Empresaria Group plc

A balanced and diversified Group, focused on staffing services

Annual report & accounts 2012

Empresaria Group plc

About Empresaria

Empresaria is an international specialist staffing group, with a diversified and balanced business model.

Our 20 brands operate in 18 countries through over 80 offices. Our main service is recruitment, both permanent and temporary. We also have capabilities in training, Recruitment Process Outsourcing and other HR services.

Highlights

- Revenue of £194.3m down 7% on prior year
- Net fee income of £43.9m down 6% on prior year, with 9% growth from Rest of the World region
- Conversion ratio increases to 12.0% from 11.3%
- Operating profit of £4.4m, up 57% on 2011
- Profit before tax of £3.6m up 89% on 2011
- Earnings per share of 3.0p up from loss of 0.4p in prior year
- Net debt increases to £8.1m following minority share purchases
- 64% of net fee income generated from outside UK
- New office opened in Hong Kong in 2012
- Action taken in 2011 results in turnaround in profits for India, Philippines, Czech Republic and Slovakia
- Right-sizing of operations in Germany leads to exceptional restructuring costs of £1.1m
- Release of German CGZP provision of £0.4m

Contents

Overview

01 Overview of performance
02 Chairman's statement
04 What we do
06 Why we do it
08 How we do it
10 How we plan to deliver growth

Business review

12 Chief Executive Officer's business review
17 Finance review
24 Corporate social responsibility

Governance

25 Board of Directors
26 Directors' report
29 Directors' responsibilities statement
30 Corporate governance statement
34 Audit Committee report
36 Directors' remuneration report
40 Independent auditor's report

Financial statements

41 Consolidated income statement
42 Consolidated statement of comprehensive income
43 Consolidated balance sheet
44 Consolidated statement of changes in equity
45 Consolidated cash flow statement
46 Notes to the consolidated financial statements
73 Independent auditor's report
74 Parent Company balance sheet
75 Notes to the parent Company financial statements
80 Officers and professional advisers

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.

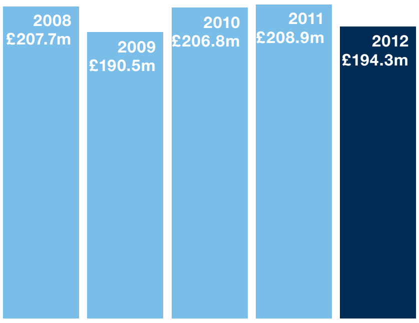
Overview of performance

	2012	2011	2010	2009	2008 Restated
Revenue (£m)	**194.3**	208.9	206.8	190.5	207.7
Gross profit (£m)	**43.9**	46.9	46.5	40.6	51.5
Profit/(loss) before tax (£m)	**3.6**	1.9	6.5	(1.5)	0.7
Adjusted profit before tax (£m) *	**4.6**	4.5	6.6	3.5	5.8
Operating profit/(loss) (£m)	**4.4**	2.8	7.2	(1.0)	1.8
Adjusted operating profit (£m) *	**5.4**	5.3	7.4	4.3	6.9
Earnings/(loss) per share (pence)	**3.0**	(0.4)	7.0	(11.6)	(6.5)
Adjusted earnings per share (pence) *	**5.0**	4.0	6.2	3.1	6.8
Proposed dividend per share (pence)	**0.35**	0.35	0.35	0.35	0.35

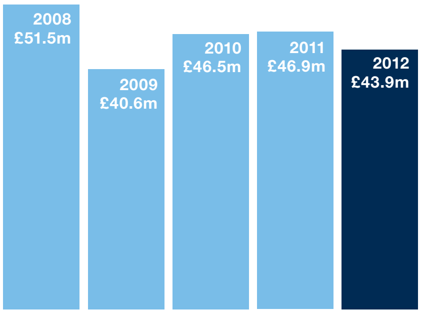
* Figures based on underlying profits excluding amortisation of intangible assets, movements on put and call options and exceptional items. See reconciliation in note 11.

60%
of brands grew profits in the year

Revenue
£194.3m
(2011: £208.9m)

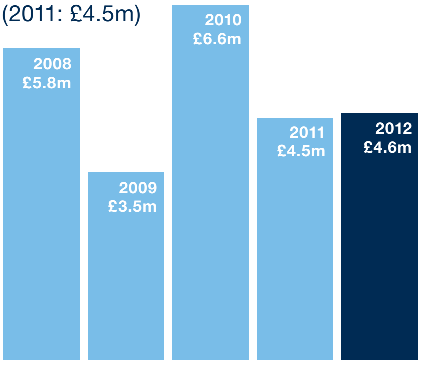


Net fee income
£43.9m
(2011: £46.9m)

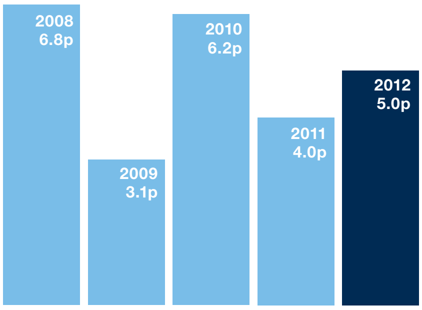


85%
of brands were profitable in the year

Adjusted profit before tax
£4.6m
(2011: £4.5m)



Adjusted earnings per share
5.0p
(2011: 4.0p)



Chairman's statement

We are cautiously optimistic about the current year. Due to the actions taken during 2012, we expect a better Group performance in 2013.

Overview of performance in 2012

Overall Group revenue was £194.3m (2011: £208.9m), a reduction of 7%, with Group net fee income reducing 6% to £43.9m (2011: £46.9m). However, good control over costs meant that both adjusted operating profit of £5.4m and adjusted profit before tax of £4.6m were up 2% on 2011. Adjusted earnings per share increased 25% to 5.0p (2011: 4.0p), benefitting from the purchases of minority shares made in the year.

At the regional level, the Rest of the World continued to grow strongly with net fee income increasing by 9% on the prior year. There was another particularly strong performance from the Asian region which grew by 15% year on year. Our recent investments in Singapore and Hong Kong are developing well and we expect them to deliver positive contributions in 2013.

Our UK business has solid foundations and maintained net fee income in 2012 at prior year levels, despite the double-dip recession. Tight cost control helped in delivering an increase in adjusted operating profit.

In Continental Europe, net fee income declined 20% over the year, predominantly as a result of the required realignment of our business in Germany. This restructuring exercise has removed a significant level of costs and right-sized the business for the current market conditions, but resulted in lower profits in 2012. We have recognised £1.1m of exceptional restructuring costs for Germany in these accounts. This has been partially offset by a reduction in the provision against claims for retrospective pay and social security in Germany. We have settled a large proportion of the historic claims and only had a small number of additional claims arise in the year.

Our reported net debt has increased to £8.1m (2011: £5.6m) due to our investment in working capital, a reduction in credit insured invoice financing and the purchase of minority shares, in particular the acquisition of the remaining minority shares in Headway for a total cash outlay in the year of €2.95m (approximately £2.4m). By accelerating this purchase fully into 2012, the Company benefitted from a saving of approximately £0.6m in total consideration.

Board

Joost Kreulen took over as Chief Executive Officer on 1 January 2012, having been responsible for the Group's Asian operations since 2009 and, more recently, also for a number of the Group's UK based businesses. Joost has extensive experience of operational and business development roles within specialist staffing operations, having worked for over 25 years in the staffing industry.

Miles Hunt resigned from the Board, ceasing to be a Non-Executive Director on 31 March 2012.

People

In absolute terms, staff numbers increased from 803 at the end of 2011 to 834 at the end of 2012, although the average number of staff fell from 848 last year to 834 this year, with the movements across the regions mirroring their financial performance.

The success of the Group is dependent on having the right people in the right place and the Board would like to thank all of the Group's staff for their hard work, commitment and contribution over the last year, in what have been challenging conditions for a number of our brands.

The Group strategy and success is underpinned by a philosophy of management equity. Operating company management teams invest directly in their own businesses, thereby aligning management and shareholder interests. Where we have acquired first generation management equity we are actively pursuing a strategy of second generation equity, to incentivise senior managers to drive the next stage of development of their companies. This will typically involve setting a threshold profit limit and allowing minority shareholders to benefit from increases in profit over this limit.

Dividend

We continue to adopt a sustainable dividend policy, whilst prioritising free cash flow for developing the Group and strengthening the balance sheet. For the year ended 31 December 2012, the Board is proposing to maintain the final dividend at 0.35p per share (2011: 0.35p per share) which, if approved by Shareholders at the Annual General Meeting, will be paid on 24 June 2013 to shareholders on the register at 24 May 2013.

Governance

The principle of sound corporate governance practices is core to our success as a Group. The diversified nature of the Group, operating through 20 brands across 18 countries, means it is vital that a strong control culture and clear policies on corporate conduct and governance exist and are communicated and monitored effectively. The Board develop the Group's corporate governance arrangements in line with the UK Corporate Governance Code, making sure that the entrepreneurial freedom enjoyed by the operating companies is within a framework of clearly understood principles and controls. Further details on the corporate governance arrangements of the Group can be found in the Corporate Governance section of this report.

Current trading and outlook

We are cautiously optimistic about the current year. Global economic conditions remain uncertain and there are many risks to the fragile recovery seen in some of our key markets. However, due to the actions taken during 2012, we expect a better Group performance in 2013. In particular, the operational improvements made in Germany and Chile means both are better placed for the current year and the investments made in Singapore should contribute more positively from the solid platform now in place.

We continue to see opportunities for growth within our existing Group and will take a selective approach to external investments.

Anthony Martin
Chairman

19 March 2013

What we do

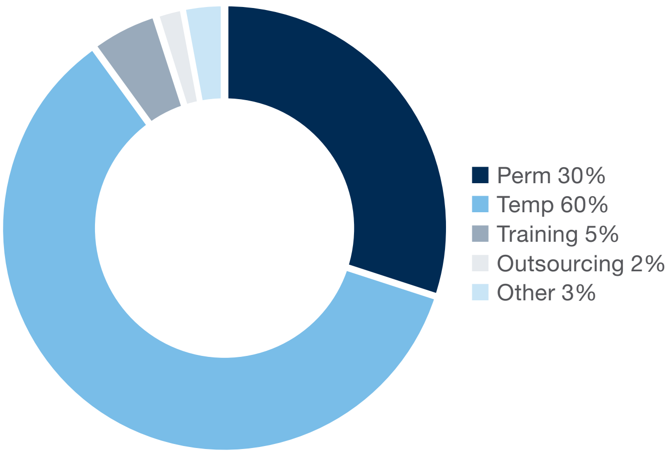
Recruitment focus

Services

The majority of our business is from recruitment services, with 90% of our net fee income derived from permanent and temporary recruitment. Overall we have a bias towards temporary business, which is mainly driven from the UK and Continental Europe regions. Temporary recruitment is typically less volatile than permanent recruitment and has a close alignment to the general economy. Within the Rest of the World region there is a bias towards permanent sales, with the exception of Japan, as the staffing markets here are less mature and so temporary workers are less common.

We also have a training business in Indonesia & Singapore, a Recruitment Process Outsourcing business in India and an Outsourcing business in Chile.

Net fee income by service type



Brands

In a talent-shortage market we follow a multi-branded approach. We have 20 brands in the Group, operating across 18 countries. All of our brands have the scope to expand their operations, either internationally or within their own territory.

Our multi-branded approach means our brands are specialists in their fields and so can offer a more tailored and value added service to both clients and candidate. Each brand has its own identity and expertise, which we believe is preferred by professionals and skilled workers who want to deal with a recruiter that understands their market and role.

Net fee income derived from top 10 brands

82%

Regions

3

Brands

20

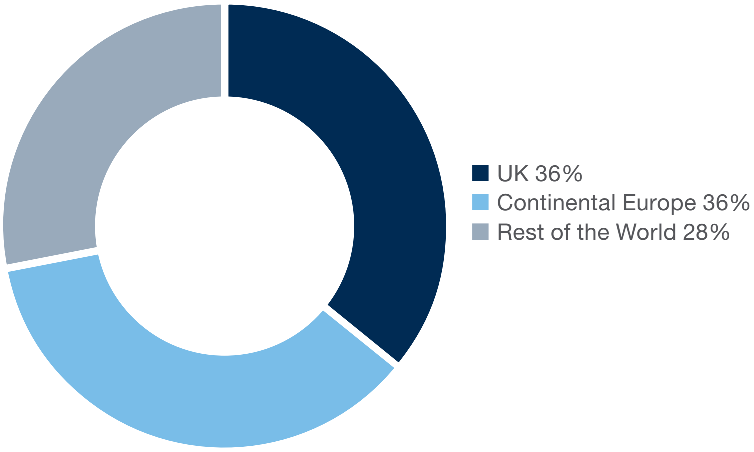
Balanced and diversified approach

Regions

We operate across three main regions: the UK, Continental Europe and Rest of the World (which incorporates South East Asia and South America). This gives us a balance between mature markets with more stable and established profit streams and high-growth recruitment markets with opportunities for better profit growth. The Group targets key economic centres where there are high numbers of businesses and so where there is the biggest need for recruitment services.

The Group targets a balanced spread of operations across the three regions, to help minimise dependence on any single country and so reduce risks and volatility.

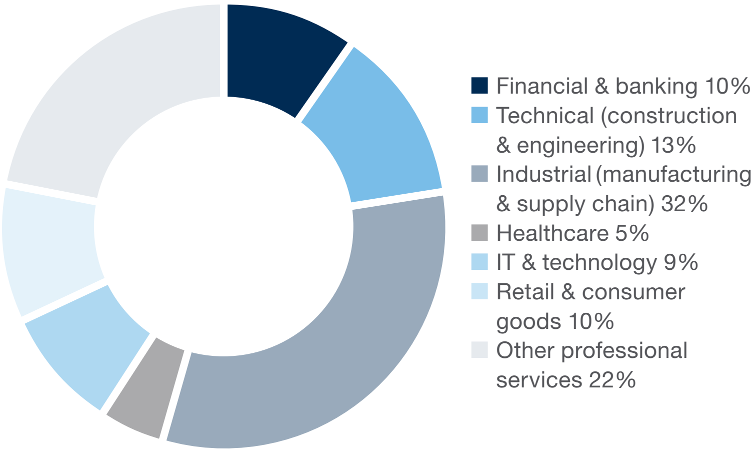
Net fee income by region



Sectors

We operate across 7 key sectors, with a focus on professionals and skilled workers, where it is easier to add value to the recruitment process leading to less pressure on margins. In the lower-skilled markets recruitment is typically based on high volumes and low margins. There is an increasing trend for larger companies to establish in-house recruitment teams and for technology to play a bigger part in the recruitment process. However, we believe there will always be a need for professional recruitment services for skilled roles, as it becomes increasingly harder to find talented candidates with relevant experience to meet the demand and to convince the candidate and client that it is a good match for the role.

