Empresaria Group plc
Annual report and accounts 2011

International Specialist Staffing

About Empresaria

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IBC Officers and professional advisers

Empresaria is an international specialist staffing group. Our companies, each specialising in specific markets or services, operate across the world with representation in 19 countries through over 100 offices. Our service capabilities include temporary and permanent recruitment, Recruitment Process Outsourcing, HR consulting and corporate training.

The strategy of the Group is to develop a diversified multi-sector specialist staffing business, balanced in terms of sectors and geographies, with a focus on high-growth markets. The Group operates through sector-specific brands, with each brand positioned and developed to be a specialist in its own field.

The Group applies a philosophy of management equity to align the interests of shareholders and key management through the sharing of risk and reward by way of equity participation. Group structure is decentralised with local management retaining operational autonomy and responsibility and with central functions focussing on financial planning and control, Group strategic development and administration.

Overview of performance

	2011**	2010**	2009	2008	2007
Revenue (£m)	**208.9**	206.8	190.5	207.7	147.8
Gross profit (£m)	**46.9**	46.5	40.6	51.5	42.4
Profit/(loss) before tax (£m)	**1.9**	6.5	(1.5)	1.3	6.0
Adjusted profit before tax (£m)*	**4.5**	6.6	3.5	6.4	6.2
Operating profit/(loss) (£m)	**2.8**	7.2	(1.0)	2.4	6.7
Adjusted operating profit (£m)*	**5.3**	7.4	4.3	7.5	6.9
(Loss)/earnings per share (pence)	**(0.4)**	7.0	(11.6)	(4.8)	8.4
Adjusted earnings per share (pence)*	**4.0**	6.2	3.1	8.6	9.2
Proposed dividend per share (pence)	**0.35**	0.35	0.35	0.35	0.55

* Figures based on underlying profits excluding amortisation of intangible assets, movements on put and call options and any exceptional items. See reconciliation in note 11.
** The figures for 2011 and 2010 exclude the results from discontinued operations (see note 6 for details).

Highlights

21% growth in permanent revenue

Temporary revenue level with prior year

1% growth in net fee income

Conversion ratio declines to 11.3%

Exceptional provision of £1.7m has been made for potential retrospective claims that may arise as a result of court rulings in Germany, reduced from £3.0m at the half year

Cash generation from operations of £3.9m

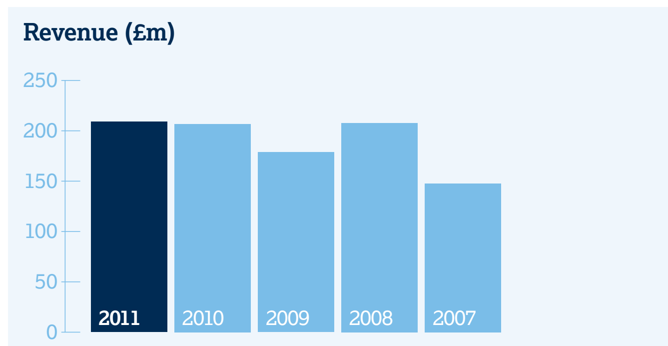
Net debt reduced by £0.5m to £5.6m, after investing £2.1m in working capital and £1.3m on purchasing minority shares

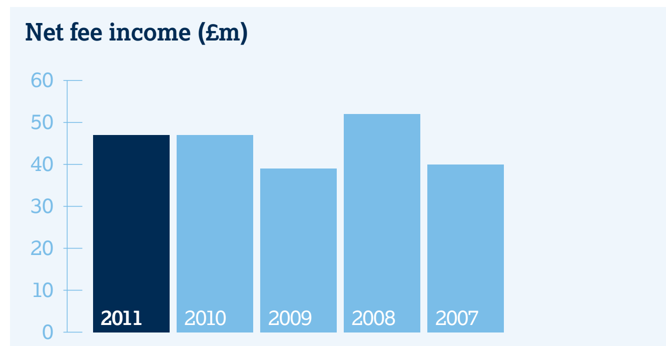
66% of net fee income generated from outside the UK

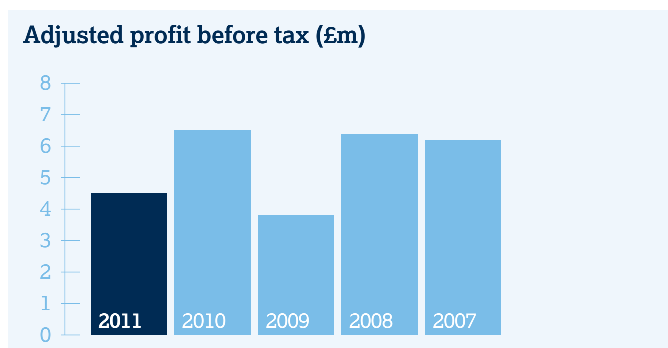
Net fee income growth in two of our regions
- +19% in Rest of the World
- +5% in UK
- -10% in Continental Europe

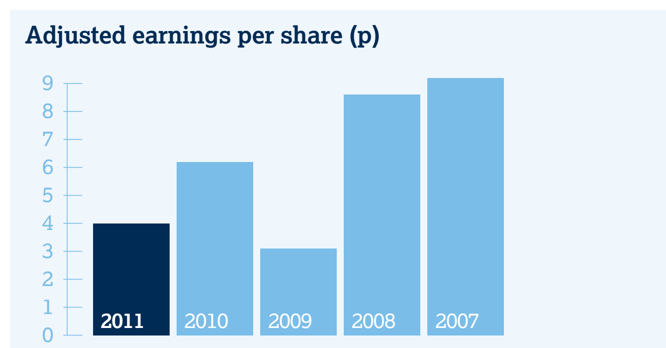
New offices established in Singapore, Australia and China in 2011

New office set up in Hong Kong in financial services sector in 2012









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

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

Empresaria at a glance

An international specialist staffing business

We continue to invest in existing businesses and new opportunities.

Overview

3 Regions of operation

3 2010	3 2009

19 Countries

18 2010	17 2009

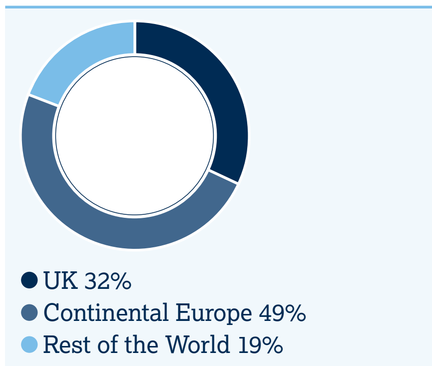
40 Trading companies

38 2010	33 2009

848 Average employees

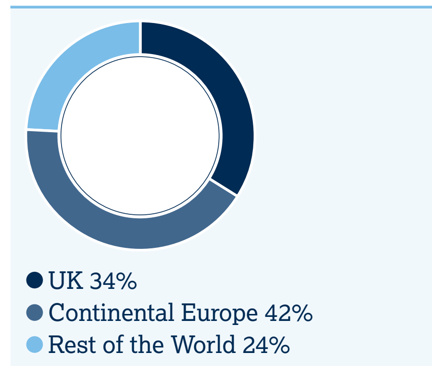
832 2010	763 2009

Group revenue



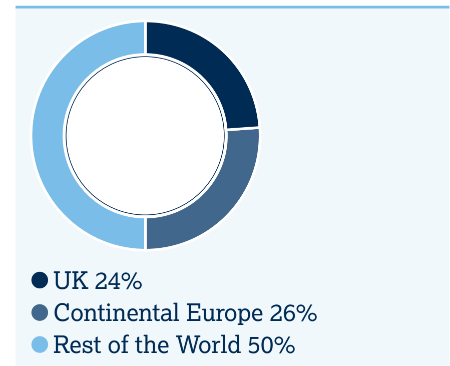
- UK 32%
- Continental Europe 49%
- Rest of the World 19%

Net fee income

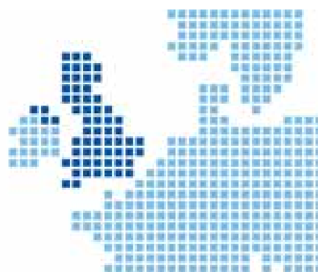


- UK 34%
- Continental Europe 42%
- Rest of the World 24%

Employees



- UK 24%
- Continental Europe 26%
- Rest of the World 50%



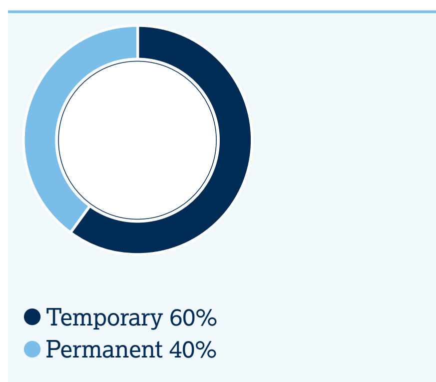
UK

Represents 34% of Group net fee income. Expansion in 2011 has been focussed on brands moving into new territories in Asia, with three brands opening four offices in Singapore and Australia.

Regions of operation
United Kingdom

Key sectors
Creative media
Domestic service
Financial services
Infrastructure & construction
Outsourcing
Retail

Net fee income split



	2011	2010
Revenue (£m)	**67.0**	72.7
Net fee income (£m)	**16.0**	15.1
Adjusted operating profit (£m)	**2.0**	2.0
% of Group net fee income	**34%**	32%
Employees (average number)	**201**	210

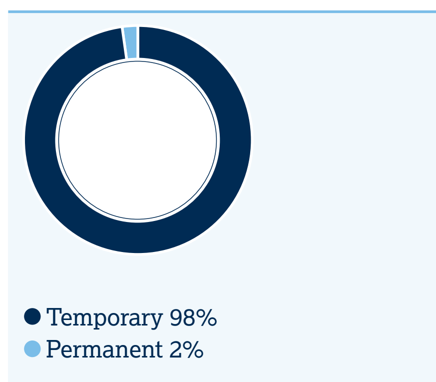
Continental Europe

Represents 42% of Group net fee income. The region is dominated by Germany, being responsible for 86% of net fee income (with Austria). The healthcare business in Finland and Estonia is responsible for 12% of net fee income.

Regions of operation
Austria
Czech Republic
Estonia
Finland
Germany
Hungary
Slovakia

Key sectors
Engineering
Healthcare
IT
Supply chain & logistics
Training services

Net fee income split



	2011	2010
Revenue (£m)	**102.7**	99.5
Net fee income (£m)	**19.7**	22.0
Adjusted operating profit (£m)	**2.2**	3.9
% of Group net fee income	**42%**	47%
Employees (average number)	**221**	212

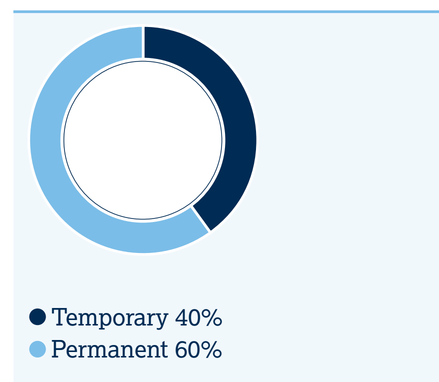
Rest of the World

Represents 24% of Group net fee income, growing from just 11% in 2007. The largest markets in this region are Japan, Indonesia and Chile. In 2011 two Asian brands opened new offices in Singapore and a new company was set up in China.

Regions of operation
Australia
Chile
China
Hong Kong (from 2012)
India
Indonesia
Japan
Malaysia
Philippines
Singapore
Thailand

Key sectors
Creative media
Executive search
IT
Outsourcing
Retail
Training services

Net fee income split



	2011	2010
Revenue (£m)	**39.2**	34.7
Net fee income (£m)	**11.2**	9.6
Adjusted operating profit (£m)	**1.1**	1.5
% of Group net fee income	**24%**	21%
Employees (average number)	**426**	409

Chairman's statement

Resilience despite results being overshadowed by Germany

While our overall performance this year did not meet our expectations, we have nevertheless shown resilience through our business model and see encouraging opportunities for growth.

Anthony Martin
Chairman

Overview of performance in 2011

The UK and Rest of the World regions grew net fee income by 5% and 19% respectively. However, the Group as a whole experienced a 1% growth in revenue and net fee income, with adjusted profit before tax down 32% to £4.5m and adjusted EPS down 35% to 4.0p. The major reason for this was lower profits in Germany, where the adoption of new collective bargaining agreements, following court rulings, required us to increase the pay rates for some of our temporary workers and to incur significant legal fees. This has had a negative impact on margins and while we have seen an improvement in gross margin over the second half of the year, it still remains below historic levels. We have obtained greater clarity on the potential exposure against retrospective pay claims from temporary workers and social security contributions in relation to these court rulings. This has lead us to reduce the provision that we made at the half year of £3.0m to £1.7m at the year end, reflecting the lower expected exposure.

The year also saw the terrible earthquake and tsunami in Japan which resulted in the Japanese economy entering into recession by the end of the year. We are thankful that all of our staff were safe and the strong leadership exhibited by our local management teams helped both our businesses to achieve comparable profits with the prior year.

We have continued to reduce our reported net debt, which was down to £5.6m at year end (2010: £6.1m), despite further investment in working capital to support the revenue growth and set up of new offices in the Rest of the World region. This investment has seen four of our existing brands establish themselves in new markets during the year and demonstrates our continued commitment to generate organic profit growth from our existing Group.

Board

As reported at the half year, Miles Hunt has decided to leave the Group to pursue other opportunities. He ceased to be the Chief Executive Officer as at 31 December 2011, but remains on the Board until 31 March 2012 as a Non-executive Director. He has overseen a smooth transition to Joost Kreulen, who became Chief Executive Officer on 1 January 2012.

Joost has been with the Group since 2009, initially responsible for our Asian operations and more recently also for a number of our UK based businesses. Prior to joining Empresaria Joost was head of specialist staffing operations for Vedior in the Netherlands as well as being responsible for business development within Northern Europe and Germany.

The Board would like to thank Miles for his enormous contribution to the development of Empresaria since formation in 1996, during which time the Group has grown from a start up in one office, armed only with a management philosophy and a vision for growth, into a specialist staffing group stretching across 19 countries.

People

The number of people working within the Group fell to 803 at the end of 2011, down from 883 the previous year. The average number of staff throughout the year was 848, up from 832 in the previous year. The lower number at the year-end reflects the loss of 85 staff from businesses that were disposed of during the year. Empresaria's success is largely dependent on the efforts and contribution of its people and the Board would like to thank them for all of their hard work in the year.

Dividend

The priorities for our free cash flow remain to invest in developing our business and to strengthen our balance sheet, while supporting a sustainable dividend policy. For the year ended 31 December 2011, the Board is proposing to maintain a dividend of 0.35p per share (2010: 0.35p per share) which, if approved by shareholders at the Company's Annual General Meeting, will be paid on 16 July 2012 to shareholders on the register on 15 June 2012.

Governance

Development and delivery of Group strategy must be supported by sound corporate governance practices that are appropriate to the size and philosophy of the Group. Since the Group moved to AIM in late 2004, strategic development has lead to an increase in the size and spread of the Group, in terms of both sector and geography, with a focus on developing staffing markets and emerging economies.

Underpinning Group strategy we continue with the philosophy of management equity, with operating company management teams investing directly in their own businesses thereby aligning management and shareholder interests. The increased size and spread of the Group, together with the philosophy of management equity, has required the development and provision of a sound corporate governance framework. The Board continue to develop and enhance the Group's corporate governance arrangements in line with the principles of the UK Corporate Governance Code, balancing the need to operate the Group in an efficient, effective and ethical manner whilst allowing entrepreneurial management teams to operate to deliver the strategic goals of the Group. Further details on the corporate governance arrangements the Group has implemented can be found in the Corporate Governance sections of this report.

We were delighted to receive external recognition for the communication of our corporate governance reporting, winning the 2011 ICSA Hermes Transparency in Governance award for best annual report in the AIM/small cap companies category.

Current trading and outlook

Global economic conditions remain uncertain and while we continue to see generally good candidate and client demand, confidence is fragile and necessitates a cautious approach, especially in the UK and Continental Europe. The Group trades in many emerging markets across the world and we see opportunities for organic growth across these regions and expect to see improved returns for the year ahead.

Anthony Martin
Chairman
20 March 2012

The ICSA Hermes Transparency in Governance Awards, now in their third year, are an initiative launched by ICSA in partnership with Hermes Equity Ownership Services.

"We are delighted to have won the award for best small cap and AIM report for 2011."

Anne-Marie Clarke
Company Secretary

Our strategy

Focus on organic growth

We are looking to develop our existing operations to deliver improved performance through strong management and expansion into new geographies and markets where the opportunities arise.

Vision

Our vision remains to build an international specialist staffing group, delivering a quality service to our customers and a market leading return to our investors, through sustainable growth in adjusted earnings per share.

Strategy

Our strategy defines how we plan to achieve our long-term vision. It also represents the principles and commercial context for our management teams to follow.

