structure



Board of Directors

Chair	Tony Martin
Executive	Rhona Driggs, Tim Anderson
Non-Executive	Penny Freer, Zach Miles
Secretary	James Chapman

Responsible for protecting and advancing stakeholders' interests, providing overall direction for the Group and maintaining a framework of delegated authorities and controls.

Audit Committee

Zach Miles	(Chair)
Penny Freer	

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

Nomination Committee

Penny Freer	(Chair)
Zach Miles	

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.

Remuneration Committee

Penny Freer	(Chair)
Zach Miles	

Considers and sets remuneration policy for the Board and monitors the level and structure of remuneration for senior management.

Corporate Governance Statement

The Role and Functioning of the Board

(QCA Principles 1, 5, 9 & 10)

The Board is comprised of a Non-Executive Chair, two Executive Directors and two Non-Executive Directors. The Directors have a balance and depth of skills and experience, together with long-standing knowledge of the Group, which enables them to discharge their respective duties and responsibilities effectively.

The Board is collectively responsible for the long-term success of the Company. The Group's strategy and business model are developed by the Chief Executive Officer and the senior management team and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level. This strategy and business model, designed to promote long-term value for shareholders, is described in the Strategic Report on pages 2 to 31 and on the Company's website www.empresaria.com.

The Company is controlled through the Board, which has established Committees for Audit, Remuneration and Nominations, to which it delegates clearly defined powers. The Terms of Reference for the Committees can be found on the Company's website.

There is a formal schedule of matters reserved for consideration by the Board, which include 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

These reserved matters are reviewed by the Board, at least annually, to ensure they remain 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 annual minimum time commitment is 25 days for the Chair and 20 days for other Non-Executive Directors. The Executive Directors are full-time employees.

During the year, there was 100% eligible attendance at all meetings of the Board and Committees. The following table shows the number of meetings held during the year, the attendance of each Director and their full years in office as at the forthcoming 2020 AGM:

	Board ¹	Audit Committee	Remuneration Committee	Nomination Committee	Years in office
Tony Martin (Chair)	10/10	–	–	–	15
Rhona Driggs ² (Chief Executive Officer)	10/10	–	–	–	1
Tim Anderson (Chief Financial Officer)	10/10	–	–	–	2
Penny Freer (Non-Executive Director)	10/10	5/5	4/4	1/1	14
Zach Miles (Non-Executive Director)	10/10	5/5	4/4	1/1	11
Spencer Wreford ³ (Chief Executive Officer)	3/3	–	–	–	N/A

1. The Board held eight scheduled meetings in the year which were attended by all Directors.

There were also two unscheduled Board meetings, which were attended by all Directors.

2. Changed roles from Chief Operating Officer to Chief Executive Officer on 27 June 2019.

3. Executive Director and Chief Executive Officer until he resigned on 26 June 2019.

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.

Time is allocated at all meetings to discuss any other business, which all Directors are invited by the Chair 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.

The Chair's primary role is to ensure the effective running of the Board and that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer's primary role is to deal with the running of the Group's business and executive management of the Group. There is a clear division of responsibilities between the Chair and Chief Executive Officer, with no one individual having unfettered powers of decision. The Company Secretary, a solicitor since 2001, advises the Board and reports directly to the Chair on Corporate Governance matters. He also heads up the Group's legal department and advises the Board on legal and governance matters, helping to ensure that Board procedures and applicable rules and regulations are observed.

The Directors are also able to take independent professional advice in the furtherance of their duties as necessary.

Engagement with shareholders

(QCA Principles 2 & 10)

The Board seeks to engage with shareholders to maintain a mutual understanding of objectives between them and the Company and manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors, who are contactable both directly and via financial PR. Shareholders are encouraged to participate in the Company's Annual General Meetings and contact the Company's officers with any questions. The Board, including the Chairs of the Committees, will be available at the 2020 AGM to answer questions from shareholders. The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss long-term issues and obtain their views, present at externally run investor events and communicate regularly during the year. The annual and interim presentations made to investors, interviews with the Executive Directors and a description of the Company's investment case are all made available on the Company's website. The Company also retains a Financial PR adviser, a house broker and an equity research analyst, who each provide feedback from existing shareholders and potential investors.

Stakeholders and social responsibilities

(QCA Principles 3 & 10)

The Group's business model relies heavily on developing and maintaining strong relationships with internal staff, candidates/workers, clients and regulatory authorities. The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business. Stakeholder engagement and feedback is taken seriously throughout the Group. Regular communication is made around the Group companies and internal staff. The Group places considerable value on the involvement of its internal staff and keeps 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, information available on the Company's website and Workplace. Additionally, the Group benefits from a de-centralised structure, which enables each operating subsidiary to develop its own strategy for internal staff communications and candidate/worker engagement. The Group uses social media to engage directly with stakeholders through various channels including Facebook, Workplace, Twitter and LinkedIn. The Group also engages with regulators and Government agencies, for example in response to consultations or proposals, both directly and through membership of worldwide trade associations.

Risk management

(QCA Principle 4)

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's strategy. The Board has agreed how each risk is to be addressed and the necessary actions to be taken. Details of the principal risks identified are set out at pages 29 to 31. The Audit Committee meets specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board.

Corporate Governance Statement continued

Experience, skills and capabilities

(QCA Principle 6)

Biographical details of each of the Company's Officers, detailing relevant experience, skills and capabilities can be found on pages 40 to 41. The Nomination Committee meets at least once a year to monitor and review the structure, size and composition of the Board. It considers succession planning and makes recommendations to the Board for any appointments, to ensure that the right skills and expertise are maintained by the Company for effective management. All members of the Board participate in the recruitment of members to the Board. On appointment, Directors receive a tailored introduction to the Group and thereafter they determine the training requirements appropriate to their role and the needs of the Group. Directors attend relevant industry conferences and workshops throughout the year. The members of the Committees refresh their skills and knowledge by attending briefings and seminars and reviewing publications provided by various professional services firms and by audit and other regulatory bodies.

Board performance

(QCA Principle 7)

Formal Executive Director performance evaluations are conducted annually in preparation for the review and approval of 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. Performance evaluations identify and record achievements, training requirements and areas for improvement in relation to annual objectives and performance of their respective roles, in order to consider effectiveness. Objectives for the forthcoming year are defined along with identification of how achievements will be met, target dates and details of resource constraints or issues to ensure that actions are planned and taken as a result of the evaluation process.

Promotion of corporate culture

(QCA Principle 8)

The Company actively promotes integrity in its dealings with internal employees, candidates/workers, shareholders, clients and suppliers and the authorities of the countries in which our operating subsidiaries operate. The Board recognises that the reputations of our Group companies are valuable assets gained over a long period and must be protected. The Group has Codes of Conduct, including those for dealing with gifts, hospitality, corruption, fraud and inside information. The Board requires that all Group companies and employees adhere to the Empresaria Code of Conduct.

All staff must comply with the laws and regulations of the countries in which they operate and those responsible for the management of each operating subsidiary confirm their compliance to the Board annually. The Group's whistleblowing policy is publicised to internal employees and the Company's senior management visit each operating subsidiary on a regular basis, giving internal employees an opportunity to ask questions of and provide feedback directly to the Board.

Our operating subsidiaries are required to ensure that advertising and public communications avoid untruths or overstatements. They are also expected to build relationships with suppliers based on mutual trust and endeavour to pay suppliers on time and in accordance with agreed terms of business.

Further details on corporate social responsibility are set out on pages 32 to 33.

Independence

(QCA Principle 5 & 9)

The independence of all Non-Executive Directors is reviewed annually, with reference to their independence of character and judgement and whether any circumstances or relationships exist, that could affect their judgement. As a significant shareholder in the Company, the Chair is not considered to be independent. The independence of Penny Freer and Zach Miles is considered frequently by the Board, in particular having regard to their periods of tenure. The Board assesses what would be the most desirable number of Non-Executive Directors for the Board, having regard to the size of the Group, the scope of its operations and the efficient functioning of the Board. The Board looks at the manner in which the component parts of the Board function together, the skills and external experiences of the Non-Executive Directors, their involvement and insight in Board and Committee meetings and their ability to objectively challenge management. Having regard to all such considerations, the Board is of the view that the number of Non-Executive Directors is appropriate and that Penny Freer and Zach Miles remain independent, notwithstanding their periods of tenure.

In accordance with the Companies Act 2006 and the Company's Articles of Association, each of the Directors has a duty to avoid a situation where they have, or might have, a direct or indirect interest that conflicts, or potentially may conflict, with the Company's interests. The Company has established procedures for the disclosure by Directors of any such conflicts for the Board to consider and, if appropriate, authorise. If such a conflict exists, the relevant Director is excused from consideration of the relevant matter. All additional external responsibilities taken on by Directors during the year were considered by the Board for any actual or potential conflicts that may arise. The Board is satisfied that the independence of the Directors who have additional external responsibilities is not compromised.

The Board of Directors and Secretary



Tony Martin
Chair

Appointed: July 2004

Tony has over 30 years' experience running international specialist staffing companies. He served as Chair and CEO of Select Appointments (Holdings) Plc ('Select') from 1992 to 1999, when he became Vice Chair 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 Chair and CEO, which he served until his retirement in February 2004. Tony held the position of Executive Chair at Corporate Services Group, now part of Impellam Group plc, until standing down in September 2007. Prior to his appointment at Select, he was responsible for half 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 Chair of the Federation of Recruitment and Employment Services, now known as the Recruitment and Employment Confederation (REC), 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



Zach Miles
Non-Executive Director



Appointed: October 2008

Zach has 30 years' experience working in the staffing sector, as a Finance Director, CEO and Chair. Before joining Empresaria, Zach held the position of Chair and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chair 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.

Other key external appointments:
Chair of the Board of Trustees of Rapport Housing and Care and Chair of Bright Network (UK) Limited.



Penny Freer
Non-Executive Director



Appointed: December 2005

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 Chair of Robert W Baird Limited. Prior to this she was Head of Small/Mid Cap Equities for Credit Lyonnais.

Other key external appointments:
Senior Independent Director of Advanced Medical Solutions plc, Non-Executive Director of Capital Markets Strategy Limited, Crown Place VCT plc, The Henderson Smaller Companies Investment Trust plc and Member of London Bridge Capital Partners LLP.



Rhona Driggs
Chief Executive Officer

Appointed: November 2018

Rhona was appointed as Chief Executive Officer in June 2019 having previously served as Chief Operating Officer since November 2018. Rhona has over 29 years' experience working in international companies within the staffing sector and has a proven record of delivering growth and driving innovation. She has been recognised for the past four consecutive years as one of the Staffing Industry Analysts' "Global Power 150, a list of the Most Influential Women in Staffing". Rhona's most recent role was President of Volt Global Solutions, with responsibility for the Managed Services division. Prior to that, Rhona was Executive Vice President for the commercial and technical staffing operations in North America where she ran a \$1.2 billion staffing business and she brings with her an in-depth knowledge of the latest trends and operating models in the sector.

Other key external appointments:
None



Tim Anderson
Chief Financial Officer

Appointed: March 2018

Tim has over 16 years' experience working for listed and private equity backed businesses. Tim joined Empresaria from Cell Medica, a leading cellular immunotherapy company, where he was Group Finance Director. Prior to this, Tim held finance positions in three FTSE 100 businesses, most recently having spent six years at Intu Properties plc, the UK's leading owner and manager of prime regional shopping centres, where he was Head of Financial Reporting and Control. Tim is a member of the Institute of Chartered Accountants in England and Wales, qualifying with KPMG.

Other key external appointments:
None



James Chapman
General Counsel and
Company Secretary

Appointed: June 2015

James has over 19 years' experience working with Empresaria. He qualified as a solicitor with Osborne Clarke in 2001, specialising in corporate finance, acting for a range of corporate and investment bank clients. He joined Empresaria in 2009 to head up the Group's legal team and was appointed Company Secretary in June 2015. James advises the Board on legal and governance matters.

Other key external appointments:
None

Committee membership

- Committee Chairman
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

Audit Committee Report

“As Chairman of the Audit Committee I am pleased to report on the Committee’s activities during the year and to outline how it discharged its duties.”



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.

The Audit Committee makes whatever recommendations to the Board it deems appropriate, on any area within its remit, including 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.

Meetings

The Audit Committee is required to meet formally twice per year. During 2019, the Committee held five formal meetings, which were scheduled around the financial reporting timetable. The Audit Committee invites the Chief Financial Officer to all of its meetings and senior representatives of the external auditor are routinely invited to Committee meetings, although it reserves the right to request any of these individuals to withdraw from the meeting.

Audit Committee activity

Financial and business reporting

During the year, the Audit Committee has reviewed the 2018 and 2019 financial statements, the 2019 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;
- appropriateness of provision balances;
- tax accounting, including deferred tax assets value; and
- IFRS 16 Leases.

For the going concern and the carrying value of goodwill, 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, 3 and 15.

For the areas discussed, the Committee was satisfied with the assumptions made and the accounting treatments adopted.

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

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

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 2 to 31. The Audit Committee keeps 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.

Every year the Audit Committee reviews 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.

