



An international
diversified staffing
group **helping**
people realise
their potential

Empresaria Group plc
Annual Report & Accounts 2018

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Cautionary statement

The Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. This should not be relied on by any party or used for any other purpose.

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

Empresaria at a glance

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

Vision and purpose

Our vision is to be a leading international specialist staffing Group.

Our purpose is to help people realise their potential by:

- investing in our **staff** to help them realise their potential, which in turn
- helps our **candidates** to progress their careers so they can realise their potential and
- helps our **clients** find the best candidates so they can realise their potential

For further information



Visit: www.empresaria.com





United Kingdom

Net fee income 2018

£23.7m

% of Group net fee income

33%

Brands

4ward Talent
Ball & Hoolahan
Become
ConSol Partners
FastTrack
Greycoat
LMA
McCall
Teamsales



Continental Europe

Net fee income 2018

£15.6m

% of Group net fee income

22%

Brands

Headway
Medikumppani



Asia Pacific

Net fee income 2018

£24.5m

% of Group net fee income

34%

Brands

Become
BW&P
FINES
IMS
LMA
Monroe Consulting
Rishworth Aviation
Skillhouse



Americas

Net fee income 2018

£8.9m

% of Group net fee income

12%

Brands

Alternattiva
ConSol Partners
Grupo Solimano
Monroe Consulting
Pharmaceutical Strategies

Empresaria in numbers

Number of brands in the Group

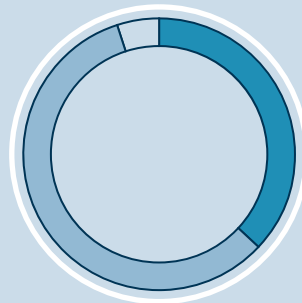
20

Countries we are in

21

Service type

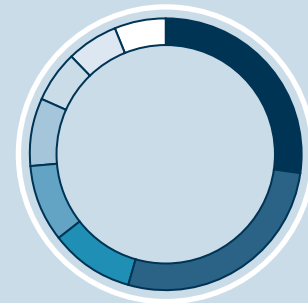
% of net fee income



- Permanent (37%)
- Temporary and contract (58%)
- Offshore Recruitment Services (5%)

Sectors

% of net fee income



- Technical & industrial (27%)
- IT, digital & design (27%)
- Professional services (10%)
- Aviation (9%)
- Retail (8%)
- Executive search (6%)
- Healthcare (6%)
- Other services (6%)

Trading Summary

£m	2018	2017	% change	% change constant currency**
Revenue	366.8	357.1	+3%	+5%
Net fee income	72.3	69.4	+4%	+6%
Operating profit	10.3	8.7	+18%	+21%
Adjusted operating profit*	12.3	11.6	+6%	+8%
Profit before tax	9.4	8.1	+16%	+18%
Adjusted profit before tax*	11.4	11.0	+4%	+6%
Diluted earnings per share	9.1p	7.9p	+15%	
Adjusted diluted earnings per share*	12.1p	12.5p	-3%	

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

** The constant currency movement is calculated by translating the 2017 results at the 2018 exchange rates.

For full definition of terms see Glossary on page 95.

Chairman's statement

“We are pleased to deliver another year of profitable growth and an increased dividend.”

Tony Martin
Chairman



We are pleased to report our full year results which deliver another year of profitable growth and increased dividend. We have made good progress in the year and have invested in key areas of the central support function of the Group to maximise future organic growth across our brands. We have a focused strategy in place to deliver the next phase of growth and are confident in the Group's prospects for the future.

Our purpose and what makes us different

As an international specialist staffing Group, we have the privilege of being able to help people realise their potential through work. It is a rewarding activity, helping candidates to progress their careers so they can realise their potential and helping clients find the best candidates so their business can realise its potential.

Our strategic priorities are building leading brands and improving productivity. We have invested in strengthening our central management team over the last year to ensure we are supporting our staff, helping them to develop their skills and experience, and helping our brands to grow.

Our business model is a key differentiator for us in the market:

- Multi-branded with niche sector experts: Local expertise and market knowledge ensures our brands understand the needs of clients and candidates alike. We currently have 20 brands across the Group.
- Management equity philosophy: Senior managers hold shares in their operating companies, so aligning their interests with those of our shareholders. This helps us to

attract and then retain key management and encourages them to take a long-term view on business opportunities. At the end of 2018 we had 57 managers holding shares in the operating companies they are responsible for.

- Diversified by geography and sector: We currently operate in 21 countries and this spread of operations reduces our reliance on any single market and mitigates ongoing economic and political risks. We have a good balance of operations in both the largest staffing markets as well as the high potential markets of Latin America and Asia.
- Range of staffing services: Provision of permanent, temporary and contract, RPO/offshore recruitment services with a bias towards temporary recruitment.

The market

The economic growth forecasts are currently positive across our geographies, although we have seen a general weakening of these growth rates over the last few months. Political risks remain high, in particular with the uncertainty over the UK's exit from the European Union weighing on business confidence in the UK and Germany and the increased trade tariffs between the US and China impacting on global growth rates.

We continue to see candidate shortages across our largest markets, as well as skills shortages due to the advance of technology with demand increasing for skills that are not widely available. This creates opportunities for our brands who, as experts in their markets, are well placed to find the candidates with the right skills and can then place these more quickly.

The current prospects for the staffing sector remain positive and we see good opportunities for our brands, but with the increasing risks and levels of business uncertainty, we remain vigilant to any change in conditions. According to "Staffing Industry Analysts" forecasts ("Global Staffing Industry Market Estimates and Forecast", November 2018), the global staffing market is expected to grow by 6% in 2019, through a mix of higher growth rates expected in China and India, offset by low growth rates in the UK, US and Australia. Our spread of operations helps us to manage the impact of localised issues and make the most of positive market conditions. We have seen the benefit of this diversified model over the last two years in the face of regulatory changes in Germany and Japan, the impact of which are now fully reflected, and it continues to be a core part of our business model.

People & culture

There have been a number of changes to the executive team during 2018. In May Joost Kreulen stepped down as Chief Executive Officer. He continues to assist the Group, working as a part-time consultant in Germany, supporting our Headway brands. The Board would like to thank Joost for his commitment and success since he joined Empresaria, helping to stabilise and then turn around the business, leaving a solid platform for the next phase of growth and development.

Spencer Wreford took over as CEO, having been with the Group for eight years, most recently as the Chief Operating Officer and previously as Group Finance Director.

In March 2018 we welcomed Tim Anderson as the new Group Finance Director and in

November 2018 we appointed Rhona Driggs as Chief Operating Officer. Rhona brings with her 28 years of staffing industry experience, while Tim brings significant listed company finance experience. These appointments have strengthened our executive management team, providing the expertise needed to take the business forward.

The average number of staff across the Group increased to 1,625 (2017: 1,367). The success of the Group is down to the hard work and commitment of every one of them and the Board would like to thank them for their contribution to our continued success.

Governance

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

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

During 2018, we chose to adopt the QCA Corporate Governance Code 2018, which we consider is most appropriate for our size, the regulatory framework that applies to AIM companies and is best aligned to the expectations of our stakeholders.

Investments

In July 2018 we finalised our investment in 60% of the equity shares in Grupo Solimano, an established provider of outsourced and temporary staffing services in Peru. This strengthens our presence in the high potential Latin American staffing market, alongside existing brands in Chile and Mexico.

Shareholder returns

The Group has delivered adjusted diluted earnings per share of 12.1p (2017: 12.5p),

with the slight reduction in the year largely due to the mix of profits, with higher returns coming from those brands with a larger non-controlling interest share. We use an adjusted measure to exclude amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of businesses, fair value charges on acquisition of non-controlling shares and related tax. We feel this is more reflective of the underlying trading results and is the measure typically adopted by the investor and analyst community. The reported diluted earnings per share was 9.1p (2017: 7.9p).

The Board has reviewed the dividend in line with our progressive dividend policy and for the year ended 31 December 2018 we propose a dividend of 2.0p, up 52% on the prior year, demonstrating the strength of the balance sheet and the Board's confidence in the Group's prospects. Subject to shareholder approval at the Annual General meeting, the dividend will be paid on 31 May 2019 to shareholders on the register on 10 May 2019.

We have also returned cash to shareholders through a share buy-back programme with 479,704 shares acquired during the year. The total cost of these shares was £0.4m. These shares are held in the Empresaria Employee Benefit Trust to cover potential exercises of vested share options to reduce the dilutive effect of issuing new shares.

Outlook

We have created a strong platform for the Group in recent years, bolstered by the investments made in the central management team, and we are well positioned to deliver the next phase of growth and to continue to create long-term value for shareholders. As we start 2019 we are focused on delivering organic growth and strengthening our core brands. The economic environment remains broadly positive and whilst we remain cautious on the political risks, we see good opportunities for the Group in the year ahead.



Tony Martin
Chairman
12 March 2019

Financial highlights

Net fee income

£72.3m

2017: £69.4m

Adjusted profit before tax

£11.4m

2017: £11.0m

Adjusted diluted earnings per share

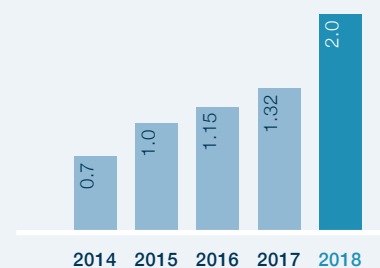
12.1p

2017: 12.5p

Dividend

2.0p

2017: 1.32p



For more information
Finance review pages 20 to 23

Our strategy and business model

Our resources...

People

The skills and expertise of our staff

Financial strength

Our ability to invest in the business

Brand reputation

Our brands are experts in their markets

Values & Culture

Our decentralised structure provides operational autonomy for managers

Network

Our brands operate from 21 countries across the world

Technology

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

drive our strategy...

Our focused growth strategy looks to take our business to the next level.



Organic growth
Organic investment in existing brands

through our business model...

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

... to deliver long-term value

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

Our investors

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

111%

increase in adjusted PBT over last 5 years

470%

increase in dividend per share over last 5 years

£0.5m

returned to shareholders through share buy-backs in last two years

Our people

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

89%

increase in average employee numbers over last 5 years

Our community

We make a direct social and economic contribution in the countries we operate in. We help people to find work, to develop their careers and realise their potential, and we contribute to the local economy through tax payments and use of local suppliers. We help local businesses realise their potential by helping them find suitable workers that fit their needs and requirements. By providing a quality value added service to our clients and candidates we enhance our brand reputation which should help generate repeat and new business.



External investments

Accelerate growth in key sectors or geographies

Market drivers in our industry

Social & political trends

Over half of the world's population live in cities and this is expected to grow to 70% by 2050 (Source: Future of Skills, Employment in 2030 issued by Pearson). Economic development is generally greater in larger markets and we see the largest cities as the main drivers of economic activity. Companies are drawn to these large cities, where the proximity to other businesses enables collaboration, a greater choice of labour and access to other industries and service providers.

City population is expected to grow to

70% by 2050

Regulatory change is a common occurrence in the staffing industry as Governments legislate to improve working conditions and tackle inequality. We should expect further changes each year. New laws came into force in 2018 around data protection for EU individuals (GDPR) and consumer ethics and privacy issues are increasingly important to candidates, clients and staff when holding or using their data.

Flexible working is on the rise and is being driven by supply rather than demand. The candidate is pushing for this as they look for a better work-life balance, so clients have to react to this to be able to attract the best talent. This impacts on how we source candidates and engage with them, as well as dealing with risks around taxation where workers want to be treated as self-employed.

Our approach

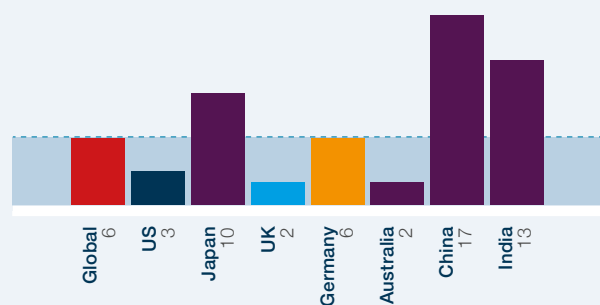
Our brands are focused on the markets where there is the greatest client need to maximise the return on investment. Compliance with regulations is taken very seriously and our central legal and tax team monitor and oversee changes required from new legislation. We offer a range of staffing services to meet the different needs of candidates and to support clients in engaging with the workforce.

Economic trends

The staffing industry's growth is highly correlated with GDP growth; the stronger the economy, the stronger the staffing market, although in the short-term other factors can also have an impact. Global economies are increasingly integrated and as businesses operate across international boundaries the labour markets change, with people becoming more mobile and working outside their country of birth.

The worldwide economic order is expected to change over time, with forecasts predicting that China will overtake the US as the world's leading economy in the next 15 years. It is also expected that India will overtake the UK and France to become the 5th largest economy and the strongest growth will come from emerging markets such as Indonesia, Brazil, Russia, Mexico, Vietnam, Philippines and Nigeria. Population growth will be a key driver of GDP growth in many emerging markets. We should expect short term economic and political storms to occur from time to time as these markets move towards maturity, however, a failure to engage with these markets would mean missing out on expected high levels of economic growth.

2019 SIA staffing market growth forecast (%)



Source: Global Staffing Industry Market Estimates and Forecast, November 2018

Our approach

We operate with a diversified model, operating in 21 countries across 7 key sectors, so reducing our reliance on any single market. We already have a good presence in emerging markets so are in a strong position to benefit from the expected economic growth in these markets. Our focus is on deepening our presence in key markets and sectors by investing in our core brands to broaden their geographic coverage and extend their reach.

Technology trends

Technology is expected to have a major impact on staffing in the future, whether due to the creation of new industries through the automation of jobs and tasks (such as autonomous driving), or by allowing staffing companies to operate more effectively.

The threat of automation on jobs is a widely debated issue. It is clear that automation will change what roles exist in the future, with some being displaced while new roles are created. Automation is expected to replace jobs that have repetitive features and roles which are semi-skilled but involve a lot of menial work. The World Economic Forum predicts that 65% of primary school children will work in jobs that don't exist yet.

There has been an ongoing trend of job polarisation over the last 20 years, with a decline in middle level jobs in every market and a general increase in low level and high level jobs. This is expected to get worse as automation removes the demand for manual roles as part of the "hollowing out of the middle".

Technology will also have a big impact on productivity and efficiency. The focus on big data is about using data to make better decisions. Artificial Intelligence (defined as machines performing tasks commonly associated with intelligent beings) will be used to make decisions using predictive data, analysing the data on previous placements to give a competitive advantage to the recruiter. Choosing the right technology and deploying it in the right way will be one of the key decisions for staffing firms over the next few years. We should also expect to see more of a convergence of technology and staffing companies. New online platforms are being launched that aim to remove the recruitment agency and connect candidates directly to hirers. The human connection is still expected to remain important in the hiring process, but these platforms are growing and taking market share, especially in the low skilled volume markets.

Our approach

With our specialist brands we work across both high and low level roles and understand the different delivery models needed for each. Our brands are experts in their niche markets, adding value to clients and candidates to find the right matches and also ensuring we stay on top of changes to job roles and skills requirements. In 2018, we have invested in a dedicated resource to look at our technology and how it is being used, helping to implement better systems and tools across our brands and looking at what new technology is being launched. As a group with 20 brands we are able to identify the best tools for each and to develop strong relationships with key suppliers.