Our strategy is to continue to develop an international, multi-sector specialist staffing group, balanced both in terms of sector and geographic coverage, with an investment focus on both developing staffing markets and emerging economies. We believe in a multi-branded approach and look to retain a high temporary recruitment focus to minimise potential volatility throughout the economic cycle.

Our strategy is underpinned by the philosophy of management equity, with senior management in our operating companies investing directly in their own businesses, thereby aligning management and shareholder interests.

Objectives

In the short-term we are committed to delivering organic growth from our existing operations, through continued investment in our management teams and selective investments in new offices to develop our brands through international and national expansion. This allows us to leverage the proven management experience within our leading operations.

We believe there are many opportunities for growth within our Group and it is important that the acquisitions made and the seed capital invested over the last five years demonstrate the ability to deliver profitable returns and growth.

The Group has come a long way since moving to AIM in 2004, when it was a 100% UK based business. However, we recognise that the balance of operations from both a geographic and sector basis requires further investments to deliver on our strategy. The Board has not ruled out more acquisitions and see this as an important part of the future development of the Group. However, the main focus over the next year is to further establish our brands and management teams to ensure they deliver in line with our expectations and their potential.

The Group's net debt has reduced again in the last year and now stands at £5.6m. It is important that the overall debt levels remain appropriate to the size of the Group's debtors. Debt finance remains important to a group of our size, especially for those businesses with a focus on temporary recruitment, but we will continue to target further reductions in net debt.

Strategic focus

Balanced growth and managed risk (accelerate growth but reduce risk)

Diversification by geography and sector

Specialist staffing rather than generalist

Operational mix – temporary focus to minimise volatility

High growth markets – developing staffing markets or emerging economies

Multi-branded rather than single brand

Focus

The focus remains on delivering growth in net fee income across all regions. We also want to increase the conversion ratio to ensure that any growth is profitable and generates improved returns in EPS. We also focus on improving cash generation to reduce overall net debt, but in the context of investing in the business through working capital, investing in new opportunities and purchasing minority shares.

We look to reduce volatility from sector or economic issues by diversification. In geographic terms we have moved away from being a historic UK-based business. Within our sectors we are looking to target growth from highly skilled, professional and white collar sectors and reduce exposure to blue collar or low skilled sectors.

The Group is focussed on developing strong specialist staffing brands. Specialist staffing operations generally benefit from higher margins and higher growth opportunities. Our clients also benefit from our sector experience and knowledge which helps us provide a better quality and value added service.

Whilst we have a strong permanent recruitment presence, our key focus as a Group is on temporary recruitment as this is expected to be more stable throughout the economic cycle and has been the driver of long-term growth in the industry.

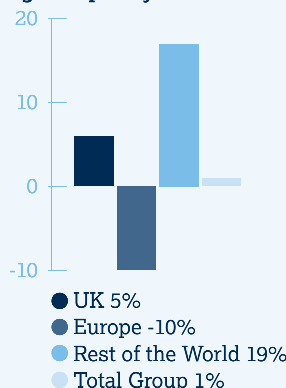
We have developed our international presence to benefit from the higher growth opportunities from emerging economies and developing staffing markets stimulated by structural change. We will continue to look for opportunities in higher growth markets where the Group is currently not, or under, represented.

In order to maximise the opportunities in our market, we follow a multi-branded strategy. This promotes a more market lead focus in our brands which helps them to customise solutions for their individual markets. By retaining a specialist focus they build expertise and reputation in their specific areas.

Update

This year has seen a decline in profitability as the Group has suffered from one-off market issues in Germany. Outside of Continental Europe, we have seen growth in net fee income in the UK and Rest of the World, although start-up costs for new offices in Asia have negatively impacted on profits.

Net fee income growth against prior year

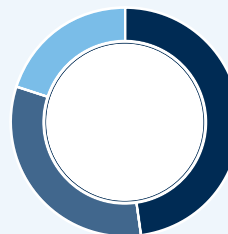


- UK 5%
- Europe -10%
- Rest of the World 19%
- Total Group 1%

Conversion ratio declined to 11.3% (2010: 15.9%)

Currently 66% of net fee income is earned outside of the UK (2010: 66%). The share from the Rest of the World has increased from 11% in 2007 to 24% in 2011.

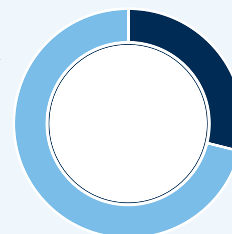
Net fee income by sector



- Technical 48% (2010: 56%)
- Professional & Financial services 32% (2010: 25%)
- Specialist other brands 20% (2010: 19%)

Generally there is a higher proportion of net fee income from permanent recruitment in South-East Asia as the temporary recruitment markets are less well developed and salary levels are generally lower.

Net fee income split



- Permanent recruitment 29% (2010: 26%)
- Temporary recruitment 71% (2010: 74%)

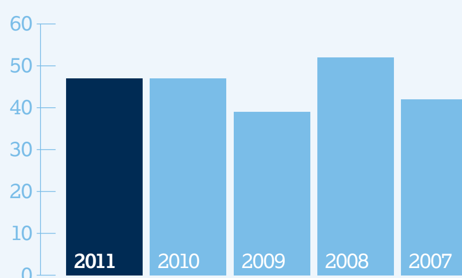
Investments have been made in new offices and infrastructure in 2011 in Singapore (re-entered the market), Australia and China. In 2012 we have opened our first office in Hong Kong.

We look to introduce our brands into new markets to benefit from growth opportunities whilst utilising the sector experience and management expertise already built up. We will continue to look to develop our brands in this way together with exploring opportunities for brands to move into new sectors.

Key performance indicators

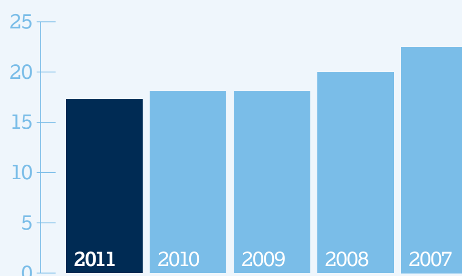
Net fee income
Comprises gross revenue minus temporary payroll costs and other costs of sales, measuring the profit generated directly from the trading activities.

Net fee income in 2011 was £46.9m (+1% on 2010) as growth from permanent revenue was offset by reduced margins and flat temporary revenue.



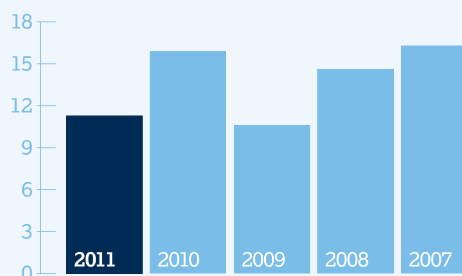
Temporary margin
The Group has a high operational mix towards temporary recruitment which represents 71% of Group net fee income (2010: 74%).

The temporary margin in 2011 was 17.3% (down on 2010 of 18.1%), reducing mainly from margin pressures in Germany. Excluding Continental Europe, the temporary margin would have been 15.4% (2010: 14.1%).



Conversion ratio
The conversion ratio shows the efficiency of managing the cost base and investment spend as it measures the adjusted operating profit as a percentage of net fee income and reflects how much of the net fee income generates profit.

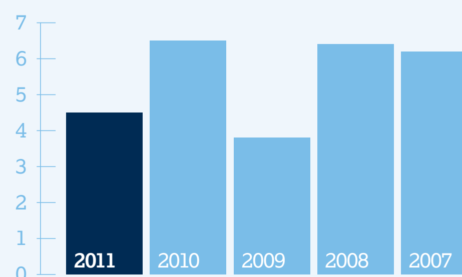
In 2011 the conversion ratio was 11.3%, down from 15.9% in 2010, as costs increased at a greater rate than net fee income.



Adjusted profit before tax
The adjusted profit before tax measures the operating return from the business, after financing costs. The adjusted measure excludes exceptional items, movements in the value of put and call options and amortisation of goodwill.

Adjusted profit before tax in 2011 was £4.5m (down 32% on 2010).

See note 11 for details.

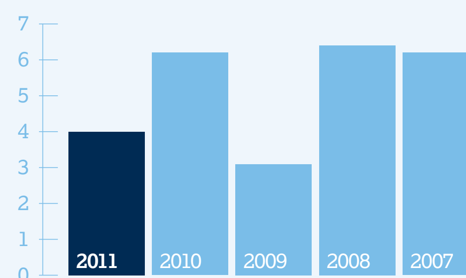


Adjusted EPS

This measures the return to shareholders after the impact of tax and the share of minority interests. The Group's key objective is to see sustainable growth in earnings for shareholders.

Adjusted EPS in 2011 was 4.0p (down 35% on 2010) reflecting the lower trading profits and high effective tax rate.

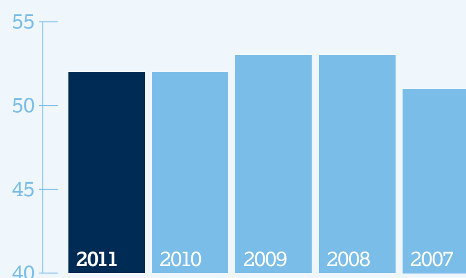
See note 12 for details.



Average debtor days for year

This shows how efficient the Group is at collecting its sales from customers and this has a direct impact on the funding of working capital for a growing business.

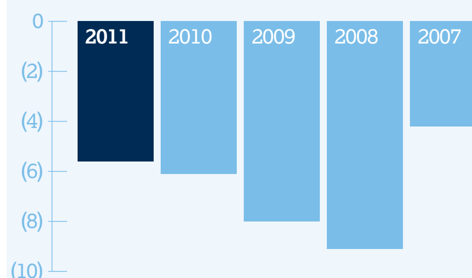
Group average debtor days at the end of 2011 were 52, in line with 2010.



Net debt

The Group is in an overall net debt position and this must be managed to reduce interest costs and allow the business the funds for development activity.

Group net debt was £5.6m at the end of 2011 (down £0.5m from £6.1m at the end of 2010).



Chief Executive Officer's business review

A sound strategy

Despite the setbacks in Germany, we are confident that our strategy and business model will deliver growth into the long-term.

Joost Kreulen
Chief Executive Officer

Introduction

This is my first set of results as Chief Executive Officer, which I became with effect from 1 January 2012. I initially joined Empresaria at the beginning of 2009 with a focus on the Asia region only. Since assuming the role of CEO I have had the opportunity to extend my knowledge of the Group across all of its regions and to work closely with all of our businesses. I am encouraged by the management strength throughout our regions and I believe this will help us deliver good organic growth.

Group results overview

The Group generated revenue of £208.9m, an increase of 1% over the prior year and net fee income (gross profit) of £46.9m, also up 1% on 2010. Within this, performance across our operating regions was variable, reflecting their different market conditions during the year.

In the Rest of the World region revenue grew by 13% to £39.2m (2010: £34.7m) and net fee income grew by 19% to £11.2m (2010: £9.4m). Our Asian and South American businesses continued to improve their gross profit contribution to the Group with good performances from Indonesia, Thailand and Chile in particular. This region was the main focus for expansion in the year, with new offices and branches opened in Singapore, Australia and China across six of our brands. The economic conditions in this region are generally more positive than in Europe and we see further opportunities for growth. In March 2011 Japan suffered from a natural disaster with an earthquake and resulting tsunami having a devastating effect on the country. Despite this, our two businesses performed very well with revenue and net fee income growth year on year and adjusted operating profit level with 2010. In total the adjusted operating profit for the region was down on the prior year at £1.1m, mainly due to the significant investment in setting up the new offices.

In the UK revenue was down 8% to £67.0m (2010: £72.7m) but net fee income was up 5% at £16.0m (2010: £15.2m). As highlighted last year, our infrastructure and construction operations are moving away from lower margin contracts to focus on more value added and higher margin business. Adjusted operating profit was £2.0m, level with 2010, following increases in staff costs and bad debts.

In Continental Europe, revenue increased by 3% to £102.7m (2010: £99.4m), but net fee income declined by 10% to £19.7m (2010: £21.9m). The operations in Continental Europe are primarily temporary staffing and heavily weighted to Germany and Austria, which together represent 86% of the regional net fee income. The reduction in profit is mainly due to the lower margins in Germany resulting from the change in pay tariffs for temporary workers following the legal ruling at the end of 2010 relating to certain collective bargaining

agreements. These costs were not able to be fully passed on to clients or offset through cost savings elsewhere and, while margins improved in the second half of the year, they are still below historic levels. We saw improved results in our healthcare business in Finland, however, overall adjusted operating profit for Continental Europe declined to £2.2m (2010: £3.9m).

Overall Group gross margin was 22.5%, the same as last year, with a 21% increase in permanent revenue helping to offset flat temporary revenue and a reduced temporary margin of 17.3% (2010: 18.1%). Permanent sales contributed 29% of the Group net fee income (2010: 26%).

Cash generated from operations in the year was £3.9m (2010: £8.3m). After accounting for tax and interest, the Group generated free cash flow (being net cash from operating activities) of £1.2m (2010: £5.1m), with £2.0m used to acquire equity held by management in subsidiary companies and fixed assets and £0.3m to pay dividends to shareholders and to holders of minority shares in subsidiaries. There was a cash inflow of £1.0m from disposal proceeds. Group net debt at the year-end was £5.6m (2010: £6.1m).

Priorities

There are some clear immediate priorities; improving the margins in Germany and ensuring that the lower profit businesses and the investments made in 2011 deliver growth and increased profit for 2012 are the key focus areas for the whole management team. While we remain open to external investment opportunities, we do expect to focus on our existing operations over the next year.

Business development

The Group has continued to invest in new geographic markets as part of its diversification strategy. With the help of the hub concept in Singapore, four brands are now established in this market and are expected to make a positive contribution to profits in 2012. We have also invested in new branches in China and Australia. In January 2012 we opened our first office in Hong Kong, focussing on the financial services sector.

We continue to position the Group to increase our exposure to white collar and professional recruitment and to improve conversion ratios and working capital efficiency. In the first half of the year we disposed of our interest in a primarily blue collar UK logistics operation to its management team and in the second half of the year we sold our Indonesian payroll outsourcing business to an Australian trade buyer. These transactions have removed low margin, low profit businesses from the Group, generated cash proceeds of £1.0m and reduced our exposure to overseas debt finance.

Business overview

The principal activity of the business is the provision of recruitment services on a permanent and temporary contract basis in the regions of the UK, Continental Europe and Rest of the World (comprising Asia Pacific and South America). Activities also include Recruitment Process Outsourcing, HR consulting and training services.

Organisational structure

The Group has a small central team, mostly based at the head office in Crawley, which has a focus on finance, legal & company secretarial matters and strategic oversight. The Group is divided into three key reporting regions of UK, Continental Europe and Rest of the World, with each region overseen by a Regional director. I have retained the operational responsibility for the UK and Rest of the World regions for now as I believe it is important to maintain regular contact with the operating managers and, in a people business such as this, it is the only way to understand the issues and opportunities within each business. The day to day running of the Group is delegated to an executive committee of the Chief Executive Officer, Group Finance Director and Regional director for Continental Europe (the Board of Management).

Operational culture

The Group operates with a decentralised structure, with high levels of local commercial autonomy for the managing directors of the operating companies, who are encouraged to develop their businesses to deliver organic growth, within the overall framework of central financial controls and reporting requirements and sound corporate governance. The operating companies are run by locally based managers who have the knowledge and experience of their markets and so are able to react quickly to changes as they occur.

The core philosophy of the Group is for senior managers to take an equity holding in their companies, to align their interests with shareholders through the sharing of the risks and rewards of equity participation. We believe this is a strong incentive for them to grow their businesses and to see a long-term future within the Empresaria Group, while providing them with the support and investment to allow them to realise their ambitions.

We organise a leader's conference every eighteen months for our operating managing directors and central management which provides the opportunity to update everyone on Group matters, to introduce new business ideas and opportunities from around the Group and to allow everyone to network in an informal setting. The last conference was held in Thailand in November 2011 and was a great success.

Chief Executive Officer's business review

Driving organic growth

Our drive for organic growth is focussed on the development of strong international brands.