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 2019, the Audit Committee managed the relationship with the external auditors, reviewed and monitored their independence and objectivity and the effectiveness of the audit process.

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. 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. Following the completion of the 2019 audit process, the Audit Committee is satisfied with the performance of BDO LLP and has recommended to the Board that BDO LLP is reappointed.

Assessment of the Audit Committee

Following completion of the 2019 audit processes, 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 risk register by the Chief Financial 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 Chair of the Audit Committee will be available at the 2020 Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit Committee

Zach Miles
Chair of the Audit Committee

17 March 2020

Nomination Committee Report

“We are creating the right environment for our team of ambitious leaders who are focused on delivering organic growth and building a strong foundation for the future.”



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.

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, including 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.

Activities of the Nomination Committee

The Nomination Committee is required to meet formally once per year. In addition to the formal meeting, the work of the Nomination Committee during the year primarily related to the change in Chief Executive Officer in June 2019.

The Nomination Committee reviewed the composition of the Board and the Committees. In making recommendations to the Board, the Nomination Committee gives due regard to the benefits of diversity in the Boardroom, including gender. Different ideas, perspectives and backgrounds create a stronger and more effective work environment, which in turn delivers competitive advantage and better results. Diversity of skills, backgrounds, knowledge and gender are taken into consideration when making new appointments to the Board and its Committees.

The Nomination Committee continues to consider the adequacy of the succession plan approved by the Board and keeps under review the Non-Executive Directors’ time commitments.

On behalf of the Nomination Committee

Penny Freer
Chair of the Nomination Committee
17 March 2020

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

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

Directors' Remuneration Report

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 Chair 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.

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.

Meetings

The Remuneration Committee is required to meet at such times as the Chair of the Remuneration Committee shall require. During 2019, the Remuneration Committee held four formal meetings.

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.

During the year, the Remuneration Committee engaged external consultants to provide an independent and informed opinion on external remuneration trends, market conditions and best practice. With the benefit of this report, the Remuneration Committee determined the 2020 individual remuneration packages, targets for annual bonus scheme and Long Term Incentive Plan ("LTIP") arrangements for the Executive Directors and the 2020 fees for the Non-Executive Directors. The Remuneration Committee also reviewed the effectiveness of the second generation equity, bonus and other incentive schemes for brand managers across the Group and worked with the Executive Directors

to develop new schemes that provide incentives that are better aligned to the long term objectives of the Group and its stakeholders.

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.

The Chair of the Remuneration Committee will be available at the 2020 Annual General Meeting to answer any questions about the work of the Remuneration Committee.

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 of the Group 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 and profits, through a combination of organic growth and investments, and increase in share price. The key performance measures chosen in 2019 to link executive remuneration to the achievement of these objectives were profits, earnings per share and share price.

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 employing Group company or the individual. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of the basic remuneration package for the notice period.

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

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

Directors' Remuneration Report continued

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

Director	Effective date of contract	Notice period
Rhona Driggs	8 November 2018	12 months
Tim Anderson	21 March 2018	6 months

Non-Executive Directors serve under letters of appointment, which either party can terminate on three months' written notice. The Non-Executive Directors have no right to compensation on the termination of their appointments.

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 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 are as follows:

Name of Director	2020					2019					2018					
	Salary & Fees ³ £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000
Executive																
Rhona Driggs ¹	312	289	–	136	–	425	42	–	59	–	101					
Tim Anderson	165	149	5	11	15	180	113	4	11	11	139					
Spencer Wreford ²	–	209	7	38	21	275	195	7	38	20	260					
Non-Executive																
Tony Martin	67	75	–	–	–	75	71	–	–	–	71					
Penny Freer	43	56	–	–	–	56	44	–	–	–	44					
Zach Miles	43	46	–	–	–	46	41	–	–	–	41					
						1,057					656					

1. Changed roles from Chief Operating Officer to Chief Executive Officer on 27 June 2019.

2. Chief Executive Officer until he resigned on 26 June 2019.

3. 2020 fees for Non-Executive Directors are stated as their minimum time commitments only.

The following information is not subject to audit.

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 2019 financial year was based on achievement of specific financial and strategic targets. Based on the Remuneration Committee's assessment of the performance against those targets, it has determined that a bonus payment amounting to 20% of the maximum bonus should be made to Tim Anderson. The compensation package agreed with Rhona Driggs included a guaranteed minimum bonus for the 2019 and 2020 financial years. These have been increased in line with her increase in base pay effective from her appointment as Chief Executive Officer to US\$180,000 and US\$125,000 respectively.

Long Term Incentive Plan ('LTIP')

The Remuneration Committee has responsibility for supervising the Company's LTIP and making awards under its terms. Awards are made in the form of nil-cost options over ordinary shares to the Company's senior executive management team. 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. Non-Executive Directors do not participate in the LTIP.

Seven Awards have been made under the LTIP. Performance targets are growth in profitability, earnings per share and share price over the relevant (typically three year) performance period.

A summary of the historic vesting and lapsing of Awards is as follows:

Year of Award	Year of Vesting	Awards	Awards Vested	Percentage Vested	Awards Lapsed	Percentage Lapsed
2011	2015	1,220,000	1,220,000	100%	-	0%
2013	2017	957,746	676,539	71%	281,207	29%
2014	2018	657,408	86,194	13%	571,214	87%
2016	2019	437,855	-	0%	437,855	100%

A summary of Awards yet to vest as at 31 December 2019 is as follows:

Year of Award	Year of Vesting	Number of Awards
2017	2020	363,178
2018	2021	761,992
2019	2022	911,578

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	Year of Award	Maximum Awards as at 1 January 2019	Maximum Awards granted during 2019	Lapsed Awards	Vested Awards (Options granted)	Options Exercised
Rhona Driggs	2018	227,108	-	-	-	-
	2019	-	261,233	-	-	-
Tim Anderson	2018	168,605	-	-	-	-
	2019	-	205,000	-	-	-
James Chapman	2017	19,124	-	-	-	-
	2018	133,721	-	-	-	-
	2019	-	162,586	-	-	-
Spencer Wreford ¹	2011	500,000	-	-	500,000	-
	2013	394,366	-	115,791	278,575	-
	2014	277,778	-	241,358	36,420	-
	2016	192,963	-	192,963	-	-
	2017	151,686	-	-	-	-
	2018	232,558	-	-	-	-
	2019	-	282,759	-	-	-

1. Executive Director and Chief Executive Officer until he resigned on 26 June 2019 but retained an interest in the LTIP.

Directors' Remuneration Report continued

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.

Details of the shareholdings of Directors who served during the year are as follows:

	31 December 2019		31 December 2018	
	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
Rhona Driggs	35,000	0.07%	–	–
Tim Anderson	25,000	0.05%	–	–
Tony Martin	13,924,595	28.41%	13,924,595	28.41%
Penny Freer	15,000	0.03%	15,000	0.03%
Zach Miles	–	–	–	–
Spencer Wreford ¹	–	–	15,000	0.03%
Total	13,999,595	28.56%	13,954,595	28.47%

1. Executive Director and Chief Executive Officer until he resigned on 26 June 2019.

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

This report was approved by the Board of Directors on 17 March 2020 and signed on its behalf by:

Penny Freer

Chair of the Remuneration Committee

17 March 2020

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 2019. The Strategic Report set out on pages 2 to 31 and the Corporate Governance Statement set out on pages 34 to 39 form part of this report.

Future developments

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

Financial instruments

Information regarding financial instruments can be found in note 24.

Dividends

For the year ended 31 December 2019 the Directors recommend a final dividend of 2.2p per ordinary share of 5p in the Company to be paid on 29 May 2020 to shareholders on the register on 15 May 2020. For the year ended 31 December 2018 a final dividend of 2.0p per ordinary share was paid on 31 May 2019.

Substantial shareholdings

As at 31 December 2019, the following interests in 3% or more of the issued ordinary share capital of the Company in the register maintained under section 113 of the Companies Act 2006 were identified:

Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
A V Martin (Director)	13,924,595	28.41%
Close Brothers Asset Management	6,461,837	13.18%
H M van Heijst	5,300,000	10.81%
Hof Hoorneman Fund Management	4,409,041	8.99%
Beleggingsclub 't Stockpaert	3,005,000	6.13%
The Ramsey Partnership Fund Limited	2,296,000	4.68%

During the period between 31 December 2019 and 16 March 2020, the Company received the following notifications under chapter 5 of the Disclosure and Transparency Rules:

Date of notification	Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
5 February 2020	HM van Heijst	5,510,000	11.24%

Directors' Report continued

Disabled employees

Applications for employment by disabled persons are always fully considered, having regard to the particular 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. The Group supports disabled employees in all aspects of their training, career development and promotion.

Employee involvement

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 described further in the Corporate Governance statement (stakeholders and social responsibilities).

Cautionary statement

The sole purpose and use of this Annual Report is to provide information to the shareholders of the Company, as a body, to assist them in exercising their governance rights. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and nothing in this Annual Report should be construed as a profit forecast.

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.

BDO LLP have expressed their willingness to continue as auditor for the 2020 financial year and a resolution will be proposed at the forthcoming AGM.

Annual General Meeting 2020 ('AGM')

This year's AGM will be held on Tuesday 12 May 2020 at the Company's registered office. The meeting will commence at 1:00pm and registration will be open from 12:00pm.

A separate notice convening the meeting has been sent to our shareholders, which includes details of the ordinary and special business to be considered at the meeting. A copy of the Notice of Meeting can be found on the Company's website at www.empresaria.com/shareholder-information/agm-information.

Approved by the Board and signed on its behalf by:



James Chapman
General Counsel and Company Secretary

17 March 2020

Registered office: Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex RH10 4HS

Registered number: 03743194

Directors' Responsibilities Statement

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 Group and of the profit or loss of the Group 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:

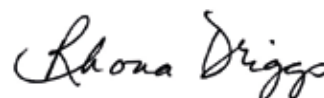
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 ensuring the annual report and financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement was approved by the Board on 17 March 2020 and is signed on its behalf by:

By order of the Board



Rhona Driggs
Chief Executive Officer

17 March 2020



Tim Anderson
Chief Financial Officer

Independent auditor's report to the members of Empresaria Group plc

Opinion

We have audited the financial statements of Empresaria Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statements of Changes in Equity, Consolidated Cash Flow Statement, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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 Financial Reporting Standard 102 'The Financial Reporting Standard in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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) we identified, including 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.

Key audit matter	How we addressed the key audit matter in the audit
<p>Revenue recognition (Note 2 and 4)</p> <p>As detailed in note 2, the Group's revenue predominantly relates to permanent, temporary and contract, offshore recruitment services with revenue from permanent placements recognised on the start date of a candidate and revenue from temporary and contract and offshore recruitment services placements recognised on the basis of work performed by reference to approved timecards and contracted rates.</p> <p>The risk of fraud in relation to revenue recognition is attributed to cut off, specifically incorrect or missing accruals for un-invoiced or late time cards for temporary and offshore recruitment services revenue, or delayed invoices/credit notes for placements impacting the completeness and existence of revenue and accrued revenue around year end.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We assessed the design, implementation and where placing reliance on controls, the operating effectiveness of the controls over the approval of timecards and customer contracts, the conversion of timecards into invoices and their recognition into the accounting systems. • We performed cut off testing on a sample of transactions to consider the completeness and existence of revenue around year end. This involved selecting a sample of sales invoices either side of the year end date and agreeing these to approved timecards for temporary and contract placements and offshore recruitment services or new starter forms for permanent revenue to confirm items relating to December were appropriately invoiced or accrued for. • We compared timecard data for work performed in December to check whether offshore recruitment services and temporary and contract invoices raised and accruals made for timecards submitted post year end were recognised in the correct period. • Where appropriate we reviewed the calculated accrual for missing timecards and substantively tested a sample of entries to timecard data and confirmed the timecard had not been invoices pre year end. • We tested a sample of post year- end credit notes to related invoices to check that revenue was recognised in the correct period. • We performed a review of credit notes raised during the year and subsequent to the year end to assess the accuracy of any provision made. <p>Key observations: We did not identify any indicators to suggest revenue recognition cut-off around the year end was materially misstated.</p>
<p>Recoverability of goodwill and intangible assets (Note 2, 15 and 16)</p> <p>The Group's accounting policy in relation to impairment of goodwill and intangible assets is included within note 2 and further explained in note 15 and 16. Consideration of this risk by the Audit Committee is included on page 42.</p> <p>The Group has acquired a number of businesses as part of its growth strategy. Any potential impairment would have a significant impact on the reported results of the Group.</p> <p>Accounting standards require management to perform an impairment review annually to consider possible impairment in goodwill and consider whether there are any indicators of impairment impacting other intangible assets.</p> <p>Management exercise significant judgement in determining the underlying assumptions used in the impairment review of groups of cash generating units (CGUs). These assumptions include the discount rate, the operating margin and the growth rate.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • With the assistance of our internal valuation specialists we have assessed management's impairment review: for a sample of CGU groups, we recalculated the CGU group's value in use using our independently calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards. • We have challenged and assessed the reasonableness of the CGU level FY20 budgets and expected growth rate assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends. • We have performed sensitivity analysis over the key assumptions used by management and reviewed the disclosures in note 15 against accounting standard requirements, including the impact of changes in key assumptions. <p>Key observations: We did not identify anything to suggest that management's impairment review failed to identify indicators impacting the recoverability of goodwill and intangible assets.</p>

Independent auditor's report continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £579,000 (2018: £563,000). This was determined on the basis of 6.5% (2018: 6.0%) of profit before tax excluding items we assessed as non-recurring items because these were not reflective of ongoing operations of the Group. We adjusted profit for exceptional items, goodwill impairment, and losses made by the subsidiary that was restructured and partially closed in the year. A profit based materiality was considered most appropriate as it is a key performance measure for the group.