Demographic trends

The developed economies are starting to see fewer entrants to the labour market as society is getting older. There are significant declines forecast in Japan and Germany as well as parts of Southern Europe. Even in the US, where the impact is less severe, Bain estimate that labour force growth has been slowing every decade since the 1970s (Source: Bain Macrotrends Group Analysis 2017). In global terms the workforce is not slowing, but the growth is mainly in Asia and Africa. However, even though the developed economies need extra headcount to deliver economic growth, the political focus in some countries is on creating barriers to foreign workers and placing limits on immigration.

With candidate shortages expected to get worse rather than better, the ability to find candidates will make the difference between a successful recruitment company and one that is struggling. Everyone is fishing in the same pool, so you need to stand out as the recruiter the candidate is going to speak and respond to. Social media is increasingly important for sharing content within your sector and to help build your brand as an expert in the market, but what you are saying needs to be worth listening to. Marketing and technology are already crossing over and this will continue, building a network of passive and active jobseekers. The new generation of workers (referred to as millennials and generation z) are more digitally connected than older colleagues. Nearly all of them have a digital presence and they will use digital means to examine the hirer and recruiter.



Our approach

Our diversified model ensures we are in markets with growth opportunities and enables us to mitigate a slowdown in a particular market. Our brands are increasingly international in their outlook and we look for ways for group companies to collaborate on clients and candidates. We have recently invested in a central marketing team to provide support and strategic advice on all aspects of candidate engagement and to help ensure best practice is shared across the Group.

People focused business model



Multi-branded with niche sector experts

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

Why this is important

Our brands' expertise means they know how and where to find the best candidates, providing clients with the best fit and helping candidates with their career development. This enables them to build strong and lasting relationships with both clients and candidates.

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

Brands

20



Management equity philosophy

The Group's management equity philosophy aligns the interests of key management with our shareholders, with operating company management teams owning shares directly in their own businesses.

Why this is important

The staffing industry is a people business, run by people, for people. The success of our business is dependent on having the best staff available and giving them the operational freedom to use their expertise to run their business.

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

More detail on how the management equity model works is given in the financial review on page 23.

Managers holding equity

57

(2017: 51)



Diversified by geography and sector

The Group is diversified both by geography and by sector operating in 21 countries and across seven key sectors. This spread of operations helps mitigate economic and political risks as well as providing opportunities to drive our growth.

Our geographical spread is well balanced with a presence in both established and emerging markets. 65% of our net fee income is delivered by our presence in the four largest markets (USA, Japan, UK, Germany) while we also have a significant presence in the Latin American and Asia Pacific markets where we believe there are excellent opportunities for long-term growth.

Why this is important

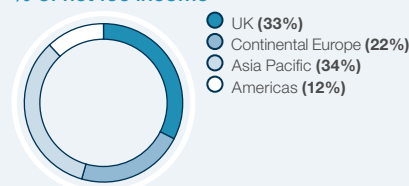
The mitigation of economic and political risks helps provide a more stable base for the Group to invest and grow. This is evidenced by the performance in 2018 where the Group delivered record profits despite regulatory changes in two key markets.

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

Our presence in the less mature markets of Latin America and Asia Pacific (excluding Japan and Australia) provides opportunities for long-term growth as these markets develop.

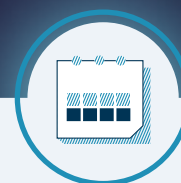
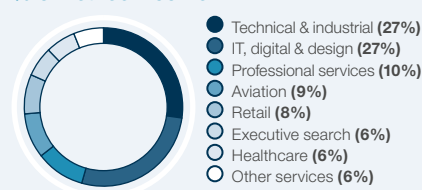
Regions

% of net fee income



Sectors

% of net fee income



Range of staffing services

The Group has three main service lines, temporary and contract recruitment, permanent recruitment and Offshore Recruitment Services (ORS). While we provide a full range of staffing services, we have a bias in temporary and contract recruitment, which is generally more stable throughout the economic cycle.

Why this is important

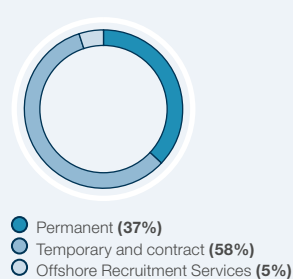
The overall bias towards temporary and contract recruitment helps mitigate our economic risks and the more predictable income streams derived from longer-term relationships help with resourcing and planning.

However our focus also reflects the markets we operate in, the opportunities we identify and the services in demand. The more mature and most regulated markets typically have the highest levels of temporary penetration. In less mature markets our focus may be on permanent sales with the potential and expertise to move into temporary recruitment as the market matures.

Our ORS business has grown and we continue to see good prospects for this business.

Service type

% of net fee income



Chief Executive's review

“Empresaria has delivered a 4% increase in adjusted profit before tax to £11.4m, representing a fourth consecutive year of record profits.”

Spencer Wreford
Chief Executive Officer



Group performance in the year

Empresaria has delivered a 4% increase in adjusted profit before tax to £11.4m, representing a fourth consecutive year of record profits. Our diversified business has delivered on opportunities to mitigate the effect of some challenging markets and the Group's continued growth supports this approach. We have made further investments during the year, including the addition of Grupo Solimano to the Group to strengthen our presence in Latin America and building a stronger central team to provide enhanced support to our operating companies. While this has resulted in an increase in our central staff costs, we believe it will generate a far greater value in the coming years.

Group revenue increased by 3% to £366.8m (2017: £357.1m), with net fee income up 4% to £72.3m (2017: £69.4m). Currency movements had a dampening impact in the year, with constant currency increases of 5% in revenue and 6% in net fee income.

The split of net fee income was 37% from permanent sales (2017: 36%), 58% from temporary & contract (2017: 60%) and 5% from RPO and Offshore Recruitment Services (ORS) (2017: 4%). The temp margin percentage was 12.5%, down from 12.7% in the prior year, mainly due to the addition of

Grupo Solimano with a margin of 10.7% and reduced margins in both Germany and Japan. The Group generated 67% of its net fee income from outside the UK (2017: 66%).

There was a mix of results across the Group, with three out of four regions delivering growth in operating profit. With a diversified spread of operations across geographies and sectors, we are not reliant on any single market or brand and this remains a core strength.

There were particularly strong results from IMS (RPO & Offshore Recruitment Services in India), Alternativa (outsourcing, perm and temporary business in Chile), LMA (professional services) and the recent investments in ConSol Partners (IT) and Rishworth (aviation):

- IMS was a start-up in 2006 and has seen 50% growth in net fee income in the year. With the launch of a second city location in Jaipur, India and a move into a newly built office space in early 2019, there is space to expand into and we see good opportunities across their core UK and US markets.
- Alternativa has consistently grown in recent years and with the new investment in Peru, we have increased our scale and depth in this high potential region.
- LMA has successfully integrated the previously standalone insurance business

and is developing depth across its service lines in the UK and Singapore.

- In ConSol Partners we have seen growth from both the UK and US offices, but the growth was particularly strong in the US which is now delivering on our expectations following a difficult 2017.
- In Rishworth they have seen the benefit from the investment in new bases made in 2017, however we see a more challenging market for 2019.

As we have previously highlighted, we have been impacted by changes to regulations in Germany and Japan, limiting how long temporary workers can work in a non-permanent position and the equal pay rates in Germany. We have seen profits decline in the logistics part of our Headway business in Germany and in Skillhouse (IT) in Japan, both of which have a high proportion of temporary sales. With the regulatory changes now stabilised, the impact has been fully reflected with no further impact expected, however we start 2019 with a lower number of temporary workers than this time a year ago in both businesses. We expect to see the level of temporary workers increase through the year and we remain confident about the long-term prospects for these large staffing markets.

Net fee income (£m)	UK	Continental Europe	Asia Pacific	Americas	Intercompany	Total
2017	23.4	16.5	22.2	7.3	–	69.4
Movement	0.3	(1.1)	3.6	0.9	(0.4)	3.3
Investments/(divestments)	–	–	(0.3)	0.9	–	0.6
Currency	–	0.2	(1.0)	(0.2)	–	(1.0)
2018	23.7	15.6	24.5	8.9	(0.4)	72.3

Five year plan update

2018 was the last year in our five year plan, which targeted average annual net fee income growth of 10%, a conversion ratio of 20% and a debt to debtors ratio of 25%.

We have made good progress across the five year period, although not all targets have been met. The net fee income growth was 4% in 2018, with the five year average annual growth being 11%. We have delivered incremental improvements in the conversion ratio, with the current year of 17.0% a record level for the Group. Having met the debt to debtors target in 2015, we made the decision to use debt to finance the investments in ConSol Partners and Rishworth in 2016. We are pleased that the ratio has reduced, as expected, in 2018 to 36%. We remain focused on these KPIs going forwards but are not setting new five year targets.

	2018	2017	2016	2015	2014
Net fee income growth (%)	4%	18%	20%	10%	5%
Conversion ratio (%)	17.0%	16.7%	16.6%	16.3%	14.7%
Debt to debtors ratio	36%	45%	38%	23%	32%

A focused strategy

We have a unique business model for the sector, with our multi-brand approach, management equity philosophy and diversified operations. We operate with a decentralised structure, with autonomy given to local brand management to run their business on a day to day basis and these principles are core to our purpose of helping people realise their potential. These are an important part of our DNA and we are not going to change this. In the current market and with the size of our Group, we need to be more focused in our approach and work more closely with our brands to fully deliver the benefits of being in a group and to be able to react quickly and effectively to the changes impacting the staffing sector, from increased automation and digital disruption, to candidate shortages and regulatory changes.

To address this need we have grown the central management team, with the appointment of Rhona Driggs as Chief Operating Officer in November 2018 and key hires covering technology, learning & development and marketing. Rhona brings a wealth of experience from large international staffing companies and is recognised as one of the Staffing Industry Analysts "Global Power 150 Women in Staffing". Rhona has responsibility for the Group's overall operations and, together with her new team, is supporting the brands to identify new business opportunities and to share best practice across the Group.

Our strategic priority in 2019 is based on a more focused approach in our core markets and is designed to deliver organic growth in net fee income and productivity gains to drive profit growth.

Operational highlights

Strengthening our presence in Latin America

- Investment in Grupo Solimano

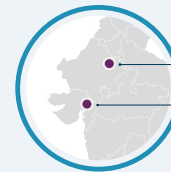


Strengthening central management team

- New Group Finance Director
- New Chief Operating Officer
- New resources in technology, marketing, and learning and development

Strong growth from RPO and offshore recruitment services business in India

- +50% growth in net fee income
- Second city office opened in Jaipur



Jaipur
Ahmedabad

Become opened new offices in 2019

- Brisbane, Australia
- Auckland, New Zealand

4ward Talent launched

Awards

- LMA** – Recruiter Awards, Best Banking/Financial Services Recruitment Agency
- Monroe Consulting** – Global Recruiter Asia Pacific, Best Small Recruitment Business
- Monroe Consulting** – Asia Recruitment Awards, Best Candidate Experience gold
- IMS** – IAOP Global Outsourcing 100 list
- Skillhouse** – FT 1000 High-Growth Companies Asia Pacific list

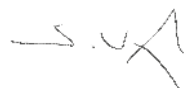
Chief Executive's review continued

This will be delivered through a two-pronged strategy:

Strategic priorities		
 <p>Building size and scale in key sectors and geographies through leading brands</p>	<p>With our multi-branded model we want to create leading brands in each of our niche sectors and we believe there is a clear opportunity to drive a significant increase in profitability from our existing brands.</p>	<p>The focus on size and scale is important because it helps create a stronger business with more depth and synergies than a smaller brand. We are focused on growing our presence in our core sectors and will look for opportunities to expand our main brands across our key geographies, utilising our knowledge of operating in these important markets.</p> <p>This is illustrated by some of our recent activity:</p> <ul style="list-style-type: none"> • At the end of 2018 ConSol Partners launched 4ward Talent, a new brand to focus on higher volume IT markets using a lower cost delivery solution, allowing ConSol Partners to continue to focus on their niche sectors. • In the beginning of 2019 we have opened two new offices for the Become brand, in Brisbane, Australia and Auckland, New Zealand. These offices are managed by the existing Australian team, providing a more complete coverage of the local creative & digital market. <p>We will continue to look at other opportunities to expand our brands' presence and geographic coverage. We also anticipate more bolt-on investments over the next few years, to accelerate the entry into new service lines or regions for existing brands.</p>
 <p>Improving productivity to generate better returns</p>	<p>We have identified three core areas where we can provide central support to our brands to help them drive improvements in productivity, being technology, learning & development and marketing.</p>	<p>The central team is there to help shape strategy, to avoid duplication of effort and to ensure best practice is shared and implemented across the Group. A key part of improving productivity is to create more time for our consultants to engage directly with clients and candidates. To ensure we are delivering a "best in class" service we need to be constantly challenging and improving our approach.</p> <p>Investing in technology will help to automate certain processes, increase efficiencies and free up time for consultants to spend engaging directly with candidates and clients. By providing a continuous learning & development culture, we are investing in our own staff to help them deliver to their potential and to be the best that they can. As our markets are generally seeing candidate and skills shortages, the need to meaningfully engage with candidates increases. This requires clear strategies for the use of social media and other marketing channels.</p> <p>We measure productivity by the conversion ratio (adjusted operating profit divided by net fee income) and staff productivity ratio (net fee income divided by total staff costs). With the increase in central staff costs in 2018 and 2019, we expect to see these ratios challenged in the short term before we start seeing the benefits coming through from this investment.</p>

Focus into 2019

Our focus for this year is simple: to improve the effectiveness of our services; to identify ways to work smarter and harder; and so deliver growth in both net fee income and profit across our Group. Market forecasts are generally positive, albeit with increasing geo-political risks already reducing business confidence, in particular in the UK and Europe due to concerns over Brexit. However, with the quality of our brands we are confident about our ability to generate profitable growth and will continue to invest for the long term.



Spencer Wreford
Chief Executive Officer
12 March 2019

Investment in Grupo Solimano



Strengthening our position in Latin America

In July 2018 we made an investment in 60% of the shares in Grupo Solimano, strengthening our position in the high-potential Latin American staffing market. Grupo Solimano is an established provider of outsourced and temporary staffing services in Peru. It also operates a small executive search business.

At a glance

60%

Investment in Grupo Solimano

Peru is the

5th

largest economy in Latin America

Multi-branded with niche sector experts

Grupo Solimano was one of the largest independent staffing companies in Peru. The Managing Director of the business, Rocco Solimano, retains a 40% equity interest and is a highly respected member of the local business community. He is a Director and former Chairman of the board of the Peruvian Association of Good Employers and Director of the Association of Outsourcing and Temporary Employment Companies.

Provision of staffing services with temporary and contract bias

The majority of the net fee income of Grupo Solimano is derived from outsourced and temporary staffing services.

Diversified by geography and sector

This investment provides access to a new market in Peru. It also strengthens our presence in the Latin American market. Since we first invested in this part of the world, in Chile in 2008, we have seen the market develop and good growth from our business in Chile. With Grupo Solimano operating in similar sectors we see good potential for cross-selling opportunities and sharing of best practice to benefit both businesses.