McCall

Locations: UK, Australia, Singapore
Sector: Recruitment to recruitment

McCall was first established in 1992 and helps find candidates for recruitment companies, from junior consultants to board positions. McCall has operated internationally since 2006 through a dedicated UK team, but in 2011 it opened two new offices, one in Singapore (to target the South East Asia and Far East markets) and the other in Sydney (to target the Australia and New Zealand markets).

www.mccall.co.uk

Become

Locations: UK, Australia
Sector: Creative Design

Celebrating 15 years of operations in the UK in 2012, Become launched its second Australian office in Melbourne in 2011, to complement its existing business in Sydney, which opened in 2007. Become places candidates into the creative industry, such as creatives, designers, digital experts, artworkers, studio managers and account managers.

www.becomeuk.com
www.becomemelbourne.com.au

Learning Resources
Locations: Indonesia, Singapore
Sector: Training services

Learning Resources is one of the leading training providers in Indonesia, where the business has developed and grown. Serving all business sectors, Learning Resources opened a new office in Singapore in 2011 and has also begun supplying e-learning materials to Empresaria's Malaysian subsidiary. The services offered include classroom training, e-assessments, e-learning, video training, ROI measurement and training reinforcement tools.

www.learningresources.co.id

Monroe Consulting Group
Locations: Indonesia, Thailand, Philippines, Singapore
Sector: Executive search

Monroe has been operating in Thailand since 2002, in Indonesia since 2005, in the Philippines since 2007 and opened a new office in Singapore in 2011. It focuses on executive jobs and candidates across South East Asia, with sector specialists in banking and finance, consumer goods, industrial and technology.

www.monroeconsulting.com

LMA Recruitment
Locations: UK, Singapore, Hong Kong
Sector: Financial services

LMA has been operating in London since 1999, but has expanded internationally over the last year, starting in Singapore in 2011 and recently in Hong Kong at the beginning of 2012. LMA services the financial services sector, with specialist divisions covering banking, secretarial, human resources and risk and compliance.

www.lmarecruitment.com

Chief Executive Officer's business review
Regional review

UK
Operating performance

£m	2011	2010
Revenue	**67.0**	72.7
Net fee income	**16.0**	15.2
Adjusted operating profit	**2.0**	2.0
% of Group net fee income	**34%**	33%

Revenue decreased by 8% to £67.0m (2010: £72.7m), with a 12% increase in permanent revenue being offset by a 9% reduction in temporary revenue. Despite this, net fee income grew by 5% to £16.0m (2010: £15.2m) helped by the temporary margin improving by 2% on 2010. The reduction in revenue was largely as a result of our infrastructure and construction operations targeting higher margin and more value added contracts and reducing its exposure to the higher volume, low margin, highly competitive contracts, which also typically have longer payment terms. Overall UK gross margin increased to 24% (2010: 21%). Temporary staffing accounted for 60% of net fee income (2010: 64%) reflecting the improved permanent market. Adjusted operating profit of £2.0m was level with the prior year.

The market conditions were good in the first half of 2011, but growth rates slowed in the second half and in particular in the final quarter. However, net fee income grew each quarter against 2010.

Our Infrastructure and Construction businesses experienced lower temporary revenue, albeit at higher margins, and an increase in permanent revenue, so delivering an improved net fee income. Costs increased due to staff costs and bad debts. The outlook for publicly sponsored infrastructure projects appears to be improving and the new regional and airport offices performed well in the year.

In Financial services, revenues grew again, in particular from permanent positions. Competition is strong in this market and this is keeping temporary margins in line with the prior year. The outlook for the sector is cautious, given the ongoing Euro crisis and potential impact on the banking industry. The LMA Recruitment brand expanded into Singapore in 2011 and more recently opened an office in Hong Kong, to help deliver growth outside of the London market.

Within our Other brands category we have experienced mixed performances, with improved results in particular from our creative and retail brands and investment in our domestic services brand. However, the recruitment-to-recruitment business, McCall, experienced slow market conditions, especially in the second half, as a number of recruitment companies ceased investing.

In May 2011 the Group disposed of its UK Supply Chain business operated by The Logistics Network Limited and More Driving Limited to a management lead team. This was a low margin and low profit operation which was exposed to the fragile UK retail sector. The transaction resulted in a loss on disposal, largely due to the write off of goodwill but did generate cash inflow for the Group of £0.2m in the year, with a further £0.1m due by the end of 2014.

Continental Europe
Operating performance

£m	2011	2010
Revenue	**102.7**	99.4
Net fee income	**19.7**	21.9
Adjusted operating profit	**2.2**	3.9
% of Group net fee income	**42%**	47%

Revenue grew by 3% to £102.7m (2010: £99.4m) but there was a decline in net fee income of 10% to £19.7m (2010: £21.9m). There has been pressure on margins across the region, with gross margin falling to 19% (2010: 22%). While cost savings were achieved, these were not sufficient to offset the fall in gross profit, resulting in adjusted operating profit of £2.2m (2010: £3.9m).

The German economy has been the most resilient in Europe and currently enjoys historically low unemployment rates. However, we were not able to benefit fully from this during 2011. Revenue in Germany was slightly down against 2010 but the pressure on margins resulted in significantly lower net fee income. This decline is a result of changes required to the pay tariffs used for our temporary workers in Germany, following a legal ruling at the end of 2010 relating to certain collective bargaining agreements. Many temporary workers have received an increase in pay and it was not possible to fully pass this on to all of our customers in the year. The total impact of the reduced margins, together with unplanned legal costs amounted to £2.6m lower profits when compared with 2010. There was an improvement in gross margin in the second half of the year, but it remains below historic levels and further action is ongoing, as a management team priority, to improve this position.

As a result of the legal challenge against certain collective bargaining agreements some of our German operations may be subject to retrospective pay claims and social security contributions. At the half year we recognised a provision for £3.0m as a best estimate of these potential costs. Since then we have received the audit results from the social security agency for the majority of our branches which provides a clearer estimate of their maximum claim and the likely timing for making payments to them. With this and an updated estimate of potential claims from workers for retrospective pay, at year-end we are recognising a reduced total provision of £1.7m, which we believe is sufficient to cover any potential liabilities from this issue albeit there remains some uncertainty as to the final outcome. It should be noted that the legal position in relation to the validity of retrospective claims is still subject to further court rulings. We have registered objections against the social security claims to protect our position in the event of a positive court ruling in the future.

As announced on 13 March 2012, since the year-end we have appointed a new managing director for our German business. We have reached an agreement with the previous managing director, who is a minority shareholder in the business, to re-structure the timings of the put and call options over his minority shares. We have agreed to purchase 6.7% of the shares in the German business from him for Euro 1.3m and have call options over the remaining 13.3% of the shares in the German business not already owned by us, which are exercisable through to January 2014.

Our healthcare staffing operations, based in Finland and Estonia, performed well again in 2011, with high revenue and net fee income growth. However, there was a reduction in margins due to both an investment in new dental clinics and a correction to the tax treatment of certain benefits provided to candidates. This resulted in an exceptional charge of £0.3m for one-off historic costs which, together with other non-recurring costs in the year, resulted in a lower increase in operating profit than in gross profit. The structural shortage of healthcare staff in Finland is expected to continue for the foreseeable future, so providing opportunities for the business to continue to grow.

Our specialist businesses in Czech Republic and Slovakia saw good growth in revenue and net fee income, following improving economic conditions and must now start delivering profitable growth.

Chief Executive Officer's business review
Regional review

Rest of the World
Operating performance

£m	2011	2010
Revenue	**39.2**	34.7
Net fee income	**11.2**	9.4
Adjusted operating profit	**1.1**	1.5
% of Group net fee income	**24%**	20%

Revenue grew by 13% to £39.2m (2010: £34.7m) and net fee income grew by 19% to £11.2m (2010: £9.4m). This region has been the fastest growing again this year and now represents 24% of the Group net fee income. Permanent revenue grew by 27% and temporary revenue grew by 10%, with temporary margins also improving over the prior year. Permanent recruitment, which includes the training and Recruitment Process Outsourcing ("RPO") businesses in Indonesia and India respectively, contributed 60% of net fee income. Temporary recruitment revenue is primarily delivered from our businesses in Chile, Japan and Australia. The investment in new offices in Singapore, China and Australia had a negative impact on profit of approximately £0.6m, which is the main factor for the decline in adjusted operating profit to £1.1m (2010: £1.5m).

In Japan our operations were disrupted by the earthquake and tsunami in March 2011 and the resulting radiation scare, which stopped temporary workers from being able to work and slowed down the recruitment process across the country. Despite this, our businesses demonstrated resilience with revenue and net fee income growth. Profit was delivered at the same level as the prior year.

Within the South East Asia region we have seen continued strong growth in revenue and net fee income, although operating profit was down as a result of the investments in new office openings. There were particularly good performances from Indonesia and Thailand and the new operations in Singapore established themselves with good teams of consultants. The floods that paralysed large parts of Bangkok in the last quarter of 2011 had short-term timing issues for our business but we do not expect any more disruption from this in 2012.

In the second half of the year we disposed of our payroll outsourcing business in Indonesia to an Australian trade buyer. This was a low margin and low profit business that required a high level of working capital financing, and while it resulted in a marginal accounting loss on disposal, it generated cash proceeds of £0.8m, with a further £0.1m paid by the end of February 2012. Following this transaction our Indonesian businesses still represent 6% of the Group's net fee income.

In India revenue was flat year-on-year but profitability was down due to the need to restructure the business following the loss of a key client in the RPO operation. There is also an exceptional provision of £0.2m in relation to a long-running historic contractual dispute. Aside from this there was good growth in other parts of the business, especially with outsourcing operations to US clients and in the global candidate sourcing division.

In China there has been a growth in profits due to a higher proportion of permanent recruitment. Investment has also been made in a new business which focuses on the recruitment process from a candidate perspective rather than the traditional company focus. This business is becoming well established and is expected to deliver good returns over the next few years.

In South America, our outsourcing business in Chile had good revenue and profit growth, after recovering from the market disruption in 2010 caused by the earthquake. Gross margin has improved, and remains a key area of focus.

Joost Kreulen
Chief Executive Officer

Finance review

Spencer Wreford
Group Finance Director

Revenue and gross profit

Revenue for the year was £208.9m (2010: £206.8m), a 1% increase. Gross profit also increased 1% to £46.9m (2010: £46.5m). Gross margin was 22.5% (2010: 22.5%) as an increase in permanent revenue was offset by a lower temporary margin. Permanent sales grew by 21% and accounted for 29% of the gross profit (2010: 26%). Temporary revenue was level with 2010, but the margin reduced to 17.3% (2010: 18.1%).

The proportion of gross profit from non-UK operations increased slightly to 66% (2010: 65%). On a constant currency basis, gross profit would have been level with 2010.

Group trading summary

From continuing operations	2011 £m	2010 £m	% change
Revenue	**208.9**	206.8	1%
Gross profit	**46.9**	46.5	1%
Administrative costs	**(41.6)**	(39.1)	6%
Adjusted operating profit*	**5.3**	7.4	(28%)
Net interest payable and receivable	**(0.8)**	(0.9)	11%
Adjusted profit before tax*	**4.5**	6.6	(32%)
Operating profit	**2.8**	7.2	(61%)
Profit before tax	**1.9**	6.5	(71%)

* The adjusted operating profit and adjusted profit before tax figures exclude exceptional items, intangible amortisation and movements in the values of put and call options.

Operating profit

Administrative costs increased by 6% to £41.6m, mostly due to higher staff costs and bad debts. Costs in the UK were broadly level with the prior year, in Continental Europe were down year-on-year, especially for commissions, but were 19% higher in the Rest of the World through staff costs and rent. This increase in the Rest of the World included the investment in new offices in the year. Adjusted operating profit was £5.3m, down 28% on the prior year. The conversion ratio of 11.3% was also down from 15.9% in 2010.

Operating profit, after intangible amortisation and exceptional costs was £2.8m (2010: £7.2m).

Finance income and costs

Finance income was £0.6m (2010: £0.4m). Bank interest income was £0.1m (2010: £0.1m). Finance costs were £1.5m (2010: £1.1m). Interest payable on invoice discounting and bank loans and overdrafts was £0.9m (2010: £1.0m). There was a net loss of £0.1m from the movement in the fair value of put and call options over minority shares in Group companies (2010: £0.2m gain).

Finance review
continued

Exceptional charges

International Financial Reporting Standards (IFRS) require that items of income and expenditure that are material in terms of their nature or amount should be disclosed separately. Such items have been disclosed as exceptional charges in these accounts. The total provision is £2.2m (2010: nil) and is made up of three items. Firstly is the provision of £1.7m against potential liabilities to social security and worker claims in Germany following court rulings on the validity of certain collective bargaining agreements. There is also a provision of £0.3m for social security and tax penalties on historic benefits provided to candidates in Finland. Finally there is a £0.2m provision in India arising from a long running dispute with a former client over the basis for charging fees for work performed.

Taxation

The total tax charge in the year is £1.1m (2010: £2.1m) representing an effective tax rate of 58%. Against the adjusted profit before tax and after excluding the tax on the exceptional provisions the effective tax rate reduced to 36%. This is relatively high because of a combination of prior year tax charges, no tax benefit on certain accumulated losses and non-deductible costs in the year. The profits earned by the Group are subject to different tax rates in the countries in which the Group operates.

Discontinued operations

On 20 May 2011, the Group disposed of the trade and assets of the Supply Chain business in the UK. A loss of £0.2m arose on the disposal, being the carrying amount of net assets transferred and attributable goodwill. Consideration received was £0.2m with deferred consideration of £0.1m receivable through to 2014.

On 15 July 2011 the Group disposed of Advanced Career Indonesia (ACI) in Indonesia. There was a £0.1m loss on disposal after the write off of attributable goodwill and carrying value of net assets. Consideration received was £0.8m, with a further £0.1m received after year-end.

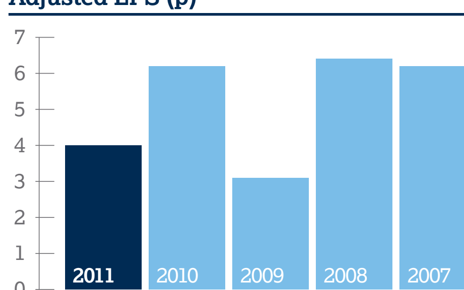
Both of these have been accounted for as discontinued operations.

Loss/earnings per share

Basic loss per share from continuing and discontinued operations in the year ended 31 December 2011 was 0.4p (2010: earnings of 7.0p).

The Group achieved adjusted earnings per share of 4.0p (2010: 6.2p). This measure excludes exceptional items, intangible amortisation and fair value movements on put and call options and provides a better understanding of underlying trading.

Adjusted EPS (p)



There were no movements in the number of shares in issue during the year. However 1.2m share options were issued to the Executive Directors. The dilution effect of these share options was insignificant in the year.

Dividend

During the year the Group paid a dividend of £0.2m in respect of the year ended 31 December 2010, amounting to 0.35p per share. For the year ended 31 December 2011 the Board is proposing a dividend of 0.35p per share, which if approved by shareholders at the Annual General Meeting, will be paid on 16 July 2012 to shareholders on the register on 15 June 2012.

Treasury

The Group maintains a range of facilities appropriate to manage its working capital and medium-term financing requirements. At the year-end the Group had banking facilities totalling £29.8m (2010: £30.1m) of which £6.3m was undrawn (2010: £4.2m).

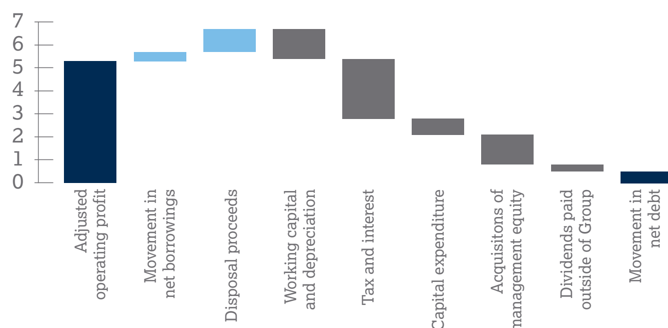
Bank facilities at 31 December	2011 £m	2010 £m
Overdrafts, loans and other bank debt	17.0	16.5
Invoice financing facilities	12.8	13.5
Other debt	–	0.1
	29.8	30.1

The Group renewed its bank facilities in March 2011. The revolving credit facility has reduced to £6.25m from £7.25m and is for a 5 year term. A new amortising term loan of £3.0m has been secured for 5 years, in addition to the remaining balances of the current term loans which continue to amortise on the same basis as before. The overdraft facilities have increased from £4.8m to a maximum of £6.1m. The Sterling overdraft facility is phased over the calendar year, starting at £4.0m until the end of July, reducing to £3.0m until the end of September and then reducing to £2.0m over the remainder of the year. This is designed to match the Group's funding requirements which typically are greater in the first half of the year. The overdrafts are renewable annually and were last renewed in February 2012.

Cash flow

Net borrowings decreased by £0.5m in the year to £5.6m at the end of the year (2010: £6.1m). There was a cash outflow on working capital of £2.1m and £1.3m on acquiring minority shares in Group companies. Tax payments were £1.8m with further cash outflows of £0.7m on capital expenditure, £0.8m on net interest costs and £0.3m on dividends, of which £0.1m was paid to minority shareholders and £0.2m was paid to Group shareholders. Against this there was a cash inflow of £1.0m from the disposal of Group businesses.

Cash flow bridge (£m)



Bank facilities

Group net debt decreased from £6.1m at 31 December 2010 to £5.6m at 31 December 2011, as detailed below:

	2011 £m	2010 £m
Cash at bank and in hand	6.0	7.1
Overdraft facilities	(1.3)	(3.8)
Invoice financing (with recourse)	(0.2)	(0.8)
Bank loans	(9.6)	(8.6)
Non-bank loans	(0.5)	–
	(5.6)	(6.1)

This net debt excludes non-recourse invoice financing of £10.1m (2010: £8.5m) which is offset against trade receivables.

The Group's bank covenant tests at 31 December 2011 were net debt: EBITDA of 0.9 times (covenant < 2.5 times), interest cover of 7.4 times (covenant > 3 times) and debt service cover of 1.3 times (covenant > 1.25 times).