Performance materiality was set at £347,000 (2018: £338,000) being 60% (2018: 60%) of materiality, taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, the number of material estimates and the expected use of sample testing.

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels up to a maximum of 60% (2018: 72%) of Group materiality and ranged between 3% to 60% of Group Materiality, £16,020 to £347,000.

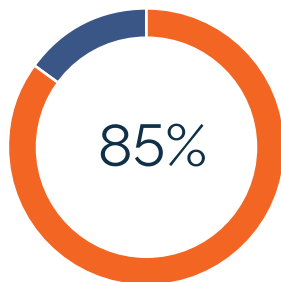
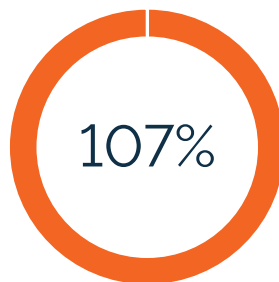
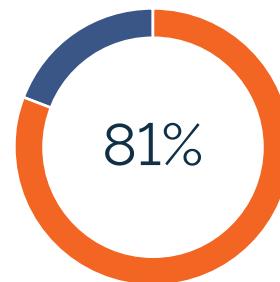
We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £12,000 (2018: 23,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

The materiality for the Parent Company financial statements, which primarily operates as a holding company, was based on 2% (2018: 2%) of total assets but capped at £358,000 (2018: 243,000) to address the aggregation risk across components. Performance materiality for the Parent Company was set at £226,000 (2018: - £145,800), being 65% (2018: 60%) of materiality taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements and the number of material estimates.

An overview of the scope of our audit

Our audit of the Group and Parent entity financial statements was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement at the Group level. Based on our assessment, we focused our Group audit scope on the Group's operations in the UK, Germany, New Zealand, Chile, Japan and India, where full scope audit procedures were performed. For the overseas components, the audit procedures were performed by component auditors, which in all locations were BDO network firms.

Components within the above locations, that were subject to full scope audit procedures, accounted for 85% (2018: 92%) of the Group's revenue, 107% (2018: 97%) of the Group's profit before taxation (due to coverage of goodwill impairment, exceptional items and loss making entities within the group) and 81% (2018: 98%) of the Group's net assets.

Group revenue**Profit before taxation****Net assets**

As part of our audit planning, the Senior Statutory Auditor and another member of the group engagement team visited the Indian component audit team to review the planning documentation on the audit file for the Indian operations focusing on the planned audit work in relation to the key risks and meet with the local audit and management team in person. The team elected to visit operations in India, which was the fastest growing and within the group and also performs outsourced operations for the group. For the other overseas components in scope, we arranged and led planning calls with local audit teams to discuss group and local risks identified and agree testing approach and audit timelines. The group audit team also provided detailed procedures for risk areas and reviewed component auditors' working papers in all cases.

At the completion stage senior members of the group audit team participated in conference calls with local audit and local management teams and reviewed component audit teams' reporting, addressing risks and specific procedures raised. We discussed local adjustments and improvement points raised by the component teams with component and group management.

The audit of in scope UK and US components were audited by local teams, led by the Senior Statutory Auditor.

The remaining components of the Group, which also include non-significant holding companies, were principally subject to analytical review procedures performed by the Group audit team, with limited procedures on certain financial statement areas completed where necessary to obtain sufficient coverage of group balances, for example cash.

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 this regard.

Independent auditor's report continued

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, set out on page 51, 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Anna Draper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

Gatwick, United Kingdom

17 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Revenue	4	358.0	366.8
Cost of sales		(283.5)	(294.5)
Net fee income	4	74.5	72.3
Administrative costs (including £0.6m (2018: £0.7m) in respect of trade receivable impairment losses)		(64.1)	(60.0)
Adjusted operating profit	4	10.4	12.3
Exceptional items	5	(2.1)	-
Impairment of goodwill	15	(2.5)	(0.3)
Amortisation of intangible assets identified in business combinations	16	(1.8)	(1.7)
Operating profit	4, 7	4.0	10.3
Finance income	9	0.2	0.2
Finance costs	9	(1.3)	(1.1)
Net finance costs	9	(1.1)	(0.9)
Profit before tax		2.9	9.4
Taxation	10	(2.4)	(3.6)
Profit for the year		0.5	5.8
Attributable to:			
Owners of Empresaria Group plc		(0.8)	4.6
Non-controlling interests		1.3	1.2
		0.5	5.8
		Pence	Pence
(Loss)/earnings per share			
Basic	12	(1.6)	9.2
Diluted	12	(1.6)	9.1

Details of adjusted earnings per share are shown in note 12.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	2019 £m	2018 £m
Profit for the year	0.5	5.8
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	(1.9)	0.8
Items that will not be reclassified to the income statement:		
Exchange differences on translation of non-controlling interests in foreign operations	(0.3)	(0.1)
Other comprehensive (loss)/income for the year	(2.2)	0.7
Total comprehensive (loss)/income for the year	(1.7)	6.5
Attributable to:		
Owners of Empresaria Group plc	(2.7)	5.4
Non-controlling interests	1.0	1.1
	(1.7)	6.5

Consolidated Balance Sheet

for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	14	2.3	2.1
Right-of-use assets	25	10.6	-
Goodwill	15	33.5	37.1
Other intangible assets	16	15.5	17.7
Deferred tax assets	22	2.4	1.5
		64.3	58.4
Current assets			
Trade and other receivables	18	55.2	57.3
Cash and cash equivalents		17.6	25.4
		72.8	82.7
Total assets		137.1	141.1
Current liabilities			
Trade and other payables	19	37.7	41.9
Current tax liabilities		1.4	3.2
Borrowings	20	25.2	32.0
Lease liabilities	25	6.0	-
		70.3	77.1
Non-current liabilities			
Borrowings	20	10.0	5.2
Lease liabilities	25	5.2	-
Deferred tax liabilities	22	3.6	4.2
		18.8	9.4
Total liabilities		89.1	86.5
Net assets		48.0	54.6
Equity			
Share capital	23	2.4	2.4
Share premium account		22.4	22.4
Merger reserve		0.9	0.9
Retranslation reserve		4.0	5.8
Equity reserve		(9.8)	(7.7)
Other reserves		(0.6)	(0.7)
Retained earnings		21.4	23.2
Equity attributable to owners of Empresaria Group plc		40.7	46.3
Non-controlling interests		7.3	8.3
Total equity		48.0	54.6

These consolidated financial statements of Empresaria Group plc, registered number 03743194, were approved by the Board of Directors and authorised for issue on 17 March 2020.

Signed on behalf of the Board of Directors



Rhona Driggs
Chief Executive Officer



Tim Anderson
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Equity attributable to owners of Empresaria Group plc							Total £m	Non- controlling interests £m	Total equity £m
	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m			
Balance at 31 December 2017	2.4	22.4	0.9	5.0	(7.5)	(0.7)	19.6	42.1	6.8	48.9
Profit for the year	-	-	-	-	-	-	4.6	4.6	1.2	5.8
Exchange differences on translation of foreign operations	-	-	-	0.8	-	-	-	0.8	(0.1)	0.7
Total comprehensive income for the year	-	-	-	0.8	-	-	4.6	5.4	1.1	6.5
Dividend paid to owners of Empresaria Group plc (see note 26)	-	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Acquisition of non-controlling shares	-	-	-	-	(0.2)	-	-	(0.2)	0.2	-
Purchases of own shares in Employee Benefit Trust	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Business combination (see note 13)	-	-	-	-	-	-	-	-	0.6	0.6
Share-based payments (see note 29)	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018	2.4	22.4	0.9	5.8	(7.7)	(0.7)	23.2	46.3	8.3	54.6
(Loss)/profit for the year	-	-	-	-	-	-	(0.8)	(0.8)	1.3	0.5
Exchange differences on translation of foreign operations	-	-	-	(1.8)	-	(0.1)	-	(1.9)	(0.3)	(2.2)
Total comprehensive income for the year	-	-	-	(1.8)	-	(0.1)	(0.8)	(2.7)	1.0	(1.7)
Dividend paid to owners of Empresaria Group plc (see note 26)	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Acquisition of non-controlling shares (see note 6)	-	-	-	-	(2.1)	-	-	(2.1)	(1.4)	(3.5)
Share-based payments (see note 29)	-	-	-	-	-	0.2	-	0.2	-	0.2
Balance at 31 December 2019	2.4	22.4	0.9	4.0	(9.8)	(0.6)	21.4	40.7	7.3	48.0

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	2019 £m	2018 £m
Profit for the year		0.5	5.8
Adjustments for:			
Depreciation of property, plant and equipment and software amortisation	14, 16	1.2	1.0
Depreciation of right-of-use assets	25	6.4	-
Impairment of goodwill		2.5	0.3
Amortisation of intangible assets identified in business combinations	16	1.8	1.7
Share-based payments		0.2	-
Net finance costs		1.1	0.9
Taxation		2.4	3.6
		16.1	13.3
Decrease/(increase) in trade and other receivables		0.3	(2.2)
Decrease in trade and other payables (including pilot bonds outflow of £3.8m (2018: outflow of £2.2m))		(2.0)	(2.7)
Cash generated from operations		14.4	8.4
Interest paid		(1.3)	(1.0)
Income taxes paid		(5.6)	(2.9)
Net cash from operating activities		7.5	4.5
Cash flows from investing activities			
Consideration paid for business acquisitions (net of cash acquired)		(0.2)	(1.7)
Consideration received for business disposals		-	0.1
Purchase of property, plant and equipment, and software		(1.5)	(1.5)
Finance income		0.2	0.2
Net cash used in investing activities		(1.5)	(2.9)
Cash flows from financing activities			
(Decrease)/increase in overdrafts		(3.6)	1.5
Proceeds from bank loans		5.0	4.0
Repayment of bank loans		(0.2)	(6.4)
(Decrease)/increase in invoice financing		(2.7)	0.1
Payment of obligations under leases		(6.5)	-
Purchase of shares in existing subsidiaries		(3.5)	-
Purchase of own shares in Employee Benefit Trust		-	(0.4)
Dividends paid to owners of Empresaria Group plc		(1.0)	(0.6)
Dividends paid to non-controlling interests		(0.6)	(0.4)
Net cash outflow from financing activities		(13.1)	(2.2)
Net decrease in cash and cash equivalents		(7.1)	(0.6)
Effect of foreign exchange movements		(0.7)	0.1
Cash and cash equivalents at beginning of the year		25.4	25.9
Cash and cash equivalents at end of the year		17.6	25.4
		2019 £m	2018 £m
Bank overdrafts at beginning of the year		(22.0)	(20.4)
(Decrease)/increase in the year		3.6	(1.5)
Effect of foreign exchange movements		0.5	(0.1)
Bank overdrafts at end of the year	20	(17.9)	(22.0)
Cash, cash equivalents and bank overdrafts at end of the year		(0.3)	3.4

Notes to the consolidated financial statements

1 Basis of preparation and general information

Empresaria Group plc ("the Company") 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 03743194.

The consolidated financial statements are for the year ended 31 December 2019. 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 as modified by 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 (£), rounded to £0.1m, 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. With the exception of IFRS 16 Leases, these resulted in changes to disclosure only.

IFRS 16:	Leases
Amendments to IFRS 9:	Prepayment features with negative compensation
Amendments to IAS 28:	Long-term interests in Associates and Joint Ventures
Amendments to IAS 19:	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRSs 2015-2017:	Amendments to IFRS 11 Joint Arrangements and IAS 12 Income Taxes
	Amendments to IFRS 3 Business combinations and IAS 23 Borrowing costs
IFRIC 23:	Uncertainty over Income Tax Treatments

IFRS 16 Leases (effective 1 January 2019)

The Group has adopted IFRS 16 for the first time in these financial statements. The Group has opted to apply the modified retrospective approach which does not require the restatement of comparative information. 2018 figures have therefore not been restated and IFRS 16 has an impact from 1 January 2019.

On 1 January 2019 the Group recognised right-of-use assets and corresponding and equal lease liabilities with no impact on the Group's net assets or equity. From 1 January 2019 the Group no longer records a rental expense within its operating costs but instead records a depreciation charge in respect of the right-of-use assets within operating costs, and an interest charge on the lease liabilities within its finance costs.

In applying IFRS 16 for the first time the Group has used the following practical expedients as permitted by the standard:

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- not to reassess whether a contract is, or contains a lease at the date of initial application. For contracts entered into before 1 January 2019 the Group has relied on its assessment made in applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised as at 1 January was 3.1%.