Peru is the fifth largest economy in Latin America, and has a solid recent history of economic stability with average annual growth in Gross Domestic Product over the past 20 years of 4.6%. It has low inflation levels and has seen high levels of private investment. In recent years foreign investment, free market policies and trade agreements have helped drive the growth in their economy.

It is a member of the Pacific Alliance, a Latin American trade bloc formed with Chile, Mexico and Columbia. These countries together have a population of 210 million people and represent about 35% of the region's GDP.

We have worked closely with the management team of Grupo Solimano over the last few years, building a strong relationship and recognising their ambitions to grow the business and raise the profile of formal labour structures within the country. We see good opportunities to grow the business through the ongoing development of the local economy, the skills and experience of the management team and the ability to work closely with our existing Alternativa brand in Chile.

The Peruvian Association of Good Employers (ABE)

Grupo Solimano is a member of ABE, a social responsibility initiative. Established in 2008 with 50 members, the organisation has grown to include more than 260 organisations. ABE promotes labour social responsibility through the ABE certification in good labour practices and other activities. Job informality in Peru is high and ABE looks to reduce this to help ensure that employees receive fair and lawful treatment. Rocco Solimano, Managing Director of Grupo Solimano, has been a member of the ABE board of directors for more than 9 years and was Chairman in 2017 and 2018.

Operating review

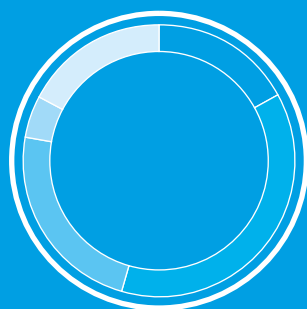
United Kingdom



£m	2018	2017	2016	2015	2014
Revenue	85.7	86.7	70.1	62.7	65.8
Net fee income	23.7	23.4	19.0	18.4	15.9
Adjusted operating profit	2.9	2.6	2.1	3.1	3.1
% of Group net fee income	33%	34%	32%	37%	35%
Average number of employees	269	279	247	209	183

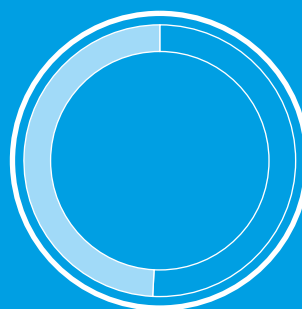
Overview

Net fee income by sector (%)



- Technical & industrial 17%
- IT, digital & design 37%
- Professional services 23%
- Retail 5%
- Other services 17%

Net fee income by services (%)



- Permanent 51%
- Temporary & contract 49%

Countries:

UK

Brands:

4ward Talent
Ball & Hoolahan
Become
ConSol Partners
FastTrack
Greycoat
LMA
McCall
Teamsales

Revenue reduced by 1% but net fee income was up 1% and adjusted operating profit increased by 12% reflecting a mix of performances across the UK businesses.

In professional services, LMA had a strong year, particularly in the first half, with the successful integration of our previously separate insurance brand in January. Headcount has continued to grow and they have expanded their offering by moving into new areas such as audit and change.

In IT, digital and design, ConSol Partners had a strong year. The London office covers both the UK and Europe and in 2018 the diversification into Europe has continued with UK placements accounting for less than 30% of their business. At the end of 2018 they launched a new brand, 4ward Talent, to focus on the higher volume IT markets using a lower cost delivery model to take advantage of the opportunities we see there. In digital and design both brands had a challenging year in the UK. However, action has been taken to reduce costs and restructure the businesses which has delivered improvements in the second half of the year and they are well positioned for a more positive 2019.

In technical & industrial, FastTrack saw reduced net fee income and profit after a weaker second half performance. While we have seen some positive signs from investments made in new staff and training programmes, further investments will be needed to return to growth.

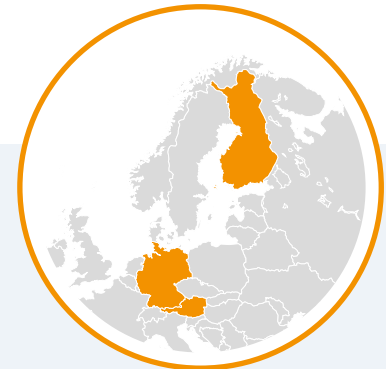
In domestic services, Greycoat delivered an improved second half performance with higher productivity resulting in full year operating profit growth ahead of the prior year.

In retail (new house sales), Teamsales had another solid year, although the start of 2019 has been slow with Brexit uncertainties impacting on the UK property market.

The uncertainty around the UK's exit from the European Union has impacted on UK business confidence as we moved through 2018. Until now we have seen limited direct impact on our business, but we remain at risk from any UK economic slowdown or prolonged hiring processes due to fears over Brexit uncertainty.

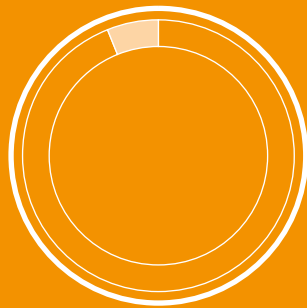
Continental Europe

£m	2018	2017	2016	2015	2014
Revenue	96.1	98.8	92.0	75.2	76.8
Net fee income	15.6	16.5	16.8	14.5	15.0
Adjusted operating profit	4.7	6.1	6.6	5.7	5.0
% of Group net fee income	22%	23%	28%	30%	34%
Average number of employees	141	125	127	123	132



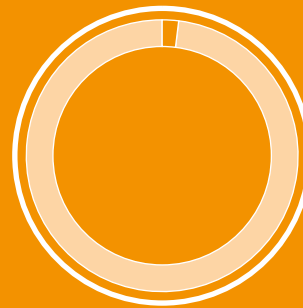
Overview

Net fee income by sector (%)



○ Technical & industrial 94%
● Healthcare 6%

Net fee income by services (%)



○ Permanent 2%
● Temporary & contract 98%

Countries:

Austria
Finland
Germany

Brands:

Headway
Medikumppani

Revenue reduced by 3% and net fee income was down by 5% with adjusted operating profit 23% lower, reflecting the impact of regulation changes in Germany.

The region is dominated by the Headway businesses in Germany and Austria. The Austrian business had another solid year but the German businesses have been impacted by the regulatory changes that applied during the year.

The German temporary staffing business saw the benefit from investments made last year in training and marketing, with revenue up 3% on prior year, however margins reduced due to the client mix and new regulations. Cost reductions helped offset the margin decline, so profit was in line with prior year. In the logistics business the main impact has been from the equal pay regulations which apply to temporary workers after nine months of assignment. In line with client demand, workers have been transitioned ahead of the equal pay limit and this increased the churn of workers. A number of clients also took over higher numbers of workers as permanent staff than normal, in response to the new regulations that place an 18 month time limit on how long a worker can be on a temporary contract with the same company.

The impact of these regulatory changes has now been fully reflected with no further impact expected and the business is well positioned to move forward in 2019, albeit with temporary staffing numbers at the start of 2019 lower than at the start of 2018. The German staffing market is the fifth largest in the world and remains highly attractive into the long term.

Our Finnish healthcare business, Medikumppani, performed in line with the prior year. Their market remains challenging due to candidate shortages.

The increase in the overall employee numbers reflects certain staff moving onto Headway's payroll from client companies. This has led to an increase in the recognised head count and net fee income but is neutral at the operating profit level.

Operating review

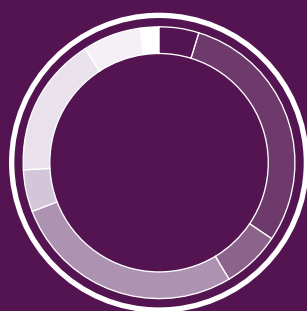
Asia Pacific



£m	2018	2017	2016	2015	2014
Revenue	136.8	132.7	77.3	29.2	27.7
Net fee income	24.5	22.2	18.6	14.2	12.3
Adjusted operating profit	6.1	4.5	3.3	2.4	1.8
% of Group net fee income	34%	33%	32%	29%	28%
Average number of employees	1,023	816	795	673	545

Overview

Net fee income by sector (%)



- Technical & industrial 5%
- IT, digital & design 30%
- Professional services 7%
- Aviation 28%
- Retail 5%
- Executive search 17%
- Healthcare 7%
- Other services 2%

Net fee income by services (%)



- Permanent 42%
- Temporary & contract 41%
- Offshore recruitment services 17%

Countries:

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

Brands:

- Become
- BW&P
- FINES
- IMS
- LMA
- Monroe Consulting
- Rishworth Aviation
- Skillhouse

Revenue grew by 3%, net fee income by 10% and adjusted operating profit by 36%. This was primarily driven by Rishworth (aviation) and IMS (offshore recruitment services) which both had strong years, along with the turnaround from prior year losses at BW&P (technical & industrial).

The Rishworth business has contributed strongly in the year, benefiting from the investment in new bases made in 2017. However, we see a more challenging market for 2019.

IMS, our RPO and offshore recruitment services business in India, delivered strong growth with net fee income up by over 50% on the prior year, primarily driven by clients in the UK and US. They successfully opened an office in a new location in Jaipur in the second half of the year, giving them a presence in a second city and an enlarged talent pool to recruit from. In early 2019 they are moving three separate offices in Ahmedabad to a newly built modern office, providing high quality space to expand into.

In professional services, the LMA business in Singapore grew net fee income again and with a strong second half performance is well positioned for 2019.

In the IT, digital and design sector, Skillhouse in Japan was negatively impacted by previously highlighted regulatory changes which led to a reduction in its number of temporary workers. These regulatory changes limit the amount of time workers can be on a temporary contract with clients. The impact of these has now been fully reflected and with no further impact expected the business is well placed to rebuild in 2019, but from a lower starting point. The Become brand had a solid year, performing well in Australia and Hong Kong. In January 2019 they opened two new offices in Brisbane, Australia and Auckland, New Zealand.

In executive search, Monroe Consulting delivered mixed results across South East Asia with an increase in net fee income but an overall drop in operating profit. We were pleased to see an improved second half performance and we remain confident in the opportunities for this brand.

Americas



£m	2018	2017	2016	2015	2014
Revenue	48.6	38.9	31.0	20.2	17.6
Net fee income	8.9	7.3	4.6	2.1	1.4
Adjusted operating profit	2.3	1.0	0.8	0.4	0.1
% of Group net fee income	12%	10%	8%	4%	3%
Average number of employees	175	132	98	76	68

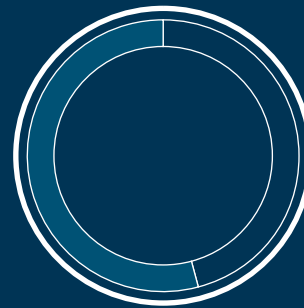
Overview

Net fee income by sector (%)



- IT, digital & design **38%**
- Retail **39%**
- Executive search **4%**
- Healthcare **19%**

Net fee income by services (%)



- Permanent **46%**
- Temporary & contract **54%**

Countries:

Chile
Mexico
Peru
USA

Brands:

Alternativa
ConSol Partners
Grupo Solimano
Monroe Consulting
Pharmaceutical Strategies

Revenue grew by 25%, with net fee income up by 22% and adjusted operating profit more than doubling. This reflects both a strong performance by ConSol Partners in the US and the investment in Grupo Solimano in July, which has strengthened our presence in Latin America.

In the IT, digital and design sector, ConSol Partners saw a strong rebound in the US, following a slow first half of 2017. Demand continues to be positive in their niche markets and we are looking at opportunities to expand our presence.

In Chile, Alternativa recorded another year of growth as they continue to develop their permanent and temporary businesses alongside their core outsourcing operation.

In Peru, Grupo Solimano joined the Group in July and performed in line with our expectations. This investment increases our presence in Latin America and we see good opportunities for our businesses in the region to work together to drive growth.

In healthcare, Pharmaceutical Strategies in the US delivered a stable year-on-year performance, but phasing issues in the last quarter offset a stronger first half result. We continue to see good potential for growth in this business and sector.

In executive search our Monroe Consulting business in Chile saw good growth and continues to develop positively. In Mexico, business was challenging and there was an increased loss. We are taking the necessary measures to turn the business around and continue to see good opportunities in the market.

Key performance indicators

Key to strategy



Building size and scale in key sectors and geographies through leading brands

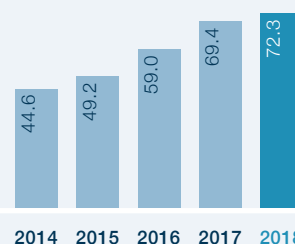


Improve productivity

Net fee income



£72.3m



Why/how we measure

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

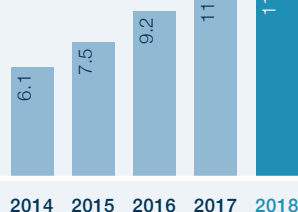
How we have performed

Net fee income has increased by 4% in 2018 with the positive performances across the Group more than outweighing the reductions due to the impact of regulatory changes in Germany and Japan.

Adjusted profit before tax



£11.4m



Why/how we measure

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

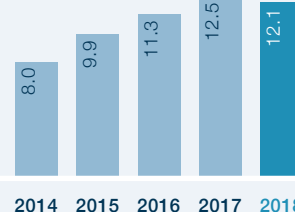
How we have performed

Adjusted profit has increased by 4% in 2018 resulting in another year of record profit for the Group.

Adjusted, diluted earnings per share



12.1p



Why/how we measure

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

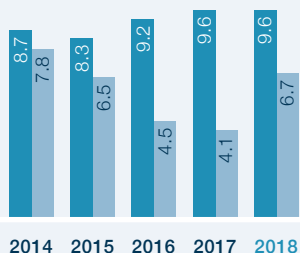
How we have performed

Adjusted, diluted earnings per share has fallen slightly during 2018 with the increase in profit offset by a change in the mix, with those businesses where there is a higher non-controlling interest contributing more of the Group's profit.

Free cash flow

£9.6m

■ Pre-tax
■ Post-tax



Why/how we measure

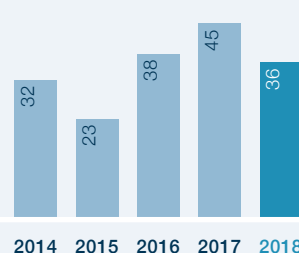
Free cash flow is the level of cash generated that is available for investment by the Group. It is calculated as net cash from operating activities per the cash flow statement, adjusted to exclude working capital movements related to cash held in respect of pilot bonds. As an international business tax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

How we have performed

Free cash flow improved in the year with the benefit of lower tax cash outflows offset by working capital outflows. Pre-tax cash flows are very stable and for 2018 represent an 84% conversion of adjusted profit before tax to cash. In 2018 our strong cash flow enabled us to invest in Grupo Solimano while reducing our adjusted net debt and proposing an increased dividend.

Debt to debtors ratio

36%



Why/how we measure

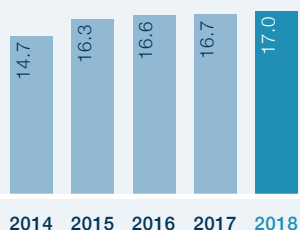
The majority of the Group's debt is short term and matched against working capital requirements. The Groups debt to debtors ratio is calculated as adjusted net debt as a percentage of trade debtors. Adjusted net debt excludes cash held in respect of pilot bonds.