Acquisitions

In January 2011 the Group acquired 15% of the shares in Skillhouse Staffing Solutions K.K. (operating in Japan) for £0.6m. In December 2011 the Group acquired 35% of the shares in Monroe Consulting Group (operating in Indonesia) for £0.5m, including contingent consideration of up to £0.1m payable in 2012 if certain performance criteria are met. The Group also acquired small amounts of shares in a number of other subsidiaries for £0.1m in total.

The Group also made the final payments of contingent consideration of £0.1m for the Saleslink business, acquired in 2009.

Balance sheet

The Group's net assets as at 31 December 2011 were £28.2m (2010: £29.2m). There were decreases in the value of goodwill and intangible assets of £1.6m and £0.7m in trade receivables. Against this was a net increase of £0.4m in the value of the put option liability and call option asset and reductions of £0.5m in trade payables and £0.5m in net debt.

Post balance sheet events

On 26 January 2012 the Group announced the acquisition of 14.5% of the shares in Bar 2 Limited, a UK based contractor services company, for cash consideration of £0.3m. This takes the Group's ownership to 85.5%. The remaining minority shares will be acquired in 2014, with consideration based on the financial performance of Bar 2 Limited in the three years ending 31 December 2013.

On 13 March 2012 the Group announced it had agreed to purchase 6.7% of the shares in Empresaria Holding Deutschland GmbH (the holding company for the Headway operating companies) for Euro 1.3m. This takes the Group's ownership in the Headway business to 86.7%. The call option agreements over the remaining 13.3% of minority shares have also been amended to extend the exercise period up to the end of January 2014.

Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. Despite the uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded, given the level of borrowings and bank facilities, that the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements. Further details on going concern are found in note 1.

Spencer Wreford
Group Finance Director

Finance review
Principal risks and uncertainties

The Group has a process that identifies certain risks that could affect business operations and hence its financial results. Further information on this process is set out in the Corporate governance statement on pages 27 to 29.

Risk	Actions taken to mitigate risk
People The Group's future success relies on recruiting, developing and incentivising its senior management and other key employees. The loss of key personnel may have an adverse impact on the Group's business and relationships.	The Group's philosophy of management equity helps to incentivise key management through equity ownership, with the aim of keeping people within the business for the long-term. The Group operates through autonomous business units, so allowing key staff career development and progression, with support from the centre to help them deliver growth in their businesses.
Economic instability The performance of staffing businesses has historically shown a strong correlation with 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.	The Group's strategy of geographic and sector diversification is designed to minimise the effect of a downturn in any one market. The Group is constantly looking at how it can further diversify its business. The Group also has a high proportion of its net fee income from temporary recruitment which is expected to reduce the negative impact of economic cycles. Nevertheless, a significant global economic downturn will impact all businesses.
Competitive risk Competition exists in all our markets, most notably in the most developed economies. This increases the pressure on margins and the ability to fill positions.	The Group's strategy is to focus on growing in developing economies and staffing markets, where opportunities for growth are greatest. We place high importance on providing a quality service to our clients and candidates to build loyalty and strong relationships, which helps defend against competitive threats. Our focus on specialist staffing services rather than generalist helps build sector expertise and this should help maintain better margins.
Legal and regulatory changes The Group's businesses are subject to legislation and regulations in each of their operational locations. Any changes to these may impact on the manner in which any business, or the Group as a whole, conducts its business and could therefore affect the financial performance of the Group.	The Group closely monitors the legal and regulatory situations in the markets in which it operates, in particular where we operate temporary recruitment as this is an area that generally has more rules and regulations. The Group is a member of many local industry associations which help identify arising issues and lobby on behalf of the industry. We also look to use advisers with good local knowledge and understanding of the relevant laws and labour regulations.
Financial risks The main financial risks facing the Group are availability of funds to meet business needs, credit risk arising from customer defaults, fluctuations in interest rates and foreign exchange risk.	**Funding** The Group finances its operations by a combination of cash reserves from retained profit and bank borrowings. Treasury management is led by the Group finance team, which manages and monitors external and internal funding requirements and maintains the key Group banking relationships. **Credit risk** Credit risk is tightly managed to minimise any bad debts from non-payment by our customers. This is overseen by the Group finance team. **Interest rate risk** The Group is exposed to movements in interest rates for its primary facilities. The Group does not currently hedge this exposure but monitors movements in the relevant interest rates to be able to react if the rates move adversely. **Foreign exchange risk** A proportion of the Group's business is transacted overseas and so is exposed to movements in exchange rates. The Group does not currently hedge translation risk as there is to some degree a natural hedge from operating in a wide range of countries.
Technology Empresaria's businesses are highly dependent on IT systems for the day-to-day running of their operations. Data protection is important as a large amount of confidential data is stored on these systems.	There is an ongoing review to ensure that IT and telecommunication systems are maintained adequately and that repairs and upgrades are made as necessary. It is Group policy that each business has a process in place to protect against potential malicious attacks to its IT systems. In common with many organisations, although preventative procedures are in place, there remains a residual risk of disruption to voice and data infrastructure.

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.

Social interaction

The Group, as a diversified international business, recognises the importance of working in a culturally sensitive way with the local community and that its employment policies are non-discriminatory and 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.

In 2011, the Group launched an employee exchange programme, open to all employees within the organisation, designed to allow 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 first swap took place in 2011 between businesses in Japan and the UK.

The Group believes in continuous communication with all staff and provides regular Group news updates through "Empresaria One", a Group-wide intranet. It also enables employees from different businesses to share ideas and develop initiatives and is used to publish key Group policies and procedures.

The Group is supportive of staff working with their local communities and charitable concerns. Some examples of Group's charitable support can be seen below.

Ethics

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

The Company promotes high ethical standards in carrying on its business activities and has clear guidelines 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 both parties. The Group ensures that advertising and public communications avoid untruths or overstatements. Empresaria builds relationships with suppliers based on mutual trust and undertakes 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 a candidate's permission.

Environment

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

The Group encourages the recycling of office waste and waste paper and is always looking at ways of increasing the recycling rates across the Group.

The Group is reducing the amount of printed materials it produces and places a greater reliance on electronic media for its marketing materials.

As an internationally diverse group we recognise that some travel is inevitable and necessary for the effective management of the business, however, full use is made of telephonic conference facilities and working from home to minimise the need for business travel.

UK

FastTrack works with Changing Paths, a Community Interest Company and Charitable Trust that helps to integrate ex-offenders back into society. This has enabled 8 people to gain employment in the construction sector.

Thailand

Monroe Thailand sponsor a child through the Fund a Future campaign for the Future Light Foundation enabling the Foundation to provide water, a balanced diet, school, school equipment, after school programmes in Burmese, Thai and English, electricity, shampoo, soap, toothpaste, clothing, washing, staffing, Christmas presents... everything needed to give a child a proper, normal and love filled childhood.

Germany

Headway has been helping the people of East Africa, in cooperation with the honorary relief organization I.S.A.R. Germany, by helping to deliver medicine to the refugee camps in Dadaab in Kenya.

Board of Directors

1 Anthony Martin
Chairman

Anthony served as Chairman and CEO of Select Appointments (Holdings) Limited from 1992 to 1999 when he became Vice Chairman and member of the Board of Management of Vedior NV, the world's third largest staffing services group. In August 2000 he assumed the role of Chairman and CEO, which he served until his retirement in February 2004. Anthony held the position of Executive Chairperson at Corporate Services Group until standing down in September 2007.

2 Joost Kreulen
Chief Executive Officer

Joost was appointed Chief Executive Officer effective from 1 January 2012. Joost has been with Empresaria since 2009. He was initially responsible for its Asian operations and more recently also for a number of its UK based businesses. He was appointed Chief Operating Officer and Chief Executive Officer designate on 7 September 2011. Prior to joining Empresaria, Joost had spent 20 years working in various roles for businesses which now form part of Randstad N.V., most recently as head of specialist staffing operations in the Netherlands.

3 Spencer Wreford
Group Finance Director

Spencer was appointed Group Finance Director in May 2010 and has over 10 years' experience in senior finance roles. He joined Empresaria from BPP Group, where he was the Finance Director of the BPP Professional Education division, a provider of international professional training. Prior to this he spent 8 years at ITE Group Plc, the international conference and exhibition organising group, as Deputy Finance Director, during which time he also spent six months as Acting Group Finance Director. Spencer is a member of the Institute of Chartered Accountants of England & Wales, qualifying with Arthur Andersen.

4 Penny Freer
Non-Executive Director

Penny has worked in investment banking for over 25 years. She is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2004 Penny was Head of Equity Capital Markets at Robert W Baird and from 2004 to 2005, Deputy Chairman of Robert W Baird Limited. Prior to this she was Head of Small/Mid Cap Equities for Credit Lyonnais.
Penny is an independent Director of three quoted companies: in addition to Empresaria she also sits on the Board of Advanced Medical Solutions plc where she is the Senior Independent Director. She joined the Board of Empresaria in December 2005. Penny is the Chairperson of Empresaria's Remuneration committee and also sits on the Audit committee.

5 Zach Miles
Non-Executive Director

Zach joined the Board on 1 October 2008, having recently held the position of Chairman and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chairman since February 2004. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments 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. He sits on the Remuneration committee and is the Chairperson of the Audit committee.

6 Miles Hunt
Non-Executive Director

Miles trained as a solicitor before completing an MBA at Warwick and establishing ProSource Limited, a procurement outsourcing company, in 1995. He set up Empresaria in 1996 and was Chief Executive Officer from set up until the end of 2011. Miles is a Non-executive Director until 31 March 2012, when he resigns from the Board. From 2000 to 2004 Miles was a Non-executive Director of Tribal Group plc.

Directors' report

The Directors present their annual report on the affairs of the Empresaria Group plc, together with the financial statements and auditor's report, for the year ended 31 December 2011. The Corporate governance statement set out on pages 27 to 29 forms part of this report.

Principal activities

Empresaria is an international specialist staffing group. Our companies, each specialising in specific markets or services, operate across the world with representation in 19 countries through over 100 offices. Our service capabilities include temporary and permanent recruitment, Recruitment Process Outsourcing, HR consulting and corporate training.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 6 to the financial statements of the Company.

Business review

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the Chairman's statement, Chief Executive Officer's business review and the Finance review on pages 4 through to 20.

Financial instruments

Information about the policy, exposure and use of financial instruments by the Company and its subsidiaries is disclosed in note 22.

Post balance sheet events

Details of significant events since the balance sheet date are contained in note 29 to the financial statements.

Results and dividends

The results for the year are set out on page 36. Details about the final dividend for the year are disclosed in the Finance review on page 18.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. Some shares which have been allotted to satisfy consideration payments on the acquisition of minority interests in certain Group subsidiaries (pursuant to shareholders agreements) can be subject to a restriction on sale of up to two years. There are no issued shares subject to such restriction as at the date of this report. The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

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

Issue and acquisition of the Company's own shares

At the end of the year, the Directors had authority, under the shareholders' resolutions dated 7 June 2011, to:

issue the following number of the Company's ordinary shares:

- 17,893,904 under resolution 7 (a);
- 29,708,565, under resolution 7 (b); and

purchase through the market the following number of the Company's ordinary shares:

- 2,228,142, under resolution 9.

All authorities expire on the earlier of 31 August 2012 or the conclusion of the next Annual General Meeting. The Directors have not exercised these authorities.

Details of employee share schemes

In 2008 shareholder approval was obtained for a Long Term Incentive Plan (LTIP) for the issue of shares in Empresaria Group plc to Directors and senior executives. During the year ending 31 December 2011 an award has been made under the LTIP. Details can be found in the Directors' remuneration report on pages 32 to 34 and in note 28.

Directors and their interests

The Directors, who served throughout the year, had the following interests in the Company's ordinary share capital:

	31/12/2011 Number of ordinary shares	31/12/2010 Number of ordinary shares
Executive Directors		
Miles Hunt, Chief Executive Officer	3,988,092	3,988,092
Spencer Wreford, Group Finance Director	15,000	15,000
Non-executive Directors		
Anthony Martin, Chairman	9,203,046	9,203,046
Penny Freer, Chairwoman of Remuneration committee	15,000	15,000
Zach Miles, Chairman of Audit committee	–	–
Total	**13,221,138**	**13,221,138**

Director changes

Joost Kreulen was appointed as Chief Executive Officer on 1 January 2012 replacing Miles Hunt. Joost Kreulen will be proposed for re-election by shareholders at the forthcoming Annual General Meeting. Miles Hunt continues to be a member of the Board as a Non-executive Director until 31 March 2012.

Joost Kreulen holds 60,000 ordinary shares in the capital of the Company.

Director interests

No changes took place in the interests of the Directors between 31 December 2011 and 29 February 2012. None of the Directors had interests in other Group companies.

Appointment, retirement and replacements of directors
The Company is governed by its Articles of Association, the Companies Act and related legislation and AIM rules. The Board support and comply with the principles of the UK Corporate Governance Code (the "Code") which requires that all Directors of the Company submit themselves for re-election at least every three years. The Articles of Association require that a third of the Directors retire by rotation.

At the next Annual General Meeting, the following Directors will submit themselves for re-election:

- Zach Miles and Penny Freer, having been last appointed by shareholders on 18 June 2009; and
- Joost Kreulen, who was appointed as a Director on 1 January 2012.

Directors' powers
The Directors' powers are conferred on them by UK legislation and by the Articles of Association. Further details can be found in the Corporate governance statement on pages 27 to 29.

Directors' indemnities
The Company has made no qualifying third-party indemnity provisions for the benefit of its Directors during the year.

Substantial shareholdings
As at 31 December 2011, excluding the Directors, the following interests in 3% or more of the issued ordinary share capital in the register maintained under the provision of section 113 of the Companies Act 2006 were identified:

Name of holder	Number of ordinary shares	Percentage holding
Caledonia Investment plc	10,149,264	22.78%
Liontrust Asset Management	3,723,468	8.36%
Ennismore Fund Management	3,437,027	7.71%
Tim Sheffield (ex Board Director)	2,049,307	4.60%

During the period between 31 December 2011 and 29 February 2012 there were changes to the substantial holdings identified in the register with revised interests as follows:

Name of holder	Number of ordinary shares	Percentage holding
Ennismore Fund Management	3,516,396	7.89%

Supplier payment policy
The Group does not follow any specified code or standard on payment practice. However, it is the Group's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the Group's policy to abide by these terms. Trade creditors of the Group at 31 December 2011 were equivalent to 34 (2010: 32) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Fixed assets
There is no material difference between the book value and the current open market value of the Group's interests in land and buildings.

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group's websites and intranet.

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

Charitable and political contributions
During the year the Group made charitable donations of £17,900 (2010: £7,500). These were made across the Group to various local and international charities. The Group did not make any political donations during the year (2010: nil).

Auditor
Each of the Directors at the date of approval of this annual report confirms that:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Anne-Marie Clarke
Company Secretary
20 March 2012

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 such 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the management report, which is incorporated into the Chairman's statement, Chief Executive Officer's business review and Finance review, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Joost Kreulen
Chief Executive Officer
20 March 2012

Spencer Wreford
Group Finance Director

Corporate governance statement

Corporate governance

The Board is committed to maintaining its high standards of corporate governance, managing the Group in an efficient, effective, entrepreneurial and ethical manner for the benefit of shareholders over the longer term. Whilst the Company is not subject to the UK Corporate Governance Code published in 2010 (the "Code") applicable to companies listed on the Official List, the Directors recognise the value and importance of sound corporate governance and support the principles of the Code.

Since listing on AIM in late 2004, the Group has developed in line with its strategic aims, increasing its spread in terms of both geography and sector. The Board recognises that with this growth comes the need to provide a sound framework of corporate governance and is committed to the continued review, development and implementation of corporate government practices which will support the business as it continues to deliver its strategic objectives.

An explanation of how the main principles have been applied is set out below and in the Directors' remuneration report and Audit committee report.

Leadership and Effectiveness

The Board constitution and procedures

The Company is controlled through the Board of Directors which meets regularly during the year. The Non-executive Directors meet without the Executive Directors being present if required.

The Board is made up of two Executive Directors, Joost Kreulen and Spencer Wreford, and currently four Non-executive Directors of whom two (Penny Freer and Zach Miles) are deemed by the Board to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Miles Hunt, having performed the role of Chief Executive Officer, and holding a significant shareholding in the Company, is not considered to be independent. The Chairman, Anthony Martin, is not considered to be independent as he holds a significant shareholding in the Company. Recognising that the Chairman is not an independent Director, the Board has decided that both independent Directors will perform the duties normally performed by a Senior Independent Director. Shareholders are able to address any concerns to the Board through these two independent channels of communication.

The Board has a balance of skills and experience and biographies of the Directors can be found on pages 22 and 23.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The statement of division of responsibilities was formally approved by the Board prior to the appointment of Joost Kreulen to the role of Chief Executive Officer and can be found on the Company's website (www.empresaria.com).

The Chairman is primarily responsible for the running of the Board. At 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 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 ensures 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 be informed of developments on a regular basis.