Net fee income by sector type



Countries

18

Employees (average)

834

Why we do it

UK

The Group was originally started with a purely UK focus. The UK staffing market is the third largest in the world with one of the highest temporary penetration rates so represents a stable and mature recruitment market. Whilst the UK economy has been in recession during 2012 and is not expected to show high growth in the short-term, the size and maturity of the market in total means that there are opportunities for growth for specialist, niche operators. The market in the UK is highly fragmented with a large number of staffing companies and no single dominant player. The market is sophisticated and understands the role and value provided by staffing groups.

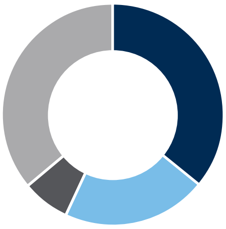
We have 9 brands in the UK, all with a London focus but also other branch offices around the country. The main services by net fee income are Technical (construction) (36%), Financial & banking (21%), Retail & consumer goods (7%) and Other professional services (36%) which includes Creative media and Domestic services.

There is an overall temporary recruitment bias with 59% of net fee income from temporary services. The Agency Workers Directive was introduced in 2011 to ensure equal treatment for temporary workers. This does not appear to have had any detrimental impact on the UK temporary recruitment market and gives workers the choice of how they want to work without the risks of being treated unfairly.

Brands

9

Net fee income by service



■ Technical (construction) 36%
■ Financial & banking 21%
■ Retail & consumer goods 7%
■ Other professional services 36%

Continental Europe

The Group operates through 3 brands in 6 countries within Continental Europe. This region is dominated by Headway (84% of regional net fee income), which operates in Germany & Austria in the Industrial sector. In Finland & Estonia we have Mediradix (13% of regional net fee income), operating in the healthcare sector and in Czech Republic and Slovakia we have GIT Consult (3% of regional net fee income) in the IT sector. The business is predominantly temporary recruitment, which accounts for 96% of net fee income.

The German economy is the largest in Europe and has the highest growth prospects of all the major European markets for the next few years. The staffing market, whilst being the fifth largest in the world, still has strong growth potential, having grown rapidly from a small base since the Hartz reforms to the labour market in 2004. The market is currently undergoing further change with the introduction of equal pay rates for temporary workers across a number of industries. Each industry is agreeing a different pay rate surcharge, with some up to 50% of the current pay rates. It is expected that this will initially have a negative impact on the growth of temporary workers and gross margins, but in line with the experiences of other countries that have adopted such regulations, is not expected to have a long-term negative impact.

In Finland we are focused on the healthcare sector, providing doctors, nurses and other healthcare professionals. There is a structural shortage of health workers being trained in Finland so there is projected to be a long-term demand in this area.

Our businesses in Czech Republic and Slovakia are relatively small, but operate in a highly-skilled professional sector providing IT staff to various industries.

Rest of the World

This region covers India, China, Japan, Asia Pacific, Australia and Chile, so includes some of the most exciting and high-growth staffing markets in the world. This has been the Group's fastest growing region in recent years which is expected to continue. Growth is supported by the GDP rates in the region, where there has been less impact from the global economic crisis than in Europe. The Group's recent investment activity has been focused here, with new offices opened in Singapore, Australia and Hong Kong in the last two years. There is a bias to permanent sales, which represent 64% of net fee income and is the majority of business in Asia Pacific, whereas temporary recruitment operates mainly in Japan, Australia and Chile. We also have training in Indonesia & Singapore and Recruitment Process Outsourcing in India. The temporary penetration rates in the region are generally low and we would expect these to increase over time, as the staffing markets develop and mature. By having an established presence in these markets we are well placed to develop temporary services as they become more widespread.

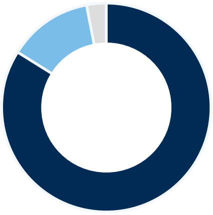
We operate through 10 brands in the Rest of the World, with IT (27%) and Retail & consumer goods (26%) the largest single sectors. Also significant are Finance & banking (8%) and Industrial (7%), with Other professional services (31%) including Training, Recruitment Process Outsourcing and Creative media.

There is considerable scope for high growth in the Asian staffing markets. At the moment the largest markets are Japan and Australia, but looking at the population figures, the size of China, India and the Asia Pacific regions highlights their potential as their economies and staffing markets develop.

Brands

3

Net fee income by service



■ Industrial 84%
■ Healthcare 13%
■ IT & technology 3%

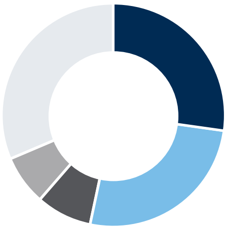
Countries

- Austria
- Czech Republic
- Estonia
- Finland
- Germany
- Slovakia

Brands

10

Net fee income by service



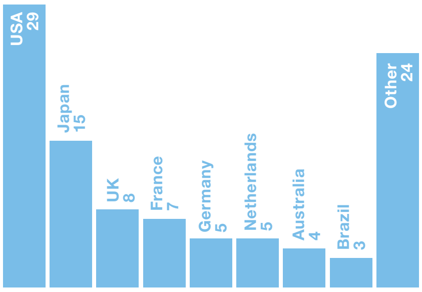
■ IT 27%
■ Retail & consumer goods 26%
■ Finance & banking 8%
■ Industrial 7%
■ Other professional services 31%

Countries

- Australia
- Chile
- China
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- Philippines
- Singapore
- Thailand

Market overview

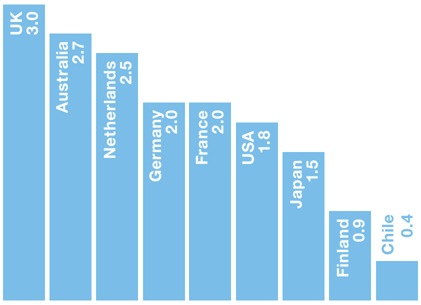
Market size (%)



The graph shows the estimated annual sales for the major staffing markets in 2011. *(Source: Staffing Industry Analysts – Global Staffing Industry Size 2011).*

Empresaria is present in three of the five largest staffing markets (Japan, UK and Germany) and these are the three largest markets by net fee income for the Group (representing 75% of total net fee income). This provides us with a strong profit stream from established staffing markets. There is a significant potential in the emerging markets, which is where we have seen our fastest growth.

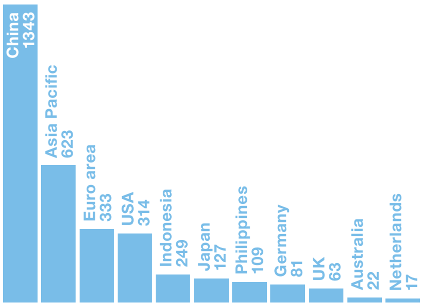
Temporary penetration rates (%)



The temporary penetration rate represents the number of workers in a country that are agency workers. *(Source: Ciett estimates for 2010).*

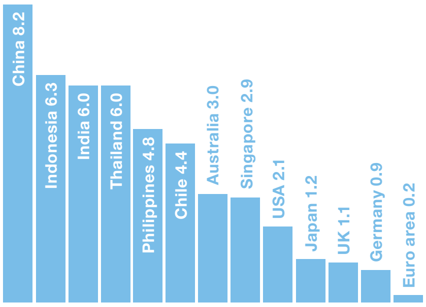
The more established and deregulated staffing markets have a higher penetration rate, which also tend to be the larger markets by value. Germany, which was de-regulated in 2004, has a lower rate than in the more developed markets of the UK and Netherlands but is increasing as the use of staffing company personnel becomes more accepted. The rates in the emerging markets are very low but we would expect them to develop over time in line with the more established markets.

Population (millions)



This highlights the potential from the emerging markets over time, in particular in China and the Asia-Pacific region. These are significantly higher than the USA or Euro area but their staffing markets are currently much smaller in value. As the economies and skill base in these countries develop, the size of the staffing markets will increase in line with their populations. It is not possible to say accurately how quickly this will occur, but it is clear where the future potential in the industry exists. *(Source: CIA World Factbook July 2012 estimates)*

GDP growth (%)



The size of the staffing industry is linked to GDP growth, as growing economies require increasing numbers of staff. It is true that even low levels of economic growth can create staffing markets, for as long as people have confidence in the markets they will move between jobs. However the potential for higher profits is from improving GDP growth and the highest growth in recent years has come from the emerging markets. *(Source: IMF World Economic Outlook Update January 2013)*

How we do it

Vision

Our vision is to be a leading international, specialist staffing group that delivers a quality service to our customers and candidates and delivers sustainable growth in earnings per share.

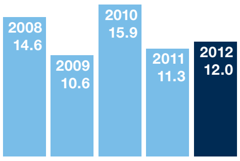
Strategy

Operational performance

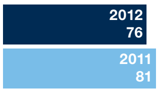
We aim to deliver sustainable growth in earnings per share, with a focus on growing net fee income and improving the conversion ratio to ensure that growth is profitable and generates improved returns in earnings per share.

It is important that staff are working effectively and profitably and so we place a high importance on the conversion ratio (which we measure as adjusted operating profit as a % of net fee income). We also monitor the average fees generated by the recruitment business (measured as net fee income per staff within the recruitment business, so excluding the training, Recruitment Process Outsourcing and outsourced businesses).

Conversion ratio (%)



Average fees for recruitment business (£000)



The conversion ratio measures the adjusted operating profit as a percentage of net fee income. The rate in 2012 increased from 11.3% to 12.0%, but remains below historic levels.

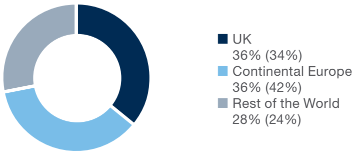
The average fees for the recruitment business shows the net fee income divided by the total staff (excluding the head office, training, Recruitment Process Outsourcing and Outsourcing businesses). There was a 6% decline in 2012, mainly due to reductions in Headway. By region the average fees are UK £85k (2011: £88k), Continental Europe £79k (2011: £89k) and Rest of the World £60k (2011: £58k).

Diversified by sector and geography

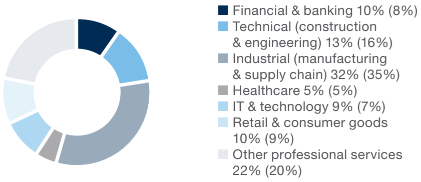
To reduce the volatility on results we want to have a diversified and balanced spread of profits across our regions and sectors. We want to reduce the reliance on any one country, region or sector and so have protection from external shocks and market volatility. We also want a balance between high-growth markets and stable businesses delivering steady profits and returns.

We monitor this by reference to the spread of net fee income by region and sector.

Net fee income by region



Net fee income by sector



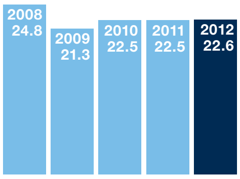
The net fee income is shown as split by region and by sector for 2012, with the 2011 figures in brackets.

Specialist rather than generalist

The Group focus is on developing strong specialist brands that offer value-added services to clients and candidates. We believe this offers the highest margins and the best growth opportunities. We are targeting more professional and skilled workers as the low-skilled area is increasingly competitive and exposed to most margin pressure.

We measure this through gross margin.

Gross margin (%)



The gross margin improved slightly in the year to 22.6% (2011: 22.5%), as permanent revenue increased, but was offset by a reduction in temporary revenue and lower temporary margin.

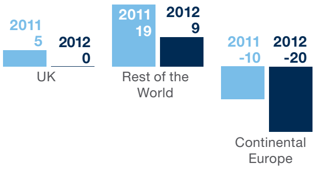
This highlights the increasing importance of the Rest of the World region, which has a much lower proportion of temporary sales to net fee income. The temporary margin in 2012 was heavily impacted by the operational issues in Chile, accounting for approximately half of the decline in margin.

Multi-branded rather than mono-brand

We operate 20 separate brands that have specific knowledge and expertise in their markets, which helps them provide a quality and value added service. This helps us to access the best candidates, who prefer to deal with recruiters who understand them and the companies they wish to work for. This is increasingly important as we operate in talent shortage markets where global demand is high for skilled professionals.

We measure this by reference to the growth in net fee income in each region.

Net fee income growth (%)



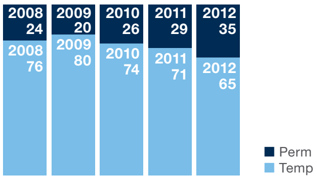
This highlights the growth/(decline) in net fee income by region over 2011 and 2012. The Rest of the World region has delivered the strongest growth for the last two years, with declines from Continental Europe.

Operational mix – balance between temporary and permanent revenue

We have a strong permanent recruitment presence, with the growth from the Asia-Pacific region mostly from permanent fees. The temporary recruitment market in this area is less well developed and salary levels are generally lower. In the UK there is a bias towards temporary revenue, although still a strong permanent fee base. In Continental Europe the majority of income is from temporary recruitment, which is generally expected to be more stable throughout the economic cycle.

We measure this by reference to the split of net fee income between permanent and temporary sales.

Contribution to net fee income (%)



This shows the proportion of net fee income contribution from permanent sales and temporary sales. For the purpose of this calculation, Training and Recruitment Process Outsourcing services are included within permanent sales, whilst Outsourced services are included within temporary sales.

People focus – attract and retain the best people

We operate in a people business so it is important to have the right people in the business, who have a passion for recruitment and a genuine interest in helping people to develop their careers. With our management equity philosophy, we aim to attract and retain the best managers who are talented and ambitious. We encourage senior managers to hold equity in their company, so aligning their interests with shareholders and incentivising them to deliver long-term growth.

We measure this by reference to the number of managers with equity in their business.

Number of managers with equity holding

34

(2011: 36)

We are currently in discussion with a number of brands to issue second generation equity to more staff during 2013.

How we plan to deliver growth

Delivering our vision

The Group has been focused on growing our brands internationally. We are also researching opportunities for investment and are open to external development where it will be beneficial to the Group and meets our strategy.

During the year the Board formally reviewed the Group's strategy to ensure it was still relevant and capable of delivering on our vision. Overall there was no change to the strategy, but the process provided the Directors with a clear focus on the key elements to deliver growth and so where to focus management's time and attention.

Platform for delivering growth

We follow five strategies to deliver growth in our brands, whether with an international or national focus.

1 **Increase headcount in an existing company**

Example: Monroe Consulting in Indonesia has increased headcount by 15% since last year end as the market continues to grow.

2 **Add a new sector in an existing company**

Example: In the UK, FastTrack has added a new sector covering the aviation sector, supplying workers on construction and logistical based aviation projects.

3 **Enter an existing geography with a new brand**

Example: In 2011 Monroe Consulting, LMA and McCall entered the Singapore market, following in the footsteps of Learning resources. Monroe had also previously operated in Singapore.

4 **Enter a new geography with an existing brand**

Example: In 2012 LMA (financial services) opened a new office in Hong Kong, following the launch of a Singapore office a year before. This enables the brand to service its clients across three key markets in financial services.

5 **Invest in a new company**

Example: We have not made any external investments in 2012, but we will assess any opportunities that arise.

Organic growth

We continue to see opportunities to deliver greater potential from our existing businesses. The focus on organic expansion is based on the following factors:

Brand stretch

For a brand to be developed internationally it is important it has a proven track record of delivering quality services and an established brand reputation in its sector.