The lease liability recognised on 1 January 2019 differs from the discounted value of operating lease commitments disclosed at 31 December 2018 under IAS 17 Leases. The main cause of this is differences in the assessment of the lease term. Under IAS 17 only contractual commitments were included which reflected the Group's ability to give notice on certain leases, while under IFRS 16 longer lease terms are reflected where this is within the power of the Group and reflects the expected length of those leases.

The group does not expect any other standard issued by IASB, to have a material impact on the Group.

1 Basis of preparation and general information continued

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:

Amendments to IFRS 3:	Business Combinations – Definition of a Business
Amendments to IAS 1:	Presentation of Financial Statements (Definition of Material)
Amendments to IAS 8:	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
Amendments to IAS 28:	Long-term interests in Associates and Joint Ventures

The Group does not expect these to have a significant impact on the Group's financial statements.

Going concern

The Group's activities are funded by a combination of long-term equity capital and bank facilities, primarily a revolving credit facility, invoice financing and overdrafts. The Board has reviewed the Group's profit and cash flow projections, and applied sensitivities to the underlying assumptions including the latest available information on the coronavirus outbreak and the potential impact on the Group.

These projections demonstrate that the Group expects to meet its obligations as they fall due with the use of existing facilities and to continue to meet its covenant requirements. As at 31 December 2019 the Group had undrawn facilities (excluding invoice discounting) of £11.5m. The revolving credit facility has a term until June 2021 and the Group's primary overdraft facilities are due for renewal in January and February 2021. Based on informal discussions the Board has had with its lenders, we have no reason to believe that these or equivalent facilities will not continue to be available to the Group for the foreseeable future.

As a result the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 Empresaria 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 no longer has control.

Control is achieved when the Group has all of the following:

- power over the investee;
- exposure, or has rights, to variable return from its involvement with the investee; and
- 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.

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.

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 account 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.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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. 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 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.

Any non-controlling interest at acquisition is assessed as the proportionate share in the recognised amounts of the acquiree's identifiable net assets.

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.

Goodwill is not amortised but is tested at least annually for impairment. Goodwill is allocated to groups of cash-generating units as appropriate. If the recoverable amount of the cash-generating units is less than the carrying amount of the units, the impairment loss is first allocated against goodwill and then to the other assets of the units on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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.

2 Summary of significant accounting policies continued

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 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.

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 five years

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence. Adjusted operating profit, adjusted profit before tax and adjusted earnings are considered to be key measures in understanding the Group's financial performance and exclude exceptional items.

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 five 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 administrative costs in the income statement.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

Impairment (excluding goodwill)

The carrying amounts of the Group's tangible and intangible assets are reviewed at the end of each reporting period for any indication of impairment. 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.

In respect of financial assets, other than those at fair value through profit or loss, a loss allowance for expected credit losses is determined at the end of each reporting period. Details of expected credit loss model can be found in note 24.

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 as borrowings.

Invoice financing

The Group's operating activities in the UK are part funded by invoice financing facilities. 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 client in current assets in the Group's balance sheet.

Movements in the invoice discounting balance are shown within 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 divided into the following categories:

- financial assets at fair value through profit or loss (FVPL)
- amortised cost

The group does not have material derivative financial instruments.

Fair value through profit or loss (FVPL)

Forward currency contracts and contingent consideration are held in the balance sheet at fair value with changes in the fair value being recorded through the income statement and are classified as financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies continued

Amortised cost

Assets accounted for at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This includes the Group's trade and other receivables. They are initially recorded at fair value and subsequently measured at amortised cost. For trade receivables amortised cost includes an allowance for expected credit losses. This is assessed by Grouping assets into categories with similar risk profiles and applying a provision matrix to each of these which is assessed by reference to past default experience and various other sources of actual and forecast economic information. Trade receivables are only written off once the potential of collection is considered to be nil and any local requirements such as around sales taxes are met.

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.

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

Revenue

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. Temporary and contract revenue is recognised over time on the basis of actual work performed in the relevant period based on timesheets submitted. Revenue from offshore recruitment services is recognised over time as the services are delivered.

In situations where the Group is the principal in the transaction, the transactions are recorded gross in the statement of comprehensive income. When the Group acts as an agent revenues are reported on a net basis.

In certain circumstances a client may be entitled to a replacement hire or refund if a candidate that has been placed leaves the role within a certain time period. Revenue is recognised based on the most likely amount of revenue to be received, taking account of all available information including historical, current and forecast.

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 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.

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

IFRS 16 was adopted on 1 January 2019 without the restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 1. The following policies apply subsequent to the date of initial application, 1 January 2019.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for short-term leases for office equipment (lease term of 12 months or less) and leases of low value assets (less than £5,000). For those leases the Group has opted to recognise a lease expense on a straight-line basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group does not have any leases with variable lease payments.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the revised remaining lease term.

2 Summary of significant accounting policies continued

Forward contract for foreign currencies

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.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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) Net investments in foreign operations

Any gain or loss on retranslation of intercompany amounts considered to be part of a net investment, is recognised in equity in the foreign currency translation reserve.

Equity

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 £0.8m (2018: £0.6m) and exchange differences on intercompany long-term receivables amounting to £1.4m (2018: (£1.3m)) 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.

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. 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 applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business combinations

Accounting for a business combination involves a number of fair value estimations and depending on the size of the investment these can be a material area of judgement. The main judgements are in the recognition and valuation of intangible assets acquired and include the assessment of the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. No business combinations occurred in the year.

Leases

Under IFRS 16 Leases the key area of judgement is lease length, including whether or not break clauses are expected to be exercised, and the identification of the appropriate discount rate. Disclosures related to leases are provided in note 25.

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 tests goodwill for impairment at least annually. The recoverable amount is determined based on value-in-use calculations. This method requires the estimation of future cash flows and the assessment of a suitable discount rate in order to calculate their present value. Details of the impairment review calculation and sensitivities are set out in note 15.

Notes to the consolidated financial statements continued

4 Segment and revenue analysis

During the year the Group has reviewed and revised its segmental reporting. Information reported to the Group's Executive Committee, considered to be the chief operating decision maker of the Group for the purpose of resource allocation and assessment of segment performance, is now based on the Group's six operating sectors and the information for 2018 has been re-presented.

The Group has one principal activity, the provision of staffing and recruitment services delivered across number of service lines being permanent placement, temporary and contract placements and offshore recruitment services.

The analysis of the Group's results by sector is set out below:

	2019			2018		
	Revenue £m	Net fee income £m	Adjusted operating profit £m	Revenue £m	Net fee income £m	Adjusted operating profit £m
Professional	125.0	27.3	3.5	139.7	26.8	4.5
IT	45.2	14.4	3.2	44.0	13.6	3.2
Healthcare	11.3	2.8	0.5	11.3	2.7	0.5
Property, Construction & Engineering	22.4	3.8	(1.2)	31.6	5.3	0.5
Commercial	142.4	19.7	5.4	132.7	19.2	5.6
Offshore Recruitment Services	12.2	7.0	3.2	7.9	5.1	1.7
Central costs	-	-	(4.2)	-	-	(3.7)
Intragroup eliminations	(0.5)	(0.5)	-	(0.4)	(0.4)	-
	358.0	74.5	10.4	366.8	72.3	12.3

All revenue shown is from transactions with external clients with the exception of Offshore Recruitment Services where £141.9m (2018: £132.3m) relates to external clients and £0.5m (2018: £0.4m) relates to transactions with other sectors.

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

Year ended 31 December 2019	UK	Continental Europe	Asia Pacific	Americas	Central costs	Intragroup eliminations	Total £m
	£m	£m	£m	£m	£m	£m	
Revenue	77.6	93.1	126.4	61.4	-	(0.5)	358.0
Net fee income	22.6	14.7	27.7	10.0	-	(0.5)	74.5
Adjusted operating profit ¹	1.2	4.0	7.2	2.2	(4.2)	-	10.4

Year ended 31 December 2018	UK	Continental Europe	Asia Pacific	Americas	Central costs	Intragroup eliminations	Total £m
	£m	£m	£m	£m	£m	£m	
Revenue	85.7	96.1	136.8	48.6	-	(0.4)	366.8
Net fee income	23.7	15.6	24.5	8.9	-	(0.4)	72.3
Adjusted operating profit ¹	2.9	4.7	6.1	2.3	(3.7)	-	12.3

1. Adjusted operating profit is stated before amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of businesses and fair value charge on acquisition of non-controlling shares.

Revenue of Continental Europe includes £77.6m (2018: £79.9m) from Germany and revenue of Asia Pacific includes £84.1m (£100.8m) from New Zealand.

One major client in the Asia Pacific segment contributed 5.5% of the Group's revenue (2018: 11.5%) and 3.3% of the Group's net fee income (2018: 4.9%).

4 Segment and revenue analysis continued

The following segment analysis by sector has been included as additional disclosure to the requirement of IFRS 8

Year ended 31 December 2019	UK	Continental Europe	Asia Pacific	Americas	Total
	£m	£m	£m	£m	£m
Property, plant and equipment	0.3	0.2	1.4	0.4	2.3
Goodwill	9.5	13.8	5.8	4.4	33.5
Other intangibles assets	5.5	0.6	4.9	4.5	15.5

Year ended 31 December 2018	UK	Continental Europe	Asia Pacific	Americas	Total
	£m	£m	£m	£m	£m
Property, plant and equipment	0.3	0.2	1.2	0.4	2.1
Goodwill	11.9	14.6	6.0	4.6	37.1
Other intangibles assets	6.1	0.8	5.4	5.4	17.7

Continental Europe includes £13.1m (2018: £14.0m) of these assets in Germany, Asia Pacific includes £8.6m (2018: £9.4m) in New Zealand and Americas includes £6.6m (2018: £7.4m) in USA.

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

Year ended 31 December 2019	UK	Continental Europe	Asia Pacific	Americas	Central costs	Intragroup eliminations	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	78.1	121.2	77.2	69.5	12.5	(0.5)	358.0
Net fee income	20.4	20.8	18.3	14.4	1.1	(0.5)	74.5

Year ended 31 December 2018	UK	Continental Europe	Asia Pacific	Americas	Central costs	Intragroup eliminations	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	108.6	124.6	74.0	52.6	7.4	(0.4)	366.8
Net fee income	23.5	20.9	16.3	11.3	0.7	(0.4)	72.3

Notes to the consolidated financial statements continued

4 Segment and revenue analysis continued

The following segmental analysis by sector and service type has been provided in line with the requirements of IFRS 15:

	2019				2018			
	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m
Revenue								
Professional	17.4	107.6	-	125.0	16.7	123.0	-	139.7
IT	6.7	38.5	-	45.2	6.3	37.7	-	44.0
Healthcare	0.4	10.9	-	11.3	0.2	11.1	-	11.3
Property, Construction, and Engineering	1.2	21.2	-	22.4	1.6	30.0	-	31.6
Commercial	1.2	141.2	-	142.4	1.4	131.3	-	132.7
Offshore Recruitment Services	1.1	-	11.1	12.2	0.8	-	7.1	7.9
Intragroup eliminations	-	-	(0.5)	(0.5)	-	-	(0.4)	(0.4)
	28.0	319.4	10.6	358.0	27.0	333.1	6.7	366.8

	2019				2018			
	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m
Net fee income								
Professional	17.0	10.3	-	27.3	16.5	10.3	-	26.8
IT	6.7	7.7	-	14.4	6.3	7.3	-	13.6
Healthcare	0.4	2.4	-	2.8	0.2	2.5	-	2.7
Property, Construction, and Engineering	1.2	2.6	-	3.8	1.6	3.7	-	5.3
Commercial	1.1	18.6	-	19.7	1.2	18.0	-	19.2
Offshore Recruitment Services	1.1	-	5.9	7.0	0.8	-	4.3	5.1
Intragroup eliminations	-	-	(0.5)	(0.5)	-	-	(0.4)	(0.4)
	27.5	41.6	5.4	74.5	26.6	41.8	3.9	72.3

5 Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence. Adjusted operating profit, adjusted profit before tax and adjusted earnings are considered to be key measures in understanding the Group's financial performance and exclude exceptional items.

	2019 £m	2018 £m
Restructuring of UK engineering business	1.1	-
Restructuring of marketing and digital business	0.5	-
Change of Chief Executive Officer	0.5	-
	2.1	-

6 Shares acquired in existing subsidiaries

In July 2019, the Group acquired a further 17.5% interest in ConSol Partners (Holdings) Limited ("ConSol"), an existing subsidiary, taking its total interest to 82.5%. The shares have been acquired for cash consideration of £3.5m on terms in line with the original acquisition in 2016. ConSol is a specialist recruitment business in the IT sector with a focus on niche sectors across communications, cloud and digital.

This transaction was recorded within equity as a movement in non-controlling interests of £1.4m and the remaining £2.1m was recorded in the equity reserve.

Other acquisitions of shares in existing subsidiaries totalled less than £0.1m.