The Chief Executive Officer's responsibilities focus on implementing Group strategy and running the Board of Management. The Board of Management currently comprises the two Executive Directors and the regional head of Continental Europe.

The principal roles of the Board are the protection and advancement of shareholders' interests, providing overall direction for the Group and establishing and maintaining a framework of delegated authorities and controls which ensure the efficient and effective management of the Group's operations. A formal schedule of matters reserved for consideration by the Board give it responsibility for:

- overall Group strategy and objectives
- approval of the Group annual budget and progress towards achievement of these budgets
- changes to the Group's capital structure
- changes to the Group's activities
- changes to the senior management structure
- approval of Group financing arrangements and treasury policy
- approval of major acquisitions, disposals and additional investments in existing operations
- approval of major unbudgeted capital expenditure projects.

Corporate governance statement continued

The schedule of matters reserved for the Board is reviewed by the Board annually to ensure it remains appropriate and complete. The Board has also approved the schedule of matters reserved for the Board of Management and matters which are delegated to operational management.

The Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary.

All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years. Any Directors appointed to the Board during the year will submit themselves for re-election at the next Annual General Meeting following their appointment. In accordance with the Company's Articles of Association, one third of the Board is required to retire by rotation each year.

Board committees

The Board delegates clearly defined powers to its Audit committee and Remuneration committee. Due to the size of the Board, and limited number of independent Directors, the duties of a Nomination committee have been included in the terms of reference for the Remuneration committee. The requirement for a separate Nomination committee will be considered if a change in size and composition of the Board is required.

Following each committee meeting the Chairman of the committee updates the Board on the matters discussed. The terms of reference for each of the committees are available to view on the Company's website (www.empresaria.com). Details of the work carried out by the Audit and Remuneration committees can be found in the Audit committee report on pages 30 to 31 and the Directors' remuneration report on pages 32 to 34.

Board appointments

The Board has deemed it appropriate for all members of the Board to participate in the recruitment of members of the Board. All Board Directors have the opportunity to independently assess the suitability of potential candidates for vacancies which arise. Final approval for Board appointments is given by the Board as a whole. The appointment of Joost Kreulen, as Chief Executive Officer, followed consideration of the succession planning for the role of the Chief Executive Officer. The Board determined that Joost Kreulen fulfilled the requirements for the role, having extensive industry experience prior to joining the Company, together with Group operational experience gained as regional head of the Asian operations, and latterly taking on responsibility for the UK based businesses.

Board evaluation

During December 2011 the Audit committee and Remuneration committee undertook performance reviews, measuring performance against their terms of reference and identifying areas for development. These results were presented and agreed by the Board for the forthcoming year.

During the last two years the Board has made new appointments to both Executive Director roles. This has brought experience, knowledge and fresh insight to the Board. This has resulted in a continual focus on the Boards' role, responsibilities and performance and therefore at this time the Board has not felt it necessary to conduct a formal review of performance.

Attendance at meetings

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

	Main Board	Audit committee	Remuneration committee
Number of meetings held	**7**	**2**	**3**
Anthony Martin (Chairman)	7	–	–
Miles Hunt (Chief Executive Officer)	7	–	–
Spencer Wreford (Group Finance Director)	7	–	–
Penny Freer (Non-executive Director)	7	2	3
Zach Miles (Non-executive Director)	7	2	3

All Directors attended all meetings that they were eligible to attend.

Accountability

Risk management and internal control

The Board is responsible for the effectiveness of the Group's system of internal control.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management.

Risk management procedures continue to be developed, linked to the Group wide risk assessment matrix. Identification of the key risks and controls has taken place. Responsibility has been assigned to risk owners, who represent all levels of management from Board members, through Board of Management members and local office directors. Agreement has been reached on how the controls are to be monitored and how often. Supporting this review process are the monthly operational reviews between the regional heads of operations and the local office management. Monthly operational review reports are produced which are discussed at Board of Management meetings. This structured monthly process enables the Board of Management to review and identify significant risks and take appropriate action to manage and control the risks. The Board receives the operational reports each month and is kept informed of any significant risks that have been identified and the action that has been taken. Additional reports are presented to the Board if required. During the year the Board has been informed immediately of risks which have been identified and actions have been agreed and taken as appropriate.

As described in the Audit committee report, regional financial controllers are involved in the review of internal controls for each subsidiary company. The Group's system of internal control is designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Further details of the principal risks and uncertainties that could affect business operations can be found on page 20.

Audit committee and auditor

A separate Audit committee report is set out on pages 30 to 31 and provides details of the role and activities of the Committee and its relationship with the external auditor.

Remuneration

The level and make-up of remuneration and procedure for fixing the individual remuneration packages of individual Directors is described in the Directors' remuneration report on pages 32 to 34.

Relations with shareholders

Dialogue with major shareholders

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

- making annual and interim presentations to institutional investors, which are made available to all shareholders on the Company's website (www.empresaria.com);
- meeting shareholders to discuss long-term issues and obtain their views; and
- communicating regularly during the year.

Relations with shareholders are managed principally by the Chief Executive Officer and Group Finance Director. The views of shareholders are communicated to the Board as a whole through regular Board meetings and communication between meetings. Although primary responsibility for effective communication with shareholders lies with the Chairman, the Executive Directors prepare presentations for analysts and institutional investors following the interim and preliminary announcements.

Constructive use of the Annual General Meeting

The Board seeks to use the Annual General Meeting to communicate to shareholders. Shareholders are encouraged to participate in the Annual General Meeting at which the Chairman will present an update on the Group's performance. The Board, together with the Chairmen of the Audit and Remuneration committees will be available at the Annual General Meeting to answer questions from shareholders.

Audit committee report

Role of the Audit committee

The Audit committee is appointed by the Board from the Non-executive Directors of the Company. The Audit committee's terms of reference include all matters indicated in the UK Corporate Governance Code which can be found on the Company's website (www.empresaria.com).

The Audit committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Composition of the Audit committee

The members of the Audit committee are:

Name	Date of appointment	Qualification
Zach Miles (Chairman)	01/10/2008	Chartered accountant
Penny Freer	02/11/2010	

Membership of the Audit committee is reviewed by the Chairman of the committee and the Board Chairman. It is the Board's position that both Zach Miles and Penny Freer continue to be independent. Appointments are for a period of three years and are extendable by no more than two additional three year periods.

The Audit committee is required to comprise of a minimum of two independent Non-executive Directors, one of whom should be a financially qualified member. Currently the Audit committee Chairman fulfils this requirement. Zach Miles's biography can be found on page 23.

Meetings

The Audit committee is required to meet formally twice per year and has an agenda linked to the Group's financial calendar. The agenda is predominantly cyclical. The committee meets in December to approve various matters relating to the planning of the annual audit process, and in March to approve the auditor's report on its audit of the report and financial statements. The agenda is therefore approved by the Audit committee Chairman on behalf of his fellow members. Each Audit committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit committee invites the Group Finance Director and senior representatives of the external auditor to attend all of its meetings, although it reserves the right to request any of these individuals to withdraw from the meeting.

Overview of the actions taken by the Audit committee to discharge its duties

Since the beginning of 2011, to the date of this report, the Audit committee has met three times and the following actions were undertaken:

- 2010 and 2011 report and financial statements reviewed. As part of this review the Committee received reports from the external auditor on its audit of the annual report and financial statements;
- 2010 and 2011 Audit committee reports reviewed and approved;
- 2011 audit scope reviewed and agreement of the audit work to be undertaken by the auditor;
- considered a report from the external auditor on its review of the effectiveness of controls across the Group and received a report on management action taken in response to work undertaken by the auditor in 2010;
- 2011 audit fees agreed to be paid to the external auditor for its audit of the December 2011 financial statements;
- risk management system reviewed and consideration given to the Group-wide process used to identify, evaluate and mitigate risks;
- Group internal controls reviewed for effectiveness and disclosures made in the annual report and financial statements on this matter;
- Code of Conduct implemented, incorporating requirements of the Bribery Act 2010;
- internal audit function requirement reviewed;
- external auditor assessment undertaken, considering the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and the audit firm's annual transparency report;
- assessed the risk associated with the possible withdrawal of the external auditor from the market; and
- performance evaluation of the work of the Audit committee.

External auditor

The Audit committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The terms of reference assigns responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit committee and day to day responsibility to the Group Finance Director. It states that the external auditor is jointly responsible to the Board and the Audit committee and that the Audit committee is the primary contact. The Audit committee has established a policy on the non-audit services which the external auditor will and will not be allowed to provide to the Group, subject to de-minimis levels.

To fulfil its responsibility regarding the independence of the external auditor, the Audit committee reviewed:

- the external auditor's plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff;
- the arrangements for day-to-day management of the audit relationship; and
- the overall extent of non-audit services provided by the external auditor, in addition to its case-by-case approval of the provision of non-audit services by the external auditor.

During the year the auditor provided non-audit services, other than audit related services, in the form of employment tax advice for the appointment of Joost Kreulen to the role of Chief Executive Officer.

The Audit committee has considered the likelihood of a withdrawal of the auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditor.

To assess the effectiveness of the external auditor, the Audit committee reviewed:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the auditor in its handling of the key accounting and audit judgements; and
- the content of the external auditor's reporting on internal control.

Following the above, the Audit committee has recommended to the Board that Deloitte LLP is re-appointed.

Note 7 to the financial statements 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.

Internal audit function

The Audit committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans for the provision of an internal audit function. Due to the size of the Group the Audit committee continues to recommend to the Board that there is no requirement for an internal audit function. Focus on Group wide internal control mechanisms and reviews of the subsidiary operations financial reporting is the responsibility of the Group Finance Director assisted by the regional financial controllers. Risk management is the responsibility of the Board of Directors. This ensures responsibility is assigned and taken by the appropriate people within the business.

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

Overview

As a result of its work during the year, the Audit committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

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

On behalf of the Audit committee

Zach Miles
Chairman of the Audit committee
20 March 2012

Directors' remuneration report

This report has been prepared in accordance with the principles of Schedule 8 to the Accounting Regulations under the Companies Act 2006 (The Act). This report also meets the relevant requirements of the AIM rules and describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance Code.

A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The Act requires the auditor to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The Company has established a Remuneration committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The terms of reference of the Remuneration committee are available on the Company's website (www.empresaria.com).

The members of the Remuneration committee during 2011 were:

- Penny Freer (Chairwoman); and
- Zach Miles.

It is the Board's position that both Penny Freer and Zach Miles continue to be independent Non-executive Directors. The Remuneration committee determines the individual remuneration packages of each Executive Director and members of the Board of Management, comprising regional directors who report to the Chief Executive Officer. No Director is involved in any decisions as to their own remuneration.

Since the beginning of 2011, to the date of this report, the Remuneration committee met four times and the following actions were undertaken:

- 2010 and 2011 Remuneration report reviewed and approved;
- Chief Executive Officer change reviewed and recommendations made;
- 2011 awards made under the Long Term Incentive Plan;
- 2012 remuneration reviewed and agreed for the Executive Directors and members of the Board of Management;
- 2012 annual bonus plan agreed;
- Senior Independent Director role reviewed and recommendations made; and
- performance evaluation of 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. The Group's policy on Executive Directors is as follows:

Basic salary

The basic annual salary of each Executive Director is reviewed annually by the Remuneration committee each December with changes taking effect on 1 January. The salaries for the Executive Directors for the financial years beginning on 1 January are as follows:

Name	2012 £'000	2011 £'000	2010 £'000
Joost Kreulen (Chief Executive Officer from 1 January 2012)	200	–	–
Miles Hunt (Chief Executive Officer to 31 December 2011)	–	200	200
Spencer Wreford (from 4 May 2010)	140	125	125

Benefits-in-kind

In addition to the basic remuneration payable under the service agreements, each of the Executive Directors is entitled to a pension provision and a range of other benefits, including private medical insurance and car allowance.

Annual bonus payments

The Remuneration committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. For the financial year 2011 the targets and % of bonus payable were as follows:

	2011
Chief Executive Officer	
Bonus at 80% of target	**0%**
Bonus at 100% of target	**50%**
Bonus at 120% of target	**100%**
Group Finance Director	
Bonus at 80% of target	**0%**
Bonus at 100% of target	**25%**
Bonus at 120% of target	**50%**

The maximum bonus that can be earned by the Chief Executive Officer is 100% of basic salary and for the Group Finance Director is 50% of basic salary.

Targets were as detailed below:

Target	2011
Cash generated from operations	**50% of bonus**
EPS	**50% of bonus**

80% of both targets must be met for any bonus to be payable. The entire bonus is payable in cash.

For the year ending 2011 both targets have not been met and therefore no bonus is payable.

For the year ending 2012, the bonus structure has been amended as follows:

	2012
Chief Executive Officer and Group Finance Director	
Bonus at 80% of target	**0%**
Bonus at 100% of target	**25%**
Bonus at 120% of target	**50%**

The maximum bonus that can be earned by the Chief Executive Officer and Group Finance Director is 50% of basic salary.

Targets remain the same as in 2011, being:

Target	2012
Cash generated from operations	**50% of bonus**
EPS	**50% of bonus**

Long-term incentive plan (LTIP)

In July 2008 the Company gained shareholder approval to introduce a LTIP for Executive Directors and senior executives within the business. The Remuneration committee has responsibility for supervising the scheme and making awards under its terms. The maximum value of shares that would be awarded in the first year is 200% of basic salary and in any year subsequent year is 100% of basic salary. The current policy is to review and agree if awards are to be made each year, following release of the final audited results.

The qualifying conditions with respect to performance are as follows:

	EPS part of award (70%)	**Share price part of award (30%)**	**Percentage of the relevant part of the award released for each level of performance**
Performance level	Annual growth in earnings per share over the holding period	Absolute share price growth over the holding period	
Threshold*	RPI + 10%	10%	20%*
Maximum	RPI + 30%	15%	100%*

* Straight line release between points.

Performance below the threshold would result in no release of the award.

The first awards were made under the LTIP during 2011 and represented 100% of basic salary. These options are exercisable after 31 March 2015.

Pension arrangements

The Company does not operate a pension scheme. The Company has agreed to make contributions into private pension schemes as follows:

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

Shareholding guidelines

There are no requirements for Executive Directors or senior executives to hold shares in the Company. The details of shares held by Directors can be found in the Directors' report on pages 24 to 25.

Directors' contracts and letters of appointment

Executive Directors

It is the Company's policy that Executive Directors should have contracts with indefinite terms providing for a maximum of one year's notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of the basic salary for the notice period.

The details of the Directors' contracts are summarised in the table below:

Name of Director	Effective date of contract	Notice period
Joost Kreulen (Chief Executive Officer from 1 January 2012)	1 January 2012	12 months
Miles Hunt (Chief Executive Officer to 31 December 2011)	27 October 2004	12 months
Spencer Wreford (Group Finance Director)	4 May 2010	6 months

Chairman and Non-executive Directors

Non-executive Directors, including the Chairman, serve under letters of appointment and either party can terminate on three months' written notice. Their remuneration is determined by the Board within the limits set by the Articles of Association 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 in December of each year as part of the annual budgeting process. The fees for the Non-executive Directors for the financial years beginning on 1 January are as follows:

Name	2012 £'000	2011 £'000	2010 £'000
Anthony Martin	55	47	47
Penny Freer	35	28	28
Zach Miles	35	28	28

Neither the Chairman nor the Non-executive Directors have any right to compensation on the early termination of their appointment.

The Non-executive Directors do not participate in the Group's LTIP and are not eligible to join the pension scheme. Nor do they receive other benefits.

Directors' remuneration report continued

Director re-election

Joost Kreulen, who is proposed for re-election at the forthcoming Annual General Meeting, has a service contract which provides for a notice period of 12 months.

Zach Miles and Penny Freer, who are also proposed for re-election, being Non-executive Directors, serve under letters of appointment which can be terminated on 3 months written notice.

Audited information

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2011 £'000	2010 £'000
Salaries, fees, bonuses and benefits-in-kind	451	597
Termination payments	118	–
Money purchase pension contributions	32	28
	601	625

Name of Director	Salary and fees £'000	Benefits in kind £'000	Annual bonuses £'000	Termination payments £'000	2011 Total £'000	2010 Total £'000
Executive						
Miles Hunt	200	16	–	118	334	300
Spencer Wreford (from 4 May 2010)	125	7	–	–	132	105
Stuart Kilpatrick (until 4 May 2010)	–	–	–	–	–	89
Non-executive						
Anthony Martin	47	–	–	–	47	47
Penny Freer	28	–	–	–	28	28
Zach Miles	28	–	–	–	28	28
	428	23	0	118	569	597

Benefits in kind include car allowance and private medical insurance.