There must be capable management who want to expand and build a sustainable business.

There should be an international client base so the brand can deliver to existing clients across different markets and develop deeper and stronger relationships.

Key economic centres

We are targeting key economic centres in our markets, being the main business centres where there is the strongest demand for recruitment services. We do not intend to have a presence in all cities in our countries of operation, but to focus our resources where the biggest returns are available. For example in China we are focused on the Shanghai market. We also look for high growth staffing sectors.

Management strength

It is important that management have the capacity and skills to develop their brands and are supported by the central team in terms of strategic direction and planning. By using equity incentives, management are motivated to develop their brands to deliver long-term growth.

We continue to focus management attention on improving operational efficiency and profitable growth by measuring conversion ratios and net fee contribution from fee earners.

Any investment activity is also dependent on the resources available to the Group. We are in a net debt position overall and do not want to increase the debt as a percentage of trade debtors (which stands at 49% as at 31 December 2012). It is important that investments are funded through equity or from operating cash flows.

External investment

Any external investment is subject to available funding and suitable opportunities that fit our strategy. Through the Board's extensive network of staffing industry contacts there may be opportunities to enter into new markets or sectors in the future and the Board will assess any opportunity that arises.

It is important that any external investment is complementary to the Group's operations and there must be a fit of geography, sector, philosophy and value.

The staffing industry is a people business and it is vital to have the right people within the Group who share the same philosophy, long-term goals and attitude. We believe that equity is an important incentive for ambitious managers who want to have the entrepreneurial freedom to run their businesses but see the benefits from being part of a larger group. It is important that management are committed to building the business over the long-term and see that they can do so quicker as part of a group rather than on their own.

Chief Executive Officer's business review

Chief Executive Officer, Joost Kreulen, answers some of the most frequently asked questions by shareholders.

Q How has the Group performed in your first year in charge?

A In 2012, we delivered an improved profit performance over the prior year against the backdrop of challenging worldwide staffing markets and ongoing economic uncertainties. During the year we had to resolve some specific operational issues, in particular in Chile and Germany, but strong foundations now exist across the Group which can provide the basis for sustainable growth despite continued volatility in some of our markets.

Group revenue and net fee income were marginally lower than in 2011, but a tight control of costs offset this and allowed us to deliver an increased operating profit of £4.4m (2011: £2.8m) and profit before tax of £3.6m (2011: £1.9m). On an adjusted basis, profit before tax was £4.6m (2011: £4.5m).

Performance across the regions was mixed. Adjusted operating profit grew 33% in the Rest of the World and 12% in the UK, but it declined 23% in Continental Europe. The growth in the Rest of the World was driven by Asia-Pacific, with adjusted operating profit up more than 50%. The region was the fastest growing in the Group again this year. In Chile the exit costs of an onerous loss-making contract resulted in a loss for the year. However there was a much better performance in the second half of the year and we are confident that the business is much stronger and has a better mix of clients going into 2013. The UK has performed consistently, despite the double-dip recession and particularly weak market conditions across the financial services sector. In Continental Europe we have seen improvements in the Czech Republic and Slovakia, but these have been overshadowed by the reduced profit from Germany. Profit in Finland and Estonia was lower in the year as the business transitioned to a new management team.

Q Are the problems in Germany dealt with?

A Claims for retrospective pay and social security in Germany have been lower than originally anticipated, allowing a write back of the provision of £0.4m in the year. As at the end of 2012 we hold a provision of £1.0m which we believe is sufficient to cover all current and potential liabilities for these claims. During the year, in light of the impacts of changing pay rate tariffs and a declining German economy, we have taken action to reduce costs and right-size our German temporary recruitment business, closing or merging 13 branch offices across Germany and Austria and reducing staff numbers by 13% on average. Whilst we anticipate another challenging year in Germany, principally due to the introduction of equal pay legislation across many industries from November 2012, we believe the action taken during 2012 has helped put our business back on a profitable growth trend and are confident of increased demand over the medium-term.

Q How will you grow the business in the future?

A Our focus over the last year has rightly been on the organic development of our existing business. We have made a number of investments over the last two years and believe the current Group has significant potential for profitable growth in the future. For example, we expect to see improvements in 2013 in Singapore, where our investments of 2011-2012 are starting to deliver.

We remain focused on delivering profitable growth, optimising our delivery models and tightly managing costs to improve conversion ratios. We closely monitor the productivity and efficiency of the whole organisation and this will continue to be a key area of focus in 2013, as the global economic conditions remain difficult and changeable. We are also looking at where we can make further investments in our brands to help them expand internationally and, whilst we remain focused on bringing down our overall debt, we will have a selective approach to external investments if the right opportunity comes up.

Q What makes Empresaria different to other staffing companies?

A The balance and diversity of our business is very unusual for a group of our size. We have been operating in some high-growth staffing markets such as Indonesia, Thailand, China and Germany for a number of years. We also have a good level of profits from established markets such as the UK and Japan, helping to deliver more stable profits and reduce the impact of developing market fluctuations.

Our lean head office team is very close to the operating companies, keeping in touch and meeting them regularly. This helps us to react quickly to issues that arise and to support the management teams in delivering to their strategies.

I firmly believe that business operates in a global market, with skilled workers increasingly comfortable with working in different geographies. With ageing populations, emerging markets growth and societies migrating from rural to urban settings we can expect to see the shortage for skilled professionals exacerbated, with companies competing for talent on a worldwide basis. Empresaria already has a presence in a number of the key global economic centres and by developing our brands internationally we hope to extend this further.

Q Empresaria has been described in the past as a portfolio of investments. Is this still true?

A It certainly isn't now. Empresaria is a staffing services group, with a focus on the operational performance of each brand. We believe in a multi-branded approach and this means we have different brands targeting different market sectors, each with their own expertise in their specialism, adding higher value to the process than a mono-brand supplier. We encourage brands to work together, either directly or to share best practice and support each other. We have close relationships with the brands and regularly meet with managers to discuss performance, strategy and developments within the business.

We also operate a "hub" concept within the Group, where brands can use the surplus space of another brand to help test a new market, before deciding whether a full investment and launch is justified. We used this concept in Singapore in 2011, with 4 brands joining the hub. 3 of the 4 brands remain and are growing, having been able to test the market at low cost and risk. This has also happened in London with brands sharing office space and we are expecting it to occur in Chile during 2013.

Q Empresaria has bought in a lot of minority shares in recent years. Is there a change in the business philosophy?

A No, not at all. We firmly believe in the management equity model as a means of both attracting and then retaining ambitious, talented managers within the Group. We believe that the freedom provided to our brands to develop their business is a rare opportunity for the best managers in the industry to grow a successful staffing business but also benefit from being part of a larger Group. We have made a number of share purchases over the last few years and hold 100% of a few companies at the moment. However, we are already in discussions with some management teams for second generation equity schemes. This will allow us to incentivise senior managers to take their company to the next level of profits by sharing in the growth. We are hopeful of getting a number of these schemes finalised in the first half of 2013.

Q What are your priorities for 2013?

A There is a continuing focus on developing our brands and helping them to grow their businesses. We will also continue to target improvements in the conversion ratio to help drive increased profits. Given the operational issues we had to deal with in Germany and Chile in particular in 2012, it is vital that these businesses are closely managed to ensure the changes made deliver improved results and contribute to the Group's profitability. Costs will be controlled as we are wary of the possibility of market deterioration and we will react to any changes in conditions quickly and firmly. We will also seek to identify suitable external investment opportunities to help develop the Group.

Chief Executive Officer's business review
continued

UK

	2012 £m	2011 £m
Revenue	**66.5**	67.0
Net fee income	**16.0**	16.0
Adjusted operating profit	**2.2**	2.0
% of Group net fee income	**36%**	34%
Average number of employees	**201**	201

Revenue decreased by 1% to £66.5m (2011: £67.0m) with an increase in permanent fees of 3%, offset by a decline in temporary fees of 1%. The temporary margin was also slightly down by 0.4% on 2011 but overall net fee income was level at £16.0m. The higher level of permanent fees helped the gross margin improve marginally to 24.0%. The biggest challenge in the year was in the banking and finance sector, where lower global demand hit confidence in the London market and impacted both clients and candidates.

The proportion of net fee income from temporary sales was 59% (2011: 60%), reflecting the stronger permanent sales performance. Adjusted operating profit was up 12% to £2.2m (2011: £2.0m) as a result of tight cost control. This increase helped the UK region increase its share of the Group's net fee income by 2% to 36%. Employee numbers remained the same, averaging 201 in the year.

Market conditions during the year in the UK were poor, with uncertainty and poor visibility due to the double-dip recession. In addition, whilst we had anticipated a slowdown in demand across the London region during the Olympic Games, the expectation had been for a catch up in the second half of the year to make up for lost productivity. This did not materialise and second half revenue was down on the first half, although net fee income and adjusted operating profit were just ahead.

Within the Infrastructure and Construction sector business, there was a small decline in permanent sales, but an increase in temporary sales as our Building services brand, Reflex HR, opened a new office in London to target this market in more depth. However, profits were lower as costs were increased due to this new office investment. FastTrack's Heathrow Airport office, opened in 2011, continued to perform well and generated a significantly better return in its second year of operation. The outlook for new infrastructure projects appears more positive at the beginning of 2013 than it did a year ago and we hope this will feed into higher demand for our services during the course of the year.

Our two Financial Services brands had a mixed year. There was a 33% increase in insurance staffing revenue along with a five-fold increase in adjusted operating profit. However, market conditions within the core banking and finance sector were very difficult and we saw a reduction in both permanent and temporary sales. Costs were managed down and whilst the business reported a trading profit it was significantly down on the prior year. The business has diversified its sector coverage and now offers a wider range of staffing services for back-office and compliance functions.

Results within our Other brands group have been largely positive, especially from the Creative and Retail (real estate) brands, which generated increased profits over 2011. The Recruitment-to-Recruitment brand had another challenged year, with only technical, oil & gas and IT sectors consistently increasing staff this year. Further investments in the Domestic Services brand to enhance their web presence and marketing effectiveness meant profit was slightly down on prior year.

Continental Europe

	2012 £m	2011 £m
Revenue	**83.2**	102.7
Net fee income	**15.7**	19.7
Adjusted operating profit	**1.7**	2.2
% of Group net fee income	**36%**	42%
Average number of employees	**198**	221

Revenue decreased by 19% to £83.2m (2011: £102.7m) and this fed through to a 20% decline in net fee income to £15.7m (2011: £19.7m). There was an increase in permanent sales of 92%, albeit from a low base, but this was offset by a reduced temporary margin of 0.7%. The proportion of net fee income from temporary sales remained high at 96% (2011: 98%). There were significant cost savings made during the year, with average staff numbers falling 10%, but this was not enough to offset the lower net fee income, resulting in adjusted operating profit of £1.7m, down £0.5m on 2011.

The market conditions across Europe have been challenging. Even Germany has not been immune, with a negative GDP in the last quarter of 2012, preceded by worsening economic conditions. Germany also introduced equal pay directives for temporary workers in the last quarter of 2012, which is currently being adopted by the majority of industries. This leads to pay rate surcharges over current pay levels of up to 50%, phased in over a nine month period. Whilst this is not expected to have a long-term negative impact on the temporary recruitment industry, we anticipate a fall in demand of up to 20% in the short-term and a reduced gross margin as clients react to the increased costs by reducing the levels of temporary labour.

These issues in Germany have necessitated a reduction of the cost base across the branch network and at head office. A restructuring programme was implemented in the second quarter and is now largely completed. This has resulted in 13 branch offices being closed down or merged and a material reduction in staff. Average staff numbers in Germany over 2012 were 13% lower than 2011 and were 16% down at the year end. The cost base going into 2013 is 15% lower than at the beginning of 2012 and, whilst we expect a further fall in revenue, this should ensure that the profits improve in 2013.

Profits continued to improve within the outsourced business which is looking at ways of broadening its client base. The cost base was restructured in 2011, in reaction to the increased pay rates after changing tariffs, as a result of which the business was better placed for 2012.

There has also been a release of £0.4m of the provision held against claims for retrospective pay and social security contributions in Germany and the provision stood at £1.0m at year end. Only a small number of new claims were submitted in the year and the social security audit was successfully finalised for all years to 2009. Nearly half of all claims submitted to date have been settled for an average of 15% of the original claim value. We are confident that the current provision level is sufficient to cover all known and potential claims in this matter.

In March 2012, we reached agreement with the former minority shareholder in Headway to purchase 6.7% of his minority holding for €1.3m and to restructure the timings of the put and call options over the remaining 13.33%. During the summer of 2012, following an approach by the vendor, we agreed an early settlement for the remaining shares. Whilst this resulted in a further cash outflow in the year, increasing the Group's net debt, we negotiated a reduced price for the purchase, saving in the region of £0.6m in total consideration. Of the €2.2m consideration, €1.1m was payable on completion with two tranches of €550,000 payable before the end of December 2012 and March 2013. This purchase was funded by a new €2.2m revolving credit facility, repayable in full by the end of December 2013.

The results at our Healthcare business in the Baltic region were down on the prior year. Overall, demand for its services is stable, but it has become more competitive to attract qualified staff. The business has invested further in its recruitment team and is looking to broaden its candidate base within the Baltic region.

Our specialist businesses in the Czech Republic and Slovakia performed much stronger than in the prior year, with both businesses delivering a small profit, against losses in 2011.

Chief Executive Officer's business review
continued

Rest of the World

	2012 £m	2011 £m
Revenue	**44.6**	39.2
Net fee income	**12.2**	11.2
Adjusted operating profit	**1.5**	1.1
% of Group net fee income	**28%**	24%
Average number of employees	**435**	426

Revenue grew by 14% to £44.6m (2011: £39.2m) and net fee income grew by 9% to £12.2m (2011: £11.2m). This remains the Group's fastest growing region and now represents 28% of Group net fee income. The temporary margin declined by nearly 2%, mainly due to a specific operational issue in Chile arising in the first half and which has now been addressed. Permanent revenue (including revenue from the training and Recruitment Process Outsourcing businesses) grew by 16% and now accounts for 64% of regional net fee income. Overall temporary revenue (from Japan, Australia and the outsourcing business in Chile) grew 13% but a lower overall gross margin restricted net fee income growth. Costs increased with the greater activity, and average staff numbers increased by 2%, driven by the training business in Indonesia. Adjusted operating profit was £1.5m (2011: £1.1m) up 33%.

In Japan, profits from both Group brands grew by over 40% as trading conditions in Tokyo returned to normal following the earthquake and tsunami in early 2011. The Japanese economy remains constrained and is not forecasting high growth, but we expect to see a continued strong performance for our businesses in 2013.

The South East Asia region saw strong growth in revenue, although profit growth was held back by the costs of investments in Singapore and Hong Kong. Our executive search brand, Monroe Consulting, grew revenues by just under 40% across its established offices in Indonesia, Thailand and Philippines, although losses in Singapore held back overall growth. The Group's investments in Singapore delivered a second year of losses, but we are confident that they have reached sufficient scale to make a positive contribution in 2013. There was a small loss in Hong Kong in line with expectations for a first year launch. Our training business in Indonesia achieved higher sales in 2012 but, as a result of investments in staff, the profit remained on the same level as prior year.