7 Operating profit

Operating profit is stated after charging:

	2019 £m	2018 £m
Depreciation of property, plant and equipment	1.1	0.9
Amortisation of intangible assets identified in business combinations	1.8	1.7
Amortisation of software	0.1	0.1
Impairment of goodwill	2.5	0.3
Operating lease charges	–	5.4
Net foreign exchange gain	–	(0.1)
Share-based payments	0.2	–
Acquisition related costs	–	0.1
Impairment of trade receivables	0.6	0.7
Auditor's remuneration	0.4	0.4

The analysis of auditor's remuneration is as follows:

	2019 £000	2018 £000
Fee payable to the Company's auditor for the audit of the Group annual accounts	370	380

Auditor's remuneration includes fees payable of £235,000 (2018: £254,000) for the audit of the Company's subsidiaries pursuant to legislation. No non-audit fees were incurred in the year. In 2018 fees of £14,000 were incurred for tax advice in the period before BDO were appointed the Company's auditor.

Notes to the consolidated financial statements continued

8 Directors and employees

	2019	2018
	£m	Represented £m
Staff costs		
Wages and salaries	43.0	39.7
Social security costs	3.8	3.6
Pension costs	1.0	0.7
Share-based payments	0.2	–
	48.0	44.0

Staff costs include internal employee costs included within cost of sales amounting to £2.9m (2018: £2.0m). Comparative information has been re-presented to reflect this.

Details of Directors' remuneration are given on pages 46 to 48.

	2019	2018
	No.	No.
Average monthly number of persons employed – sales and administration	1,955	1,625
Number of persons employed as at 31 December – sales and administration	1,999	1,805

9 Finance income and costs

	2019	2018
	£m	£m
Finance income		
Bank interest receivable	0.2	0.2
	0.2	0.2
Finance costs		
Invoice financing	(0.2)	(0.2)
Bank loans and overdrafts	(0.6)	(0.7)
Interest on lease obligations	(0.4)	–
Interest on tax payments	(0.1)	(0.2)
	(1.3)	(1.1)
Net finance costs	(1.1)	(0.9)

10 Taxation

(a) The tax expense for the year is as follows:

	2019 £m	2018 £m
Current tax		
Current year income tax expense	3.8	4.3
Adjustments in respect of prior years	0.2	(0.1)
Total current tax expense	4.0	4.2
Deferred tax		
Deferred tax credit – on origination and reversal of temporary differences	(1.6)	(0.6)
Total income tax expense in the income statement	2.4	3.6

(b) Factors affecting the income tax expense for the year

The table below explains the differences between the expected income tax expense and the Group's actual income tax expense for the year. The expected income tax expense is assessed by applying the local tax rates to the profits in each business and aggregating these amounts. This leads to an average tax rate for 2019 of 52% (2018: 30%). The average tax rate has increased due to a reduction in the Group's UK profits and the goodwill impairment charge in the year distorting the weighted average.

	2019 £m	2018 £m
Profit before taxation	2.9	9.4
Tax at the relevant local rates	1.5	2.8
Effects of:		
Expenses not deductible for tax purposes	0.4	0.3
Impairment of goodwill not deductible for tax purposes	0.3	0.1
Restatement of deferred tax liability on intangible assets for change in tax rate	(0.2)	–
Current year losses not recognised for tax purposes	0.3	0.3
Prior year losses recognised for tax purposes	(0.2)	–
Overseas withholding tax suffered	0.1	0.1
Deferred tax on unremitted overseas earnings	–	0.1
Adjustments in respect of prior years	0.2	(0.1)
Tax expense	2.4	3.6

The movement in deferred tax is explained in note 22.

No tax was recognised in other comprehensive income £Nil (2018: £Nil).

11 Reconciliation of adjusted profit before tax to profit before tax

	2019 £m	2018 £m
Profit before tax	2.9	9.4
Exceptional items	2.1	–
Impairment of goodwill	2.5	0.3
Amortisation of intangible assets identified in business combinations	1.8	1.7
Adjusted profit before tax	9.3	11.4

Notes to the consolidated financial statements continued

12 Earnings per share

Basic earnings per share is assessed by dividing the earnings attributable to the owners of Empresaria Group plc by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated as for basic earnings per share but adjusting the weighted average number of shares for the diluting impact of shares that could potentially be issued. For 2019 and 2018 these are all related to share options and further details can be found in note 29 and the Directors' remuneration report on pages 46 to 48. Reconciliations between basic and diluted measures are given below.

The Group also presents adjusted earnings per share which it considers to be a key measure of the Group's performance. A reconciliation of earnings to adjusted earnings is provided below.

	2019 £m	2018 £m
Earnings		
Earnings attributable to owners of the Empresaria Group plc	(0.8)	4.6
Adjustments:		
Exceptional items	2.1	0.3
Impairment of goodwill	2.5	-
Amortisation of intangible assets identified in business combinations	1.8	1.7
Tax on the above	(1.0)	(0.3)
Non-controlling interests in respect of the above	(0.2)	(0.1)
Adjusted earnings	4.4	6.2
Number of shares	Millions	Millions
Weighted average number of shares – basic	50.4	50.6
Dilution effect of share options	1.0	0.4
Weighted average number of shares – diluted	51.4	51.0
Earnings per share	Pence	Pence
Basic	(1.6)	9.2
Dilution effect of share options	-	(0.1)
Diluted	(1.6)	9.1
Adjusted earnings per share	Pence	Pence
Basic	8.6	12.2
Dilution effect of share options	(0.1)	(0.1)
Diluted	8.5	12.1

The weighted average number of shares (basic) has been calculated as the weighted average number of shares in issue during the year plus the number of share options already vested less the weighted average number of shares held by the Empresaria Employee Benefit Trust. The Trustees have waived their rights to dividends on the shares held by the Empresaria Employee Benefit Trust.

13 Business combinations

2018

On 11 July 2018 the Group invested in 60% of the shares in Grupo Solimano S. A. C., an established provider of outsourced and temporary staffing services in Peru. This acquisition strengthens the Group's presence in the high-potential Latin American staffing market. The remaining 40% of shares have been retained by management.

The total fair value of consideration was £2.2m, including cash paid during 2018 of £2.0m and £0.2m paid in 2019.

The fair value of assets and liabilities, at 100%, as at the date of the business combination are set out in the table below:

	Fair value £m
Intangible assets recognised on acquisition	
Customer relations	0.6
Trade name and brands	0.2
	0.8
Property, plant and equipment	0.1
Trade and other receivables	2.4
Cash at bank	0.4
Trade and other payables	(1.8)
Bank Loan	(0.2)
Deferred tax liability recognised on intangible assets	(0.2)
Deferred tax assets	0.1
Net assets	1.6
Non-controlling interest (at 40%)	(0.6)
Goodwill	1.2
Total	2.2

Notes to the consolidated financial statements continued

14 Property, plant and equipment

2019	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January	11	6.2	0.2	7.5
Additions	0.4	10	–	1.4
Disposals	–	(0.6)	–	(0.6)
Foreign exchange movements	–	(0.4)	–	(0.4)
At 31 December	15	6.2	0.2	7.9
Accumulated depreciation				
At 1 January	0.4	4.9	0.1	5.4
Charge for the year	0.2	0.9	–	1.1
Disposals	–	(0.5)	–	(0.5)
Foreign exchange movements	–	(0.4)	–	(0.4)
At 31 December	0.6	4.9	0.1	5.6
Net book value				
At 31 December 2018	0.7	1.3	0.1	2.1
At 31 December 2019	0.9	1.3	0.1	2.3

2018	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January 2018	0.6	5.8	0.2	6.6
Business combinations (see note 13)	–	0.1	–	0.1
Additions	0.4	0.9	–	1.3
Disposals	–	(0.7)	–	(0.7)
Foreign exchange movements	0.1	0.1	–	0.2
At 31 December 2018	1.1	6.2	0.2	7.5
Accumulated depreciation				
At 1 January 2018	0.2	4.9	0.1	5.2
Charge for the year	0.2	0.7	–	0.9
Disposals	–	(0.7)	–	(0.7)
Foreign exchange movements	–	–	–	–
At 31 December 2018	0.4	4.9	0.1	5.4
Net book value				
At 31 December 2017	0.4	0.9	0.1	1.4
At 31 December 2018	0.7	1.3	0.1	2.1

15 Goodwill

	2019 £m	2018 £m
At 1 January	371	35.9
Business combinations	–	1.2
Impairment charge	(2.5)	(0.3)
Foreign exchange movements	(1.1)	0.3
At 31 December	33.5	371

Goodwill 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 the group of cash generating units (CGUs) the goodwill has been allocated to, with the recoverable amount of those CGUs. The recoverable amounts of the CGUs are considered to be their value in use.

The key assumptions in assessing value in use are as follows:

Operating profit and pre-tax cash flows

The operating profit and pre-tax cash flows are based on the 2020 budgets approved by the Group's Board. These budgets are extrapolated using short-term industry growth rate forecasts and long-term growth rates and margins that are consistent with the business plans approved by the Group's Board. These cash flows are discounted to present value to assess the value in use.

Discount rates

The pre-tax, country specific rates used to discount the forecast cash flows range from 9% to 16% (2018: 8% to 16%) reflecting current local market assessments of the time value of money and the risks specific to the relevant business. These discount rates reflect the estimated industry weighted average cost of capital in each market and are based on the Groups weighted average cost of capital adjusted for local factors.

Pre-tax discount rates used by sector are as follows:

Professional:	9.0% to 16.1% (2018: 9.4% to 12.6%)
IT:	9.6% to 11.7% (2018: 8.1% to 9.4%)
Healthcare:	10.5% to 10.6% (2018: 8.6% to 11.0%)
Property, Construction & Engineering:	10.5% (2018: 9.4%)
Commercial:	9.0% to 13.7% (2018: 8.1% to 12.6%)
Offshore Recruitment Services:	15.4% (2018: 15.7%)

Growth rates

The growth rates used to extrapolate beyond the most recent budgets and forecasts and to determine terminal values are based upon long term average GDP growth forecasts for the relevant country. Growth rates are capped at 6% for the purposes of this calculation and range from 0.5% to 6.0%. GDP growth is a key driver of our business, and is therefore an appropriate assumption in developing long-term forecasts.

Growth rates used by sector are as follows:

Professional:	1.5% to 5.7% (2018: 1.6% to 5.9%)
IT:	0.5% to 3.8% (2018: 0.5% to 3.0%)
Healthcare:	1.4% to 1.5% (2018: 1.3% to 1.6%)
Property, Construction & Engineering:	1.5% (2018: 1.6%)
Commercial:	0.5% to 3.9% (2018: 0.5% to 3.0%)
Offshore Recruitment Services:	6.0% (2018: 6.0%)

As a result of the impairment reviews carried out at 31 December 2019, an impairment charge of £2.5m (2018: £0.3m) has been recognised for a business in the Property, Construction, and Engineering sector following the decision to close a substantial part of it, reducing the carrying amount of goodwill in respect of that business to nil.

Notes to the consolidated financial statements continued

15 Goodwill continued

As part of the impairment review, reasonably possible changes in the growth rate and discount rate assumptions have been considered to assess the impact on the recoverable amount of each business. Were the long-term growth rate to reduce to nil no impairment charge would be recorded (2018: nil), while if the discount rate were to increase by 2% no impairment charge would be recorded (2018: £0.9m).

During 2019 the Group combined two of its businesses within the Professional sector, combining the goodwill associated with these and allocating them to the combined business. No impairment risk was identified as a result of this.