How we have performed

The Group's debt to debtors ratio has reduced during the year. We continue to focus on reducing the overall level of debt with the medium term aim of reducing the debt to debtors ratio to 25%.

Conversion ratio

17.0%



Why/how we measure

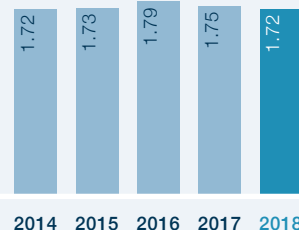
The conversion ratio measures how efficient we are at converting our net fee income to profit. It is calculated as adjusted operating profit as a percentage of net fee income.

How we have performed

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

Staff productivity

1.72x



Why/how we measure

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

How we have performed

Staff productivity has remained relatively unchanged in the year. A key part of the Group's strategy is focused on improving staff productivity.

Finance review

“Our strong cash flows have enabled us to invest in the business and reduce our debt levels.”

Tim Anderson
Group Finance Director



Revenue

£366.8m

2017: £357.1m

Net fee income

£72.3m

2017: £69.4m

Adjusted operating profit

+6%

Adjusted profit before tax

£11.4m

2017: £11.0m

Overview

The Group has delivered another year of record profits with adjusted profit before tax increasing 4% to £11.4m and reported profit before tax increasing by 16% to £9.4m.

We have continued to make progress on reducing our debt levels with adjusted net debt down to £17.1m (2017: £19.5m) and our debt to debtors ratio reducing to 36% (2017: 45%), while also continuing to invest in the business, including the investment in Grupo Solimano in July 2018.

Income statement

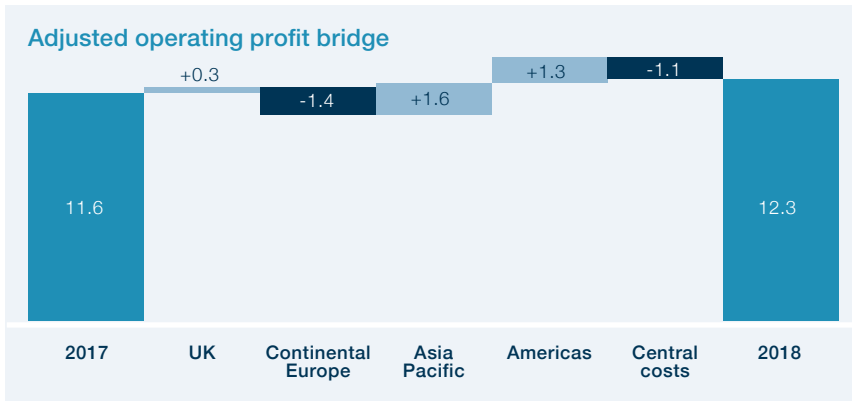
Net fee income increased by 4%, 6% in constant currency. Adjusted operating profit

increased by 6%, 8% in constant currency, reflecting growth across three of our four regions. A detailed analysis by region is provided in the operating review on pages 14 to 17. In order to improve transparency we have shown central costs separately rather than allocating these across the regions. Central costs have increased to £3.7m (2017: £2.6m) reflecting investments in central staff, including the appointment of Rhona Driggs as Chief Operating Officer, increased consultancy costs for project work around new technology, increased bonus provisions reflecting the lower levels paid for 2017, and the inclusion in 2017 of a credit for share based payments.

	2018	2017	% change	% change constant currency**
Revenue (£m)	366.8	357.1	+3%	+5%
Net fee income (£m)	72.3	69.4	+4%	+6%
Operating profit (£m)	10.3	8.7	+18%	+21%
Adjusted operating profit (£m)*	12.3	11.6	+6%	+8%
Profit before tax (£m)	9.4	8.1	+16%	+18%
Adjusted profit before tax (£m)*	11.4	11.0	+4%	+6%
Diluted earnings per share (p)	9.1	7.9	+15%	
Adjusted diluted earnings per share (p)*	12.1	12.5	-3%	

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

** The constant currency movement is calculated by translating the 2017 results at the 2018 exchange rates.



Adjusted profit before tax has increased by 4%, 6% in constant currency, to £11.4m with the increase in operating profit being partly offset by an increase in the net interest cost including interest payable on tax charges following tax audits. Reported profit before tax shows a greater increase of 16%, 18% in constant currency, as the 2017 figure included a loss on the disposal of businesses not repeated in 2018.

Adjusted, diluted earnings per share have fallen by 3% to 12.1p. This reflects an increase in the allocation of profits to non-controlling interests. Those businesses with higher non-controlling ownership have performed strongly relative to the rest of the Group in 2018 resulting in this increased allocation. Reported diluted earnings per share increased by 15% to 9.1p.

Taxation

The total tax charge for the year is £3.6m (2017: £3.6m), representing an effective tax rate of 38% (2017: 44%). On an adjusted basis, the effective rate is 34% (2017: 37%). Based on the tax rates in the countries in which we operate, an average tax rate of 30% (2017: 32%) would be expected. The effective rate is higher than this due to a number of factors:

- The level of non-deductible expenses in the year (£0.3m).
- Withholding and dividend taxes resulting from overseas operations (£0.2m).
- Deferred tax assets not recognised for certain tax losses around the Group (£0.3m).

Balance sheet

	2018 £m	2017 £m
Goodwill and intangible assets	54.8	54.1
Trade and other receivables	57.3	53.1
Cash and cash equivalents	25.4	25.9
Other assets	3.6	2.4
Assets	141.1	135.5
Trade and other payables	(41.9)	(42.0)
Borrowings	(37.2)	(37.9)
Other liabilities	(7.4)	(6.7)
Liabilities	(86.5)	(86.6)
Net assets	54.6	48.9

Goodwill and intangible assets represent some of the largest assets on the balance sheet and arise from the investments the Group has made. As at 31 December 2018 the balance was £54.8m (2017: £54.1m). The movements in the year were £2.0m arising on the acquisition of Grupo Solimano (see note 13), £1.8m of amortisation of intangible assets (2017: £1.8m), foreign exchange gains of £0.6m (2017: loss of £1.0m), software additions of £0.2m (2017: £0.1m) and an impairment charge of £0.3m (2017: £nil).

Trade and other receivables includes trade receivables of £48.1m (2017: £43.2m), the increase being mainly due to the investment in Grupo Solimano and the growth in revenue in the year. Average debtor days for the Group in 2018 were 42 (2017: 41), with debtor days at 31 December 2018 of 44 (2017: 40). The bad debt expense during the year was £0.7m (2017: £0.8m).

Cash and borrowings are discussed in the financing section below.

Cash flow

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

	2018 £m	2017 £m
Net cash from operating activities per cash flow statement	4.5	6.4
Cash flows related to pilot bonds	2.2	(2.3)
Free cash flow	6.7	4.1
Free cash flow (pre-tax)	9.6	9.6

The increase in free cash flow in 2018 compared to 2017 reflects lower tax payments in the year. As an international business the Group's tax cash flows can be more volatile but as can be seen from the table, pre-tax the Group's free cash flows are much more stable. Free cash flow (pre-tax) for 2018 equates to 84% of adjusted profit before tax (2017: 87%) demonstrating the Group's ability to convert profits into cash.

Finance review continued

In 2018 the Group utilised its free cash flow as follows:

	2018 £m	2017 £m
Free cash flow	6.7	4.1
Acquisition of businesses (net of net funds acquired)	(1.9)	(5.6)
Capital expenditure	(1.5)	(0.9)
Dividends paid to shareholders	(0.6)	(0.6)
Dividends paid to non-controlling interests	(0.4)	(0.1)
Purchase of own shares	(0.4)	(0.1)
Other	0.5	(0.6)
Reduction/(increase) in adjusted net debt	2.4	(3.8)

Acquisition of businesses principally relates to the investment in Grupo Solimano (see below for more details) with cash outflows of £2m offset by £0.2m of net funds within the acquired business.

Capital expenditure increased to £1.5m reflecting investments in offices in India. Dividends paid to non-controlling interests were £0.4m and there was a cash outflow of £0.4m for the purchase of own shares which were subsequently transferred to the Empresaria Employee Benefit Trust (EBT). As at 31 December 2018 a total of 576,204 shares are held in the EBT to be used to satisfy the exercise of options vested under the Company's long term incentive plans. As at 31 December 2018, 2.0m options had vested but not been exercised.

Financing

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

	2018 £m	2017 £m
Cash and cash equivalents	25.4	25.9
Pilot bonds	(5.3)	(7.5)
Adjusted cash	20.1	18.4
Overdraft facilities	(22.0)	(20.4)
Invoice financing	(9.7)	(9.7)
Bank loans	(5.5)	(7.8)
Total borrowings	(37.2)	(37.9)
Adjusted net debt	(17.1)	(19.5)

Adjusted net debt at 31 December 2018 reduced to £17.1m (2017: £19.5m). Adjusted net debt excludes cash of £5.3m (2017: £7.5m) held to match pilot bonds within the Rishworth Aviation business. Where required by the client, pilot bonds are taken at the start of the pilot's contract and are repayable to the pilot or the client during the course of the contract or if it ends early. There is no legal restriction over this cash, but given the requirement to repay it over a three year period, and that to hold these is a client requirement, we exclude cash equal to the amount of the bonds when calculating our adjusted net debt measure. At the start of 2019 a major client has removed the requirement to hold bonds and as a result an additional £1.9m of bonds will be repaid in 2019. This has no impact on our adjusted net debt measure.

During 2018 the month end average adjusted net debt position was £19.0m (2017: £21.3m) with a high of £21.2m at 28 February (2017: £25.4m at 31 May) and a low of £17.1m at 31 December (2017: £18.8m at 31 January).

Our debt to debtors ratio (adjusted net debt as a percentage of trade receivables) has reduced to 36% (2017: 45%) reflecting the reduction in the levels of debt in the year.

We continue to be focused on reducing our debt levels with the medium term aim of reducing the debt to debtor ratio to 25%. In the short term we expect to see our adjusted net debt reduce and currently do not plan to make any significant investments that would increase this.

Total borrowings were £37.2m (2017: £37.9m) being mostly bank overdrafts (£22.0m) and

invoice financing (£9.7m). The Group's borrowings are principally held to fund working capital requirements and are predominantly current borrowings due within one year. As at 31 December 2018, £5.2m of borrowings are shown as non-current, the majority of which is the amount drawn under the Group's revolving credit facility.

Adjusted cash totalled £20.1m excluding £5.3m held respect of pilot bonds. Under IFRS it is a requirement to show overdraft and cash balances gross, even where they are part of a formal pooling arrangement. The adjusted cash balance of £20.1m includes £5.1m in respect of such arrangements where the net position is overdrawn.

The Group maintains a range of facilities to manage its working capital and financing requirements. At 31 December 2018 the Group had facilities totalling £49.4m (2017: £50.5m).

	2018 £m	2017 £m
UK facilities		
– Overdrafts	7.5	8.6
– Revolving credit facility	10.0	10.0
– Term loan	–	2.0
– Invoice financing facility	13.0	13.0
Total UK facilities	30.5	33.6
Continental Europe facilities	12.9	12.7
Asia Pacific facilities	1.5	1.3
Americas facilities	4.5	2.9
Total facilities	49.4	50.5
Undrawn facility (excluding invoice financing)	16.7	19.1

An additional £5.0m accordion arrangement, connected to the revolving credit facility, has been agreed in principle with the bank, but would need new credit approval for any drawdown.

During the year a German term loan of €5m, which was due to be repaid in 2018, was refinanced by extending the German overdraft by €5m, and the Group's \$1.5m UK overdraft facility was cancelled following the implementation of a local \$2m facility in the US in 2017. The UK term loan was fully

repaid in the year in line with its payment schedule. The invoice financing facilities in Chile have been increased reflecting their business growth.

As part of the revolving credit facility we need to meet bank covenant tests on a quarterly basis. All tests have been met during the year. The covenants and our performance against them as at 31 December 2018 are as follows:

Covenant	Target	Actual
Net debt: EBITDA	< 2.5 times	0.6
Interest cover	> 5.0 times	17.0
Debt service cover	> 1.25 times	4.4

Management equity

The management equity philosophy is a key part of our business model. The model typically operates as follows:

Acquisition of shares

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

Holding period

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

management succession plans, recent trading performance and the potential of the business in the next few years.

Valuation

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

Based on the Group's results for the year ended 31 December 2018, and using the valuation mechanisms in shareholders' agreements but ignoring holding period requirements, the potential payment to acquire non-controlling interests in full in 2019 would be £11.0m based on Empresaria's share price at close on 8 March 2019, and could be up to a maximum of £14.4m using the maximum multiple that could be applied. There is no legal obligation on the Group to acquire the shares held by management at any time.

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

During the period the Group increased its investment in LMA Singapore from 60% to 75%, in Teamsales from 95% to 96.7% in IMS from 71% to 71.4%, in Monroe Indonesia from 90% to 100% and in BW&P from 88.4% to 98.5%. Total consideration was less than £0.1m.

Investment in Grupo Solimano

In July the Group invested in 60% of the shares in Grupo Solimano, an established provider of outsourced and temporary staffing services in Peru. Total consideration is £2.2m, comprising cash payments of £2.0m in 2018 and a further £0.2m expected to be paid in 2019. The remaining 40% interest is held by senior management in line with our management equity philosophy. Management have entered into our standard shareholders' agreement with shares expected to be held for a minimum holding period of four years before they can be offered for sale over a minimum of 3 years with no obligation on the Group to acquire them.

On acquisition, goodwill and intangible assets totalling £2.0m have been recognised. More details are provided in note 13.

Dividend

During the year, the Group paid a dividend of 1.32p per share in respect of the year ended 31 December 2017. For the year ended 31 December 2018, the Board is proposing a dividend of 2.0p per share, an increase of 52% and demonstrating the strength of the Group's balance sheet and the Board's confidence in the Group's prospects. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 31 May 2019 to shareholders on the register on 10 May 2019.

Going concern

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



Tim Anderson
Group Finance Director
12 March 2019

Investment case

 <p>Focused strategy designed to get the most out of our businesses and brands</p> <p> For more information pages 11 and 12</p>	<ul style="list-style-type: none"> • Building size and scale in key sectors and geographies through leading brands. • Improve productivity through investments in the central team to provide more support and to identify and deliver synergies. 	<p>A further +£500k invested in central team for 2019</p>
 <p>Diversified people focused business model that aligns management with shareholder interests</p> <p> For more information pages 8 and 9</p>	<ul style="list-style-type: none"> • Multi-branded with niche sector experts enabling our businesses to deliver a high quality service in their markets. • Our geographical and sector diversification has enabled us to deliver profit growth even when faced with challenges in parts of the business including in 2018 with the impact of regulatory changes in Germany and Japan. • Management equity philosophy motivates senior management and aligns their interests with our shareholders. • Range of staffing services with permanent, temporary and contract, and RPO/offshore recruitment. 	<p>Continental Europe adjusted operating profit down 23%</p> <p>yet Group adjusted operating profit up 6%</p>
 <p>Cash generative business</p> <p> For more information pages 21 and 22</p>	<ul style="list-style-type: none"> • Significant free cash flow generated each year allowing us to invest in the business while reducing our debt. • Progressive dividend policy. 	<p>Free cash flow £6.7m (2017: £4.1m)</p> <p>Dividend up 186% 2014 to 2018</p>
 <p>Track record of growth</p> <p> For more information pages 18 and 19</p>	<ul style="list-style-type: none"> • Record levels of adjusted profit before tax delivered in each of the last 4 years. 	<p>4 consecutive years of record adjusted profit before tax</p>

Risks and uncertainties

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

Risk appetite policy

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

trigger points to help monitor and identify where there is an increased risk of reaching the boundaries.