Revenue in India was flat year-on-year but, following the restructuring in 2011, improved efficiency and cost control resulted in better net fee income and a strong improvement in profit for the year, against a loss in 2011. Demand for Recruitment Process Outsourcing services is strongest from the US market and we expect this to be a positive trend into 2013.

In China, we saw steady revenue and profit growth, despite a slowdown in the local economy in the second half of the year. The forecast is for China to return to sustainable levels of economic growth and this should help our business to deliver steady growth. The two businesses in Shanghai were merged during the year.

Revenue from Australia grew by 20% and this fed through to a strong improvement in profit. The Melbourne office, opened in 2011, has contributed profitably this year. The Australian market weakened in the last quarter of 2012 but the early signs for 2013 are more promising.

Our Chilean business was loss making in the year, despite a significantly improved second half performance. The business took the decision to exit from an unprofitable major contract, accounting for approximately 30% of sales, which resulted in transitional losses. New clients have already been found to help the sales volume recover. Some transitional costs will continue into 2013 but, due to the actions taken during 2012, the business is able to deliver more reliable and less risky income streams and we are confident of returning it to profitability in 2013.

Joost Kreulen
Chief Executive Officer

19 March 2013

Finance review

Operating profit was £4.4m, up 57% on 2011. On an adjusted basis it was up 2% at £5.4m.

Revenue and net fee income

Revenue for the year was £194.3m (2011: £208.9m), a 7% decrease with net fee income decreasing by 6% to £43.9m (2011: £46.9m). Gross margin was 22.6% (2011: 22.5%) with an increase in permanent revenue offset by a lower temporary margin. Permanent sales (including training and Recruitment Process Outsourcing services) grew by 12% and accounted for 35% of net fee income (2011: 29%). Temporary revenue (including outsourced services) was down 8% on 2011, with the margin also reducing to 16.2% (2011: 17.3%).

The proportion of net fee income from non-UK operations reduced slightly to 64% (2011: 66%). On a constant currency basis, net fee income would have been 3.5% below 2011.

Trading summary

From continuing operations	2012 £m	2011 £m	% change
Revenue	**194.3**	208.9	(7%)
Net fee income	**43.9**	46.9	(6%)
Administrative costs	**(38.5)**	(41.6)	(7%)
Operating profit	**4.4**	2.8	57%
Adjusted operating profit*	**5.4**	5.3	2%
Net finance income and costs	**(0.8)**	(0.9)	(11%)
Profit before tax	**3.6**	1.9	89%
Adjusted profit before tax*	**4.6**	4.5	2%

* 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 (see note 11 for details).

Finance review continued

Operating profit

Operating profit was £4.4m, up 57% on 2011. On an adjusted basis, it was up 2% at £5.4m. The conversion ratio of 12.0% was an improvement on 11.3% in 2011.

This was due to a reduction in administrative costs, which at £38.5m were down 7% on 2011, with about two thirds of the saving coming from staff salaries and commissions. The Group reacted quickly to changes in market conditions to manage costs down during the year. In the UK, costs were slightly down on the prior year, in Continental Europe were 20% down year-on-year, but were 6% higher in the Rest of the World. About one third of this increase in the Rest of the World related to the new investment in Hong Kong.

Finance income and costs

Finance income was £0.1m (2011: £0.6m), all being bank interest income (2011: £0.1m). Finance costs were £0.9m (2011: £1.5m), which all related to interest payable on invoice discounting, bank loans and overdrafts (2011: £0.9m).

An agreement was reached to purchase the minority shares of Headway during the year, so there are no longer any put or call options. In 2011, there was a net loss of £0.1m from the movement in the fair value of these options.

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 net charge is £0.7m (2011: £2.2m) and is made up of two items in Germany: the charge of £1.1m for restructuring costs which relate to the closure or merger of branch offices and divisions and the termination of staff, reduced by the release of £0.4m of the provision for potential claims for retrospective pay and social security.

Taxation

The total tax charge in the year is £1.7m (2011: £1.1m) representing an effective tax rate of 47% (2011: 58%). Against the adjusted profit before tax and after excluding the tax on the exceptional provisions the effective tax rate reduces to 39% (2011: 36%). This remains high because of a combination of prior year tax charges, no tax benefit on certain losses and non-deductible costs in the year. The prior year tax mostly arises in the UK, however we have been able to close three years of tax enquiries over the last year. The profits earned by the Group are subject to different tax rates in the countries in which the Group operates with the majority of profits being taxed at higher rates than in the UK.

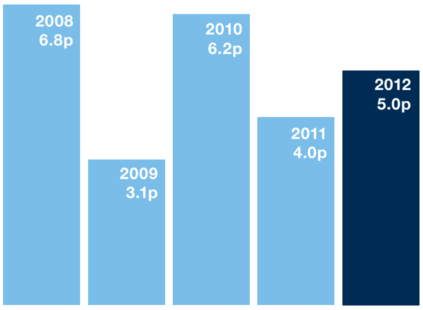
Earnings per share

Basic earnings per share in the year ended 31 December 2012 was 3.0p (2011: loss of 0.4p).

The Group achieved adjusted earnings per share of 5.0p (2011: 4.0p). This measure excludes exceptional items, intangible amortisation and fair value movements on put and call options, so provides a better understanding of the underlying trading performance.

Adjusted earnings per share (p)

There were no movements in the number of shares in issue during the year. The dilution effect of the 1.2m share options issued in 2011 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 2011, amounting to 0.35p per share. For the year ended 31 December 2012, the Board is proposing a similar dividend of 0.35p per share, which if approved by shareholders at the Annual General Meeting, will be paid on 24 June 2013 to shareholders on the register on 24 May 2013.

Treasury

The Group's treasury function is centrally managed with responsibility for ensuring compliance with treasury policy and managing the daily treasury operations resting with the Group Finance Director. The treasury philosophy of the Group is that speculative transactions are not permitted and where possible debt should match the location and currency of the related assets. There are certain matters reserved for Board approval, including the following:

- Changes to the Group's capital structure;
- Approval of Group financing arrangements or significant changes to existing arrangements;

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

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

Treasury is managed to deal with the following risk areas.

Liquidity & funding risk

The objectives are:

- to ensure that at all times the Group has access to sufficient cash resources as part of committed bank facilities to meet its financial obligations as they fall due, including taxes and dividends and to provide funds for capital expenditure and investment opportunities as they arise.

- bank facilities must have a maturity profile that matches the funding requirement of the Group.

- the Group must have sufficient liquidity to meet non-discretionary financial obligations in the event of unexpected business disruption.

- to ensure compliance with borrowing facility covenants and undertakings.

- to ensure the capital structure of the Group is appropriate for the Group's profile.

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 £29.0m (2011: £29.8m).

Bank facilities at 31 December	2012 £m	2011 £m
Overdrafts, loans and other bank debt	**18.0**	17.0
Invoice financing facilities	**11.0**	12.8
	29.0	29.8
Amount of facility undrawn at year-end	**4.8**	6.3

The amount of facility undrawn of £4.8m (2011: £6.3m) excludes the headroom on the invoice financing facility. The invoice financing facility is available to the UK companies only. The reduction in the facility was based on the disposal of the supply chain business in 2011 and reduced trading within the construction sector. There is bank approval to increase the facility back to the 2011 level with no additional fees.

The other debt includes amortising term loans of £2.0m (2011: £2.9m), one of which expires in 2013 and the other in 2016 and a £0.3m long-term loan in Japan. There are overdraft facilities of £5.8m (2011: £7.6m). In the UK the overdraft is phased over the calendar year, with £4.0m from renewal in February to the end of June, £3.0m to the end of September and then £2.0m until the end of December, increasing back to the £4.0m in January 2014. This is designed to match the Group's funding requirements which are typically greater in the first half of the year. The overdrafts are renewable annually and were last renewed in February 2013. There are also two revolving credit facilities. The first was renewed in March 2011 for a five year term. During the year, this facility was increased from £6.25m to €10.0m (approximately £8.2m) and is now allocated to fund the German working capital with a limit on the drawn amount of 66% of the Headway group trade receivables. A second revolving credit facility of €2.2m (approximately £1.8m) has been provided as a short term loan with an expiry of 31 December 2013. This facility is to fund the acquisition of the final 13.33% of minority shares in Headway, which was originally planned to be completed before 31 January 2014.

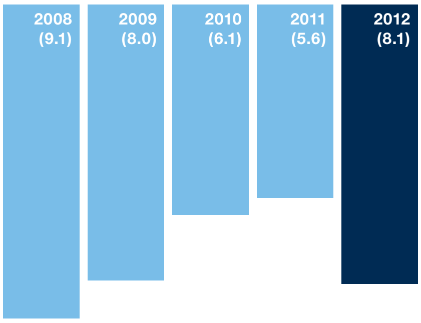
Group net debt increased from £5.6m at 31 December 2011 to £8.1m at 31 December 2012, as detailed below:

	2012 £m	2011 £m
Cash at bank and in hand	**6.2**	6.0
Overdraft facilities	**(3.2)**	(1.3)
Invoice financing (with recourse)	**(1.1)**	(0.2)
Bank loans	**(10.0)**	(9.6)
Non-bank loans	**–**	(0.5)
Reported net debt	**(8.1)**	(5.6)
Non-recourse invoice financing	**(6.4)**	(10.1)
Total net debt	**(14.5)**	(15.7)

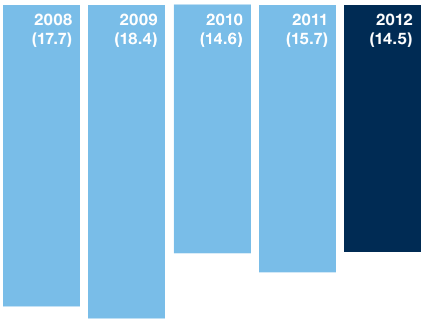
The reported net debt excludes non-recourse invoice financing of £6.4m (2011: £10.1m) which is offset against trade receivables. The total debt, including the non-recourse invoice financing, is £14.5m (2011: £15.7m). In 2012, two businesses in the UK decided to stop using non-recourse invoice financing, which had the result of increasing the reported net debt at the end of 2012. On a like-for-like basis, if the invoice financing in 2011 had been with recourse, the reported net debt in 2011 would have been £6.8m. The increase in total debt includes the impact of the short-term revolving credit facility of €2.2m (amount of drawn facility at 31 December 2012: £1.4m), taken out to fund the accelerated purchase of shares in Headway. This expenditure was expected to be incurred in 2013 and so represents a cash flow timing issue.

Finance review
continued

Reported net debt (£m)



Total net debt (£m)



The Group has to meet certain bank covenant tests on a quarterly basis. These tests were all met during the year. The figures at year end were:

Covenant	Target	Actual
Net debt:EBITDA	< 2.5 times	1.3
Interest cover	> 3.0 times	8.4
Debt service cover	> 1.25 times	2.0

Interest rate risk

The objectives are to:

- Ensure compliance with interest cover covenants.
- Manage the Group's net interest rate exposure to ensure the Group can meet its profit targets.
- Manage the impact of adverse interest rate movements.
- Any surplus cash invested can never put the capital amount at risk.

The Group currently uses floating interest rates. This is expected to match the interest costs with the economic cycle (eg when interest rates are higher there is typically better economic growth and so for a cyclical industry such as recruitment, profits should be greater when the economy is performing positively).

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

Foreign exchange risk

The objectives are to:

- Manage the adverse impact of exchange rate movements to ensure budgeted profit is achieved, protect the financial outcome of large transactions or capital expenditure and protect the cash flows of the business.
- Minimise variances in the value of the Group's net foreign currency denominated assets by seeking to borrow in the same currency as the asset (natural hedges).
- Manage the foreign exchange impact of long-term investments through net investment hedges.

The overall purpose of hedging is to mitigate risks and achieve a known outcome.

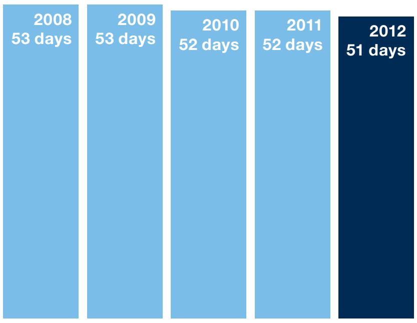
Credit risk

The objective is to ensure treasury transactions are undertaken with creditworthy counterparties and in accordance with approved limits.

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

Debtor days are reviewed monthly with high balances investigated with management. Average debtor days for the Group at the end of 2012 were 51 (2011: 52).

Average debtor days for year



Cashflow

Reported net debt increased by £2.5m in the year to £8.1m (2011: £5.6m). There were cash inflows from increased bank borrowings of £2.7m and disposal proceeds of £0.2m. Against these were cash outflows on the purchase of minority shares of £3.2m, tax payments of £1.6m, £0.8m on net interest costs and dividends of £0.6m, of which £0.2m was paid to Group shareholders. There was also an investment in working capital and cash spend on restructuring costs.

Acquisitions and disposals

During the year, the Group made a number of acquisitions of shares in subsidiaries held by minority shareholders, as summarised below:

- In January 2012, 14.5% of the shares in Bar 2 Limited for cash consideration of £0.3m taking the Group ownership to 85.5%.
- In March 2012, 6.7% of the shares in Empresaria Holding Deutschland GmbH (the holding company for the Headway operating companies) were acquired for cash consideration of €1.3m and the terms of the existing call options were extended to be exercisable in the period to 31 January 2014. Subsequently the Group agreed to a final settlement for the remaining 13.33% of shares for cash consideration of €2.2m, with €1.1m payable on completion and two tranches of €550,000 payable before 31 December 2012 and 31 March 2013 respectively. This represents full consideration for the shares and is not subject to adjustment for any changes in the CGZP liability. The consideration amount also includes the loss of dividend rights by the minority shareholder.
- In July 2012, the final 5.7% of the minority shares in FastTrack Management Services (London) Limited for a total cash consideration of up to £282,000, with an initial consideration of £254,000 and a deferred consideration of up to £28,000, payable in 2013 and contingent on certain performance criteria being met.
- In August 2012, the Group announced the purchase of 26.7% of shares in the MediradiX companies for cash consideration of €0.1m. The Group now holds 86.7% of the shares of both these companies.

The Group received £0.2m in deferred consideration from the disposals made in 2011 of the supply chain business in the UK and Advanced Career Indonesia in Indonesia.