Long-term incentive plan (LTIP)

Details of the conditional nil cost share options over ordinary shares of 5 pence each in the Company, pursuant to the Company's LTIP, granted during the year are as follows:

Name of Director	Number of LTIP options
Joost Kreulen (Chief Executive Officer from 1 January 2012)	720,000
Spencer Wreford	500,000

Directors' pension entitlements

The Executive Directors are paid a percentage of their basic salary as a contribution to their private pension schemes. Contributions paid by the Company in respect of such Directors were as follows:

	2011 £'000	2010 £'000
Miles Hunt	20	19
Spencer Wreford (from 4 May 2010)	12	7
Stuart Kilpatrick (until 4 May 2010)	–	2
	32	28

This report was approved by the Board of Directors on 20 March 2012 and signed on its behalf by:

Penny Freer
Chairwoman, Remuneration committee
20 March 2012

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

We have audited the Group financial statements of Empresaria Group plc for the year ended 31 December 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matters

We have reported separately on the parent Company financial statements of Empresaria Group plc for the year ended 31 December 2011.

Ian Smith (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
20 March 2012

Consolidated income statement

	Note	2011 £m	2010 £m
Continuing operations			
Revenue	4	**208.9**	206.8
Cost of sales		**(162.0)**	(160.3)
Gross profit	4	**46.9**	46.5
Administrative costs		**(41.6)**	(39.1)
Operating profit before exceptional items and intangible amortisation		**5.3**	7.4
Exceptional provisions	5	**(2.2)**	–
Intangible amortisation		**(0.3)**	(0.3)
Operating profit	4, 7	**2.8**	7.2
Finance income	9	**0.6**	0.4
Finance costs	9	**(1.5)**	(1.1)
Profit before tax		**1.9**	6.5
Income tax	10	**(1.1)**	(2.1)
Profit for the period from continuing operations		**0.8**	4.4
Discontinued operations			
(Loss)/profit for the period from discontinued operations	6	**(0.4)**	0.2
Profit for the year		**0.4**	4.6
Attributable to:			
Equity holders of the parent		**(0.1)**	3.1
Non-controlling interest		**0.5**	1.5
		0.4	4.6
Earnings per share:			
From continuing operations			
Basic and diluted (pence)	12	**0.6**	6.5
Adjusted (pence)	12	**4.1**	6.4
From continuing and discontinued operations			
Basic and diluted (pence)	12	**(0.4)**	7.0
Adjusted (pence)	12	**4.0**	6.2

Consolidated statement of comprehensive income

	2011 £m	2010 £m
Exchange differences on translation of foreign operations	**(1.0)**	0.6
Net (expense)/income recognised directly in equity	**(1.0)**	0.6
Profit for the year	**0.4**	4.6
Total comprehensive (expense)/income for the year	**(0.6)**	5.2
Attributable to:		
Equity holders of the parent	**(0.9)**	3.4
Non-controlling interest	**0.3**	1.8
	(0.6)	5.2

Financials

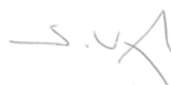
Consolidated balance sheet

	Note	2011 £m	2010 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1.7**	1.9
Goodwill	14	**25.1**	26.4
Other intangible assets	15	**2.2**	2.5
Deferred tax assets	20	**1.5**	1.0
Call option asset		**0.3**	0.9
		30.8	32.7
Current assets			
Trade and other receivables	17	**30.3**	31.0
Cash and cash equivalents	19	**6.0**	7.1
		36.3	38.1
Total assets		**67.1**	70.8
LIABILITIES			
Current liabilities			
Trade and other payables	18	**24.5**	25.0
Current tax liabilities		**2.0**	1.8
Borrowings	19	**3.0**	12.7
Put option liability		**–**	1.0
		29.5	40.5
Non-current liabilities			
Borrowings	19	**8.6**	0.5
Deferred tax liabilities	20	**0.8**	0.6
Total non-current liabilities		**9.4**	1.1
Total liabilities		**38.9**	41.6
Net assets		**28.2**	29.2
EQUITY			
Share capital	21	**2.2**	2.2
Share premium account		**19.4**	19.4
Merger reserve		**1.5**	1.5
Retranslation reserve		**4.0**	4.1
Option reserve		**0.8**	(0.6)
Equity reserve		**(2.4)**	(1.9)
Other reserves		**(1.1)**	(0.6)
Retained earnings		**0.3**	1.5
Equity attributable to owners of the Company		**24.7**	25.6
Non-controlling interest		**3.5**	3.6
Total equity		**28.2**	29.2

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 20 March 2012.

Signed on behalf of the Board of Directors

Joost Kreulen
Director



Spencer Wreford
Director

Consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Option reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2009	2.2	19.4	1.5	3.9	(0.6)	–	(0.7)	(1.5)	2.7	26.9
Profit for the year	–	–	–	–	–	–	–	3.1	1.5	4.6
Dividend	–	–	–	–	–	–	–	(0.2)	–	(0.2)
Currency translation differences	–	–	–	0.2	–	–	0.1	–	0.3	0.6
Disposal of subsidiary	–	–	–	–	–	–	–	–	0.1	0.1
Non-controlling interest acquired during the year	–	–	–	–	–	(1.9)	–	–	(0.1)	(2.0)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	(0.9)	(0.9)
Balance at 31 December 2010	2.2	19.4	1.5	4.1	(0.6)	(1.9)	(0.6)	1.5	3.6	29.2
Profit for the year	–	–	–	–	–	–	–	(0.1)	0.5	0.4
Dividend	–	–	–	–	–	–	–	(0.2)	–	(0.2)
Currency translation differences	–	–	–	(0.8)	–	–	–	–	(0.2)	(1.0)
Disposal of subsidiary	–	–	–	0.7	–	–	(0.5)	–	0.1	0.3
Non-controlling interest acquired during the year	–	–	–	–	–	(0.5)	–	–	(0.4)	(0.9)
Movement in put options	–	–	–	–	1.4	–	–	(0.9)	–	0.5
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Balance at 31 December 2011	**2.2**	**19.4**	**1.5**	**4.0**	**0.8**	**(2.4)**	**(1.1)**	**0.3**	**3.5**	**28.2**

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.
- "Option reserve" relates to the initial recorded value of the liability relating to the put options held by non-controlling interests over the shares in the subsidiary companies net of the initial recorded value of the call options held by the Group over shares held by non-controlling interests.
- "Equity reserve" represents movement in equity due to acquisition of non-controlling interests under IFRS 3 (2008).
- "Other reserves" represents exchange differences on intercompany long-term receivables 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.

Consolidated cash flow statement

	Note	2011 £m	2010 £m
Profit for the year		**0.4**	4.6
Adjustments for:			
Depreciation		**0.8**	0.8
Intangible amortisation		**0.3**	0.3
Taxation expense recognised in income statement		**1.1**	2.3
Exceptional provisions		**2.2**	–
Loss/(gain) on business disposal		**0.4**	(0.3)
Net finance charge		**0.8**	0.8
		6.0	8.5
Increase/(decrease) in invoice discounting		**1.4**	(2.4)
Increase in trade receivables		**(1.9)**	(1.5)
(Decrease)/increase in trade payables		**(1.6)**	3.7
Cash generated from operations		**3.9**	8.3
Interest paid		**(0.9)**	(1.1)
Income taxes paid		**(1.8)**	(2.1)
Net cash from operating activities		**1.2**	5.1
Cash flows from investing activities			
Further shares acquired in existing subsidiaries		**(1.3)**	(2.1)
Business disposals		**1.0**	(0.2)
Purchase of property, plant and equipment and intangibles		**(0.7)**	(0.8)
Finance income		**0.1**	0.1
Net cash used in investing activities		**(0.9)**	(3.0)
Cash flows from financing activities			
(Decrease)/increase in borrowings		**(2.4)**	1.8
Proceeds from bank loan		**2.4**	–
Repayment of bank and other loan		**(1.0)**	(0.8)
Dividends paid to shareholders		**(0.2)**	(0.2)
Dividends paid to non-controlling interest in subsidiaries		**(0.1)**	(0.9)
Net cash from financing activities		**(1.3)**	(0.1)
Net (decrease)/increase in cash and cash equivalents		**(1.0)**	2.0
Effect of foreign exchange rate changes and disposal		**(0.1)**	0.2
Cash and cash equivalents at beginning of the year		**7.1**	4.9
Cash and cash equivalents at end of the year	19	**6.0**	7.1

Notes to the consolidated financial statements

1 Basis of preparation and general information

Empresaria Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex, RH10 4HS. Its company registration number is 03743194.

The consolidated financial statements are for the twelve months ended 31 December 2011. The financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU) and therefore the Group financial statements comply with AIM rules.

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

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

Adoption of new and revised standards

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

- Amendment to IFRS 1: Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IAS 24 (revised): Related party disclosures
- Amendment to IAS 32: Classification of rights issues
- Amendments to IFRIC 14: Prepayments of a minimum funding requirement
- IFRIC 19: Extinguishing financial liabilities with equity instruments
- Annual improvements to IFRSs 2010.

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

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRS 7: Financial instruments disclosures.
- IFRS 9: Financial instruments – Classification and Measurement.
- IFRS 10: Consolidated financial statements.
- IFRS 11: Joint arrangements.
- IFRS 12: Disclosure of interest in other entities.
- IFRS 13: Fair value measurement.
- Amendments to IAS 1: Presentation of items of other comprehensive income.
- Amendments to IAS 12: Deferred tax – recovery of underlying assets.
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities.
- IAS 19 (revised): Employee benefits.
- IAS 27 (revised): Separate financial statements.
- IAS 28 (revised): Investments in associates and joint ventures.
- Annual improvements to IFRSs 2011.

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group, except for disclosure.

Going concern

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

These projections demonstrate that the Group will meet its obligations as they fall due with the use of existing facilities. The Group's revolving credit facility was renewed in March 2011 for a period of 5 years. The Group's overdraft facilities are due for renewal in February 2013 and, based on informal discussions the Board has had with its lenders, we have no reason to believe that these facilities will not continue to be available to the Group for the foreseeable future. The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate significantly or if the funding available from invoice discounting or overdrafts were to become unavailable. Thus the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

2 Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings as at 31 December 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights.

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

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

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

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, liability 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. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the income statement as per IFRS3 (2008). Changes in the fair value of contingent consideration classified as equity are not recognised.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (ie the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except for deferred tax assets and liabilities or assets related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively. Liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with IFRS 2 Share based payment. Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sales and discontinued operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete, which are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect the new information obtained. 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.

Goodwill

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If, after measurement, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

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

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

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

Intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Amortisation of intangible assets

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

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

Impairment of assets

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

2 Summary of significant accounting policies continued

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement. 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.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of depreciation and any provisions for impairment.

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the income statement over their useful economic lives as follows:

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

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

Cash and cash equivalents

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

Financial assets

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

- loans and receivables;
- financial assets at fair value through profit and loss; and
- available-for-sale financial assets.

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Group's trade and other receivables fall into this category of financial instruments.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific third party will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a third party. The percentage of the write-down is then based on recent historical third-party default rates for each identified group.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. Empresaria's management, however, does not consider any other financial asset for designation into this category. Trade receivables are reported net of non-recourse invoice financing liabilities.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions.

All other financial assets within this category are measured at fair value, with changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement. Losses recognised in prior period consolidated income statements resulting from the impairment of loans and receivables are reversed through the income statement.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

The Group is a party to a number of put and call options over the remaining non-controlling interests in some of its subsidiaries. The initial fair value of these commitments is recognised as an asset or liability with a corresponding movement in reserves. Subsequent changes in the value are reflected in the consolidated income statement.

Financial liabilities and equity instruments

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

Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities). Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings, trade and other payables are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

Provisions

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Revenue and revenue recognition

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

Permanent placement revenue is recognised at the point when the candidate commences employment. Contract placement revenue is recognised on the basis of actual work performed in the relevant period based on timesheets submitted.

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 certain key employees, which are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is 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.

Leases

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

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

Current and deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is the tax currently payable based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the

underlying deductible temporary differences will be able to be offset against future taxable income. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be sufficient future taxable profit to allow the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is calculated at tax rates that are expected to apply in the relevant period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

Foreign currencies

(i) Functional and presentational currency

Items included in the individual financial statements of each of Empresaria Group plc's subsidiaries are measured using the individual currency of the primary economic environment in which that subsidiary operates (its "functional currency"). The consolidated financial statements of Empresaria Group plc are presented in Pounds Sterling which is Empresaria Group plc'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 Empresaria Group plc's subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from Empresaria Group plc'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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

(iv) Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group may use foreign exchange forward contracts to hedge the foreign currency exposures. The Group does not use financial instruments for speculative purposes. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

(v) Hedges of net investments in foreign operations

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. The Group has elected to treat goodwill arising on acquisitions before the date of transition to IFRSs as Sterling-denominated assets and liabilities.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Impairment of goodwill

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

Notes to the consolidated financial statements continued

Intangible assets (including goodwill)

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital.

In addition, management must assess the value of any contingent consideration that is due to the seller following the completion of the initial purchase. The value of this consideration is frequently based on the financial performance of the business post acquisition. Therefore management must assess the likely value of this performance and so give a value to the expected contingent consideration. Actual post-completion performance may vary from management's estimate.

Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. The carrying amount at the balance sheet date of goodwill was £25.1m (2010: £26.4m), of other intangible assets was £2.2m (2010: £2.5m) and of deferred and contingent consideration was £0.1m (2010: £0.3m). The Group has recognised amortisation of intangible assets of £0.3m (2010: £0.3m). Further details of these balances are disclosed in notes 14 and 15.

Valuation of put and call options

The Group's acquisition of the Headway companies in Germany included put and call arrangements which enable the purchaser or the seller to exercise options to purchase or sell any remaining interest in the acquired entity. The Group accounts for the value of the put option based on the value that is considered payable based on the term of the option. The value is reviewed at each reporting period. The Group recognises the fair value of the call option using a Black Scholes option pricing model. The Black Scholes option pricing model requires management to make certain assumptions and estimates in respect of market multiples, risk-free rates and volatility.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

As described in note 5, as a result of new collective bargaining agreements following court rulings in Germany the Group has been required to make a provision for potential retrospective pay claims from temporary employees and social security contributions. A provision of £1.7m has been made in respect of these issues. In making its judgement as to the estimate of the provision, management has taken into consideration ongoing discussions with the relevant tax authorities in Germany and also the number and quantum of claims received to date.

As part of the put and call options attached to the Headway acquisition, a penalty is payable if certain options are not exercised. At year end management do not believe that it is probable that the penalty will be payable and therefore only disclose this liability. Full details are disclosed in note 25.

Recognition of deferred tax assets

Empresaria's management bases its assessment of the probability of future taxable income on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The specific tax rules in the jurisdictions Empresaria operates in are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Empresaria's management based on the specific facts and circumstances.

4 Segment analysis

The revenue and profit before taxation are attributable to the Group's one principal activity, the provision of staffing and recruitment services, and can be analysed by geographic segment as follows. The Group's reportable segments are business units based in different geographic regions. Each unit is managed separately with local management responsible for determining local strategy.

Information reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance is based on profit or loss from operations before amortisation of intangible assets and exceptional items.

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

Year ended 31 December 2011	UK	Continental Europe	Rest of the World	Eliminations	Total
Revenue	67.0	102.7	39.2		**208.9**
Gross profit	16.0	19.7	11.2		**46.9**
Adjusted operating profit*	2.0	2.2	1.1		**5.3**
Operating profit	2.0	0.1	0.7		**2.8**

* Adjusted operating profit represents operating profit before exceptional items and intangible amortisation.

	UK	Continental Europe	Rest of the World	Eliminations	Total
Goodwill	7.7	13.6	3.8	–	**25.1**
Segmental assets	48.5	23.4	16.8	(46.7)	**42.0**
Segmental liabilities	(45.9)	(25.3)	(9.1)	41.4	**(38.9)**
Net assets	10.3	11.7	11.5	(5.3)	**28.2**
Capital expenditure incurred (including intangibles)	0.3	0.2	0.2		**0.7**
Significant non-cash expenses (depreciation, amortisation and impairment)	0.5	0.6	0.4		**1.5**

Year ended 31 December 2010	UK	Continental Europe	Rest of the World	Eliminations	Total
Revenue	72.7	99.4	34.7		206.8
Gross profit	15.2	21.9	9.4		46.5
Adjusted operating profit*	2.0	3.9	1.5		7.4
Operating profit	2.0	3.7	1.5		7.2

* Adjusted operating profit represents operating profit before exceptional items and intangible amortisation.

	UK	Continental Europe	Rest of the World	Eliminations	Total
Goodwill	8.1	14.0	4.3	–	26.4
Segmental assets	45.4	23.1	16.3	(40.5)	44.3
Segmental liabilities	(44.4)	(25.1)	(8.5)	36.3	(41.7)
Net assets	9.1	12.0	12.1	(4.2)	29.0
Capital expenditure incurred (including intangibles)	0.3	0.3	0.2		0.8
Significant non-cash expenses (depreciation, amortisation and impairment)	0.3	0.5	0.3		1.1

Notes to the consolidated financial statements continued

5 Exceptional provisions

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

Exceptional provisions

	2011 £m	2010 £m
Continental Europe		
Provision against potential retrospective pay claim claims and social security liability in Germany	(1.7)	–
Provision for social security in Finland	(0.3)	–
	(2.0)	–
Rest of the World		
Provision for contract dispute in India	(0.2)	–
	(0.2)	–
Total	**(2.2)**	–

In Germany the Group has potential liabilities to the social security department and temporary worker claims for equal pay following changes to pay tariffs resulting from court rulings in 2010 in relation to the validity of certain collective bargaining agreements. The provision of £1.7m covers potential retrospective claims in the years 2006 to 2010. The legal outcome of these claims remains uncertain and is subject to ongoing legal cases.