Risk register

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

Group control environment

Group companies operate under a system of internal controls which includes, but is not limited to: a clear delegated authority to operational management; formal risk appraisals through the annual budget process; a comprehensive financial reporting system; investment and capital expenditure approval processes; and self-certification by

operating company management of compliance with controls and Group policies and procedures. The day to day risk management is the responsibility of the brand Managing Directors and this is regularly reviewed during meetings with the Executive Directors.

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

Risk matrix chart



Risks and uncertainties continued

1. Political and social change

Impact on the business	Change in risk profile	How we mitigate the risk
<p>The Group's businesses are subject to legislation, regulation and changes in political sentiment in each of their locations. In particular, this impacts temporary recruitment which is regulated to protect the rights and treatment of temporary workers and in developing staffing markets where new regulations are introduced as the market develops. Any changes to labour regulations, tax laws or political views on the staffing industry could impact on the manner in which any business, or the Group as a whole, operates and could therefore affect the financial performance of the Group. In some territories a recruitment licence is required. If local laws and regulations are not followed it could lead to sanctions being taken against the business, including penalties, fines and licences being revoked.</p> <p>Social changes impact how people search for jobs and where they are likely to live. Our businesses need to target the locations where people want to work. They need to be able to identify and communicate with candidates to ensure job vacancies are filled.</p>	<p>In Germany new regulations on equal pay limiting the length of time a worker can be a temporary worker came into effect during the year. This negatively impacted our business in Germany but the impact is now fully absorbed and the business is positioned to grow its temporary staffing numbers again in 2019, albeit from a lower base.</p> <p>In the UK the Government has confirmed plans to apply IR35 (which clarifies an individual's tax employment status) to the private sector from 2020. We are reviewing our processes and approach but do not currently expect this to have a major impact on our business.</p> <p>Brexit continues to create uncertainty for businesses operating in the UK and Continental Europe. While this has not had a significant negative impact for our businesses in 2018 we see this risk increasing as we move into 2019. There is no current expectation that Brexit will significantly negatively impact employment or other relevant legislation or regulations.</p> <p>In Japan new legislation took effect in 2018, limiting the time a worker can work on a temporary contract and limiting the time a position can be outsourced. These have negatively impacted the business in Japan in 2018 but having now absorbed this impact they are positioned to grow the business again in 2019.</p>	<p>The Group closely monitors the legal and regulatory environment in our markets, in particular where we operate temporary recruitment as this is an area with greater levels of regulation. The Group has membership of many local industry associations and we use professional advisers with good local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant in the territories in which we operate.</p> <p>Our business model reduces the negative impact from political and social changes:</p> <ul style="list-style-type: none"> • Diversification and balance across sectors and regions helps to reduce the potential impact in any one area • Focus on key economic centres means we are targeting the main centres where candidates want to work <p>By developing leading brands in our sectors we are experts in our markets, helping us to react to changes in legislation, as well as making it easier to attract candidates because of our reputation and knowledge.</p>

2. Economic environment

Impact on the business	Change in risk profile	How we mitigate the risk
<p>The performance of staffing businesses has historically shown a strong correlation with the performance of the economies in which they operate. An economic slowdown will impact on the demand for recruitment services and could reduce the Group's profits.</p>	<p>The global economy is expected to grow in 2019, with all key economies forecasting growth albeit typically at lower levels than in recent years. These economies are increasingly inter-linked and there are many areas of uncertainty, so we take a cautious view on these forecasts. Having experienced a long period of global growth, there is increasing speculation that this positive economic cycle may end in the near term which would have the potential to negatively impact the business.</p> <p>The full impact on the UK economy from the decision to leave the EU continues to remain unclear and such uncertainty can negatively impact on investment in staff.</p> <p>Governments around the world are increasingly adopting protectionist trade policies which could impact on economic growth and the ability to bring overseas workers into a market.</p>	<p>The Group's business model and strategy is designed to minimise the negative impact from an economic downturn in any one market, whilst acknowledging that a significant economic downturn will impact all businesses:</p> <ul style="list-style-type: none"> • Diversification across sectors and regions has continued to improve with the acquisition of Grupo Solimano in the year • By developing leading brands businesses should be more robust and more able to withstand any economic downturn • We have a bias towards temporary and contract recruitment as this is typically less volatile than permanent recruitment during the economic cycle.

3. Loss of key staff

Impact on the business	Change in risk profile	How we mitigate the risk
<p>The Group's success relies on recruiting and retaining key staff.</p> <p>The loss of a key staff member without a suitable successor in place could impact trading and profitability. The choice of the wrong manager for a business could lead to sub-optimal decision-making and losing ground to competitors or failing to operate procedures properly and so being at risk of reputational damage or penalties.</p>	<p>There have been no significant changes to key management within the businesses during the year. Centrally the team has been strengthened with the appointment of Rhona Driggs as Chief Operating Officer.</p>	<p>The Group's management equity philosophy, incentivises key management through equity ownership, tying them to the business for the long term. This is an active process and we also look to identify key staff to purchase equity in the future.</p> <p>Currently there is one brand in the Group with no management shareholder (2017: one brand).</p>

4. Investments poorly executed

Impact on the business	Change in risk profile	How we mitigate the risk
<p>There is a risk of losing value from poorly executed investments. If an investment is overvalued the Group will pay too much for it and risk a lower return on investment in the future from profits being generated. A poorly executed integration into the Group could lead to lost value or lost opportunities.</p>	<p>During the year the Group invested in Grupo Solimano in Peru. This business is being integrated into the Group and has so far performed in line with expectations.</p> <p>In January 2019 our Become brand launched new offices in Brisbane, Australia and Auckland, New Zealand, while in the UK we launched the 4ward Talent brand in December 2018.</p> <p>We continue to look for new investment opportunities for the Group.</p>	<p>All material investments must have Board approval. Investments must have a clearly defined integration plan, with Executive Directors having responsibility for its implementation. Due diligence findings need to be acted upon to minimise risks identified pre-acquisition. Funding requirements must be taken into account to ensure sufficient and appropriate funding is in place.</p> <p>Investment in organic growth or bolt-on acquisitions for existing brands is done with full involvement of local management so they are driving the process and to ensure the best chance of success.</p> <p>With our people focused business model, the fit of the people is the most important factor in any investment and is the first criteria that must be met before any investment activity is pursued.</p>

5. Financial

Impact on the business	Change in risk profile	How we mitigate the risk
<p>The Group is reliant on debt financing to fund the working capital of the business.</p> <p>If the Group was unable to secure funding at current levels it could be forced to dispose of parts of the business to repay the existing debt.</p> <p>Any increase in interest rates will increase costs and so reduce the profit in the business.</p> <p>If debt levels are too high there is an opportunity cost from not being able to pursue investment opportunities to further develop the Group.</p> <p>By operating from 21 countries the Group is exposed to movements in foreign currency rates. The Group reports in Sterling but has operations in countries with different currencies. Movements in exchange rates impact the reporting of Group profitability and may devalue the cash and assets around the Group.</p>	<p>Interest rates have increased during the year leading to higher interest costs and it is expected that these will increase further in 2019.</p> <p>Sterling exchange rates remain volatile and although the net impact in 2018 has been comparatively small the potential remains for this to have a significant impact on the Group's results.</p> <p>The Group has an increased level of cross-border sales which creates increased exposure as sales are in a different currency from the cost base.</p>	<p>The Group finances its operations through its operating cash flows, bank borrowings and issuing new equity. Treasury management is led by the Group finance team, who manage and monitor funding requirements and maintain the Group's key banking relationships.</p> <p>The Group is exposed to movements in interest rates. The Group does not currently hedge this exposure but monitors movements in the relevant rates to be able to react if they move adversely.</p> <p>Approximately two thirds of the Group's business is outside the UK resulting in exposure to movements in exchange rates on translating overseas operations. The Group does not currently hedge this risk as there is to some degree a natural hedge from our geographical diversification. Intra-Group balances are hedged where possible, using cash or overdraft balances to act as a natural currency hedge.</p> <p>A limited number of forward contracts are used to hedge trading currency risks for IMS in India.</p>

6. Cyber security and data protection

Impact on the business	Change in risk profile	How we mitigate the risk
<p>The risk of cyber-attacks is now an ever present one in the wider business environment, with threats from hackers, viruses or sensitive information being accessed without authorisation.</p> <p>A successful breach could lead to the loss of sensitive data on clients or candidates, damage to our brand reputation, business disruption or the loss of commercially sensitive information.</p> <p>With increasingly stringent regulatory environments around data protection there is an ongoing risk of failing to comply with regulations, leading to fines and damage to brand reputation.</p>	<p>The threat from this is always changing and as we grow our brands in size, they are more likely to be a target for hackers and criminals.</p> <p>New legislation was introduced in May 2018 (General Data Protection Regulation), which implemented new rights for individuals and promotes good data governance and accountability amongst organisations. There are significant fines for non-compliance. The Group has reviewed its processes in the light of this legislation and made the changes required to ensure compliance.</p>	<p>We have policies in place to safeguard assets and data within the Group. We have placed an increased emphasis on cyber security with annual cyber security reviews, training and we also use external advisers to monitor the security of our Group websites and systems to meet a minimum standard of security.</p> <p>We have put processes in place to ensure compliance with the new GDPR legislation and continue to monitor compliance across our businesses.</p>

Corporate social responsibility

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

Local communities



A positive contributor to the community

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

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

- In the UK, LMA team members paid a weekly visit to a school in London to read with children. They also raised over £12,000 for the NSPCC through a variety of different fundraising initiatives including a London to Brighton bike ride, taking part in a Tough Mudder, sky diving and their annual charity quiz.
- In Thailand the team continued their sponsorship of The Gift Of Happiness Foundation, a charity for poverty-stricken children and their families.
- Greycoat donated prizes for Kerry's Sparkles Charity and a black tie ball raising money for breast cancer charities as well as taking part in Save the Children's Christmas jumper day.
- Become continued to work closely with Shillington, a specialist design education organisation. Each year the Become team identify star students whose work really stands out and look to help them find their first roles in the competitive design industry.
- In the USA, Pharmaceutical Strategies raised funds for the Boston Children's Hospital by participating in their annual 5k run and collected toys and other presents for organisations that provide Christmas presents for children and families in need.
- In Chile, Alternativa supported the foundation Casa Sagrada Familia by bringing presents to the children living there. The foundation provides support to the families of children who are undergoing cancer treatment.
- At Headway, in Germany they donated Christmas gifts to support a children's home in Landshut in association with a local bookshop, while in Austria they donated Christmas gifts to a charity that houses homeless children.
- In the UK, ConSol Partners supported CALM, a London based male suicide charity, through a number of events including dress down Friday's, poker nights and sponsored football shirt wearing during the world cup. In the US the ConSol team worked with the local community to help homeless individuals and those requiring housing support.
- In India the IMS team were involved in a range of activities from giving blood, donating to and assisting in a winter jacket distribution project and sponsoring the education of two children.

Candidates, clients, suppliers and shareholders



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

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

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

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

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

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

Our staff



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

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

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

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

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

The Group communicates with staff through a variety of means including internal communications and regional managing directors meetings. The Group's intranet site provides access to Group policies and procedures.

Society at large



Environmental impact

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

The Group encourages the recycling of office waste and waste paper and has seen a continued reduction in the use of printed materials around the Group by increasingly relying on electronic media for its primary marketing activity. The Annual Report is provided to shareholders in electronic format unless they request otherwise.

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

Key events



Pharmaceutical Strategies Participating in a 5k run in support of Boston Children's Hospital



IMS 2,000 winter jackets distributed by employees to underprivileged children



LMA fundraising Tough Mudder raising money for NSPCC



Alternattiva Donating presents to children undergoing cancer treatments



Greycoat Taking part in Save the Children's Christmas jumper day

The Board of Directors and Secretary



1. Tony Martin
Chairman

Appointed: July 2004
Committee Memberships: None

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

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

Other key external appointments:
None

2. Zach Miles Non-Executive Director

Appointed: October 2008

Committee Memberships:

Audit Committee (Chair), Remuneration Committee, Nomination Committee

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

Other key external appointments:

Chairman of the Board of Trustees of Rapport Housing and Care and Non-Executive Chairman of Bright Network (UK) Limited.

3. Penny Freer Non-Executive Director

Appointed: December 2005

Committee Memberships:

Remuneration Committee (Chair), Nomination Committee (Chair), Audit Committee

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.

Other key external appointments:

Senior Independent Director of Advanced Medical Solutions plc, Non-Executive Director of Capital Markets Strategy Limited, Centric Health Limited, CobWeb Cyber Limited, Crown Place VCT plc, The Henderson Smaller Companies Investment Trust plc and Member of London Bridge Capital Partners LLP.

4. Spencer Wreford Chief Executive Officer

Appointed: May 2018

Committee Memberships: None

Spencer was appointed as Chief Executive Officer in May 2018. He has been with Empresaria for nearly nine years, during which time he has gained a deep understanding of the Group and has worked closely with the operating companies on a wide range of financial and operational matters. He joined as Group Finance Director, before taking on the role of Chief Operating Officer in September 2017. Prior to joining Empresaria Spencer worked in senior finance roles, particularly with international businesses in the services sector including BPP Group, a provider of international professional training and ITE Group Plc, the international conference and exhibition organising group. Spencer is a member of the Institute of Chartered Accountants in England and Wales, qualifying with Arthur Andersen.

Other key external appointments:

None

5. Tim Anderson Group Finance Director

Appointed: March 2018

Committee Memberships: None

Tim has over 15 years' experience working for listed and private equity backed businesses. Tim joined Empresaria from Cell Medica, a leading cellular immunotherapy company, where he was Group Finance Director. Prior to this Tim has held finance positions in three FTSE 100 businesses, most recently having spent six years at Intu Properties plc, the UK's leading owner and manager of prime regional shopping centres, where he was Head of Financial Reporting and Control. Tim is a member of the Institute of Chartered Accountants in England and Wales, qualifying with KPMG.

Other key external appointments:

None

6. Rhona Driggs Chief Operating Officer

Appointed: November 2018

Committee Memberships: None

Rhona has over 28 years' experience working in international companies within the staffing sector and has a proven record of delivering growth and driving innovation. She has been recognised for the past three consecutive years as one of the Staffing Industry Analysts' "Global Power 150, a list of the Most Influential Women in Staffing". Rhona's most recent role was President of Volt Global Solutions, with responsibility for the Managed Services division. Prior to that, Rhona was Executive Vice President for the commercial and technical staffing operations in North America where she ran a \$1.2 billion staffing business and she brings with her an in-depth knowledge of the latest trends and operating models in the sector.

Other key external appointments:

None

7. James Chapman General Counsel and Company Secretary

Appointed: June 2015

Committee Memberships: None

James has over 18 years' experience working with Empresaria. He qualified as a solicitor with Osborne Clarke in 2001, specialising in corporate finance, acting for a range of corporate and investment bank clients. He joined Empresaria in 2009 to head up the Group's legal team and was appointed Company Secretary in June 2015. James advises the Board on legal and governance matters.