Balance sheet

The Group's net assets as at 31 December 2012 were £24.0m (2011: £27.6m). A summarised balance sheet is provided below:

	2012 £m	**2011 £m (restated)**	**Movement £m**
Goodwill & intangibles	**26.6**	27.3	(0.7)
Property, plant & equipment	**1.3**	1.7	(0.4)
Other fixed assets	**1.2**	1.8	(0.6)
Trade and other receivables	**27.4**	30.3	(2.9)
Net borrowings	**(8.1)**	(5.6)	(2.5)
Trade payables and other current liabilities	**(23.5)**	(27.1)	3.6
Deferred tax liability	**(0.9)**	(0.8)	(0.1)
Net assets	**24.0**	27.6	(3.6)
Share capital and premium	**21.6**	21.6	0.0
Equity reserve	**(6.1)**	(2.4)	(3.7)
Other reserves & retained earnings	**5.1**	4.9	0.2
Equity attributable to the owners of the company	**20.6**	24.1	(3.5)
Minority interests	**3.4**	3.5	(0.1)
Total equity	**24.0**	27.6	(3.6)

Post balance sheet events

On 28 January 2013, the Group announced the acquisition of 10% of the shares in Skill House Staffing Solutions KK, a Japanese company specialising in placing IT professionals, for cash consideration of £0.45m. This takes the Group's ownership to 100%.

Prior year adjustment

The Group is presenting restated prior year balance sheets. As part of our periodic balance sheet review the Group has identified some erroneous debit balances against certain accruals which have now been corrected. The amount of the restatement is £0.6m which is applied against the equity at the year ended 31 December 2008. Further details of this restatement can be found in note 30.

Finance review
continued

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.

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 Audit Committee report on pages 34 to 35.

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. If equity is acquired from minority shareholders we have a policy of issuing second generation equity to incentivise key management for the next stage of development. 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 impact from 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 typically is less volatile than permanent sales during the 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 operate on a multi-branded basis with specialist brands that deliver a high quality service to clients and candidates, to build loyalty and strong relationships. This sector knowledge and experience should help defend against competitive threats and margin erosion. You can never eliminate competition and in emerging markets the introduction of competitors can help to educate the market about the value of recruitment companies.
Legal and regulatory changes and compliance with local practices 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. If local practices are not followed it could lead to sanctions being taken against the company.	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 professional advisers with good local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant in the territories in which we operate. Within the established and developing markets we have seen the introduction of equal pay legislation for temporary workers, with this being introduced in Germany in November 2012. We maintain close contacts with key clients to manage the impact of any such changes as they are being implemented. We also have ongoing communication with staffing associations who are lobbying on behalf of the recruitment industry.

Risk continued	**Actions taken to mitigate risk** continued
Financial risks The main financial risks facing the Group are availability of funds to meet business needs, fluctuations in interest rates, foreign exchange risk and credit risk arising from customer defaults.	**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. **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. Intra-group balances are hedged using cash or overdraft balances to act as a natural currency hedge, for US Dollar, Euro, Japanese Yen, Singapore Dollar and Australian Dollars. No derivative instruments are currently used for hedging. **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. Credit insurance is used in some sectors where we see a greater risk of client defaults.
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.

Spencer Wreford
Group Finance Director

19 March 2013

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.

The Group operates 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 Group communicates with staff by providing 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 and senior management are supportive of staff working with their local communities and charitable concerns. An example of how this is happening in Indonesia is shown below.

Ethics

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

The Group promotes high ethical standards in carrying on its business activities and has 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

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

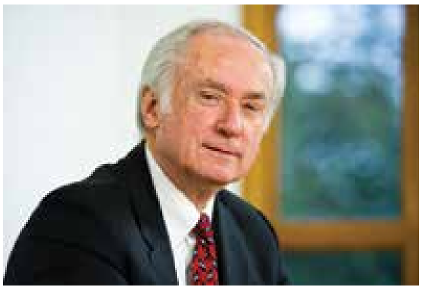
The Group encourages the recycling of office waste and waste paper and has seen a continued reduction in the use of printed materials around the Group by increasingly relying on electronic media for its primary marketing activity.

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 this as far as is practical.

Example of work in the local community

Monroe Consulting Group in Indonesia has been supporting Yayasan Sekolah Rakyat Bogor, an organisation that has built and run 18 junior high schools and kindergarten in poor and remote areas. All of the teachers are volunteers and to date they have given 1,300 disadvantaged children a free education. The Monroe support is both financial and staff volunteering their time. When the company moved office in 2012 they also donated their unused desks. Consultants spend time visiting schools to share their knowledge with the children around education opening up more career opportunities.

Board of Directors



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

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.

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.

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 two 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.

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 (Holdings) Plc. His career in the recruitment industry began in 1988. He was formerly a partner in the international accountancy firm Arthur Andersen and is a qualified Chartered Accountant. He sits on the Remuneration Committee and is the Chairperson of the Audit Committee.

Directors' report

The Directors present their annual report on the affairs of Empresaria Group plc, together with the financial statements and auditor's report, for the year ended 31 December 2012. The Corporate governance statement set out on pages 30 to 33 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 in 18 countries through over 80 offices. Our sector focus includes Finance, Technical, Industrial, Healthcare, Information Technology, Retail and Other Professional Services. Our service capabilities are predominantly temporary and permanent recruitment, but also include corporate training, Recruitment Process Outsourcing, outsourcing and HR consulting.

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 2 through to 23.

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 41. 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. Shares which are 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 29 May 2012, to:

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

- 27,495,789 under resolution 9 (a);
- 29,708,565, under resolution 9 (b); and

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

- 2,228,142, under resolution 11.

All authorities expire on the earlier of 31 July 2013 or the conclusion of the next Annual General Meeting. The Directors have not exercised these authorities as at the date of this report.

Details of employee share schemes

In 2008 shareholder approval was obtained for a Long Term Incentive Plan (LTIP) for the issue of share options in Empresaria Group plc to Directors and senior executives. During the year ending 31 December 2012 no awards have been made under the LTIP. Details of prior year awards made under the LTIP can be found in the Directors' remuneration report on pages 36 to 39 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 December 2012		31 December 2011	
	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
Executive Directors				
Joost Kreulen, Chief Executive Officer	**60,000**	**0.13%**	60,000	0.13%
Spencer Wreford, Group Finance Director	**15,000**	**0.03%**	15,000	0.03%
Non-Executive Directors				
Anthony Martin, Chairman	**9,690,546**	**21.75%**	9,203,046	20.65%
Penny Freer, Chairman of Remuneration Committee	**15,000**	**0.03%**	15,000	0.03%
Zach Miles, Chairman of Audit Committee	**–**	**0.00%**	–	0.00%
Total	**9,780,546**	**21.95%**	9,293,046	20.85%

Director interests

No changes took place in the interests of the Directors between 31 December 2012 and 18 March 2013. None of the Directors had interests in other Group companies.

Director changes

Miles Hunt resigned as a Non-Executive Director on 31 March 2012.

Appointment, retirement and replacements of Directors

The Company is governed by its Articles of Association, the Companies Act 2006 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 Spencer Wreford will submit himself for re-election having been last appointed by shareholders on 3 June 2010.

Biographical details of all Directors can be found on page 25.

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 30 to 33.

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 2012, 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%
M Hunt (ex Board Director)	3,988,092	8.95%
Liontrust Asset Management	3,623,468	8.13%
Ennismore Fund Management	3,266,396	7.33%
T Sheffield (ex Board Director)	2,049,307	4.60%
Ashcourt Asset Management	1,465,053	3.29%

During the period between 31 December 2012 and the 28 February 2013 the following changes to substantial holdings were identified in the register:

Name of holder	Number of ordinary shares	Percentage holding
Liontrust Asset Management	3,573,468	8.02%

Directors' report
continued

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 2012 were equivalent to 33 (2011: 34) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Fixed assets

The Group has no interest 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 £16,101 (2011: £17,900). These were made across the Group to various local and international charities. The Group did not make any political donations during the year (2011: 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

19 March 2013

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 judgments 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

Spencer Wreford
Group Finance Director

19 March 2013

Corporate governance statement

Corporate governance

The Board is committed to maintaining its high standards of corporate governance, managing the Group in an ethical, efficient and effective manner for the benefit of shareholders over the longer term whilst also fostering an entrepreneurial culture. 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 governance practices which will support the business as it continues to deliver its strategic objectives.

An overview of how the Code principles have been applied is provided below, with further explanation set out in the remainder of this statement, the Directors' remuneration report and the Audit Committee report.

Code Provision	Applied	Code Provision	Applied
Leadership		**Accountability**	
The role of the Board	Yes	Financial and business reporting	Yes
Division of responsibilities	Yes	Risk management and internal control	Yes
The Chairman	Yes	Audit Committee and auditor	Yes
Non-Executive Directors	Yes		
Effectiveness		**Remuneration**	
The composition of the Board	Yes	The level and components of remuneration	Yes
Appointments to the Board	Yes	Procedure	Yes
Commitment	Yes		
Development	Yes	**Relations with shareholders**	
Information and support	Yes	Dialogue with shareholders	Yes
Evaluation	Partial	Constructive use of the AGM	Yes
Re-election	Yes		

Leadership

The role of the Board

Every company should be headed by an effective board which is collectively responsible for the long-term success of the Company.

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 three 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. 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 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 gives it responsibility for:

- overall Group strategy and objectives
- approval of the Group annual budget and progress towards achievement of this budget
- changes to the Group's capital structure

- changes to the Group's principal 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 expenditure

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 Board has established an Audit Committee and Remuneration Committee to which it delegates clearly defined powers. 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 34 to 35 and Directors' remuneration report on pages 36 to 39.

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	1
Anthony Martin (Chairman)	7	–	–
Joost Kreulen (Chief Executive Officer)	7	–	–
Spencer Wreford (Group Finance Director)	7	–	–
Penny Freer (Non-Executive Director)	7	2	1
Zach Miles (Non-Executive Director)	6	2	1
Miles Hunt (Non-Executive Director)*	2	–	–

* Miles Hunt attended all meetings he was eligible to attend up to the date of resignation, 31 March 2012.

Division of responsibilities

There should be a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision.

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. The Chief Executive Officer is responsible for 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.

Non-Executive Directors

As part of their role as members of a unitary board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

All Non-Executive Directors participate in strategy development and decisions required to implement actions to progress towards meeting the objectives of the Company. The Board collectively reviewed the Group's strategy during the year.

Effectiveness

The composition of the Board

The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The Board has a balance and depth of skills and experience and biographies of the Directors can be found on page 25.

Appointments to the Board

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board.

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.

Corporate governance statement continued

Commitment

All Directors should be able to allocate sufficient time to the Company to discharge their responsibilities effectively.

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

The annual time commitments are as follows:

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

During the year the Chairman and Non-Executive Directors have committed above minimum time requirements.

Neither Executive Director holds external Non-Executive Director roles.

Development

All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

All Directors determine the training requirements appropriate to their role and the needs of the business. Examples of events attended include the attendance by the Chairman and Chief Executive Officer at the Staffing Industry Analysts conference in the USA, whilst the Chairman of the Audit Committee has attended seminars on Audit Committees and Corporate Governance delivered by Deloitte LLP. Developments in corporate governance are provided to the Board by the Company Secretary.

Information and support

The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

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 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.

Evaluation

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors.

During December 2012, the Audit Committee undertook a performance review, measuring performance against its terms of reference and identifying areas for development. These results were presented to the Board.

The Board have not deemed it necessary to conduct a formal review of its performance.

Re-election

All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

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.

Accountability

Risk management, internal control and auditor

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor.

Risk management remains the responsibility of the Board of Directors. The Audit Committee has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management system.

A separate Audit Committee report is set out on pages 34 to 35 and provides details of the role and activities of the Audit Committee and auditor.

Remuneration

Remuneration policy and the level and make-up of remuneration

A separate Directors' remuneration report is set out on pages 36 to 39 and provides details of the remuneration policy, level and make-up of remuneration and procedure for fixing the individual remuneration packages of individual Directors.

Relations with shareholders

Dialogue with major shareholders

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

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 should use the Annual General Meeting to communicate with investors and to encourage their participation.

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 and composition of the Audit Committee

The role and terms of reference for the Audit Committee includes all matters indicated in the UK Corporate Governance Code (the "Code") and 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.

The Audit Committee is appointed by the Board from the independent Non-Executive Directors of the Company, with a minimum requirement of two such Directors, one of whom should be a financially qualified member. Appointments are for a period of three years and are extendable by no more than two additional three year periods.

The members of the Audit Committee are:

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

Zach Miles's biography can be found on page 25. It is the Board's position that both Zach Miles and Penny Freer continue to be independent.

Meetings

The Audit Committee is required to meet formally twice per year, which it has done during 2012. Since the beginning of 2012 to the date of this report the Audit Committee has met five times in total to fulfil its responsibilities.

Meetings held during December to March are held to review various matters relating to the audit of the financial statements, including the planning of the annual audit process and the review of the auditors' final report on its audit of the report and financial statements. Additional meetings are held throughout the year to specifically address risk management matters and to discuss significant judgemental areas of the accounts.

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.

Principal activities

Since the beginning of 2012, to the date of this report the principal activities undertaken were as follows:

Financial statements

The terms of reference assigns responsibility to the Committee for the monitoring of the integrity of the financial statements of the Company. The Committee considered and reviewed:

- the 2011 and 2012 Annual report and accounts; and
- interim 2012 results (unaudited).

The reviews included the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements, including:

- going concern;
- carrying value of goodwill and investments;
- provisions relating to restructuring costs and claims for potential retrospective pay and social security;
- deferred tax assets value; and
- prior year restatement

as disclosed within notes 2 and 3.

For going concern and the carrying value of goodwill and investments, the Committee examined the assumptions supporting the Group's profit and cash flow forecasts and the sensitivities applied to those forecasts, the banking facilities available and the assessment of the Group's covenant compliance based on the forecasts. In preparing the forecasts growth rates were based on the GDP for the countries in which the Group operates except, for the purpose of determining the carrying value of goodwill and investments, growth rates were capped at 5%. Sensitivities applied included both increasing and reducing forecast revenues, with corresponding adjustments to cost of sales, reducing gross margin, increasing debtor days and for goodwill, increasing the cost of capital and the effect of nil growth. In each case the Group had sufficient headroom under its banking facilities, banking covenants were complied with and no goodwill impairment was indicated. Further details are included in the Finance review on page 22 and in notes 1 and 14 to the financial statements.

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

Audit of the Annual report and accounts

Deloitte LLP, the Company's external auditor, reported to the Committee on the scope and outcome of the annual audit. The Committee held meetings with the auditor and the following activities were undertaken:

- reviewed and agreed the scope of the audit work to be undertaken by the auditors, 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;
- agreed the 2012 audit fees to be paid to the external auditor for its audit of the 2012 financial statements;
- reviewed the external auditor reports on its audit of the 2012 annual report and financial statements;
- reviewed the external auditor's fulfillment of the agreed audit plan and any variations from the plan;

- reviewed the robustness and perceptiveness of the auditor in its handling of the key accounting and audit judgements; and

- reviewed the management representation letter and management's response to the auditor's findings and recommendations prior to signing by management.

The Committee discussed the views and conclusions of Deloitte LLP regarding management's treatment of significant transactions and areas of judgement during the year.

Risk management and internal control arrangements

Risk management is the responsibility of the Board of Directors. The Committee's responsibility is to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems.

Details of the principal risks and uncertainties that could affect business operations can be found on pages 22 to 23.