In Finland there is a provision of £0.3m for social security costs and tax penalties arising on historically provided benefits to candidates being placed in Finland. Since year end a tax audit in relation to this matter has been finalised with a cost arising in line with the provision value.

In India there is a £0.2m provision arising from a historic dispute with a former client over the basis for charging fees for work performed. The contract has been in place since 2008 and the legal entitlement to certain commission income for IMS, a subsidiary of Empresaria, is being disputed following the termination of the contract by the client. The provision is for the full amount of fees that are in dispute.

6 Discontinued operations

On 20 May 2011, the Group disposed of its UK Supply Chain business operated by The Logistics Network Ltd and More Driving Ltd. On 15 July 2011, the Group disposed its Indonesian subsidiary 'Advanced Career Indonesia'. The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2011 £m	2010 £m
Revenue	**6.1**	16.9
Costs	**(6.1)**	(16.8)
Tax	**–**	(0.2)
Trading loss from discontinued operations	**–**	(0.1)
Loss on disposal	**(0.4)**	0.3
Net (loss)/profit from discontinued operations	**(0.4)**	0.2

A loss of £0.3m arose on the disposal of the Supply Chain business, being consideration of £0.3m less the carrying value of assets disposed of and the attributable goodwill. This includes deferred consideration receivable up to December 2014 equal to £0.1m at year end. In the period to 31 December 2011 £0.2m consideration has been received.

During the period The Supply Chain contributed £145,000 to the Group's net operating cash outflow (year ended 31 December 2010: £38,000 outflow), £8,000 outflow in respect of investing activities (year ended 31 December 2010: £99,000) and £54,000 outflow in respect of financing activities (year ended 31 December 2010: £54,000 inflow).

A loss of £0.1m arose on the disposal of Advanced Career Indonesia, being consideration of £1.0m less the carrying value of assets disposed of and the attributable goodwill. The consideration includes contingent consideration of £0.1m, received in February 2012. In the period to 31 December 2011 £0.9m consideration was received.

During the period Advanced Career Indonesia contributed £155,000 to the Group's net operating cash outflow (year ended 31 December 2010: £183,000 inflow), £6,000 outflow in respect of investing activities (year ended 31 December 2010: £3,000) and £24,000 outflow in respect of financing activities (year ended 31 December 2010: £84,000 outflow).

	2011 £m	2010 £m
Property, plant and equipment	**0.1**	0.1
Trade and other receivables	**0.7**	0.8
Trade and other payables	**(0.2)**	(1.2)
Tax balances	**0.2**	–
Bank borrowings	**(0.4)**	(0.3)
	0.4	(0.6)
Non-controlling interest and retranslation reserve	**0.3**	0.1
Goodwill write off on disposal	**0.7**	–
Disposal costs	**0.3**	0.2
Net assets/(liabilities) disposed of	**1.7**	(0.3)
Total consideration	**1.3**	–
(Loss)/profit on disposal	**(0.4)**	0.3

Notes to the consolidated financial statements continued

7 Operating profit

Operating profit is stated after charging:

	2011 £m	2010 £m
Depreciation of property, plant and equipment	0.8	0.8
Amortisation of intangible assets	0.3	0.3
Operating lease charges:		
Land and buildings	1.6	1.6
Motor vehicles	1.0	0.7
Net foreign exchange loss	0.1	–
Trade receivable impairments	0.4	0.1
Auditor's remuneration	0.1	0.1

The analysis of auditor's remuneration is as follows:

	2011 £m	2010 £m
Auditor's remuneration:		
Fee payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Total auditor's remuneration	0.1	0.1

Auditor's remuneration includes fees payable of £13,000 (2010: £12,000) to the Company auditor for the audit of the Company's subsidiaries pursuant to legislation and fees payable of £3,000 (2010: £3,000) for tax advisory services.

8 Directors and employees

	2011 £m	2010 £m
Staff costs		
Wages and salaries	23.4	22.1
Social security costs	3.6	3.0
Pension costs	0.3	0.3
	27.3	25.4

Details of Directors' remuneration are given on pages 32 to 34.

	No.	No.
Average monthly number of persons employed (including Directors)		
a) Sales, distribution and administration (continuing operations)	826	753
b) Sales, distribution and administration (continuing and discontinued operations)	848	832

9 Finance income and cost

	2011 £m	2010 £m
Finance income		
Bank interest receivable	0.1	0.1
Movement in put option liability	0.5	0.3
	0.6	0.4
Finance cost		
On amounts payable to invoice discounters	(0.2)	(0.2)
Bank loans and overdrafts	(0.7)	(0.8)
Movement in call option assets	(0.6)	(0.1)
	(1.5)	(1.1)
Net finance cost	(0.9)	(0.7)

10 Taxation

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

	2011 £m	2010 £m
Current taxation		
Current tax	**(1.5)**	(2.3)
Adjustment to tax charge in respect of previous periods	**(0.1)**	(0.2)
	(1.6)	(2.5)
Deferred tax	**0.5**	0.4
Total income tax expense in the income statement	**(1.1)**	(2.1)

(b) Factors affecting the tax charge for the year

	2011 £m	2010 £m
Profit before taxation	**1.9**	6.5
Profit before tax at standard rate of corporation tax in the UK of 26.5% (2010: 28%)	**(0.5)**	(1.8)
Effects of:		
Expenses not deductible for tax purposes	**(0.3)**	(0.1)
Non-taxable income	**–**	0.1
Losses not recognised tor tax purposes	**(0.1)**	(0.2)
Deferred tax on losses and other timing differences previously not recognised	**–**	0.3
Adjustment to tax charges in respect of previous periods	**(0.1)**	(0.2)
Overseas tax at different tax rates	**(0.1)**	(0.2)
Tax expense	**(1.1)**	(2.1)

The movement in deferred tax is explained in note 20.

11 Reconciliation of Adjusted profit before tax to Profit before tax

	2011 £m	2010 £m
Profit before tax	**1.9**	6.5
Amortisation of intangibles	**0.3**	0.3
Exceptional provisions	**2.2**	–
Movement in put option liability	**(0.5)**	(0.3)
Movement in call option assets	**0.6**	0.1
Adjusted profit before tax from continuing operations	**4.5**	6.6

Notes to the consolidated financial statements continued

12 Earnings per share

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

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

a) From continuing and discontinued operations

	2011 £m	2010 £m
Earnings		
Earnings attributable to equity holders of the parent	(0.1)	3.1
Adjustments:		
Exceptional provisions	2.2	–
Loss / (gain) on business disposal	0.4	(0.3)
Movement in put option liability	(0.5)	0.1
Movement in call option asset	0.6	(0.3)
Amortisation of intangible assets	0.3	0.3
Tax on exceptional items and intangible amortisation	(0.6)	–
Non-controlling interest in intangible amortisation and exceptional items	(0.5)	(0.1)
Earnings for the purpose of adjusted earnings per share	1.8	2.8

	Millions	Millions
Number of shares		
Weighted average number of shares – basic and diluted	44.6	44.6
Earnings per share		
Basic	(0.4)	7.0
Adjusted earnings per share	4.0	6.2

b) From continuing operations

	2011 £m	2010 £m
Earnings		
Earnings attributable to equity holders of the parent	(0.1)	3.1
Adjustments to exclude loss/(profit) from discontinued operations	0.4	(0.2)
Earnings from continuing operations for the purpose of basic and diluted earnings per share	0.3	2.9
Adjustments:		
Exceptional provisions	2.2	–
Movement in put option liability	(0.5)	0.1
Movement in call option asset	0.6	(0.3)
Amortisation of intangible assets	0.3	0.3
Tax on exceptional items and intangible amortisation	(0.6)	–
Non-controlling interest in intangible amortisation and exceptional items	(0.5)	(0.1)
Earnings for the purpose of adjusted earnings per share	1.8	2.9

	Millions	Millions
Number of shares		
Weighted average number of shares – basic and diluted	44.6	44.6
Earnings per share		
Basic	0.6	6.5
Adjusted earnings per share	4.1	6.4

c) Fully diluted earnings per share

During the year 1.2m share options were issued. The dilution effect of these options was insignificant.

13 Property, plant and equipment

Cost	Leasehold property £m	Fixtures fittings and equipment £m	Motor vehicles £m	Total £m
At 1 January 2011	0.2	7.2	0.2	**7.6**
Exchange differences	–	(0.1)	–	**(0.1)**
Additions	–	0.6	–	**0.6**
Disposals	–	(0.5)	–	**(0.5)**
At 31 December 2011	0.2	7.2	0.2	**7.6**
Accumulated depreciation				
At 1 January 2011	0.1	5.5	0.1	**5.7**
Exchange differences	–	(0.2)	–	**(0.2)**
Charge for the year	–	0.8	–	**0.8**
Disposals	–	(0.4)	–	**(0.4)**
At 31 December 2011	0.1	5.7	0.1	**5.9**
Net book value				
At 31 December 2010	0.1	1.7	0.1	**1.9**
At 31 December 2011	0.1	1.5	0.1	**1.7**

Fixtures, fittings and equipment includes £0.1m (2010: £0.1m) of secured finance leases.

14 Goodwill

	2011 £m	2010 £m
At 1 January	**26.4**	26.5
Disposal	**(0.7)**	–
Foreign exchange	**(0.6)**	(0.1)
At 31 December	**25.1**	26.4

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount of that income-generating unit.

The recoverable amount of each cash-generating unit is determined based on the higher of value in use calculations and its fair value less costs to sell. The value in use calculations are based on cash flow projections derived from the Group budget for the year ended 31 December 2012 and managements internal 5 year forecast which has then been extrapolated over a total period of 20 years. The key assumptions for this calculation are the growth rates and discount rates. The growth rates applied in the forecasts are based on the relevant country GDP growth estimates for the next 5 years, which ranged from 1.4% to 5.0%. Any growth rate in excess of 5.0% was capped for the purpose of this calculation. A discount rate of 7.2% (2010: 8.5%) has been applied in discounting the projected cash flows, being the Group's weighted average cost of capital. Where higher growth rates were applied a discount rate of 8.2% has been used to reflect the greater risk to the forecast.

As part of the impairment review, management has considered the sensitivity of the recoverable amount for each unit to changes in the growth rate and discount rate. This sensitivity analysis showed that the long-term growth rate could reduce to nil without giving rise to an impairment of goodwill and that the discount rate could increase to 11% without giving rise to an impairment of goodwill. Neither of these changes in the key assumptions are expected to reasonably occur.

The carrying amount of goodwill has been allocated as follows:

	2011 £m	2010 £m
Goodwill by region		
United Kingdom	**7.7**	8.1
Continental Europe	**13.6**	14.0
Rest of the World	**3.8**	4.3
	25.1	26.4

Notes to the consolidated financial statements continued

15 Intangible assets

	Customer relations £m	Trade marks £m	Software £m	Total £m
Carrying amount at 1 January 2011	2.8	0.6	0.2	**3.6**
Additions	–	–	0.1	**0.1**
Foreign exchange	(0.1)	–	–	**(0.1)**
Gross carrying amount at 31 December 2011	2.7	0.6	0.3	**3.6**
Amortisation				
Carrying amount at 1 January 2011	0.7	0.3	0.1	**1.1**
Charge for year	0.1	0.1	0.1	**0.3**
Accumulated amortisation at 31 December 2011	0.8	0.4	0.2	**1.4**
Net book value as at 31 December 2010	2.1	0.3	0.1	**2.5**
Net book value as at 31 December 2011	1.9	0.2	0.1	**2.2**

16 Subsidiaries

A list of the significant investment in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 6 to the Company's financial statements.

17 Trade and other receivables

	2011 £m	2010 £m
Current		
Trade receivables	**25.9**	26.9
Less provision for impairment of trade receivables	**(0.3)**	(0.2)
Net trade receivables	**25.6**	26.7
Prepayments and accrued income	**1.9**	1.9
Other receivables	**2.8**	2.4
	30.3	31.0

Trade receivables includes £0.2m (2010: £0.8m) on which security has been given as part of the invoice finance liability.

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

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

18 Trade and other payables

	2011 £m	2010 £m
Current		
Trade payables	**1.4**	2.2
Other tax and social security	**6.2**	6.5
Other payables	**5.4**	6.4
Accruals	**9.2**	9.6
Provision for exceptional items (note 5)	**2.2**	–
Deferred and contingent consideration	**0.1**	0.3
	24.5	25.0

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

19 Financial liabilities
a) Borrowings

	2011 £m	2010 £m
Current		
Bank overdrafts	**1.3**	3.8
Amounts related to invoice financing	**0.2**	0.8
Current portion of bank loans	**1.0**	8.1
Other loan creditors	**0.5**	–
	3.0	12.7
Non-current		
Bank loans	**8.6**	0.5
	8.6	0.5
Total financial liabilities	**11.6**	13.2

The bank loans include a revolving credit facility and two term loans which expire in 2013 and 2016. The bank loans are secured by a first fixed charge over all book and other debts given by the Company and certain of its subsidiaries. Interest rates vary over the term of the loan. In 2011, interest was payable at between 1.25% and 2.375% over base rate on the term loans, and between 1.75% and 2.375% over LIBOR on the revolving credit facility.

The interest rate on the bank overdrafts was fixed in 2011 at rates of 2.25% and 2.5% above base rate.

The amounts above for invoice financing represent with-recourse facilities. The Group also has non-recourse invoice financing which is offset against trade receivables. The total amount at 31 December was £10.1m (2010: £8.5m).

b) Movement in net borrowings

	2011 £m	2010 £m
As at 1 January	**(6.1)**	(8.0)
Net (decrease)/increase in cash and cash equivalents	**(1.1)**	2.0
Decrease/(increase) in loans	**1.0**	(1.0)
Decrease in invoice financing	**0.2**	0.5
On disposal of business	**0.4**	0.3
Currency translation differences	**–**	0.1
As at 31 December	**(5.6)**	(6.1)

c) Analysis of net borrowings

	2011 £m	2010 £m
Financial liabilities – borrowings	**(11.6)**	(13.2)
Cash and cash equivalents	**6.0**	7.1
As at 31 December	**(5.6)**	(6.1)

Cash and cash equivalents at 31 December 2011 include cash with banks of £0.3m (2010: £0.3m) held by subsidiaries in China which are subject to currency exchange restrictions.

Notes to the consolidated financial statements continued

20 Deferred tax

	Tax losses £000	Exceptionals £000	Capital allowances £000	Holiday pay £000	Timing differences £000	Intangible assets £000	**Total 2011 £000**	**2010 £000**
1 January	828	–	55	81	47	(611)	**400**	**(13)**
Credit/(charge) to income	39	531	(16)	26	(69)	(30)	**481**	**376**
Disposal	(169)	–	–	–	–	–	**(169)**	**–**
Foreign exchange difference	(32)	–	–	–	(38)	18	**(52)**	**37**
31 December	666	531	39	107	(60)	(623)	**660**	**400**

Analysis of deferred tax	**2011 £000**	**2010 £000**
Deferred tax asset	**1,470**	**1,011**
Deferred tax liability	**(810)**	**(611)**
	660	**400**

At the balance sheet date, the Group has unused tax losses of £3.6m (2010: £5.9m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £2.3m (2010: £2.9m) of such losses. No deferred tax asset has been recognised in respect of the remaining £1.3m (2010: £3.0m) as it is not considered probable that there will be future taxable profits available.

No deferred tax liability is recognised on temporary differences of £3.4m (2010: £2.4m) relating to the unremitted earnings of overseas subidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

21 Share capital

	Number of shares	**2011 £m**	Number of shares	2010 £m
Allotted and fully paid				
Ordinary shares of 5p each	**44,562,847**	**2.2**	44,562,847	2.2

22 Financial instruments

The principal financial assets of the Group are cash and cash equivalents and trade and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial liabilities are trade and other creditors that arise directly from operations, amounts owed to invoice discounters and bank loans.

Credit risk analysis

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

Classes of financial assets – carrying amounts	2011 £m	2010 £m
Cash and cash equivalents	6.0	7.1
Trade and other receivables	30.3	31.0

The Group's cash balances are spread across a range of banks, with the majority of the cash in banks which have acceptable ratings.

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

Debtors ageing and impairment losses

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

	2011 £m	2010 £m
0–30 days	15.1	17.0
31–60 days	8.7	8.1
61–90 days	0.8	1.1
Over 90 days	1.0	0.5
Total trade receivables (note 17)	25.6	26.7

Average debtor days during the year was 52 days (2010: 52 days).

All of the Group's trade receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired and a provision of £0.3m (2010: £0.2m) has been recorded accordingly.

Included in the Group's trade receivables balance are debtors with a carrying amount of £1.8m (2010: £1.6m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group has non-recourse invoice financing which is offset against trade receivables. The total amount offset against trade receivables at 31 December was £10.1m (2010: £8.5m).