Other key external appointments:

None

Corporate governance statement

Introduction

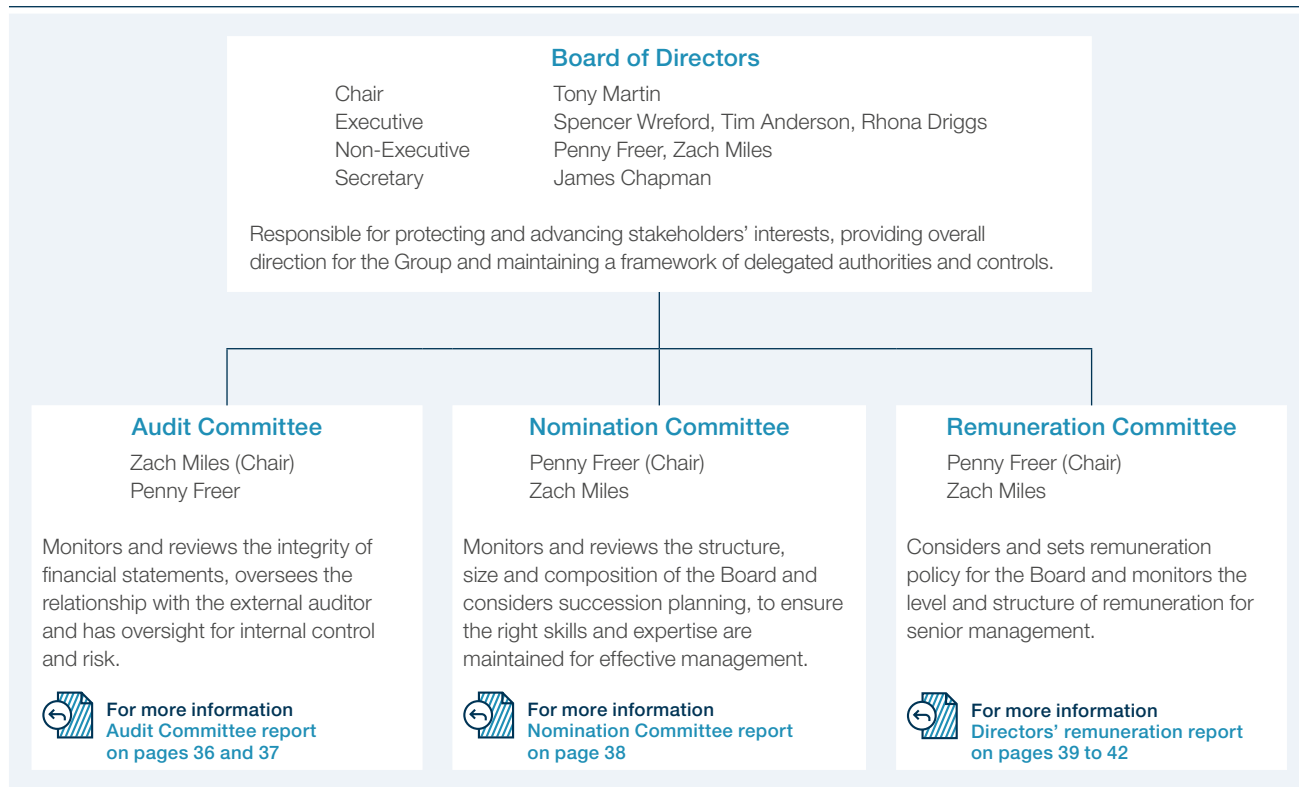
(QCA Principle 10)

The primary responsibility of the Chair is to lead the Board effectively and this includes overseeing the adoption, delivery and communication of the Company’s corporate governance model. The Company Secretary assists and reports directly to the Chair on corporate governance matters. The Chair ensures that the Board as a whole plays a full and constructive part in the development and determination of the Company’s strategy and overall commercial objectives.

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

During 2018, the Board chose to adopt the QCA Corporate Governance Code 2018 (‘QCA Code’), which they consider is most appropriate to the size of the Company, the regulatory framework that applies to AIM companies and is best aligned to the expectations of the Company’s stakeholders. The Board considers that the Company does not depart from any of the principles of the QCA Code and the relevant disclosures and explanations are set out in this Corporate Governance Statement and are also available on the Company’s website www.empresaria.com

Governance Structure



Corporate governance framework

The Role and Functioning of the Board

(QCA Principles 1,5, 9 & 10)

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

The Board is collectively responsible for the long-term success of the Company. The Group's strategy and business model are developed by the Chief Executive Officer and his senior management team and approved by the Board. This strategy and business model, designed to promote long-term value for shareholders, is described in the Strategic Report on pages 1 to 29 and on the Company's website www.empresaria.com

The Company is controlled through the Board, which has established Audit, Remuneration and Nomination Committees ('Committees'), to which it delegates clearly defined powers. The Terms of Reference for the Committees are available to view on the Company's website.

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

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

These reserved matters are reviewed by the Board, at least annually, to ensure they remain appropriate and complete. In tandem, the Board also reviews an approved schedule of operational matters, which are delegated to management of the operating subsidiaries.

The annual minimum time commitment is 25 days for the Chair and 20 days for other Non-Executive Directors. The Executive Directors are full-time employees.

During the year, there was 100% eligible attendance at all meetings of the Board and Committees. The following table shows the number of meetings held during the year, the attendance of each Director and their full years in office as at the forthcoming 2019 AGM:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Years in office
Tony Martin (Chairman)	8/8	–	–	–	14
Spencer Wreford ¹ (Chief Executive Officer)	8/8	–	–	–	8
Tim Anderson ² (Group Finance Director)	6/6	–	–	–	1
Rhona Driggs ³ (Chief Operating Officer)	1/1	–	–	–	0
Penny Freer (Non-Executive Director)	8/8	5/5	4/4	2/2	12
Zach Miles (Non-Executive Director)	8/8	5/5	4/4	2/2	10
Joost Kreulen ⁴ (Chief Executive Officer)	3/3	–	–	–	N/A

Notes:

- 1 Changed roles from Chief Operating Officer and Group Finance Director to Chief Executive Officer on 2 May 2018
- 2 Appointed as Group Finance Director on 2 May 2018
- 3 Appointed as Chief Operating Officer on 5 November 2018
- 4 Retired as Chief Executive Officer on 2 May 2018

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

Time is allocated at all meetings to discuss any other business, which all Directors are invited by the Chair to raise. All Non-Executive Directors participate in strategy development and decisions required to implement actions to progress towards meeting the objectives of the Company.

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

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

Corporate governance framework continued

Engagement with shareholders (QCA Principles 2 & 10)

The Board seeks to engage with shareholders to maintain a mutual understanding of objectives between them and the Company and manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors, who are contactable both directly and via financial PR. Shareholders are encouraged to participate in the Company's Annual General Meetings and contact the Company's officers with any questions. The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss long-term issues and obtain their views, present at externally run investor events and communicate regularly during the year. The annual and interim presentations made to investors, interviews with the Executive Directors and a description of the Company's investment case are all made available on the Company's website. The Company has also retained a Financial PR adviser (Alma PR), a house broker (Arden Partners plc) and analyst research (Allenby Capital Limited), who each provide feedback from existing shareholders and potential investors. The Board, including the Chairs of the Committees, will be available at the 2019 AGM to answer questions from shareholders.

Stakeholders and social responsibilities (QCA Principles 3 & 10)

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

Risk management (QCA Principle 4)

Risk management remains the responsibility of the Board. The Audit Committee has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management system. Risk management is reviewed at every Board meeting as part of the formal Board process. The Board has identified and evaluated the significant risks faced by the Group for the delivery of the Group's strategy. The Board has agreed how each risk is to be addressed and the necessary actions to be taken. Details of the principal risks identified are set out at pages 25 to 27. The Audit Committee meets specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board.

Experience, skills and capabilities (QCA Principle 6)

Biographical details of each of the Company's Officers, detailing relevant experience, skills and capabilities can be found on pages 30 to 31. The Nomination Committee meets at least once a year to monitor and review the structure, size and composition of the Board. It considers succession planning and makes recommendations to the Board for any appointments, to ensure that the right skills and expertise are maintained by the Company for effective management. All members of the Board participate in the recruitment of members to the Board. On appointment, Directors receive a tailored introduction to the Group and thereafter they determine the training requirements appropriate to their role and the needs of the Group. Directors attend relevant industry conferences and workshops throughout the year. The members of the Committees refresh their skills and knowledge by attending briefings and seminars and reviewing publications provided by various professional services firms and by audit and other regulatory bodies.

Board performance (QCA Principle 7)

Formal Executive Director performance evaluations are conducted annually in preparation for the review and approval of annual remuneration packages. Each Non-Executive Director's performance is evaluated as an outcome of the formal performance evaluations of the Committee(s) of which they are a member. Performance evaluations identify and record achievements, training requirements and areas for improvement in relation to annual objectives and performance of their respective roles, in order to consider effectiveness. Objectives for the forthcoming year are defined along with identification of how achievements will be met, target dates and details of resource constraints or issues to ensure that actions are planned and taken as a result of the evaluation process.

Promotion of corporate culture (QCA Principle 8)

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

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

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



**For more information on
corporate social responsibility
see pages 28 and 29**

Independence (QCA Principle 9)

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

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

The Board is always conscious of the need to benefit from the fresh thinking that new Directors can bring and 2018 saw the appointments of Tim Anderson as Group Finance Director and Rhona Driggs as Chief Operating Officer.

Audit Committee report

“The Committee plays a key role within the Group’s governance framework, supporting the Board in matters relating to financial reporting, internal control and risk management.”

Zach Miles
Chair of the Audit Committee



Role and composition of the Audit Committee

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

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

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

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

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

Meetings

The Audit Committee is required to meet formally twice per year. During 2018, the Committee held five formal meetings, which were scheduled around the financial reporting timetable. The Audit Committee invites the Group Finance Director and senior representatives of the external auditor to attend all of its meetings, although it reserves the right to request any of these individuals to withdraw from the meeting.

Audit Committee activity

Financial and business reporting

During the year, the Audit Committee has reviewed the 2017 and 2018 financial statements, the 2018 interim statement (unaudited), carried out a going concern review, assisted with the recruitment and appointment of a new Group Finance Director and conducted a competitive audit tender process resulting in the appointment of a new auditor.

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

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

For the going concern and the carrying value of goodwill and investments, the Committee examined the assumptions supporting the Group’s profit and cash flow forecasts and the sensitivities applied to those forecasts, the banking facilities available and the assessment of the Group’s covenant compliance based on the forecasts. Details of the matters reviewed are included in notes 1, 3 and 15.

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

Risk management and internal control

Risk management is the responsibility of the Board. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the Strategic Report on pages 1 to 29. The Audit Committee keeps under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

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

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

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

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

External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Terms of Reference assign responsibility to the Audit Committee for overseeing the relationship with the external auditor. During 2018, the Audit Committee managed the relationship with the external auditors, including in relation to the 2017 and 2018 Audit Committee reports.

Deloitte LLP was first appointed as the Company's auditor in October 2002, resulting in a tenure of 15 years. The last competitive tender process was conducted in 2013. During 2018, the Audit Committee conducted a competitive tender process, as a result of which, on the Audit Committee's recommendation, BDO LLP were appointed as the Company's auditor for the 2018 financial year. A resolution to reappoint BDO LLP for the 2019 financial year will be proposed at the forthcoming AGM.

The Group's policy on non-audit related services prescribes the types of engagements for which the external auditor can be used and those engagements which are prohibited. For engagement for services which are non-recurring in nature, prior approval must be sought from the Audit Committee. Non-audit fees of £14,000 (2017: £nil) were incurred for tax advice during the year with a BDO member firm in the period before they were appointed the Company's auditor.

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

Assessment of the Audit Committee

Following completion of the 2018 audit processes, the Audit Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its Terms of Reference including:

- presentation of risk register by the Group Finance Director
- review and implementation of risk management processes by subsidiaries
- ongoing, regular reviews of internal controls
- monitoring developments in corporate governance and compliance

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

The Chair of the Audit Committee will be available at the 2019 Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit Committee

Zach Miles
Chair of the Audit Committee
12 March 2019

Nomination Committee report

“We recognise the importance of a diverse and inclusive culture to the delivery of the Group’s strategy.”

Penny Freer
Chair of the Nomination Committee



Role and composition of the Nomination Committee

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

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

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

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

Meetings

The Nomination Committee is required to meet formally once per year. During 2018, the Nomination Committee held two formal meetings and has been involved in several changes to the composition of the Board.

Composition of the Board and Committees

The Nomination Committee reviewed the composition of the Board and the Committees. In making recommendations to the Board, the Nomination Committee will give due regard to the benefits of diversity in the Boardroom, including gender. Different ideas, perspectives and backgrounds create a stronger and more effective work environment, which in turn delivers competitive advantage and better results. Diversity of skills, backgrounds, knowledge and gender are taken into consideration when making new appointments to the Board and its Committees. There were a number of changes in the composition of the Board during the year. Tim Anderson was appointed as Group Finance Director in March 2018, with Spencer Wreford changing his dual role of Group Finance Director and Chief Operating Officer to only be Chief Operating Officer. In May 2018, Joost Kreulen retired as Chief Executive Officer and Spencer Wreford replaced him as Chief Executive Officer. Finally, in November 2018, Rhona Driggs was appointed as Chief Operating Officer. All Directors continue to serve in their roles and no other compositional changes were proposed by the Nomination Committee.

Appointment process

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

Succession planning

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

Time commitments of Non-Executive Directors

The Nomination Committee continues to keep under review the Non-Executive Directors’ time commitments.

On behalf of the Nomination Committee

Penny Freer
Chair of the Nomination Committee
12 March 2019

Directors' remuneration report

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

Role and composition of the Remuneration Committee

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

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

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

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

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

Meetings

The Remuneration Committee is required to meet at such times as the Chair of the Remuneration Committee shall require. During 2018, the Remuneration Committee held 4 formal meetings. The Chair and Chief Executive Officer of the Company have been invited to attend meetings where appropriate.

Remuneration practices

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

The Remuneration Committee determined the 2019 individual remuneration packages, targets for annual bonus scheme and pension arrangements for the Executive Directors and the 2019 fees for the Non-Executive Directors.

Assessment of the Remuneration Committee

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

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

The Chair of the Remuneration Committee will be available at the 2019 Annual General Meeting to answer any questions about the work of the Remuneration Committee.

Remuneration policy for the Executive Directors

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

Link between business objectives and remuneration policy

It is the Company's policy for performance-related pay of Executive Directors to be linked to key performance indicators of the Company. The Company's key objectives include developing sustainable growth in earnings, through a combination of organic growth and investments, careful management of debt levels and increase in share price. The performance measures chosen for 2018 to link executive remuneration to the achievement of these objectives were growth in earnings per share, conversion ratio and debtor days.

Directors' remuneration report continued

Director's contracts and letters of appointment

It is the Company's policy that Executive Directors should have contracts with indefinite terms providing for a maximum of 12 months' notice by the employing Group company or the individual. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of the basic remuneration package for the notice period.