The carrying amount of goodwill is allocated across the Group's sectors as follows:

	2019 £m	2018 £m
Goodwill by sector		
Professional	8.8	9.0
IT	4.7	4.7
Healthcare	4.0	4.2
Property, Construction, and Engineering	0.9	3.4
Commercial	14.5	15.2
Offshore Recruitment Services	0.6	0.6
	33.5	37.1

Included within the above are significant goodwill balances as set out in the table below along with the relevant discount rate and growth rate assumptions:

	2019			2018		
	Goodwill £m	Discount rate %	Growth rate %	Goodwill £m	Discount rate %	Growth rate %
Headway	12.4	9.4	1.3	13.1	8.3	1.4
ConSol Partners	4.2	9.6	3.8	4.2	9.4	3.0
Rishworth Aviation	3.6	10.2	3.5	3.8	11.0	3.6

16 Intangible assets

2019	Intangible assets identified in business combinations			Software £m	Total £m
	Customer relationships £m	Trade name & marks £m	Sub total £m		
Cost					
At 1 January	14.5	9.5	24.0	0.9	24.9
Additions	–	–	–	0.1	0.1
Foreign exchange movements	(0.3)	(0.4)	(0.7)	–	(0.7)
At 31 December	14.2	9.1	23.3	1.0	24.3
Accumulated amortisation					
At 1 January	4.4	2.1	6.5	0.7	7.2
Charge for the year	1.2	0.6	1.8	0.1	1.9
Foreign exchange movements	(0.1)	(0.2)	(0.3)	–	(0.3)
At 31 December	5.5	2.5	8.0	0.8	8.8
Net book value as at 31 December 2018	10.1	7.4	17.5	0.2	17.7
Net book value as at 31 December 2019	8.7	6.6	15.3	0.2	15.5

16 Intangible assets continued

2018	Intangible assets identified in business combinations				Total £m
	Customer relationships £m	Trade name & marks £m	Sub total £m	Software £m	
Cost					
At 1 January 2018	13.7	9.2	22.9	0.7	23.6
Business combinations	0.6	0.2	0.8	–	0.8
Additions	–	–	–	0.2	0.2
Foreign exchange movements	0.2	0.1	0.3	–	0.3
At 31 December 2018	14.5	9.5	24.0	0.9	24.9
Accumulated amortisation					
At 1 January 2018	3.3	1.5	4.8	0.6	5.4
Charge for the year	1.1	0.6	1.7	0.1	1.8
At 31 December 2018	4.4	2.1	6.5	0.7	7.2
Net book value as at 31 December 2017	10.4	7.7	18.1	0.1	18.2
Net book value as at 31 December 2018	10.1	7.4	17.5	0.2	17.7

17 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest with comparatives 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 2019 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
Empresaria Americas Finco Limited	09917053	Holding Non-Trading
Empresaria Americas Limited	08926961	Holding Non-Trading
Empresaria Asia Limited	07384224	Holding Non-Trading
Empresaria China Holdings (formerly Reflex HR Limited)	05150663	Holding Non-Trading
Empresaria GIT Holdings Limited	05669458	Holding Non-Trading
Empresaria GIT Limited	05669176	Holding Non-Trading
Empresaria Indonesia Holdings Limited	10362003	Holding Non-Trading
Empresaria Malaysia Holdings Limited	08701593	Holding Non-Trading
Empresaria NZ Finco Limited	10804049	Holding Non-Trading
Empresaria NZ Limited	10164295	Holding Non-Trading
Empresaria Services Limited	09946765	Holding Non-Trading
Empresaria Peru Holdings Limited	09949926	Active Non-Trading
Empresaria T&I Holdings Limited	08772122	Holding Non-Trading
Empresaria T&I Limited	10432476	Holding Non-Trading
Empresaria Technology (Holdings) Ltd	10322758	Holding Non-Trading
Empresaria Vietnam Holdings Limited	10485853	Holding Non-Trading
EMR1000 Limited	04154134	Active Non-Trading
Interim Management International Limited	04067140	Holding Non-Trading
Mansion House Recruitment Limited	03276279	Active Non-Trading
Oval (888) Limited	04819545	Active Non-Trading

Notes to the consolidated financial statements continued

18 Trade and other receivables

	2019 £m	2018 £m
Current		
Gross trade receivables	46.3	49.2
Less provision for impairment of trade receivables	(0.7)	(1.1)
Trade receivables	45.6	48.1
Prepayments	1.7	1.9
Accrued income	4.6	3.3
Corporation tax receivable	1.0	1.2
Other receivables	2.3	2.8
	55.2	57.3

Trade receivables include £31.8m (2018: £34.8m) on which security has been given as part of bank facilities.

All amounts are due within one year. The carrying value of trade and other receivables is considered to be their fair value.

Further analysis on trade receivables is set out in note 24.

19 Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	2.1	2.2
Other tax and social security	7.4	8.1
Pilot bonds	1.5	5.3
Client deposits	0.6	0.9
Temporary recruitment worker wages	4.0	3.9
Other payables	1.6	1.9
Accruals	20.5	19.4
Deferred consideration	–	0.2
	37.7	41.9

All amounts are payable within one year with the exception of pilot bonds as discussed below. The carrying value of trade and other payables is considered to be their fair value.

Pilot bonds represent unrestricted funds held by our aviation business at the request of clients that are repayable to the pilot over the course of a contract, typically between three and five years. If the pilot terminates their contract early, the outstanding bond is payable to the client. For this reason the bonds are shown as a current liability. As at 31 December 2019, if the bonds were to be repaid in line with existing contracts, £1.1m (2018: £2.9m) would be repayable in more than one year.

20 Borrowings

	2019 £m	2018 £m
Current		
Bank overdrafts	17.9	22.0
Invoice financing	6.9	9.7
Bank loans	0.4	0.3
	25.2	32.0
Non-current		
Bank loans	10.0	5.2
	10.0	5.2
Borrowings	35.2	37.2

The following key bank facilities are in place at 31 December 2019:

A revolving credit facility of £14.0m, expiring in June 2021. As at 31 December 2019 the amount outstanding is £10.0m (2018: £5.0m). Interest is payable at 1.5% plus LIBOR or EURIBOR. During the year, £4.0m of a potential £5.0m extension to the revolving credit facility was activated, increasing the revolving facility to £14.0m. The revolving credit facility is subject to financial covenants and these are disclosed in the Finance Review on page 26.

Overdraft facilities are in place in the UK with a limit of £7.5m. The balance on this facility as at 31 December 2019 was £5.9m (2018: £3.9m). The interest rate was fixed at 1% above applicable currency base rates. A \$2.0m overdraft facility to provide working capital funding to Pharmaceutical Strategies had a balance as at 31 December 2019 of \$1.5m (2018: \$0.8m). Interest on this USD facility is payable at 2% over LIBOR. A €13m (2018: €13.0m) overdraft facility is also in place in Germany. The balance at 31 December 2019 was €10.9m (2018: €7.8m). Interest is payable at EURIBOR plus 2.3%. A NZ\$2.0m overdraft facility has been set up for Rishworth Aviation in New Zealand during 2019. The overdraft has not been utilised and attracts interest at 2% over the base lending rate. Bank overdrafts in the table reflects the requirement under IFRS to gross up certain cash and overdraft balances which are netted for banking facility purposes. This amount is £1.7m in 2019 (2018: £10.4m).

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.

There is an invoice financing facility in the UK of £13.0m (2018: £13.0m). As at 31 December 2019 the amount outstanding was £6.0m (2018: £8.4m). Interest is payable at 1.47% over UK base rate. Following the Group's decision to close a substantial part of the UK engineering business, the invoice financing facility was reduced to £10m in March 2020. There are also invoice financing facilities in Chile of £4.0m (2018: £2.5m). As at 31 December 2019 the amount outstanding was £0.8m (2018: £1.3m). Interest is payable at approximately 4.4%.

Notes to the consolidated financial statements continued

21 Net debt

a) Net debt

	2019 £m	2018 £m
Borrowings	(35.2)	(37.2)
Cash and cash equivalents	17.6	25.4
Net debt	(17.6)	(11.8)

Cash and cash equivalents at 31 December 2019 includes cash of £0.3m (2018: £0.4m) held by a subsidiary in China which is subject to currency exchange restrictions.

b) Adjusted net debt

	2019 £m	2018 £m
Cash and cash equivalents	17.6	25.4
Less cash held in respect of pilot bonds	(1.5)	(5.3)
Adjusted cash	16.1	20.1
Borrowings	(35.2)	(37.2)
Adjusted net debt	(19.1)	(17.1)

The Group presents adjusted net debt as its principle debt measure. Adjusted net debt is equal to net debt excluding cash held in respect of pilot bonds within the Rishworth Aviation business. Where required by the client, pilot bonds are taken at the start of the pilot's contract and are repayable to the pilot or the client during the course of 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, and that to hold these is a client requirement, cash equal to the amount of the bonds is excluded in calculating adjusted net debt.

c) Movement in adjusted net debt

	2019 £m	2018 £m
As at 1 January	(17.1)	(19.5)
Net decrease in cash and cash equivalents per consolidated cash flow statement	(7.1)	(0.6)
Borrowings in business acquired	-	(0.2)
(Increase)/decrease in overdrafts and loans	(1.2)	0.9
Decrease/(increase) in invoice financing	2.7	(0.1)
Foreign exchange movements	(0.2)	0.2
Adjusted for decrease in cash held in respect of pilot bonds	3.8	2.2
As at 31 December	(19.1)	(17.1)

d) Reconciliation of borrowing arising from finance activity

	2019 £m	2018 £m
Borrowings as at 1 January	(37.2)	(37.9)
Cashflow movements:		
Decrease/(increase) in overdrafts	3.6	(1.5)
Proceeds from bank loans	(5.0)	(4.0)
Repayment of bank loans	0.2	6.4
Decrease/(increase) in invoice financing	2.7	(0.1)
Borrowings in business acquired	-	(0.2)
Non-cash movements:		
Foreign exchange movements	0.5	0.1
Borrowings as at 31 December	(35.2)	(37.2)

22 Deferred tax

	Holiday pay £m	Retirement provision £m	Tax losses £m	Other temporary differences £m	Total 2019 £m	Total 2018 £m
Deferred Tax Asset						
1 January	0.4	0.1	0.1	0.9	1.5	1.0
Credit to income statement	–	0.1	0.6	0.2	0.9	0.4
Business combinations (see note 13)	–	–	–	–	–	0.1
31 December	0.4	0.2	0.7	1.1	2.4	1.5
Deferred Tax Liability						
	Intangible assets £m	Unremitted overseas earnings £m	Other temporary differences £m	Total 2019 £m	Total 2018 £m	
1 January		(3.8)	(0.3)	(4.2)	(4.1)	
Credit to income statement		0.7	–	0.7	0.2	
Business combinations (see note 13)		–	–	–	(0.2)	
Foreign exchange movements		(0.1)	–	(0.1)	(0.1)	
31 December		(3.2)	(0.3)	(3.6)	(4.2)	

At the balance sheet date, the Group has unused tax losses of £8.0m (2018: £4.1m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £3.8m (2018: £0.3m) of such losses. No deferred tax asset has been recognised in respect of the remaining £4.2m (2018: £3.8m) as it is not considered probable that there will be future taxable profits available.

No deferred tax liability is recognised on temporary differences of £7.9m (2018: £6.3m) 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 considered probable that they will not reverse in the foreseeable future. The potential tax impact of these temporary differences is £1.0m (2018: £0.7m) assuming all unremitted earnings were remitted in full in the year.

A deferred tax liability of £0.3m (2018: £0.3m) has been recognised in respect of the unremitted earnings of overseas subsidiaries amounting to £2.7m (2018: £2.4m) and it is probable that these earnings will be remitted and the tax cost incurred in 2020.

23 Share capital and Shares held by Employee Benefit Trust

Share capital

	2019		2018	
	Number of shares	£m	Number of shares	£m
Issued, 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.

Shares held by Employee Benefit Trust

	2019 Number of shares	2018 Number of shares
Allotted and fully paid		
Ordinary shares of 5p each	576,204	576,204

The Trustees have waived their rights to dividends on the shares held by the Empresaria Employee Benefit Trust.

Notes to the consolidated financial statements continued

24 Financial risk management

The Group is exposed to a variety of financial risks arising from the Group's operations being principally credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk.

The Group's treasury function is managed centrally and the policies for managing each of these risks and their impact on the results of the year are summarised below.

The principal financial assets of the Group are cash and cash equivalents and trade and other receivables. The principal financial liabilities are borrowings and trade and other payables that arise directly from operations.

Fair value

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

Credit risk

Credit risk is the risk of financial loss if a client or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from the Group's other financial assets including cash deposits.

Classes of financial assets – carrying amounts

	2019 £m	2018 £m
Cash and cash equivalents	17.6	25.4
Trade and other receivables*	52.5	54.2

* Trade and other receivables are held at amortised cost and exclude prepayments, tax and social security amounting to £2.7m (2018: £3.1m) and presents the maximum exposure to credit risk for trade and other receivables.

The Group's credit risk on its cash balances is managed by limiting exposure to banks with a credit rating lower than BBB and through adhering to authorised limits for all counterparties.

The Group manages its exposure to trade receivables through its credit policy. New clients are assessed through a review process including obtaining credit ratings and reviewing available financial and other information. Ongoing risk exposure is mitigated through the credit control process, setting credit limits and regular review of clients and trade receivable balances.

The amounts presented in the balance sheet are net of allowances for impairment. An allowance for impairment is made based on the expected credit loss. The Group has no significant concentration of risk, with exposure spread over a large number of third parties and clients. A provision of £0.7m (2018: £1.1m) has been recorded.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar aging and credit risk assessed by giving regard to factors such as market and sector. The Group also considers forward looking factors including known credit issues and changes in market risks and reflects these as necessary.

The expected loss rates are based on the Group's historical credit losses experienced over the five year period prior to the period end. The historical loss rates are then compared with current and forward-looking information on macroeconomic factors affecting the Group's clients in the countries where the Group operates.

24 Financial risk management continued

At 31 December 2019 the lifetime expected loss provision for trade receivables was as follows:

	Current	Overdue by up to 30 days	Overdue by up to 60 days	Overdue by up to 90 days	Overdue by more than 90 days	Total
Average expected loss rate (%)	0.5%	2.0%	3.0%	4.0%	5.0%	
Gross carrying amount (£m)	34.4	7.3	1.8	1.4	1.4	46.3
Loss provision (£m)	0.2	0.1	0.1	0.1	0.2	0.7

Included within the loss provision was a specific expected loss provision of £0.2m in respect of certain debtor balances with specific credit risk profiles.

At 31 December 2018 the lifetime expected loss provision for trade receivables was as follows:

	Current	Overdue by up to 30 days	Overdue by up to 60 days	Overdue by up to 90 days	Overdue by more than 90 days	Total
Average expected loss rate (%)	0.5%	2.0%	3.0%	4.0%	5.0%	
Gross carrying amount (£m)	37.2	7.7	2.1	1.0	1.2	49.2
Loss provision (£m)	0.8	0.1	0.1	–	0.1	1.1

Included within the loss provision on current debts due was a specific expected loss provisions of £0.5m in respect of certain debtor balances with specific credit risk profiles.