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

	2011 £m	2010 £m
Balance as 1 January	0.2	0.7
Impairment loss recognised	0.4	0.1
Impairment loss utilised	(0.3)	(0.6)
Balance at 31 December	0.3	0.2

Liquidity risk analysis

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

Notes to the consolidated financial statements continued

22 Financial instruments continued

As at 31 December 2011, Empresaria's liabilities have contractual maturities which are summarised below:

		Current				Non-current	
		within 6 months		6 to 12 months		1 to 5 years	
	Effective interest rate	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Bank loans	2.9%	**0.5**	0.3	**0.5**	7.6	**7.8**	0.4
Other loan creditors	–	**0.5**	–	**–**	–	**–**	–
Trade and other payables	–	**24.5**	25.0	**–**	–	**–**	–
Other short-term financial liabilities	5.8%	**1.5**	4.6	**–**	–	**–**	–
Total	–	**27.0**	29.9	**0.5**	7.6	**7.8**	0.4

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

All bank loans are on floating interest rates.

At the year end the Group had £6.3m (2010: £4.2m) of undrawn bank facilities.

There was no loan repayment default during the year (2010: nil). At the year end past due loans were nil (2010: nil).

Gearing ratio

	2011 £m	2010 £m
Gross borrowings	**11.6**	13.2
Less: Cash and cash equivalents	**(6.0)**	(7.1)
Net debts	**5.6**	6.1
Equity attributable to Company shareholders	**24.7**	25.6
Net debt to equity ratio	**22.7%**	23.8%

Market risk analysis

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

Capital risk

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

Foreign currency risk

Most of Empresaria Group plc's transactions are carried out in Pounds Serling. Most of the subsidiary companies transactions are carried out in the local currency of their respective countries. Exposures to currency exchange rates arsing from the overseas sales and purchases are minimal.

To mitigate the Group's exposure to foreign currency risk, non-UK Pound cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, Empresaria's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

During the year ended 31 December 2011 no forward exchange contracts were entered into.

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

	Assets		Liabilities	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Euro	**18.6**	19.8	**15.9**	17.2
Japanese Yen	**3.0**	2.8	**2.2**	2.1
Chilean Peso	**3.9**	4.0	**1.9**	2.1
Indonesian Rupiah	**1.8**	2.4	**0.7**	1.5

Sensitivity analysis
A 10% strengthening of pounds sterling against the following currencies would have (decreased)/increased equity and the income statement by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2011				2010			
	Euro £m	**Japanese Yen £m**	**Chilean Peso £m**	**Indonesian Rupiah £m**	Euro £m	Japanese Yen £m	Chilean Peso £m	Indonesian Rupiah £m
Net result for the year	**(0.1)**	**–**	**–**	**–**	(0.2)	–	–	–
Equity	**(1.7)**	**(0.2)**	**(0.3)**	**(0.1)**	(1.8)	(0.2)	(0.3)	(0.1)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Empresaria's exposure to currency risk.

Interest rate risk
The Group has interest bearing assets and liabilities. Interest bearing assets and liabilities include cash balances and overdrafts.

The Group manages its interest rate risk through a combination of cash pooling, shareholder funding and borrowing. Management monitors movements in interest rates to determine the most advantageous debt profile for the Group. At 31 December 2011, Empresaria is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. For further information see note 19. All other financial assets and liabilities have fixed rates.

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

Interest rate

	2011 £m	2010 £m
Net result for the year	**(0.2)**	(0.2)
Equity	**(0.2)**	(0.2)

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

The following table provides an analysis of financial instruments that are measured subject to initial recognition at fair value, grouped into Level 1 and Level 2 based on the degree to which the fair value is observable:

Level 1: Fair value is measured from inputs of quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is measured from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

	2011 £m	2010 £m
Call option assets (Level 1)	**0.3**	0.9
Put option liability (Level 2)	**–**	(1.0)

There were no transfers between Levels 1 and 2 during the current or prior year.

There were no Level 3 financial instruments during the current or prior year.

Notes to the consolidated financial statements continued

23 Financial commitments
Operating leases

	Motor vehicles		Land and buildings	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Total minimum operating lease payments due:				
Within one year	**0.9**	0.7	**1.5**	1.3
One to five years	**0.4**	1.0	**1.7**	1.3
After five years	**–**	–	**0.2**	0.1
	1.3	1.7	**3.4**	2.7

24 Dividends

	2011 £000	2010 £000
Amount recognised as distribution to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 0.35 pence (2009: 0.35 pence) per share	**156**	156
Proposed final dividend for the year ended 31 December 2011 of 0.35 pence (2010: 0.35 pence) per share	**156**	156

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

25 Contingent liabilities
Contingent consideration
Various contingent consideration payments have been deemed probable at 31 December 2011 totalling £0.1m (2010: £0.3m). As such, management has booked a liability for these liabilities. The fair value of contingent consideration is accrued once it is probable that all the conditions for payment will be met.

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

Headway penalty
As part of the acquisition of Headway in 2007, Empresaria Holding Deutschland GmbH (a subsidiary of the Company) signed a put and call option agreement in order to buy the residual shareholdings at a future date. Per the terms of this agreement, if certain call options are not exercised then a penalty will be due from Empresaria Holding Deutschland GmbH to the other shareholders. During 2008, one of the minority shareholders exited the business and thereby waived his rights to any future payment under the put and call option. In March 2012 an agreement was made with the remaining minority shareholder to purchase one third of his 20% shareholding. Call options remain in place over the remaining 13.3% of minority shares, with the exercise period up to 31 January 2014.

The discounted value of the penalty is Euro 2.2 million (2010: Euro 2.2million). As at 31 December 2011, management assess that it is possible, but not probable, that a penalty may be payable under the terms of the put and call agreement. Therefore, no liability has been recognised for this amount.

26 Profit of parent company
As permitted by section 408 of the Companies Act 2006, retained earnings of the parent company are not presented as part of these financial statements. The parent Company's loss for the financial year was £0.7m (2010: gain of £0.5m).

27 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. These transactions include intra-group management charges and net interest charges to subsidiaries, which amounted to £1.9m (2010: £2.0m) and £0.4m (2010: £0.3m) respectively.

Remuneration of key management personnel

The remuneration of Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on page 34.

	2011 £m	2010 £m
Short-term employee benefits	**0.6**	0.6

There were share based payment costs of £15,000 in the year (2010: nil) and pension contributions of £32,500 (2010: £28,050) but no other benefits in the year.

Directors' transactions

Dividends totalling £46,274 (2010: £46,274) were paid in the year in respect of ordinary shares held by the Company's Directors.

Empresaria Group plc transacted with 24/7 Translations Limited for the provision of translation services. Spencer Wreford, Group Finance Director, jointly owns this company with his wife. In total the services charged were for £700 (2010: £700).

28 Share based payments

The Company operates a share option scheme for Directors and senior executives. During the year options were granted as detailed below. No options were outstanding in the previous year. The options have a vesting period of approximately three years (up to 31 March 2015) and are forfeited if the employee leaves the Group before the options are exercised.

	2011 Number of share options	**2011 Weighted average exercise price (p)**
Outstanding at beginning of year	–	–
Granted during the year	**1,220,000**	–
Outstanding at the end of the year	**1,220,000**	–

None of the options were exercisable at 31 December 2011.

The options have a zero cost exercise price. The aggregate of the fair value of the options granted in the year is £194,000. In 2011 a total expense of £15,000 was recognised in the income statement. The fair value was estimated using a Black-Scholes model for the EPS element and a Monte Carlo model for the total shareholder return element. Details of the performance conditions can be found in the Directors' remuneration report on page 33.

Share price at date of grant	25p
Weighted average exercise price	Nil
Expected volatility	46.52%
Expected life	3.5 years
Risk-free rate	1.04%
Expected dividend yields	1.52%

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.

Notes to the consolidated financial statements continued

29 Events after the balance sheet date

On 26 January 2012 the Group announced the acquisition of 14.5% of the shares in Bar 2 Limited, a UK based umbrella company servicing the recruitment industry, for cash consideration of £0.3m. This takes the Group's ownership to 85.5%. The remaining minority shares will be acquired in 2014, with consideration based on the financial performance of Bar 2 Limited in the three years ending 31 December 2013.

On 13 March 2012 the Group announced it had agreed to purchase 6.7% of the shares in Empresaria Deutschland GmbH (the holding company for the Headway operating companies) for Euro 1.3m. The call option agreements over the remaining 13.3% of minority shares have also been amended to extend the exercise period up to the end of January 2014.

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

We have audited the parent Company financial statements of Empresaria Group plc for the year ended 31 December 2011 which comprise the parent Company balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; 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.

Other matters

We have reported separately on the Group financial statements of Empresaria Group plc for the year ended 31 December 2011.

Ian Smith (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
20 March 2012

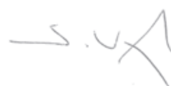
Parent Company balance sheet

	Note	2011 £m	2010 £m
Non-current assets			
Tangible assets	5	**0.2**	0.2
Investments	6	**28.6**	29.2
Call option asset		**0.3**	0.9
		29.1	30.3
Current assets			
Debtors (including amounts falling due after more than one year of £8.9m (2010: £2.4m))	7	**17.8**	17.7
Cash at bank		**2.3**	0.1
Creditors: amounts falling due within one year	8	**(19.3)**	(18.8)
Net current assets		**0.8**	(1.0)
Total assets less current liabilities		**29.9**	29.3
Creditors: amounts falling due after more than one year	9	**(5.2)**	(3.9)
Put option liability		**–**	(0.1)
Net assets		**24.7**	25.3
Capital and reserves			
Called up share capital	10, 11	**2.2**	2.2
Share premium account	10	**19.4**	19.4
Other reserves	10	**1.5**	1.5
Option reserves	10	**0.8**	0.4
Profit and loss account	10	**0.8**	1.8
Shareholders' funds	10	**24.7**	25.3

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 20 March 2012.

Signed on behalf of the Board of Directors

Joost Kreulen
Director



Spencer Wreford
Director

Notes to the parent Company financial statements

1 Basis of preparation and significant accounting policies

The financial statements are for the twelve months ended 31 December 2011. They have been prepared in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared under the historical cost convention.

These financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent Company.

The accounting policies have been applied consistently throughout the period for the purposes of preparation of these financial statements.

Going concern

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

Foreign currencies

(i) Monetary assets and liabilities

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

(ii) Hedges of net investments in foreign operations

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

Tangible fixed assets

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

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

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Fixed asset investments

The Company's investments in shares in Group companies are stated at cost less provisions for impairment. Any impairment is charged to the income statement as it arises.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

Pension costs are charged to the income statement and solely relate to contributions made to staff personal pension schemes. Contributions to the scheme are charged to the income statement as they become due for payment.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. The Company reported a loss after tax for the financial year ended 31 December 2011 of £0.7m (2010: Profit after tax of £0.5m).

Notes to the parent Company financial statements continued

3 Directors and employees

	2011 £m	2010 £m
Staff costs		
Wages and salaries	**1.5**	1.2
Social security costs	**0.1**	0.1
	1.6	1.3

	2011 No.	2010 No.
Average monthly number of persons employed (including directors)	**14**	11

Pension contributions made in the year were £34,416 (2010: £30,294).
Details of directors' remuneration are given in note 8 to the Group accounts.

4 Dividends

During 2011 Empresaria Group plc paid a dividend of £0.2m to its equity shareholders (2010: £0.2m). This amounted to 0.35 pence per ordinary share (2010: 0.35 pence).

A final dividend is proposed for the year ended 31 December 2011 of 0.35 pence per ordinary share (2011: 0.35 pence). The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid on 16 July 2012 to members registered on 15 June 2012.

5 Property, plant and equipment

The following table shows the significant additions and disposals of property, plant and equipment.

Cost	Fixtures, fittings and equipment £m
At 1 January 2011	0.4
Additions	0.1
At 31 December 2011	0.5
Accumulated depreciation	
At 1 January 2011	0.2
Charge for the year	0.1
At 31 December 2011	0.3
Net book value	
At 31 December 2011	**0.2**
At 31 December 2010	0.2

6 Investments held as fixed assets

	Loans to subsidiary undertakings £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 January 2011	6.8	28.3	35.1
Disposals	–	(0.6)	(0.6)
At 31 December 2011	6.8	27.7	34.5
Impairment			
At 1 January 2011	–	5.9	5.9
At 31 December 2011	0.0	5.9	5.9
Net book value			
As 31 December 2011	**6.8**	**21.8**	**28.6**
At 31 December 2010	6.8	22.4	29.2

Any exchange movement in the loans to subsidiary undertakings is recognised in other reserves as the receivable is treated as a net investment in foreign operations.

Investments comprise of the following principal subsidiary companies:

	Class of share held	%	Country of Incorporation
Bar 2 Limited*	"A & B" Ordinary	71	UK
FastTrack Management Services (London) Limited*	"A" Ordinary	94	UK
Greycoat Placements Limited*	Ordinary	100	UK
LMA Recruitment Limited*	"A" Ordinary	63	UK
McCall Limited*	"A & B" Ordinary	79	UK
The Recruitment Business Limited*	"A" Ordinary	79	UK
Headway Holding GmbH	Ordinary	80	Germany
Interactive Manpower Solutions Private Limited*	Equity Share	71	India
Mediradix Oy*	Ordinary	60	Finland
Learning Resources	Shares	51	Indonesia
Marketing y Promociones S.A. 'Alternattiva'	Common	56	Chile
Monroe Consulting Group	Shares	90	Indonesia
Skillhouse Staffing Solutions K.K.	Ordinary	90	Japan
The Recruitment Business Pty Limited	Ordinary	79	Australia

* These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December 2011.

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

7 Debtors

	2011 £m	2010 £m
Amounts owed by Group undertakings (including amounts falling due after more than one year of £8.9m (2010: £2.4m))	**16.7**	16.0
Other debtors	**0.4**	1.2
Prepayments and accrued income	**0.7**	0.5
	17.8	17.7

Notes to the parent Company financial statements continued

8 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Bank overdraft and loans due within one year	**15.6**	16.8
Trade creditors	**0.1**	0.1
Amounts owed to subsidiary undertakings	**3.0**	1.0
Deferred consideration and other creditors	**0.1**	0.2
Accruals	**0.5**	0.7
	19.3	18.8

Other creditors include a finance lease of £3,821 (2010: £25,851).

9 Creditors: amounts falling due after more than one year

	2011 £m	2010 £m
Loan from subsidiary undertakings	**3.2**	3.6
Bank loans	**2.0**	0.3
	5.2	3.9

The bank loans include a revolving credit facility and two term loans which expire in 2013 and 2016 respectively. The bank loans are secured by a first fixed charge over all book and other debts given by the Company and certain subsidiaries. Interest rates vary over the term of the loan. In 2011, interest was payable at between 1.25% and 2.375% over base rate on the term loans, and between 1.75% and 2.375% over LIBOR on the revolving credit facility.

	2011 £m	2010 £m
Bank loans		
Repayable within one year	**7.1**	8.0
Repayable between one and two years	**0.7**	0.2
Repayable between two and five years	**1.3**	0.1
	9.1	8.3

10 Reconciliation of movements in shareholders' funds

	2011 Share capital £m	2011 Share premium £m	2011 Other reserve £m	2011 Option reserve £m	2011 Profit and loss account £m	2011 Total shareholders' funds £m	2010 Total shareholders' funds £m
Profit/(loss) for the financial year	–	–	–	–	(0.7)	**(0.7)**	0.5
Dividend paid	–	–	–	–	(0.2)	**(0.2)**	(0.2)
Movement in put option	–	–	–	0.4	(0.1)	**0.3**	–
Net (reduction)/addition to shareholders' funds	–	–	–	0.4	(1.0)	**(0.6)**	0.3
Opening shareholders' funds	2.2	19.4	1.5	0.4	1.8	**25.3**	24.9
Closing shareholders' funds	2.2	19.4	1.5	0.8	0.8	**24.7**	25.3

Loss for the year after tax was £0.7m (2010: profit for the year after tax £0.5m).

11 Called up share capital

	Number of shares	2011 £m	Number of shares	2010 £m
Allotted and fully paid				
Ordinary shares of 5p each	**44,562,847**	**2.2**	44,562,847	2.2

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 general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2011 no ordinary shares were issued (2010: no ordinary shares were issued).

Officers and professional advisers

Directors
Joost Kreulen
Spencer Wreford
Anthony Martin
Penny Freer
Zach Miles
Miles Hunt

Secretary
Anne-Marie Clarke

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

Company registration number
03743194

NOMAD (financial adviser)
Altium Capital Limited
30 St James's Square
London
SW1Y 4AL

NOMAD (broker)
Allenby Capital
Claridge House
32 Davies Street
London
W1K 4ND

Solicitors
Osborne Clark
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
Deloitte LLP
London Gatwick office
Global House
High Street
Crawley
West Sussex
RH10 1DL

Registrars
Capita Registars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

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CarbonNeutral® printing company

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

Tel: +44 (0) 1342 711 430
Fax: +44 (0) 1342 711 449
Email: info@empresaria.com

www.empresaria.com