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

Director	Effective date of contract	Notice period
Spencer Wreford	2 May 2018	12 months
Tim Anderson	21 March 2018	6 months
Rhona Driggs	8 November 2018	6 months

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

Annual fees of Directors

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

Aggregate Directors' remuneration

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

The total amounts for Directors' remuneration are as follows:

Name of Director	2019						2018						2017					
	Salary & Fees ⁵ £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000	Salary & Fees £000	Benefits-in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000		
Executive																		
Spencer Wreford ¹	205	195	7	38	20	260	175	7	20	17	219							
Tim Anderson ²	149	113	4	11	11	139	–	–	–	–	–							
Rhona Driggs ³	195	42	–	59	–	101	–	–	–	–	–							
Joost Kreulen ⁴	–	78	7	–	19	104	221	11	26	33	291							
Non-Executive																		
Tony Martin	65	71	–	–	–	71	66	–	–	–	66							
Penny Freer	42	44	–	–	–	44	43	–	–	–	43							
Zach Miles	42	41	–	–	–	41	40	–	–	–	40							
	698					760					659							

Notes:

1 Changed roles from Chief Operating Officer and Group Finance Director to Chief Executive Officer on 2 May 2018

2 Appointed as Group Finance Director on 2 May 2018

3 Appointed as Chief Operating Officer on 5 November 2018

4 Retired as Chief Executive Officer on 2 May 2018

5 2019 Fees for Non-Executive Directors are stated as their minimum time commitments only

The following information is not subject to audit.**Pension and other benefits-in-kind**

In addition to the basic remuneration payable under their service agreements, the Executive Directors are entitled to a pension provision and a range of other benefits (or payments in lieu), including death in service life insurance, private medical insurance and car allowance. The Non-Executive Directors do not receive any benefits.

Annual bonus

The Remuneration Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid to the Executive Directors. The annual bonus for the 2018 financial year was based on three specific strategic Key Performance Indicators: adjusted earnings per share, conversion ratio and debtor days. Based on the Remuneration Committee's assessment of the financial performance against those KPIs, it has determined that bonus payments amounting to 20% of the maximum bonus should be made to Spencer Wreford and Tim Anderson. The compensation package agreed with Rhona Driggs included conditional (including on remaining employed with the Group) signing-on bonus of US\$75,000 and guaranteed minimum bonuses for the 2019 and 2020 financial years of US\$150,000 and US\$75,000 respectively.

Long Term Incentive Plan ('LTIP')

The Remuneration Committee has responsibility for supervising the Company's LTIP and making awards under its terms. Awards are made in the form of nil-cost options over ordinary shares to the Company's senior executive management team. The maximum value of ordinary shares that could be awarded in a year is 175% of basic salary. The current policy is to review the final audited results of the Company prior to agreeing if awards are to be made. Non-Executive Directors do not participate in the LTIP.

The LTIP Rules, last adopted in 2008, expire on their tenth anniversary. The Remuneration Committee considered that the LTIP Rules remained appropriate and fit for purpose and so the Remuneration Committee worked with external advisers to renew the LTIP Rules on substantially the same terms for a further ten-year period.

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

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

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

A summary of Awards yet to vest as at 31 December 2018 is as follows:

Year of Award	Year of Vesting	Number of Awards
2016	2019	437,855
2017	2020	363,178
2018	2021	761,991

Directors' remuneration report continued

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

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

Name of Officer	Date of Award	Maximum Awards as at 1 January 2017	Maximum Awards granted during the year	Lapsed Awards	Vested Awards (Options granted)	Options Exercised
Joost Kreulen	28/09/2011	720,000	–	–	720,000	–
	06/09/2013	563,380	–	165,416	397,964	–
	12/03/2014	379,630	–	329,856	49,774	–
	09/03/2016	244,892	–	–	–	–
	15/03/2017	192,368	–	–	–	–
Spencer Wreford	28/09/2011	500,000	–	–	500,000	–
	06/09/2013	394,366	–	115,791	278,575	–
	12/03/2014	277,778	–	241,358	36,420	–
	09/03/2016	192,963	–	–	–	–
	15/03/2017	151,686	–	–	–	–
	24/08/2018	–	232,558	–	–	–
James Chapman	15/03/2017	19,124	–	–	–	–
	24/08/2018	–	133,721	–	–	–
Tim Anderson	24/08/2018	–	168,605	–	–	–
Rhona Driggs	13/12/2018	–	227,108	–	–	–

The following information is not subject to audit.

Shareholding guidelines

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

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

	31 December 2018		31 December 2017	
	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
Joost Kreulen ¹	60,000	0.12%	60,000	0.12%
Spencer Wreford	15,000	0.03%	15,000	0.03%
Tim Anderson ²	–	–	–	–
Rhona Driggs ³	–	–	–	–
Tony Martin	13,924,595	28.41%	13,924,595	28.41%
Penny Freer	15,000	0.03%	15,000	0.03%
Zach Miles	–	–	–	–
Total	14,014,595	28.59%	14,014,595	28.59%

¹ Retired 2 May 2018

² Appointed 2 May 2018

³ Appointed 5 November 2018

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

This report was approved by the Board of Directors on 12 March 2019 and signed on its behalf by:

Penny Freer

Chair of the Remuneration Committee

12 March 2019

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 2018. The Strategic report set out on pages 1 to 29 and the Corporate Governance Statement set out on pages 32 to 35 form part of this report.

Post balance sheet events

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

Financial instruments

Information regarding financial instruments can be found in note 24.

Dividends

For the year ended 31 December 2018 the Directors recommend a final dividend of 2.0p per ordinary share of 5p in the Company ('ordinary share') to be paid on 31 May 2019 to shareholders on the register on 10 May 2019. For the year ended 31 December 2017 a final dividend of 1.32p per ordinary share was paid on 31 May 2018.

Directors' shareholdings

Details of the shareholdings of Directors who held office during the year are set out in the Directors' remuneration report on page 42.

Directors' insurance

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

Directors' indemnities

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

Substantial shareholdings

As at 31 December 2018, the following interests in 3% or more of the issued ordinary share capital of the Company in the register maintained under section 113 of the Companies Act 2006 were identified:

Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
A V Martin (Director)	13,924,595	28.41%
Close Brothers Asset Management	6,341,438	12.94%
Hof Hoorneman Fund Management	3,880,500	7.92%
H M van Heijst	3,450,000	7.04%
Beleggingsclub 't Stockpaert	3,005,000	6.13%
The Ramsey Partnership Fund Limited	2,296,000	4.68%

During the period between 31 December 2018 and 12 March 2019, the Company received the following notifications under chapter 5 of the Disclosure and Transparency Rules:

Date of notification	Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
1 February 2019	Close Brothers Asset Management	6,659,349	13.59%

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 would be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

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

Directors' report continued

Auditor

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

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

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

Following a competitive tender process, BDO LLP were appointed as the Company's independent auditor for the 2018 financial year. They have expressed their willingness to continue in office for the 2019 financial year and a resolution will be proposed at the forthcoming AGM.

Annual General Meeting 2019 ('AGM')

This year's AGM will be held on Tuesday 7 May 2019 at the offices of Arden Partners plc at 125 Old Broad Street, London EC2N 1AR. The meeting will commence at 1:00pm and registration will be open from 12:00pm.

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

Approved by the Board and signed on its behalf by:



James Chapman

General Counsel and Company Secretary

12 March 2019

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

Registered number: 03743194

Directors' responsibilities statement

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

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

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

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

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

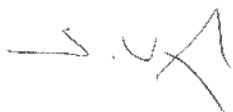
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to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

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

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

This responsibility statement was approved by the Board on 12 March 2019 and is signed on its behalf by:

By order of the Board



Spencer Wreford
Chief Executive Officer
12 March 2019



Tim Anderson
Group Finance Director

Independent auditor's report

to the members of Empresaria Group plc

Opinion

We have audited the financial statements of Empresaria Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
<p>Revenue recognition</p> <p>As detailed in note 2, the Group's revenue predominantly relates to permanent and temporary placements with revenue from permanent placements recognised on the start date of a candidate and revenue from temporary placements recognised on the basis of work performed by reference to approved timecards.</p> <p>We considered there to be a significant risk over the completeness of revenue due to missing or late timecards.</p> <p>There is also a risk of fraud in relation to existence of revenue as there is a risk that revenue will be incorrectly accrued at year-end due to the pressure on management to achieve forecast profits.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • Where appropriate we assessed the design, implementation and operating effectiveness of the controls over the approval of timecards and customer contracts, the conversion of timecards into invoices and their recognition into the accounting systems. • We performed cut off testing on a sample of transactions to consider the completeness and existence of revenue around year end. This involved selecting a sample of sales invoices either side of the year end date and agreeing these to approved timecards for temporary placements or new starter forms for permanent revenue. In addition, we sample tested post year end credit notes to ensure revenue was correctly recognised in the period. • We tested a sample of transactions throughout the year, to assess existence and accuracy by agreement to corresponding approved timecard, sales contracts, sales invoices and sales remittances. In addition, for certain components where relevant, we traced sales transactions detailed on consultant's commission statements to revenue recorded in the general ledger.
<p>Recoverability of goodwill and intangible assets</p> <p>The Group has acquired a number of businesses as part of its growth strategy and as a result at 31 December 2018 has goodwill of £37.1m and other intangibles of £17.7m on its balance sheet. Any potential impairment would have a significant impact on reported results of the Group.</p> <p>IAS 36 'Impairment of Assets', requires management to perform an impairment review annually to consider possible impairment in goodwill and other intangible assets.</p> <p>Management exercise significant judgement in determining the underlying assumptions used in the impairment review. These assumptions include the discount rate, the operating margin and the growth rate.</p> <p>The Group's accounting policy in relation to impairment of goodwill and intangible assets is included within note 2 and further explained in note 15. Consideration of this risk by the Audit Committee is included on page 36.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • With the assistance of our internal valuation specialists we have tested the integrity of management's impairment models, supporting calculations for discount rates used and considered management's assessment of the recoverability of goodwill and other intangibles. • We have challenged and assessed the reasonableness of the assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends. • We have performed sensitivity analysis over the key assumptions used by management and reviewed the disclosures in note 15 including the impact of changes in key assumptions.

Independent auditor's report continued

Our application of materiality

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

The materiality for the Group financial statements as a whole was set at £563,000. This was determined on the basis of 6% of reported profit before taxation. This was considered the most appropriate measure as profit before taxation is a key indicator of the Group's financial performance and one which is also used by analysts when presenting financial performance to users of the financial statements.

Performance materiality was set at 60% of the above materiality level taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, the number of material estimates and the expected use of sample testing.

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels up to a maximum of 72% of Group materiality.

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

The materiality for the Parent Company financial statements, as a holding company, was based on 2% of total assets but restricted to £405,000. Performance materiality was set at 60% of materiality taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements and the number of material estimates.

An overview of the scope of our audit

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

Components within the above locations, that were subject to full scope audit procedures, accounted for 92% of the Group's revenue, 97% of the Group's profit before taxation and 96% of the Group's net assets. The materiality used in each of these locations where we performed an audit ranged from 7% to 72% of Group materiality.

As part of our audit strategy, the Senior Statutory Auditor and another member of the group engagement team visited the German component audit team to review the complete audit files for the German operations focusing on the audit work in relation to the key risks. For the other overseas components, senior members of the group audit team took part in local audit meetings at the planning and completion stage of the component audits to complete our understanding of the operations and risks of each component as well as performing reviews of component auditors' working papers. The group engagement team performed full scope audit procedures on all UK operations.

The remaining components of the Group, which also include non-significant holding companies, were principally subject to analytical review procedures performed by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Anna Draper (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Gatwick

United Kingdom

12 March 2019

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

Consolidated income statement

	Note	2018 £m	2017 £m
Revenue	4	366.8	357.1
Cost of sales		(294.5)	(287.7)
Net fee income	4	72.3	69.4
Administrative costs (including £0.7m (2017: £0.8m) in respect of trade receivable impairment losses)		(60.0)	(57.8)
Adjusted operating profit	4	12.3	11.6
Exceptional items	5	(0.3)	–
Fair value charge on acquisition of non-controlling shares	6	–	(0.3)
Loss on business disposal	13	–	(0.9)
Amortisation of intangible assets identified in business combinations	16	(1.7)	(1.7)
Operating profit	4, 7	10.3	8.7
Finance income	9	0.2	0.1
Finance costs	9	(1.1)	(0.7)
Net finance costs	9	(0.9)	(0.6)
Profit before tax		9.4	8.1
Taxation	10	(3.6)	(3.6)
Profit for the year		5.8	4.5
Attributable to:			
Owners of Empresaria Group plc		4.6	4.1
Non-controlling interests		1.2	0.4
		5.8	4.5
		Pence	Pence
Earnings per share:			
Basic	12	9.2	8.0
Diluted	12	9.1	7.9
Adjusted earnings per share			
Basic	12	12.2	12.6
Diluted	12	12.1	12.5

Consolidated statement of comprehensive income

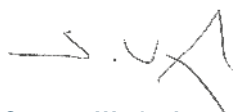
	2018 £m	2017 £m
Profit for the year	5.8	4.5
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	0.8	(1.2)
Items that will not be reclassified to the income statement:		
Exchange differences on translation of non-controlling interests in foreign operations	(0.1)	(0.1)
Other comprehensive income/(loss) for the year	0.7	(1.3)
Total comprehensive income for the year	6.5	3.2
Attributable to:		
Owners of Empresaria Group plc	5.4	2.9
Non-controlling interests	1.1	0.3
	6.5	3.2

Consolidated balance sheet

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Property, plant and equipment	14	2.1	1.4
Goodwill	15	37.1	35.9
Other intangible assets	16	17.7	18.2
Deferred tax assets	22	1.5	1.0
		58.4	56.5
Current assets			
Trade and other receivables	18	57.3	53.1
Cash and cash equivalents		25.4	25.9
		82.7	79.0
Total assets		141.1	135.5
LIABILITIES			
Current liabilities			
Trade and other payables	19	41.9	42.0
Current tax liabilities		3.2	2.6
Borrowings	20	32.0	36.6
		77.1	81.2
Non-current liabilities			
Borrowings	20	5.2	1.3
Deferred tax liabilities	22	4.2	4.1
		9.4	5.4
Total liabilities		86.5	86.6
Net assets		54.6	48.9
EQUITY			
Share capital	23	2.4	2.4
Share premium account		22.4	22.4
Merger reserve		0.9	0.9
Retranslation reserve		5.8	5.0
Equity reserve		(7.7)	(7.5)
Other reserves		(0.7)	(0.7)
Retained earnings		23.2	19.6
Equity attributable to owners of Empresaria Group plc		46.3	42.1
Non-controlling interests		8.3	6.8
Total equity		54.6	48.9

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 12 March 2019.