Due to the size of the Group, and the costs involved, the Audit Committee continues to recommend to the Board that there is no requirement for an internal audit function. Risk management and internal control review processes are reviewed by the Committee and managed by the Group Finance Director assisted by the Group Company Secretary and regional financial controllers.

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.

The Group has a mandatory Code of Conduct which sets out the minimum expected behaviours for all employees.

During the year, the Committee reviewed:

- reports on control reviews conducted covering financial, operational and compliance controls and risk management;

- the Group and subsidiary legal structure;

- the Group treasury policy prior to presentation to the Board for approval;

- adequacy of finance resourcing throughout the Group. Actions were agreed and taken as appropriate to support and enhance the internal control arrangements; and

- 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 relation to 2011.

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 to the Committee for overseeing the relationship with the external auditor. As part of the 2012 audit process, and in accordance with the terms of reference, the following activities were undertaken:

- assessed the external auditor, 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 noted that there are no contractual obligations to restrict the choice of external auditor; and

- reviewed the overall extent of non-audit services provided by the external auditor. 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. During the year the auditor was not engaged to provide non-audit services.

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.

Following the completion of the 2012 audit process, the Audit Committee is satisfied with the performance of Deloitte LLP and has recommended to the Board that Deloitte LLP is re-appointed.

Assessment of the Audit Committee

The Committee conducted a self assessment of its performance during the year, against its terms of reference. The Board concluded that the Committee has acted in accordance with its terms of reference and had ensured the independence and objectivity of the external auditor.

The Chairman of the Audit Committee will be available at the 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

19 March 2013

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

Role and composition of the Remuneration Committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The duties of the Committee include those duties normally performed by a separate Nominations Committee. The terms of reference of the Remuneration Committee are available on the Company's website (www.empresaria.com).

The Remuneration 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.

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

The members of the Remuneration Committee during 2012 were:

Name	Date of appointment to the Committee
Penny Freer (Chairman)	13 December 2005
Zach Miles	1 October 2010

It is the Board's position that both Penny Freer and Zach Miles continue to be independent.

Meetings

The Remuneration Committee is required to meet at such times as the Chairman of the Committee shall require.

Meetings are held during the budget process to review various matters relating to the proposed remuneration packages for the Executive Directors and senior management.

Following publication of the annual results the Committee meets to consider the granting of options under the LTIP scheme.

The Remuneration Committee invites the Chairman to attend all of its meetings, noting however that the Chairman is not a member of the Committee and is not independent.

Remuneration practices

Remuneration policy for the Executive Directors

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

Link between business objectives and remuneration policy

It is the Company's policy for performance-related pay of Executive Directors to be linked to key performance indicators of the Company. One of the Company's key objectives is to see sustainable growth in earnings to shareholders, measured by growth in earnings per share (EPS). To support and deliver this there is a short-term objective to deliver organic growth from existing operations. The chosen target to demonstrate the Company's ability to re-invest in existing operations is cash generated from operations.

Executive Directors' contracts

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:

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

Spencer Wreford, who is proposed for re-election at the forthcoming Annual General Meeting, has a service contract which provides for a notice period of 6 months.

Basic salary

The basic annual salary of each Executive Director is reviewed annually by the Remuneration Committee with changes taking effect on 1 January. For 2013 the Committee, whilst recognising the additional support the Group Finance Director had given the new Chief Executive Officer, recommended a cost of living increase for both Executive Directors. However, both Executive Directors agreed to decline the offer being mindful of the business performance for 2012 being below initial expectations. The salaries for the Executive Directors for the financial years beginning on 1 January are as follows:

Director	2013 £000	2012 £000	2011 £000
Chief Executive Officer	200	200	200
Group Finance Director	140	140	125

Pension and other benefits-in-kind

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

Currently 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.

The current pension arrangement for all UK eligible workers is under review and revised arrangements will be implemented in accordance with the requirements of the auto-enrolment of pensions.

Annual bonus

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 2012 the targets and % of bonus payable for the Chief Executive Officer and Group Finance Director were as follows:

	2012
Bonus at 80% of target	0%
Bonus at 100% of target	25%
Bonus at 120% of target	50%

Targets were as detailed below:

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

The maximum bonus that can be earned by the Chief Executive Officer and Group Finance Director is 50% of basic salary. 80% of both targets must be met for any bonus to be payable. The entire bonus is payable in cash.

For the year ending 2012 neither target has been met and therefore no bonus is payable.

For the year ending 2013 the bonus structure and targets remain the same as 2012, being:

Target	2013
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 subsequent year is 100% of basic salary. The current policy is to review the final audited results of the Company prior to agreeing if awards are to be made.

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.

No awards were made under the LTIP during 2012.

Directors' remuneration report
continued

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 page 27.

Chairman and Non-Executive Directors

Non-Executive Directors, including the Chairman, serve under letters of appointment and either party can terminate on three month's 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 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	2013 £000	2012 £000	2011 £000
Anthony Martin	56	55	47
Penny Freer	36	35	28
Zach Miles	36	35	28

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

Neither the Chairman nor the Non-Executive Directors participate in the Group's LTIP. Nor do they receive other benefits.

Audited information

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2012 £000	2011 £000
Salaries, fees, bonuses and benefits-in-kind	**532**	451
Termination payments	**–**	118
Money purchase pension contributions	**49**	32
	581	601

Name of Director	Salary and fees £000	Benefits in kind ** £000	Annual bonuses £000	2012 Total £000	2011 Total £000
Executive					
Joost Kreulen	200	–	–	**200**	–
Spencer Wreford	140	7	–	**147**	132
Non-Executive					
Anthony Martin	55	–	–	**55**	47
Penny Freer	35	–	–	**35**	28
Zach Miles	35	–	–	**35**	28
Miles Hunt *	55	5	–	**60**	334
				532	569

* Miles Hunt was Chief Executive Officer during 2011 and a Non-Executive Director until 31 March 2012.
** Benefits in kind include car allowance and private medical insurance.

Long-term incentive plan (LTIP)

During the year, there were no awards of share options in the Company, pursuant to the Company's LTIP.

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

Name of Director	Scheme	1 January 2012	Granted	Vested	31 December 2012
Joost Kreulen	LTIP	720,000	–	–	**720,000**
Spencer Wreford	LTIP	500,000	–	–	**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:

	2012 **£000**	2011 £000
Joost Kreulen	**30**	–
Spencer Wreford	**14**	12
Miles Hunt (until 31 March 2012)	**5**	20
	49	32

This report was approved by the Board of Directors on 19 March 2013 and signed on its behalf by:

Penny Freer
Chairman, Remuneration Committee

19 March 2013

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 2012 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 30. 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 2012 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

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 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 2012 and on the information in the Directors' remuneration report that is described as having been audited.

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

19 March 2013

Consolidated income statement

	Note	2012 £m	2011 £m
Continuing operations			
Revenue	4	**194.3**	208.9
Cost of sales		**(150.4)**	(162.0)
Gross profit	4	**43.9**	46.9
Administrative costs		**(38.5)**	(41.6)
Operating profit before exceptional items and intangible amortisation		**5.4**	5.3
Exceptional items	5	**(0.7)**	(2.2)
Intangible amortisation		**(0.3)**	(0.3)
Operating profit	4, 7	**4.4**	2.8
Finance income	9	**0.1**	0.6
Finance costs	9	**(0.9)**	(1.5)
Profit before tax		**3.6**	1.9
Income tax	10	**(1.7)**	(1.1)
Profit for the period from continuing operations		**1.9**	0.8
Discontinued operations			
Loss for the period from discontinued operations	6	**–**	(0.4)
Profit for the year		**1.9**	0.4
Attributable to:			
Equity holders of the parent		**1.4**	(0.1)
Non-controlling interest		**0.5**	0.5
		1.9	0.4
Earnings/(loss) per share:			
From continuing operations			
Basic and diluted (pence)	12	**3.0**	0.6
Adjusted (pence)	12	**5.0**	4.1
From continuing and discontinued operations			
Basic and diluted (pence)	12	**3.0**	(0.4)
Adjusted (pence)	12	**5.0**	4.0

Consolidated statement of comprehensive income

	2012 £m	2011 £m
Exchange differences on translation of foreign operations	**(1.0)**	(1.0)
Net expense recognised directly in equity	**(1.0)**	(1.0)
Profit for the year	**1.9**	0.4
Total comprehensive income/(expense) for the year	**0.9**	(0.6)
Attributable to:		
Equity holders of the parent	**0.4**	(0.9)
Non-controlling interest	**0.5**	0.3
	0.9	(0.6)

Consolidated balance sheet

	Note	2012 £m	2011 £m Restated	2010 £m Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	**1.3**	1.7	1.9
Goodwill	14	**24.8**	25.1	26.4
Other intangible assets	15	**1.8**	2.2	2.5
Deferred tax assets	20	**1.2**	1.5	1.0
Call option asset		**–**	0.3	0.9
		29.1	30.8	32.7
Current assets				
Trade and other receivables	17	**27.4**	30.3	31.0
Cash and cash equivalents	19	**6.2**	6.0	7.1
		33.6	36.3	38.1
Total assets		**62.7**	67.1	70.8
LIABILITIES				
Current liabilities				
Trade and other payables	18	**21.8**	25.1	25.6
Current tax liabilities		**1.7**	2.0	1.8
Borrowings	19	**6.4**	3.0	12.7
Put option liability		**–**	–	1.0
		29.9	30.1	41.1
Non-current liabilities				
Borrowings	19	**7.9**	8.6	0.5
Deferred tax liabilities	20	**0.9**	0.8	0.6
Total non-current liabilities		**8.8**	9.4	1.1
Total liabilities		**38.7**	39.5	42.2
Net assets		**24.0**	27.6	28.6
EQUITY				
Share capital	21	**2.2**	2.2	2.2
Share premium account		**19.4**	19.4	19.4
Merger reserve		**1.5**	1.5	1.5
Retranslation reserve		**3.3**	4.0	4.1
Option reserve		**–**	0.8	(0.6)
Equity reserve		**(6.1)**	(2.4)	(1.9)
Other reserves		**(1.3)**	(1.1)	(0.6)
Retained earnings		**1.6**	(0.3)	0.9
Equity attributable to owners of the Company		**20.6**	24.1	25.0
Non-controlling interest		**3.4**	3.5	3.6
Total equity		**24.0**	27.6	28.6

Details of the restatement can be seen in note 30.

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 19 March 2013.

Signed on behalf of the Board of Directors

Joost Kreulen
Director

Spencer Wreford
Director

Financial statements

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 (Note 30) £m Restated	Non-controlling interest £m	Total equity £m
Balance at 31 December 2009	2.2	19.4	1.5	3.9	(0.6)	–	(0.7)	(2.1)	2.7	26.3
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)	0.9	3.6	28.6
(Loss)/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	27.6
Profit for the year	–	–	–	–	–	–	–	1.4	0.5	1.9
Dividend	–	–	–	–	–	–	–	(0.2)	–	(0.2)
Currency translation differences	–	–	–	(0.7)	–	–	(0.3)	–	–	(1.0)
Share based payment	–	–	–	–	–	–	0.1	–	–	0.1
Non-controlling interest acquired during the year	–	–	–	–	–	(3.7)	–	–	(0.2)	(3.9)
Movement in put options	–	–	–	–	(0.8)	–	–	0.7	–	(0.1)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	(0.4)	(0.4)
Balance at 31 December 2012	**2.2**	**19.4**	**1.5**	**3.3**	**–**	**(6.1)**	**(1.3)**	**1.6**	**3.4**	**24.0**

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" mainly represents exchange differences on intercompany long-term receivables which are treated as a net investment in foreign operations and the share based payment reserve of £0.1m.
- "Retained earnings" represents accumulated profits less distributions and income/expense recognised in equity from incorporation.

Consolidated cash flow statement

	Note	2012 £m	2011 £m
Profit for the year		**1.9**	0.4
Adjustments for:			
Depreciation		**0.9**	0.8
Intangible amortisation		**0.3**	0.3
Taxation expense recognised in income statement		**1.7**	1.1
Exceptional items		**0.7**	2.2
Loss on business disposal		**–**	0.4
Cash paid for exceptional items		**(1.0)**	–
Share based payments		**0.1**	–
Net finance charge		**0.8**	0.8
		5.4	6.0
(Decrease)/increase in invoice discounting		**(2.9)**	1.4
Decrease/(increase) in trade receivables		**6.0**	(1.9)
Decrease in trade payables		**(3.3)**	(1.6)
Cash generated from operations		**5.2**	3.9
Interest paid		**(0.9)**	(0.9)
Income taxes paid		**(1.6)**	(1.8)
Net cash from operating activities		**2.7**	1.2
Cash flows from investing activities			
Business disposals		**0.2**	1.0
Purchase of property, plant and equipment and intangibles		**(0.5)**	(0.7)
Finance income		**0.1**	0.1
Net cash used in investing activities		**(0.2)**	0.4
Cash flows from financing activities			
Further shares acquired in existing subsidiaries		**(3.2)**	(1.3)
Increase/(decrease) in borrowings		**1.9**	(2.4)
Proceeds from bank loan		**1.5**	2.4
Repayment of bank and other loan		**(1.6)**	(1.0)
Dividends paid to shareholders		**(0.2)**	(0.2)
Dividends paid to non-controlling interest in subsidiaries		**(0.4)**	(0.1)
Net cash from financing activities		**(2.0)**	(2.6)
Net increase/(decrease) in cash and cash equivalents		**0.5**	(1.0)
Effect of foreign exchange rate changes and disposal		**(0.3)**	(0.1)
Cash and cash equivalents at beginning of the year		**6.0**	7.1
Cash and cash equivalents at end of the year	19	**6.2**	6.0

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 2012. 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.

- Annual improvements to IFRSs 2011

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 Statement
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interest in other entities
- IFRS 13: Fair value measurement
- IAS 19 (revised): Employee Benefits
- IAS 27 (revised): Separate financial statements
- IAS 28 (revised): Investments in associates and joint ventures
- IAS 32 (amended): Offsetting Financial Assets and Financial Liabilities

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 2014 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 prepare the financial statements on a going concern basis.

2 Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings as at 31 December 2012. 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.

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. Once control has been achieved and acquisition accounting applied any subsequent transactions in subsidiary equity interest, which do not result in loss of control, between the Group and non-controlling interest are accounted for as equity transactions.

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

Notes to the consolidated financial statements
continued

2 Summary of significant accounting policies continued

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.

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
- 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.

The Group could be a party to put and call options over 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.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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.

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 £24.8m (2011: £25.1m), of other intangible assets was £1.8m (2011: £2.2m) and of deferred and contingent consideration was £0.8m (2011: £0.1m). The Group has recognised amortisation of intangible assets of £0.3m (2011: £0.3m). Further details of these balances are disclosed in notes 14 and 15.

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.

The Group has a provision for potential restrospective pay claims from temporary employees and social security contributions in Germany. The provision is £1.0m (2011: £1.7m) at year end. 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.

A restructuring provision of £0.4m is also held at year end. This includes an estimate of the costs for terminating staff contracts and the closure of branch offices that will be paid in 2013.