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

	2019 £m	2018 £m
Balance as 1 January	1.1	0.8
Impairment loss recognised	0.6	0.7
Impairment loss utilised	(1.0)	(0.4)
Balance at 31 December	0.7	1.1

Market risk

(a) Foreign exchange 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 and consequently exposures to exchange rate fluctuation arise. The majority of this exposure is mitigated by incurring costs 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. 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 2019 there were a small number of forward currency contracts in place. The amount covered by these at 31 December 2019 was £1.5m (2018: 0.7m). These are recorded in the balance sheet at fair value which at 31 December 2019 was £nil (2018: £nil).

During the year the Group has recognised a net foreign exchange gain of £nil (2018: £0.1m) in the Consolidated income statement.

Notes to the consolidated financial statements continued

24 Financial risk management continued

The carrying amounts of the Group's significant monetary assets and liabilities held in currencies other than a business's functional currency at 31 December are set out in the table below along with sensitivity analysis showing the approximate impact of a 10% weakening of the foreign currency against the relevant functional currency as at 31 December. The analysis assumes that all other variables remain constant.

Foreign currency monetary items			Sensitivity analysis impact of non-functional currency foreign exchange exposure		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2019					
US Dollars	7.9	(6.6)	US Dollars (10%)	(0.1)	(0.1)
Euro	4.9	(3.6)	Euro (10%)	(0.1)	(0.1)
Foreign currency monetary items			Sensitivity analysis impact of non-functional currency foreign exchange exposure		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2018					
US Dollars	7.1	(6.3)	US Dollars (10%)	(0.1)	(0.1)
Euro	11.8	(7.5)	Euro (10%)	(0.4)	(0.4)

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

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

The Group also has currency exposure on the translation of overseas subsidiaries' results into Pounds Sterling. The Group does not actively hedge this exposure although there is an element of natural hedge by having operations in different countries. The amount of currency retranslation loss recognised in equity was £1.9m (2018: gain £0.8m).

(b) Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in interest rates. The Group is not exposed to fair value risks as it has no financial instruments that are revalued to fair value at the balance sheet date. Cash flow risk arises on the future cash flows of a financial instrument. The Group is exposed to cash flow risk on its variable rate borrowings. The Group manages its interest rate risk through a combination of cash pooling, shareholder funding and borrowing and management monitors movements in interest rates to determine the most advantageous debt profile for the Group. The Group's policy is for the majority of its debt to be at variable rates as this is expected to better match interest costs with the economic cycle as staffing is typically a cyclical business.

At 31 December 2019, the Group is exposed to changes in market interest rates through its borrowings, which are subject to variable interest rates. For further information see note 20.

	2019	2018
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.

24 Financial risk management continued

Interest rate

	2019 £m	2018 £m
Net result for the year	(0.4)	(0.3)
Equity	(0.4)	(0.3)

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet its payment obligations as they fall due. 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 2019, the Group's financial liabilities have contractual maturities as follows:

	Current				Non-current		Total	
	within 6 months		6 to 12 months		1 to 5 years			
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Borrowings	25.1	31.9	0.1	0.1	10.0	5.2	35.2	37.2
Trade and other payables*	30.3	33.8	-	-	-	-	30.3	33.8
Forward currency contracts payments	1.5	-	-	-	-	-	1.5	-
Forward currency contracts receipts	(1.5)	-	-	-	-	-	(1.5)	-
Lease liabilities	3.2	-	3.0	-	5.8	-	12.0	-
Total	58.6	65.7	3.1	0.1	15.8	5.2	77.5	71.0

* Trade and other payables exclude other tax and social security amounting to £74m (2018: £81m). Pilot bonds have been included as due within 6 months in line with the disclosure in note 19.

Lease liabilities in the table reflect the gross cash flows, which differ to the carrying value at the balance sheet date.

All bank loans are on floating interest rates.

At the year end the Group had £11.5m (2018: £16.7m) of undrawn bank facilities (excluding invoice financing).

Capital structure

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 balance between debt and equity. The capital structure of the Group consists of net debt, which includes borrowings and cash and cash equivalents (see note 21) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 23 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, its debt to debtors ratio and compliance with any covenants on its borrowings. Further details on covenants are given in the Financial review on page 26.

Debt to debtors ratio

	2019 £m	2018 £m
Adjusted net debt (see note 21)	19.1	17.1
Trade receivables	45.6	48.1
Debt to debtors ratio	42%	36%

Notes to the consolidated financial statements continued

25 Leases

The Group has adopted IFRS 16 Leases for the first time in this condensed set of financial statements. The Group has opted to apply the transition approach which does not require the restatement of comparative information. Further details are provided in note 1.

The Group's leases are predominantly property leases. These include leases for the offices from which the businesses across the Group operate and these have terms of typically 1 to 5 years. Additionally in Germany accommodation is provided to temporary workers with lease lengths typically estimated at between 0 and 2 years.

The movements in the carrying value of right-of-use assets is provided below.

	Property £m	Motor vehicles £m	Total £m
Cost			
At 1 January 2019	11.0	0.9	11.9
Additions	5.1	0.6	5.7
Foreign exchange movements	(0.3)	-	(0.3)
At 31 December 2019	15.8	1.5	17.3
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation	5.8	0.6	6.4
Impairment	0.3	-	0.3
At 31 December 2019	6.1	0.6	6.7
Net book value			
At 31 December 2019	9.7	0.9	10.6

The maturity analysis of lease liabilities is provided below:

	2019 £m
Within one year	6.0
Between one to two year	2.0
Between two to five year	3.0
Over five year	0.2
	11.2

Additional disclosures as required under IFRS 16 Leases are provided in the table below:

	2019 £m
Depreciation of right-of-use assets	6.4
Interest on lease obligations	0.4
Cash outflow for leases	6.5
Additions to right-of-use assets	5.7

26 Dividends

	2019 £m	2018 £m
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 2.0p (2017: 1.32p) per share	1.0	0.6
Proposed final dividend for the year ended 31 December 2019 of 2.2p (2018: 2.0p) per share	1.1	1.0

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.

27 Profit of the Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £2.3m (2018: profit £3.3m).

28 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 franchise fees, interest charges and revenue, which amounted to £3.2m (2018: £3.6m), £0.8m (2018: £0.9m) and £0.5m (2018: £0.4m), respectively.

In 2018 the Company transacted with Cobweb Cyber Limited for the provision of cyber security services. Penny Freer, Non-Executive Director, holds a minority interest shareholding and is a director in this company. In total the services charged were for £4,800. No amounts are outstanding as at 31 December 2019 or 31 December 2018.

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 Company. Therefore overall authority and responsibility for planning, directing and controlling the entities of the Group sits with the Company's Board of Directors, who are considered the key management personnel.

The remuneration of key management personnel 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 Directors' remuneration report on pages 46 to 48.

	2019 £m	2018 £m
Short-term employee benefits	0.9	0.7
Post-employment benefits (contributions to defined contribution pension schemes)	0.1	0.1
Share-based payments	0.2	–
Payments on termination	0.1	–

Directors' transactions

Dividends totalling £279,092 (2018: £184,923) were paid in the year in respect of ordinary shares held by the Company's Directors.

Notes to the consolidated financial statements continued

28 Related party transactions continued

Transactions with subsidiary directors

The group has had the following transactions in subsidiary shares with directors of subsidiaries.

Purchased by the Group

Company	% of shares	Aggregate consideration £000	Seller
ConSol Partners (Holdings) Ltd	7.7%	1,533	G Hubert
ConSol Partners (Holdings) Ltd	7.7%	1,533	M Cohen
ConSol Partners (Holdings) Ltd	2.1%	417	Other non-director employee shareholders
FastTrack Management Services Limited	10.0%	-	P Touissant
FastTrack Management Services Limited	5.0%	-	N McCobb
Interactive Manpower Solutions Private Limited	0.3%	45	A Vithlani
LMA Recruitment Limited	6.0%	20	G Allan
The Recruitment Business Holdings Ltd	10.0%	-	M Ansell

Sold by the Group

Company	% of shares	Aggregate consideration £000	Seller
Empresaria China Holdings (formerly Reflex HR Limited)	20.0%	7	K Liu
Empresaria China Holdings (formerly Reflex HR Limited)	10.0%	4	A Hairs
LMA Recruitment Singapore Pte Ltd.	12.5%	4	C Ng

29 Share-based payments

The Group operated a Long Term Incentive Plan (LTIP) for Directors and senior executives. The scheme is equity settled with the granting of nil cost options and is subject to performance conditions. Further details of the LTIP are provided in the Directors' remuneration report. The expense is recognised in the income statement based on the fair value of the equity instrument awarded as determined at the grant date. The expense is recognised on a straight-line basis over the vesting period based on estimates of the number of shares that are expected to vest.

In 2019 a charge of £0.2m (2018: £nil) was recognised in the income statement. Movements in the number of options outstanding are as follows:

	2019 Number of share options thousands	2018 Number of share options thousands
Outstanding as at 1 January	3,546	3,355
Lapsed during the year (weighted average exercise price was nil (2018: nil))	(437)	(571)
Granted during the year	912	762
Outstanding as at 31 December	4,020	3,546
Vested and exercisable as at 31 December	1,982	1,982

The fair value of options granted during the year is estimated using a Black-Scholes model for the element with an earnings per share performance conditions and a Monte Carlo model for the element with a total shareholder return performance condition. Details of the performance conditions can be found in the Directors' remuneration report on pages 46 to 48.

The inputs into these models for the shares granted in the year were as follows:

	Award in 2019	Award in 2018	Award in 2018
Share price at date of grant	72.5p	88.0p	74.0p
Weighted average exercise price	nil	nil	nil
Expected volatility	32.5%	34.7%	34.4%
Expected life	3 years	2.6 years	2.3 years
Risk-free rate	0.64%	0.76%	0.74%
Expected dividend yields	2.76%	1.51%	1.78%
Vesting dates	March 2022	March 2021	March 2021
Fair value assessed per share	54.2p	67.9p	54.2p

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.

Parent Company balance sheet

	Note	2019 £m	2018 £m
Non-current assets			
Tangible assets	5	-	-
Investments in subsidiaries	6	50.8	51.2
		50.8	51.2
Current assets			
Debtors	7	5.7	6.0
Creditors: amounts falling due within one year	8	(16.8)	(19.4)
Net current assets		(11.1)	(13.4)
Total assets less current liabilities			
Total assets less current liabilities		39.7	37.8
Creditors: amounts falling due after more than one year	9	(10.0)	(5.0)
Net assets		29.7	32.8
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		0.9	0.7
Equity reserve		(0.2)	(0.2)
Profit and loss account		3.3	6.6
Shareholders' funds		29.7	32.8

The loss for the financial year ended 31 December 2019 was £2.3m (2018: Profit of £3.3m).

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 17 March 2020.

Signed on behalf of the Board of Directors



Rhona Driggs
Chief Executive Officer



Tim Anderson
Chief Financial Officer

Parent Company statement of changes in equity

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Other reserves £m	Equity reserve £m	Profit and loss account £m	Total Shareholders' funds £m
At 1 January 2018	2.4	22.4	0.9	0.7	(0.2)	4.3	30.5
Profit for the financial year and total comprehensive loss	-	-	-	-	-	3.3	3.3
Dividend paid on equity shares	-	-	-	-	-	(0.6)	(0.6)
Movement in share options	-	-	-	-	-	-	-
Purchases of own shares by Employee Benefit Trust	-	-	-	-	-	(0.4)	(0.4)
At 31 December 2018	2.4	22.4	0.9	0.7	(0.2)	6.6	32.8
Loss for the financial year and total comprehensive loss	-	-	-	-	-	(2.3)	(2.3)
Dividend paid on equity shares	-	-	-	-	-	(1.0)	(1.0)
Movement in share options	-	-	-	0.2	-	-	0.2
At 31 December 2019	2.4	22.4	0.9	0.9	(0.2)	3.3	29.7

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, general information and summary of significant accounting policies

(a) Basis of preparation and general information

The financial statements are for the twelve months ended 31 December 2019. 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 (£) as the functional and presentational currency.

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.

(b) Summary of significant accounting policies

Going concern

These accounts are prepared on the going concern basis. Details of the assessment of going concern are given in note 1 to the Group accounts.

Foreign currencies

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is calculated using the straight-line method to write off the cost of the assets over their useful lives as follows:

Fixtures, fittings and equipment: between one and five years.

Investments in subsidiaries

Investments are stated at cost less provision for any impairment in value.

Leases

Leases that result in the Company 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 as a tangible fixed assets and depreciated over the shorter of its estimated useful life and the lease term. Future instalments net of interest charges are included within liabilities. Minimum lease payments are apportioned between the interest charge element, which is allocated to each period to produce a constant periodic rate of interest on the remaining liability and charged to the profit and loss account 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.

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

Payments made to defined contribution retirement benefit schemes are charged to the profit and loss account as they fall due.