Recognition of deferred tax asset

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.

Notes to the consolidated financial statements
continued

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 is 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 2012	UK £m	Continental Europe £m	Rest of the World £m	Eliminations £m	Total £m
Revenue	66.5	83.2	44.6	–	**194.3**
Gross profit	16.0	15.7	12.2	–	**43.9**
Adjusted operating profit*	2.2	1.7	1.5	–	**5.4**
Operating profit	2.2	0.8	1.4	–	**4.4**

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

Goodwill	7.7	13.5	3.6	–	**24.8**
Segmental assets	42.5	20.4	17.2	(42.2)	**37.9**
Segmental liabilities	(43.3)	(22.8)	(9.4)	36.8	**(38.7)**
Net assets	6.9	11.1	11.4	(5.4)	**24.0**
Capital expenditure incurred (including intangibles)	0.1	0.2	0.2	–	**0.5**
Significant non-cash expenses (depreciation, amortisation and impairment)	0.5	0.4	0.5	–	**1.4**

Year ended 31 December 2011	UK £m	Continental Europe £m	Rest of the World £m	Eliminations £m	Total £m
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.

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)	40.8	(39.5)
Net assets	10.3	11.7	11.5	(5.9)	27.6
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 £m	Continental Europe £m	Rest of the World £m	Eliminations £m	Total £m
Goodwill	8.1	14.0	4.3	–	26.4
Segmental assets	45.4	23.1	16.3	(40.4)	44.4
Segmental liabilities	(44.4)	(25.1)	(8.5)	35.8	(42.2)
Net assets	9.1	12.0	12.1	(4.6)	28.6

5 Exceptional items

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

Exceptional Charges

	2012 £m	2011 £m
Continental Europe		
Release/(charge) against potential retrospective pay claims and social security liability in Germany	**0.4**	(1.7)
Germany restructuring charges	**(1.1)**	–
Charge for social security in Finland	**–**	(0.3)
	(0.7)	(2.0)
Rest of the World		
Provision for contract dispute in India	**–**	(0.2)
	–	(0.2)
Total	**(0.7)**	(2.2)

In Germany the provision for potential claims from temporary workers and social security has reduced from £1.7m to £1.0m with a release of £0.4m and £0.3m utilisation against claims received in the year.

In Germany restructuring costs of £1.1m have been incurred following the decision in the year to close or merge branch offices and terminate staff.

	£m
Losses in respect of office cost and assets	0.5
Staff termination costs	0.6
	1.1

Notes to the consolidated financial statements
continued

6 Discontinued operations

	2012 £m	2011 £m
Revenue	–	6.1
Costs	–	(6.1)
Tax	–	–
Trading loss from discontinued operations	–	–
Loss on disposal	–	(0.4)
Net loss from discontinued operations	–	(0.4)

During 2011 two businesses were disposed of. Firstly 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. During 2011 the Supply Chain contributed £145,000 to the Group's net operating cash outflow, £8,000 outflow in respect of investing activities and £54,000 outflow in respect of financing activities.

Secondly, a loss of £0.1m arose on the disposal of Advance 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 2011 Advance Career Indonesia contributed £155,000 to the Group's net operating cash outflow, £6,000 outflow in respect of investing activities and £24,000 outflow in respect of financing activities.

	2012 £m	2011 £m
Property, plant and equipment	–	0.1
Trade and other receivables	–	0.7
Trade and other payables	–	(0.2)
Tax balances	–	0.2
Bank borrowings	–	(0.4)
		0.4
Non-controlling interest and retranslation reserve	–	0.3
Goodwill write off on disposal	–	0.7
Disposal costs	–	0.3
Net assets disposed of	–	1.7
Total consideration	–	1.3
Loss on disposal	–	(0.4)

7 Operating profit

Operating profit is stated after charging:

	2012 £m	2011 £m
Depreciation of property, plant and equipment	**0.9**	0.8
Amortisation of intangible assets	**0.3**	0.3
Operating lease charges:		
– Land and buildings	**1.5**	1.6
– Motor vehicles	**0.6**	1.0
Net foreign exchange loss	**–**	0.1
Share based payments	**0.1**	–
Exceptional items	**0.7**	2.2
Trade receivable impairments	**0.3**	0.4
Auditor's remuneration	**0.1**	0.1

The analysis of auditor's remuneration is as follows:

	2012 £m	2011 £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 £36,123 (2011: £20,400) to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation. No other fees were payable to the auditor.

8 Directors and employees

	2012 £m	2011 £m
Staff costs		
Wages and salaries	**22.3**	24.0
Social security costs	**2.8**	3.0
Pension costs	**0.3**	0.3
	25.4	27.3

Details of Directors' remuneration are given on pages 36 to 39.

	Number	Number
Average monthly number of persons employed (including directors)		
a) Sales, distribution and administration (continuing operations)	**834**	826
b) Sales, distribution and administration (continuing and discontinued operations)	**834**	848

Notes to the consolidated financial statements
continued

9 Finance income and cost

	2012 £m	2011 £m
Finance income		
Bank interest receivable	**0.1**	0.1
Movement in put option liability	**–**	0.5
	0.1	0.6
Finance cost		
On amounts payable to invoice discounters	**(0.2)**	(0.2)
Bank loans and overdrafts	**(0.7)**	(0.7)
Movement in call option assets	**–**	(0.6)
	(0.9)	(1.5)
Net finance cost	**(0.8)**	(0.9)

10 Taxation

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

	2012 £m	2011 £m
Current taxation		
Current tax	**(1.1)**	(1.5)
Adjustment to tax charge in respect of previous periods	**(0.2)**	(0.1)
	(1.3)	(1.6)
Deferred tax	**(0.4)**	0.5
Total income tax expense in the income statement	**(1.7)**	(1.1)

(b) Factors affecting the tax charge for the year

	2012 £m	2011 £m
Profit before taxation	**3.6**	1.9
Profit before tax at standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**(0.9)**	(0.5)
Effects of:		
Expenses not deductible for tax purposes	**(0.3)**	(0.3)
Losses not recognised tor tax purposes	**(0.1)**	(0.1)
Adjustment to tax charges in respect of previous periods	**(0.2)**	(0.1)
Overseas tax at different tax rates	**(0.2)**	(0.1)
Tax expense	**(1.7)**	(1.1)

The movement in deferred tax is explained in note 20.

11 Reconciliation of Adjusted profit before tax to Profit before tax

	2012 £m	2011 £m
Profit before tax	**3.6**	1.9
Amortisation of intangibles	**0.3**	0.3
Exceptional items	**0.7**	2.2
Movement in put option liability	**–**	(0.5)
Movement in call option assets	**–**	0.6
Adjusted profit before tax from continuing operations	**4.6**	4.5

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 are 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

	2012 £m	2011 £m
Earnings		
Earnings/(loss) attributable to equity holders of the parent	**1.4**	(0.1)
Adjustments:		
Exceptional items	**0.7**	2.2
Loss on business disposal	**–**	0.4
Movement in put option liability	**–**	(0.5)
Movement in call option asset	**–**	0.6
Amortisation of intangible assets	**0.3**	0.3
Tax on exceptional items and intangible amortisation	**(0.1)**	(0.6)
Non-controlling interest in intangible amortisation and exceptional items	**–**	(0.5)
Earnings for the purpose of adjusted earnings per share	**2.3**	1.8

	Millions	Millions
Number of shares		
Weighted average number of shares – basic	**44.6**	44.6
Weighted average number of shares – diluted	**44.9**	44.6

	Pence	Pence
Earnings/(loss) per share		
Basic	**3.0**	(0.4)
Adjusted earnings per share	**5.0**	4.0

Notes to the consolidated financial statements
continued

12 Earnings per share continued

b) From continuing operations

	2012 £m	2011 £m
Earnings		
Earnings/(loss) attributable to equity holders of the parent	**1.4**	(0.1)
Adjustments to exclude loss from discontinued operations	**–**	0.4
Earnings from continuing operations for the purpose of basic and diluted earnings per share	**1.4**	0.3
Adjustments:		
Exceptional items	**0.7**	2.2
Movement in put option liability	**–**	(0.5)
Movement in call option asset	**–**	0.6
Amortisation of intangible assets	**0.3**	0.3
Tax on exceptional items and intangible amortisation	**(0.1)**	(0.6)
Non-controlling interest in intangible amortisation and exceptional items	**–**	(0.5)
Earnings for the purpose of adjusted earnings per share	**2.3**	1.8

	Millions	Millions
Number of shares		
Weighted average number of shares – basic	**44.6**	44.6
Weighted average number of shares – diluted	**44.9**	44.6

	Pence	Pence
Earnings per share		
Basic	**3.0**	0.6
Adjusted earnings per share	**5.0**	4.1

c) Fully diluted earnings per share

There are 1.2m share options (2011: 1.2m shares options) in issue. The dilution effect of these options was insignificant for the year ended 31 December 2012 and for the year ended 31 December 2011.

13 Property, plant and equipment

	Leasehold property £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
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 1 January 2012	0.2	7.2	0.2	**7.6**
Exchange differences	–	(0.2)	–	**(0.2)**
Additions	–	0.5	–	**0.5**
Disposals	–	(0.6)	–	**(0.6)**
At 31 December 2012	0.2	6.9	0.2	**7.3**
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 1 January 2012	0.1	5.7	0.1	**5.9**
Exchange differences	–	(0.2)	–	**(0.2)**
Charge for the year	–	0.9	–	**0.9**
Disposals	–	(0.6)	–	**(0.6)**
At 31 December 2012	0.1	5.8	0.1	**6.0**
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**
At 31 December 2012	0.1	1.1	0.1	**1.3**

Fixtures, fittings and equipment includes £0.1m (2011: £0.1m, 2010: £0.1m) of secured finance leases.

Notes to the consolidated financial statements continued

14 Goodwill

	2012 £m	2011 £m	2010 £m
At 1 January	**25.1**	26.4	26.5
Addition/(disposal)	**0.2**	(0.7)	–
Foreign exchange	**(0.5)**	(0.6)	(0.1)
At 31 December	**24.8**	25.1	26.4

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) at lowest level of cashflow, 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 2013 and growth forecasts extrapolated into perpetuity. The key assumptions for this calculation are in growth rates and discount rates. The growth rates applied are the average five year GDP growth forecast for the relevant country, which ranged from 1.1% to 8.5%. Any growth rate in excess of 5.0% was capped for the purpose of this calculation. A discount rate of 12.5% (2011: 7.2%) has been applied in discounting the projected cash flows, being the estimated industry weighted average cost of capital. The Group's weighted average cost of capital is approximately 6.5%, lower than the industry rate due to the Group's higher gearing.

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 18% without giving rise to an impairment of goodwill. Given the restructuring of the German operations in the year, management have also run a sensitivity for Germany, using the 2012 adjusted profit before tax with no future growth. No impairment was indicated. None of these changes in the key assumptions are reasonably expected to occur.

The carrying amount of goodwill has been allocated as follows:

	2012 £m	2011 £m	2010 £m
Goodwill by region			
UK	**7.7**	7.7	8.1
Continental Europe	**13.5**	13.6	14.0
Rest of the World	**3.6**	3.8	4.3
	24.8	25.1	26.4

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)**
Carrying amount at 1 January 2012	2.7	0.6	0.3	**3.6**
Additions	–	–	–	**–**
Foreign exchange	(0.1)	–	–	**(0.1)**
Gross carrying amount at 31 December 2012	2.6	0.6	0.3	**3.5**
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**
Carrying amount at 1 January 2012	0.8	0.4	0.2	**1.4**
Charge for year	0.2	0.1	–	**0.3**
Accumulated amortisation at 31 December 2012	1.0	0.5	0.2	**1.7**
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**
Net book value as at 31 December 2012	1.6	0.1	0.1	**1.8**

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.

Notes to the consolidated financial statements continued

17 Trade and other receivables

	2012 £m	2011 £m	2010 £m
Current			
Trade receivables	**23.5**	25.9	26.9
Less provision for impairment of trade receivables	**(0.2)**	(0.3)	(0.2)
Net trade receivables	**23.3**	25.6	26.7
Prepayments and accrued income	**2.3**	1.9	1.9
Other receivables	**1.8**	2.8	2.4
	27.4	30.3	31.0

Trade receivables includes £1.1m (2011: £0.2m, 2010: £0.8m) on which security has been given as part of the invoice finance facility.

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

	2012 £m	2011 £m Restated	2010 £m Restated
Current			
Trade payables	**1.1**	1.4	2.2
Other tax and social security	**5.9**	6.2	6.5
Other payables	**3.6**	5.4	6.4
Accruals	**8.9**	9.8	10.2
Provision for exceptional items (note 5)	**1.5**	2.2	–
Deferred and contingent consideration	**0.8**	0.1	0.3
	21.8	25.1	25.6

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

	2012 £m	2011 £m	2010 £m
Current			
Bank overdrafts	**3.2**	1.3	3.8
Amounts related to invoice financing	**1.1**	0.2	0.8
Current portion of bank loans	**2.1**	1.0	8.1
Other loan creditors	**–**	0.5	–
	6.4	3.0	12.7
Non-current			
Bank loans	**7.9**	8.6	0.5
	7.9	8.6	0.5
Total financial liabilities	**14.3**	11.6	13.2

The bank loans include a revolving credit facility which expires in 2016, a term loan of £2.2m which expires in 2016 and a term loan of £0.1m which expires in 2013. 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 2012, interest was payable at 2.375% over base rate on the term loans, and 2% over LIBOR on the revolving credit facilities.

The interest rate on the UK bank overdrafts (balance at 31 December 2012: £1.2m) was fixed during the year at rates of 2.5% above LIBOR and 2.5% above base rate. Other overdrafts (balance at 31 December 2012: £2.0m) had interest rates of 4.5% and 7.8% during the year.