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2019	57.7
Additions	3.8
At 31 December 2019	61.5
Impairment	
At 1 January 2019	6.5
Impairment charge	4.2
At 31 December 2019	10.7
Net book value	
At 31 December 2018	51.2
As 31 December 2019	50.8

During the year the company made a further investment in Empresaria Technology Holdings Limited of £3.5m in relation to the investment in Consol Partners. A further £0.2m was invested in Empresaria Americas Limited in relation to the investment in Group Solimano S.A.C. The impairment charge of £4.2m is in relation to the investment in FastTrack Management Services Limited following an assessment of the recoverable amount at the year end.

Investments comprise of the following subsidiary companies:

Company	Class of share held	2019 Effective % holding	2018 Effective % holding
Registered office: Old Church House, Sandy Lane, Crawley Down, West Sussex, RH10 4HS UK			
4ward Talent Limited	Ordinary	100	–
Ball and Hoolahan Limited	Ordinary	100	90
Become Recruitment Limited	Ordinary	100	90
Beresford Wilson and Partners Limited	Ordinary	99	99
BWP Holdco Limited	"A" Ordinary	99	99
ConSol Partners (Holdings) Limited	"A" Ordinary	83	65
ConSol Partners Limited	Ordinary	83	65
Empresaria Americas Finco Limited	Ordinary	100	100
Empresaria Americas Limited*	Ordinary	100	100
Empresaria Asia Limited*	Ordinary	100	100
Empresaria China Holdings Limited (formerly Reflex HR Limited)	Ordinary	70	100
Empresaria Indonesia Holdings Limited	Ordinary	100	100
Empresaria GIT Holdings Limited*	"A" and "B" Ordinary	100	100
Empresaria GIT Limited	Ordinary	100	100
Empresaria T&I Holdings Limited*	Ordinary	100	100
Empresaria Services 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 Finco Limited	Ordinary	100	100
Empresaria NZ Limited*	Ordinary	100	100
Empresaria Peru Holdings Limited	Ordinary	100	100
Empresaria Philippines Holdings Limited	"A" Ordinary	90	90
Empresaria T&I Limited	Ordinary	100	100

Company	Class of share held	2019 Effective % holding	2018 Effective % holding
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" and "B" Ordinary	90	75
Global Crew UK Limited	Ordinary	83	83
Greycoat Investments Limited* (Dissolved 6 August 2019)	Ordinary	–	100
Greycoat Placements Limited*	"A" Ordinary	90	90
Interim Management International Limited*	Ordinary	100	100
LMA Recruitment Limited*	"A" Ordinary	69	63
Mansion House Recruitment Limited*	Ordinary	69	63
McCall Limited*	"A" Ordinary	82	82
NMS Czech Holding Limited* (Dissolved 8 January 2019)	"A" Ordinary	–	51
Oval (888) Limited*	"A" and "B" Ordinary	100	100
Teamsales Limited*	"A" Ordinary	97	97
The Recruitment Business Holdings Limited*	Ordinary	100	90
The Recruitment Business Limited	Ordinary	100	90
TLN 1004 Limited* (Dissolved 8 January 2019)	"A" and "B" Ordinary	–	100
TLN 1006 Limited* (Dissolved 8 January 2019)	"A" and "B" Ordinary	–	100
Registered office: Stanley & Williamson, Level 1 34 Burton Street, Kirribilli NSW 2061, Australia			
The Recruitment Business Pty Limited	Ordinary	100	90
Registered office: Durisolstraße 1/WDZ II, 4600 Wels, Austria			
headwayaustria GesmbH	Ordinary	100	100
Registered office: Ave. Isidora Goyenechea 3250, 13th Floor, Santiago, District of Las Condes, Chile			
Empresaria Group Chile Limitada*	Ordinary	100	100
Registered office: Alcade Jorge Monckeberg 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.	Ordinary	56	56
Registered office: Cerro El Plomo #5420, Oficina 703, 7th Floor, Las Condes, Santiago, 7560742			
Monroe Chile S.A.	Ordinary	55	55
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			
Medikumppani Oy*	Ordinary	96	96

Notes to the Parent Company financial statements continued

Company	Class of share held	2019 Effective % holding	2018 Effective % holding
Registered office: Landshuter Strabe 73, 84030, Ergolding, Germany			
Empresaria Holding Deutschland GmbH*	Ordinary	100	100
headwaypersonal GmbH	Series A and Series B	90	90
headwaylogistic administration GmbH	Series A and Series B	84	84
headwayindustrie GmbH	Ordinary	84	84
Registered office: Herner Strasse 35, D-45657 Recklinghausen, Germany			
headwaylogistic GmbH	Ordinary	84	84
Registered office: Rooms 2702-3, 27th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wan Chai Hong Kong			
The Recruitment Business Limited	Ordinary	100	90
Registered office: Ground Floor, 001 Raghupati Niketan, Opp. Ishita Appartments, Navrangpura, Ahmedabad, Gujarat, 380 009, India			
Interactive Manpower Solutions Private Limited*	Ordinary	71	71
Registered office: Gedung Sovereign Plaza, Lt 16 Unit A-B, Jl. TB Simatupang Kav. 36, Jakarta, SELATAN 12430, Indonesia			
PT. Monroe Consulting Group	"A" Ordinary	100	100
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 Toranomom 3-chome, Minato-ku, Tokyo, Japan			
Skillhouse Staffing Solutions K.K.	Ordinary	90	90
Registered office: 14A Jalan Tun Mohd Fuad, Taman Tun Dr Ismail, 60000, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Agensi Pekerjaan 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 I and 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 Aviation Services Limited (formerly Rishworth Personnel Limited)	Ordinary	83	83
Rishworth Solutions Limited	Ordinary	83	83
Registered office: Unit 605 Richville Corporate Tower, 1107 Alabang-Zapote Road, Madrigal Business Park, Alabang, Muntinlupa C, 1780, Philippines			
HR Philippines Holdings, Inc.	Ordinary	90	90

Company	Class of share held	2019 Effective % holding	2018 Effective % holding
Registered office: Unit 2108 Trade & Financial Tower, 7th Avenue Corner 32nd Street, Global City, BGC Fort Bonifacio, Taguig, 1634, Philippines Monroe Consulting Philippines, Inc.	Ordinary	90	90
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: De Cuserstraat 93, tweede en derde verdieping, 1081 CN, Amsterdam, Netherlands Global Crew Netherlands B.V.	Ordinary	83	83
Registered office: Level 28 Clifford Centre, 24 Raffles Place, Singapore 048621 Singapore LMA Recruitment Singapore Pte. Limited	Ordinary	58	75
Registered office: 10 Anson Road, #10-08 Singapore, Singapore 079903, Singapore McCall Singapore Pte. Limited (Dissolved 25 November 2019)	Ordinary	–	82
Registered office: Postova 3, 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: 28th Floor, Lake Rajada Office Complex Bldg, 193/119 Ratchadapisek Rd, Klongtoey, Bangkok, 10110, Thailand Monroe Holdings (Thailand) Company Limited	Ordinary	70	70
Monroe Recruitment Consulting Group Company Limited	Ordinary	70	70
Registered office: Office 306, Building 19, Dubai Knowledge Village, PO Box 500693, United Arab Emirates Beresford Wilson and Partners FZ-LLC	Ordinary	98	98
Registered office: 615 South Dunpont Highway, Dover, Kent County, DE 19903, United States ConSol Partners LLC	Ordinary	83	65
Registered office: 2711 Centreville Road, Suite 400 City of Wilmington, County of New Castle, DE 19808, United States Empresaria USA Inc.	Common Stock	88	88
Registered office: 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808-1674 DE USA Empresaria Americas Services Inc	Common Stock	100	100
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

Notes to the Parent Company financial statements continued

Company	Class of share held	2019 Effective % holding	2018 Effective % holding
Registered office: Floor 6, HD Tower, No 25 Bis, Nguyen Thi Minh Khai Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam Monroe Consulting Group Vietnam Limited Liability Company	Ordinary	100	100
Registered office: Av. Alfredo Benavides No 1551, Office No 901, District of Miraflores, province and dept of Lima, Peru Grupo Solimano S.A.C.	Ordinary	60	60
People Intermediacion S.A.C.	Ordinary	60	60
People Outsourcing S.A.C.	Ordinary	60	60
Solimano Asociados S.A.C.	Ordinary	60	60
Talentos, Servicios & Ingenieria S.A.C.	Ordinary	60	60

* These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December.

The nature of each investment is the provision of staffing services and each entity operates in its country of incorporation.

7 Debtors

As at 31 December	2019 £m	2018 £m
Amounts owed by subsidiary undertakings	3.9	4.0
Other debtors	1.4	1.3
Prepayments and accrued income	0.4	0.7
	5.7	6.0

No amounts are due after more than one year (2018: £nil).

8 Creditors: amounts falling due within one year

As at 31 December	2019 £m	2018 £m
Bank overdraft and loans due within one year	4.4	13.0
Trade creditors	0.1	0.1
Amounts owed to subsidiary undertakings	10.9	5.2
Other creditors	0.1	0.1
Accruals	1.3	1.0
	16.8	19.4

9 Creditors: amounts falling due after more than one year

As at 31 December	2019 £m	2018 £m
Bank loans	10.0	5.0
	10.0	5.0

At 31 December 2019, the UK multi-currency revolving credit facility of £14.0 million, expiring in 2021, had a balance of £10.0 million (2018: £5.0 million). Interest is payable at 1.5% plus LIBOR or EURIBOR. During the year, £4.0m of a potential £5.0m extension to the revolving credit facility was activated, increasing the revolving facility to £14.0m.

The interest rate on the UK bank overdraft was fixed during the year at 1.0% above applicable currency base rates.

As at 31 December	2019 £m	2018 £m
Bank loans		
Repayable within one year	–	–
Repayable between one and two years	10.0	–
Repayable between two and five years	–	5.0
	10.0	5.0

10 Called up share capital

As at 31 December	Number of shares	2019 £m	Number of shares	2018 £m
Issued, allotted and fully paid				
Ordinary shares of 5p each	49,019,132	2.4	49,019,132	2.4

Please see note 23 of the Group accounts for details on the share capital.

11 Contingent liabilities

The Company is part of a bank overdraft arrangement that operates across a number of subsidiaries of the Company. This facility gives the Company greater access to readily available cash resources. Cross guarantees exist between the companies within this facility. The total amount owed by the group under this arrangement as at 31 December 2019 was £4.9m (2018: £3.9m).

12 Related party transactions

Please see note 28 of the Group accounts for details on related party transactions.

Officers and professional advisers

Directors

Rhona Driggs
Tim Anderson
Tony Martin
Penny Freer
Zach Miles

Secretary

James Chapman

Registered office

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Sandy Lane
Crawley Down
Crawley
West Sussex
RH10 4HS

Company registration number

03743194

Nominated Adviser & Broker

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1 Bartholomew Lane
London
EC2N 2AX

Solicitors

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2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Bankers

HSBC plc
West & Wales Corporate Banking
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Independent auditor

BDO LLP
London Gatwick Office
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Registrars

Link Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Glossary

Adjusted earnings per share

Earnings per share adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items, fair value charges on acquisition of non-controlling shares and related tax.

Adjusted net debt

Borrowings less cash and cash equivalents excluding cash held in respect of pilot bonds.

Adjusted operating profit

Operating profit adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items and fair value charges on acquisition of non-controlling shares.

Adjusted profit before tax

Profit before tax adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items and fair value charges on acquisition of non-controlling shares.

Change in constant currency

Year on year movement assessed after converting prior year amounts at the current year exchange rates.

Conversion ratio

Adjusted operating profit as a percentage of net fee income.

Debt to debtors ratio

Adjusted net debt as a percentage of trade receivables.

Free cash flow

Free cash flow measures the amount of cash generated that is available for investing in the business, reducing debt or returning to shareholders. It is measured as the net cash from operating activities per the cash flow statement adjusted to exclude movements in pilot bonds and after deducting payments made under lease agreements.

Free cash (pre-tax)

Free cash flow excluding cash outflows on income taxes.

Managed Service Provider (MSP)

An outsourced agency that manages the staffing requirements of an end client by managing its preferred staffing agencies.

Net fee income

Revenue less cost of sales. Cost of sales includes the remuneration cost of temporary and contract workers and the cost of staff directly providing offshore recruitment services. For permanent placements net fee income is typically equal to revenue with only limited costs of sales in some cases.

Pilot bonds

Pilot bonds are sometimes required by airline clients to be taken at the start of a pilot's contract. These are returned to pilots or paid to clients through the course of the pilot's contract or when it ends in line with the terms of the agreement.

RPO

Recruitment Process Outsourcing is where an employer transfers all or part of its recruitment process to an external provider.

SIA

Staffing Industry Analysts is a global advisor on staffing and workforce solutions and a provider of data and publications related to the staffing industry.

Staff productivity

Net fee income divided by staff costs.

Vendor Management System (VMS)

Technology used by MSPs to enable them to deliver to their end clients. This is used to manage the end-to-end process including the distribution of roles to staffing agencies, collection of candidate submissions, coordination of interviews, job offers, billing and timesheets.

Notes



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