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 £6.4m (2011: £10.1m, 2010: £8.5m).

b) Movement in net borrowings

	2012 £m	2011 £m	2010 £m
As at 1 January	**(5.6)**	(6.1)	(8.0)
Net increase/(decrease) in cash and cash equivalents	**0.5**	(1.1)	2.0
(Increase)/decrease in loans	**(1.7)**	1.0	(1.0)
(Increase)/decrease in invoice financing	**(1.1)**	0.2	0.5
On disposal of business	**–**	0.4	0.3
Currency translation differences	**(0.2)**	–	0.1
As at 31 December	**(8.1)**	(5.6)	(6.1)

c) Analysis of net borrowings

	2012 £m	2011 £m	2010 £m
Financial liabilities – borrowings	**(14.3)**	(11.6)	(13.2)
Cash and cash equivalents	**6.2**	6.0	7.1
As at 31 December	**(8.1)**	(5.6)	(6.1)

Cash and cash equivalents at 31 December 2012 include cash with banks of £0.3m (2011: £0.3m, 2010: £0.3m) held by a subsidiary in China which is 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 2012 £000	2011 £000	2010 £000
1 January	666	531	39	107	(60)	(623)	**660**	400	(13)
(Charge)/credit to income	(116)	(218)	(57)	3	22	(31)	**(397)**	481	376
Disposal	–	–	–	–	–	–	**–**	(169)	–
Foreign exchange difference	(16)	–	23	(7)	9	(26)	**(17)**	(52)	37
31 December	534	313	5	103	(29)	(680)	**246**	660	400

Analysis of deferred tax	2012 £000	2011 £000	2010 £000
Deferred tax asset	**1,152**	1,470	1,011
Deferred tax liability	**(906)**	(810)	(611)
	246	660	400

At the balance sheet date, the Group has unused tax losses of £3.7m (2011: £3.6m, 2010: £5.9m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £2.2m (2011: £2.3m, 2010: £2.9m) of such losses. No deferred tax asset has been recognised in respect of the remaining £1.5m (2011: £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 £4.5m (2011: £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	2012 £m	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	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	2012 £m	2011 £m	2010 £m
Cash and cash equivalents	**6.2**	6.0	7.1
Trade and other receivables (loans and receivables)	**27.4**	30.3	31.0

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

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

Debtors ageing and impairment losses

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

	2012 £m	2011 £m	2010 £m
0–30 days	**12.5**	15.1	17.0
31–60 days	**9.1**	8.7	8.1
61–90 days	**0.9**	0.8	1.1
Over 90 days	**0.8**	1.0	0.5
Total trade receivables (note 17)	**23.3**	25.6	26.7

Average debtor days during the year was 51 days (2011: 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 £0.2m (2011: £0.3m, 2010: £0.2m) has been recorded accordingly.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1.7m (2011: £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 2012 was £6.4m (2011: £10.1m, 2010: £8.5m).

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

	2012 £m	2011 £m	2010 £m
Balance at 1 January	**0.3**	0.2	0.7
Impairment loss recognised	**0.3**	0.4	0.1
Impairment loss utilised	**(0.4)**	(0.3)	(0.6)
Balance at 31 December	**0.2**	0.3	0.2

Notes to the consolidated financial statements
continued

22 Financial instruments continued

Liquidity risk analysis

The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis 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 undrawn committed borrowing facilities.

As at 31 December 2012, Empresaria's liabilities have contractual maturities which are summarised below:

	Effective interest rate	Current within 6 months			Current 6 to 12 months			Non-current 1 to 5 years		
		2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Long-term bank loans	2.9%	**0.5**	0.5	0.3	**1.6**	0.5	7.6	**7.0**	7.8	0.4
Other loan creditors	–	**–**	0.5	–	**–**	–	–	**–**	–	–
Trade and other payables	–	**21.8**	25.1	25.6	**–**	–	–	**–**	–	–
Other short-term financial liabilities	4.3%	**4.3**	1.5	4.6	**–**	–	–	**–**	–	–
Total		**26.6**	27.0	30.5	**1.6**	0.5	7.6	**7.0**	7.8	0.4

All financial liabilities of the Group are classified as financial liabilities measured at amortised cost.

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

All bank loans are on floating interest rates.

At the year end the Group had £4.8m (2011: £6.3m, 2010: £4.2m) of undrawn bank facilities, excluding invoice financing facilities.

There was no loan repayment default during the year (2011: nil, 2010: nil). At the year end past due loans were nil (2011: nil, 2010: nil).

Gearing ratio

	2012 £m	2011 £m Restated	2010 £m Restated
Gross borrowings	**14.3**	11.6	13.2
Less: Cash and cash equivalents	**(6.2)**	(6.0)	(7.1)
Net debts	**8.1**	5.6	6.1
Equity attributable to company shareholders	**20.6**	24.1	25.0
Net debt to equity ratio	**39.3%**	23.2%	24.4%

Market risk analysis

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

Capital risk

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

Foreign currency risk

Most of Empresaria Group plc's transactions are carried out in pounds sterling. Most of the subsidiary companies transactions are carried out in the local currency of their respective countries. Exposures to currency exchange rates arising 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 if applicable, 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 2012, no forward exchange contracts were entered into (2011: nil, 2010: nil).

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		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Euro	**25.0**	18.6	19.8	**22.6**	15.9	17.2
Japanese Yen	**3.1**	3.0	2.8	**2.5**	2.2	2.1
Chilean Peso	**4.6**	3.9	4.0	**1.7**	1.9	2.1
Indonesian Rupiah	**2.3**	1.8	2.4	**0.9**	0.7	1.5

Sensitivity analysis

A 10% strengthening of pound 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.

	2012				2011			
	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	**(0.2)**	**–**	**–**	**(0.1)**	(0.1)	–	–	–
Equity	**(1.7)**	**(0.2)**	**(0.3)**	**(0.2)**	(1.7)	(0.2)	(0.3)	(0.1)

	2010			
	Euro £m	Japanese Yen £m	Chilean Peso £m	Indonesian Rupiah £m
Net result for the year	(0.2)	–	–	–
Equity	(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.

Notes to the consolidated financial statements
continued

22 Financial instruments continued

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 2012, 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

	2012 £m	**2011 £m**	**2010 £m**
Net result for the year	**(0.2)**	(0.2)	(0.2)
Equity	**(0.2)**	(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 liabilities, either directly or indirectly.

	2012 £m	**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 Level 1 and 2 during the current or prior year.

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

23 Financial commitments

Operating leases

	Motor vehicles			Land and buildings		
	2012 £m	2011 £m	2010 £m	**2012 £m**	2011 £m	2010 £m
Total minimum operating lease payments due:						
Within one year	**0.5**	0.9	0.7	**1.1**	1.5	1.3
One to five years	**0.6**	0.4	1.0	**1.4**	1.7	1.3
After five years	**–**	–	–	**0.1**	0.2	0.1
	1.1	1.3	1.7	**2.6**	3.4	2.7

24 Dividends

	2012 £000	2011 £000
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2011 of 0.35 pence (2010: 0.35 pence) per share	**156**	156
Proposed final dividend for the year ended 31 December 2012 is 0.35 pence (2011: 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 2012 totalling £0.8m (2011: £0.1m). 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 all of the Group companies. Guarantees and contingencies exist in the ordinary course of business.

Notes to the consolidated financial statements
continued

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 profit after tax for the financial year was £1.0m (2011: loss after tax of £0.7m).

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 £1.8m (2011: £1.9m) and £0.4m (2011: £0.4m), 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 pages 38 to 39.

	2012 £m	2011 £m
Short-term employee benefits	**0.6**	0.6

There were share based payment costs of £55,000 in the year (2011: £15,000) and pension contributions of £49,000 (2011: £32,000) but no other benefits in the year.

Directors' transactions

Dividends totalling £48,190 (2011: £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 £2,300 (2011: £700).

28 Share based payments

The Company operates a share option scheme for directors and senior executives. No options were granted or exercised during the year. The options previously granted are summarised below. 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.

	2012	2012
	Number of share options	**Weighted average exercise price (p)**
Outstanding at beginning of year	**1,220,000**	–
Granted during the year	–	–
Outstanding at the end of the year	**1,220,000**	–

The options have a zero cost exercise price. The aggregate fair value of the options granted is £194,000. In 2012, a total expense of £55,000 (2011: £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 37.

The inputs into these models are as follows:

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.

29 Events after the balance sheet date

On 28 January 2013, the Group announced the acquisition of 10% of the shares in Skill House Staffing Solutions KK, a Japanese company specialising in placing IT professionals, for cash consideration of £0.45m. This takes the Group's ownership to 100%.

Notes to the consolidated financial statements continued

30 Prior year restatement

The Group is presenting restated prior year balance sheets. As part of our periodic balance sheet review the Group has identified some erroneous debit balances against certain accruals which have now been corrected. The amount of the restatement is £0.6m which is applied against the reserves for the year ended 31 December 2008. The restatement is between retained earnings and trade and other payables only.

The impact of the restatement on prior year balance sheets is disclosed below:

	Trade and other payables £m	**Retained earnings £m**
31 December 2009		
As previously disclosed	(22.3)	1.5
Adjustment	(0.6)	0.6
Restated	(22.9)	2.1
31 December 2010		
As previously disclosed	(25.0)	(1.5)
Adjustment	(0.6)	0.6
Restated	(25.6)	(0.9)
31 December 2011		
As previously disclosed	(24.5)	(0.3)
Adjustment	(0.6)	0.6
Restated	(25.1)	0.3

There was no impact of the above changes on the consolidated income statement, the consolidated cash flow statement and earnings per share.

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 2012 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2012 and of its profit for the year;
- 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 matter

We have reported separately on the group financial statements of Empresaria Group plc for the year ended 31 December 2012.

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

19 March 2013

Parent Company balance sheet

	Note	2012 £m	2011 £m
Non-current assets			
Tangible assets	5	**0.1**	0.2
Investments	6	**32.6**	28.6
Call option asset		**–**	0.3
		32.7	29.1
Current assets			
Debtors (including amounts falling due after more than one year of £6.9m (2011: £8.9m))	7	**12.2**	17.8
Cash at bank		**9.5**	2.3
Creditors: amounts falling due within one year	8	**(19.7)**	(19.3)
Net current assets		**2.0**	0.8
Total assets less current liabilities		**34.7**	29.9
Creditors: amounts falling due after more than one year	9	**(9.4)**	(5.2)
Net assets		**25.3**	24.7
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
Equity reserve	10	**(0.2)**	–
Profit and loss account	10	**2.4**	0.8
Shareholders' funds	10	**25.3**	24.7

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 19 March 2013.

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 2012. 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 profit after tax for the financial year ended 31 December 2012 of £1.0m (2011: Loss after tax of £0.7m).

Notes to the parent Company financial statements
continued

3 Directors and employees

	2012 £m	2011 £m
Staff costs		
Wages and salaries	**1.1**	1.5
Social security costs	**0.1**	0.1
	1.2	1.6

	2012 Number	2011 Number
Average monthly number of persons employed (including directors)	**14**	14

Pension contributions made in the year were £89,383 (2011: £34,416).

Details of Directors' remuneration are given on pages 36 to 39.

4 Dividends

During 2012 Empresaria Group plc paid a dividend of £0.2m to its equity shareholders (2011: £0.2m). This amounted to 0.35 pence per ordinary share (2011: 0.35 pence).

A final dividend is proposed for the year ended 31 December 2012 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 24 June 2013 to members registered on 24 May 2013.

5 Property, plant and equipment

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

	Fixtures, fittings and equipment £m
Cost	
At 1 January 2012	**0.5**
Additions	**0.0**
At 31 December 2012	**0.5**
Accumulated depreciation	
At 1 January 2012	**0.3**
Charge for the year	**0.1**
At 31 December 2012	**0.4**
Net book value	
At 31 December 2011	**0.2**
At 31 December 2012	**0.1**

6 Investments held as fixed assets

	Loans to subsidiary undertakings £m	Shares in subsidiary undertakings £m	Total £m
Cost			
At 1 January 2012	6.8	27.7	**34.5**
Additions	–	4.0	**4.0**
Disposals	–	–	**–**
At 31 December 2012	6.8	31.7	**38.5**
Impairment			
At 1 January 2012	–	5.9	**5.9**
At 31 December 2012	0.0	5.9	**5.9**
Net book value			
At 31 December 2011	6.8	21.8	**28.6**
At 31 December 2012	6.8	25.8	**32.6**

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:

Company	Class of share held	2012 %	Country of incorporation
Bar 2 Limited*	"A & B" Ordinary	86	UK
FastTrack Management Services (London) Limited*	"A" Ordinary	100	UK
Greycoat Placements Limited*	Ordinary	90	UK
LMA Recruitment Limited*	"A" Ordinary	63	UK
Mansion House Recruitment Limited*	"A" Ordinary	65	UK
McCall Limited*	"A & B" Ordinary	79	UK
Reflex HR Limited*	"A" Ordinary	84	UK
Teamsales Limited*	"A" Ordinary	95	UK
The Recruitment Business Limited*	"A" Ordinary	80	UK
Headway Holding GmbH	Ordinary	100	Germany
Interactive Manpower Solutions Private Limited*	Equity Share	71	India
Mediradix Oy*	Ordinary	87	Finland
Learning Resources	Shares	51	Indonesia
Marketing y Promociones S.A. 'Alternattiva'	Common	56	Chile
Monroe Consulting Group	"A" Ordinary	90	Indonesia
Monroe Recruitment Consulting	Ordinary	100	Thailand
Skillhouse Staffing Solutions K.K.	Ordinary	90	Japan
The Recruitment Business Pty Limited	Ordinary	80	Australia

* These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December 2012.

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

Notes to the parent Company financial statements
continued

7 Debtors

	2012 £m	2011 £m
Amounts owed by group undertakings (including amounts falling due after more than one year of £6.9m (2011: £8.9m))	**11.1**	16.7
Other debtors	**0.4**	0.4
Prepayments and accrued income	**0.7**	0.7
	12.2	17.8

8 Creditors: amounts falling due within one year

	2012 £m	2011 £m
Bank overdraft and loans due within one year	**16.2**	15.6
Trade creditors	**0.1**	0.1
Amounts owed to subsidiary undertakings	**2.2**	3.0
Deferred consideration and other creditors	**0.8**	0.1
Accruals	**0.4**	0.5
	19.7	19.3

Other creditors include a finance lease of £Nil (2011: £3,821).

9 Creditors: amounts falling due after more than one year

	2012 £m	2011 £m
Loan from subsidiary undertakings	**2.2**	3.2
Bank loans	**7.2**	2.0
	9.4	5.2

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 2012, interest was payable at 2.375% over base rate on the term loans, and 2% over LIBOR on the revolving credit facilities.

The interest rate on the UK bank overdrafts was fixed during the year at rates of 2.5% above LIBOR and 2.5% above base rate.

	2012 £m	2011 £m
Bank loans		
Repayable within one year	**2.5**	7.1
Repayable between one and two years	**0.6**	0.7
Repayable between two and five years	**6.6**	1.3
	9.7	9.1

10 Reconciliation of movements in shareholders' funds

	2012 Share capital £m	2012 Share premium £m	2012 Other reserve £m	2012 Option reserve £m	2012 Equity reserve £m	2012 Profit and loss account £m	2012 Total Shareholders' funds £m	2011 Total Shareholders' funds £m
Profit/(loss) for the financial year	–	–	–	–	–	1.0	1.0	(0.7)
Dividend paid	–	–	–	–	–	(0.2)	(0.2)	(0.2)
Movement in options	–	–	–	(0.8)	(0.2)	0.8	(0.2)	0.3
Net (reduction)/addition to shareholders' funds	–	–	–	(0.8)	(0.2)	1.6	0.6	(0.6)
Opening shareholders' funds	2.2	19.4	1.5	0.8	–	0.8	24.7	25.3
Closing shareholders' funds	**2.2**	**19.4**	**1.5**	**–**	**(0.2)**	**2.4**	**25.3**	**24.7**

Profit for the year after tax was £1.0m (2011: Loss for the year after tax £0.7m).

11 Called up share capital

	Number of shares	2012 £m	Number of shares	2011 £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 meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the years ended 31 December 2012 and 31 December 2011 no ordinary shares were issued.

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Spencer Wreford
Anthony Martin
Penny Freer
Zach Miles

Secretary
Anne-Marie Clarke

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