Signed on behalf of the Board of Directors



Spencer Wreford
Chief Executive Officer



Tim Anderson
Group Finance Director

Consolidated statement of changes in equity

	Equity attributable to owners of Empresaria Group plc							Total £m	Non- controlling interests £m	Total equity £m
	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m			
Balance at 31 December 2016	2.4	22.4	0.9	6.1	(7.3)	(0.4)	16.2	40.3	6.4	46.7
Profit for the year	–	–	–	–	–	–	4.1	4.1	0.4	4.5
Exchange differences on translation of foreign operations	–	–	–	(1.1)	–	(0.1)	–	(1.2)	(0.1)	(1.3)
Total comprehensive income for the year	–	–	–	(1.1)	–	(0.1)	4.1	2.9	0.3	3.2
Dividend paid to owners of Empresaria Group plc	–	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Acquisition of non-controlling shares	–	–	–	–	(0.2)	–	–	(0.2)	0.2	–
Purchases of own shares in Employee Benefit Trust	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payments	–	–	–	–	–	(0.2)	–	(0.2)	–	(0.2)
Balance at 31 December 2017	2.4	22.4	0.9	5.0	(7.5)	(0.7)	19.6	42.1	6.8	48.9
Profit for the year	–	–	–	–	–	–	4.6	4.6	1.2	5.8
Exchange differences on translation of foreign operations	–	–	–	0.8	–	–	–	0.8	(0.1)	0.7
Total comprehensive income for the year	–	–	–	0.8	–	–	4.6	5.4	1.1	6.5
Dividend paid to owners of Empresaria Group plc	–	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(0.4)	(0.4)
Acquisition of non-controlling shares	–	–	–	–	(0.2)	–	–	(0.2)	0.2	–
Purchases of own shares in Employee Benefit Trust	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Business combination (see note 13)	–	–	–	–	–	–	–	–	0.6	0.6
Share-based payments	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2018	2.4	22.4	0.9	5.8	(7.7)	(0.7)	23.2	46.3	8.3	54.6

Consolidated cash flow statement

	Note	2018 £m	2017 £m
Profit for the year		5.8	4.5
Adjustments for:			
Depreciation and software amortisation	14, 16	1.0	1.0
Amortisation of intangible assets identified in business combinations	16	1.7	1.7
Exceptional items (non-cash)		0.3	–
Loss on business disposal		–	0.9
Share-based payments		–	(0.2)
Taxation charge		3.6	3.6
Net finance costs		0.9	0.6
		13.3	12.1
Increase in trade and other receivables		(2.2)	(2.8)
(Decrease)/increase in trade and other payables (including pilot bonds outflow of £2.2m (2017: inflow of £2.3m))		(2.7)	3.3
Cash generated from operations		8.4	12.6
Interest paid		(1.0)	(0.7)
Income taxes paid		(2.9)	(5.5)
Net cash from operating activities		4.5	6.4
Cash flows from investing activities			
Consideration paid for business acquisitions (net of cash acquired)		(1.7)	(5.6)
Consideration received for business disposals		0.1	0.1
Purchase of property, plant and equipment, and software		(1.5)	(0.9)
Finance income		0.2	0.1
Net cash used in investing activities		(2.9)	(6.3)
Cash flows from financing activities			
Increase in overdrafts		1.5	15.3
Proceeds from bank loans		4.0	0.1
Repayment of bank loans		(6.4)	(9.2)
Increase in invoice discounting		0.1	0.7
Purchases of own shares in Employee Benefit Trust		(0.4)	(0.1)
Dividends paid to owners of Empresaria Group plc		(0.6)	(0.6)
Dividends paid to non-controlling interests		(0.4)	(0.1)
Net cash (outflow)/inflow from financing activities		(2.2)	6.1
Net (decrease)/increase in cash and cash equivalents		(0.6)	6.2
Effect of foreign exchange movement		0.1	(0.6)
Cash and cash equivalents at beginning of the year		25.9	20.3
Cash and cash equivalents at end of the year		25.4	25.9
		2018	2017
		£m	£m
Bank overdrafts at beginning of the year		(20.4)	(5.1)
Increase in the year		(1.5)	(15.3)
Effect of foreign exchange movement		(0.1)	–
Bank overdrafts at end of the year	20	(22.0)	(20.4)
Cash, cash equivalents and bank overdrafts at end of the year		3.4	5.5

Notes to the consolidated financial statements

1 Basis of preparation and general information

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

The consolidated financial statements are for the twelve months ended 31 December 2018. The financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU) and therefore the Group financial statements comply with AIM rules.

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

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

Changes in accounting policies

Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted. No amendments to figures reported in these financial statements have been made as a result of adopting new and revised standards and interpretations. Disclosures have been updated as required.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRS 2 (amendments)	Classification and measurement of share-based payment transactions
Annual Improvements	2014-2016 cycle

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

IFRS 9 has introduced a new classification approach for financial assets and liabilities. The categories of financial assets are now reduced from four to three and financial liabilities are measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. There was no material impact on the financial statements due to the adoption of IFRS 9.

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

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective for accounting periods beginning on or after 1 January 2018, IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

An assessment of the impact of IFRS 15 has been completed following review of the contracts that exist across the Group's revenue streams. The review has concluded that revenue recognition under IFRS 15 is consistent with previous practice for the Group's revenue recognition and there was no material impact on the financial statements due to the adoption of IFRS 15.

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

Standards and Interpretations in issue but not yet effective

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

IFRS 16	Leases
IFRS 17	Insurance Contracts
Annual Improvements to IFRSs 2015-2017	Amendments to IFRS 11 Joint Arrangements and IAS 12 Income Taxes
Amendments to IFRS 3	Business Combinations – Definition of a Business
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments

The Group does not expect these to have a significant impact on the Group's financial statements with the exception of IFRS 16 which is discussed on the next page.

Notes to the consolidated financial statements continued

1 Basis of preparation and general information continued

IFRS 16 Leases (effective 1 January 2019)

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

The Group will adopt IFRS 16 Leases from 1 January 2019 and apply the prospective approach and so the comparative information will not be restated.

The Group will recognise a right of use asset and a corresponding lease liability in its balance sheet as on 1 January 2019. There will be no impact on net assets or equity at that date.

Going concern

The Group's activities are funded by a combination of long-term equity capital and bank facilities, primarily a revolving credit facility, invoice discounting and overdrafts. 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 expects to meet its obligations as they fall due with the use of existing facilities and to continue to meet its covenant requirements. As at 31 December 2018 the Group had undrawn facilities (excluding invoice discounting) of £16.7m. The revolving credit facility has a term until 2021 and the Group's primary overdraft facilities are due for renewal in January and February 2020. 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.

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

2 Summary of significant accounting policies

Basis of consolidation

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

Control is achieved when the Group:

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

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

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

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.

2 Summary of significant accounting policies continued

Business combinations

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

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

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

Non-controlling interest

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

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

Goodwill

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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

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

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

Intangible assets

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

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

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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

Amortisation 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 five years

Impairment of tangible and intangible assets excluding goodwill

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

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

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and any recognised impairment loss.

Depreciation is calculated using the straight-line method to write off the cost or valuation of the assets less their residual values over their useful lives as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with any changes accounted for on a prospective basis. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Borrowing costs

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

Cash and cash equivalents

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

Invoice financing

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

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

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

Financial assets

Financial assets are divided into the following categories:

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

2 Summary of significant accounting policies continued

Fair value through profit and loss (FVPL)

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

Amortised cost

Assets accounted for at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently measured at amortised cost. For trade receivables amortised cost includes an allowance for expected credit losses. This is assessed by grouping assets into categories with similar risk profiles and applying a provision matrix to each of these which is assessed by reference to past default experience and various other sources of actual and forecast economic information.

Financial liabilities

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

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

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

Trade and other payables are initially stated at fair value. Subsequent measurement is at amortised cost.

Provisions

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

Revenue

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

Permanent placement revenue is recognised at the point when the candidate commences employment. Temporary, contract and outsourcing revenue (including outsourced services) is recognised on the basis of actual work performed in the relevant period based on timesheets submitted. Revenue from offshore recruitment services is recognised as the services are delivered.

In situations where the Group is the principal in the transaction, the transactions are recorded gross in the statement of comprehensive income. When the Group acts as an agent revenues are reported on a net basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

Net fee income

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

Employee benefits

Retirement benefit costs

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

Share based payments

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

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

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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

Leases

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

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

Forward contract for foreign currency

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

2 Summary of significant accounting policies continued

Foreign currencies

Functional and presentational currency

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

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.

Group companies

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

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

Net investments in foreign operations

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

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium account” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Merger reserve” relates to premiums arising on shares issued subject to the provisions of section 612 “Merger relief” of the Companies Act 2006.
- “Retranslation reserve” represents the exchange differences arising from the translation of the financial statements of foreign subsidiaries.
- “Equity reserve” represents movement in equity due to acquisition of non-controlling interests under IFRS 3 Business combination.
- “Other reserves” represents the share based payment reserve of £0.6m (2017: £0.6m) and exchange differences on intercompany long-term receivables amounting to (£1.3m) (2017: (£1.3m)) which are treated as a net investment in foreign operations.
- “Retained earnings” represents accumulated profits less distributions and income / expense recognised in equity from incorporation.
- “Non-controlling interest” represents equity in a subsidiary not attributable, directly or indirectly, to the Group.

Notes to the consolidated financial statements continued

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Critical judgements in applying the Group's policies

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

Business combinations

Accounting for a business combination involves a number of fair value estimations and depending on the size of the investment these can be a material area of judgement. The main judgements are in the recognition and valuation of intangible assets acquired and include the assessment of the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. Details of intangible assets recognised in business combinations in the year are given in note 13. Given the size of the acquisition in the year the judgements made are not considered critical for these financial statements and so no further disclosure of assumptions used has been provided.

Key source of estimation uncertainty

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

Impairment of goodwill

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

4 Segment and revenue analysis

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

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

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

Year ended 31 December 2018	Continental Europe		Asia Pacific	Americas	Central costs	Intragroup eliminations	Total £m
	UK £m	Europe £m	£m	£m	£m	£m	
Revenue	85.7	96.1	136.8	48.6	–	(0.4)	366.8
Net fee income	23.7	15.6	24.5	8.9	–	(0.4)	72.3
Adjusted operating profit*	2.9	4.7	6.1	2.3	(3.7)	–	12.3
Operating profit	2.4	4.5	5.4	1.7	(3.7)	–	10.3

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

Revenue of Continental Europe includes £79.9m from Germany and revenue of Asia Pacific includes £100.8m from New Zealand.

One major client in the Asia Pacific segment contributed 11.5% of the Group's revenue (2017: 11.7%) and 4.9% of the Group's net fee income (2017: 3.3%).

4 Segment and revenue analysis continued

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

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

Continental Europe includes £14.0m of these assets in Germany, Asia Pacific includes £9.4m in New Zealand and Americas includes £7.4m in USA.

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Total £m
Year ended 31 December 2018					
Capital expenditure incurred (including software)	0.2	0.2	1.0	0.1	1.5
Significant non-cash expenses (depreciation, amortisation and trade receivable impairment)	0.8	0.4	1.8	0.7	3.7

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

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

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

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Central costs £m	Total £m
Year ended 31 December 2017						
Revenue	86.7	98.8	132.7	38.9	–	357.1
Net fee income	23.4	16.5	22.2	7.3	–	69.4
Adjusted operating profit*	2.6	6.1	4.5	1.0	(2.6)	11.6
Operating profit	2.1	5.9	2.8	0.5	(2.6)	8.7

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

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

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

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Total £m
Year ended 31 December 2017					
Property, plant and equipment	0.3	0.2	0.7	0.2	1.4
Goodwill	11.9	14.5	6.3	3.2	35.9
Other intangibles assets	6.5	1.0	5.9	4.8	18.2

Continental Europe includes assets of £14.1m in Germany, Asia Pacific includes £9.7m in New Zealand and Americas includes £7.4m in USA.

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Total £m
Year ended 31 December 2017					
Capital expenditure incurred (including software)	0.2	0.2	0.4	0.1	0.9
Significant non-cash expenses (depreciation, amortisation and trade receivable impairment)	1.0	0.4	1.5	0.6	3.5

Notes to the consolidated financial statements continued

4 Segment and revenue analysis continued

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

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

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

	2018				2017			
	Permanent £m	Temporary and contract £m	RPO/ offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	RPO/ offshore recruitment services £m	Total £m
Revenue								
UK	12.1	73.6	–	85.7	11.6	75.1	–	86.7
Continental Europe	0.3	95.8	–	96.1	0.5	98.3	–	98.8
Asia Pacific	10.4	119.3	7.1	136.8	10.3	117.9	4.5	132.7
Americas	4.2	44.4	–	48.6	3.6	35.3	–	38.9
Intragroup eliminations	–	–	(0.4)	(0.4)	–	–	–	–
	27.0	333.1	6.7	366.8	26.0	326.6	4.5	357.1

	2018				2017			
	Permanent £m	Temporary and contract £m	RPO/ offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	RPO/ offshore recruitment services £m	Total £m
Net fee income								
UK	12.0	11.7	–	23.7	11.6	11.8	–	23.4
Continental Europe	0.3	15.3	–	15.6	0.5	16.0	–	16.5
Asia Pacific	10.2	10.0	4.3	24.5	9.8	9.8	2.6	22.2
Americas	4.1	4.8	–	8.9	3.4	3.9	–	7.3
Intragroup eliminations	–	–	(0.4)	(0.4)	–	–	–	–
	26.6	41.8	3.9	72.3	25.3	41.5	2.6	69.4

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

	Revenue 2018 £m	Revenue 2017 £m	Net fee income 2018 £m	Net fee income 2017 £m
Technical & industrial	121.5	129.7	19.8	21.3
IT, digital & design	58.9	56.4	19.3	17.9
Professional services	16.8	14.3	7.1	6.9
Aviation	100.7	97.4	6.9	5.7
Retail	44.2	35.2	5.8	4.9
Executive search	4.9	4.7	4.6	4.5
Healthcare	14.0	13.5	4.3	3.5
Other services	5.8	5.9	4.5	4.7
	366.8	357.1	72.3	69.4

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.

	2018 £m	2017 £m
Impairment of goodwill	0.3	–
	0.3	–

An impairment charge of £0.3m related to a business in the Asia Pacific region has been recognised in 2018. Further details can be found in note 15.

6 Fair value charge on acquisition of non-controlling shares

In line with the Group's accounting policies (see note 2), where amounts paid for non-controlling interest shares exceed the fair value of the equity acquired, the excess is charged to the income statement. This typically occurs where there are restrictions over the rights of the shares as is often the case for second generation equity. The Group's management equity philosophy is described in more detail in the finance review on page 23.

	2018 £m	2017 £m
Fair value charge on acquisition of non-controlling shares	–	0.3
	–	0.3

Further details on the non-controlling shares acquired in the year are provided in the finance review on page 23.

7 Operating profit

Operating profit is stated after charging:

	2018 £m	2017 £m
Depreciation of property, plant and equipment	0.9	0.9
Amortisation of intangible assets identified in business combinations	1.7	1.7
Amortisation of software	0.1	0.1
Impairment of goodwill	0.3	–
Operating lease charges	5.4	5.0
Net foreign exchange gain	(0.1)	–
Share-based payments	–	(0.2)
Acquisition related costs	0.1	–
Trade receivable impairments	0.7	0.8
Auditor's remuneration	0.4	0.3

The analysis of auditor's remuneration is as follows:

	2018 £000	2017 £000
Fee payable to the Company's auditor for the audit of the Group annual accounts	380	342

Auditor's remuneration includes fees payable of £254,000 (2017: £238,000) for the audit of the Company's subsidiaries pursuant to legislation. Non-audit fees of £14,000 (2017: £nil) were incurred for tax advice during the year with a BDO member firm in the period before they were appointed the Company's auditor.

Notes to the consolidated financial statements continued

8 Directors and employees

	2018 £m	2017 £m
Staff costs		
Wages and salaries	37.7	35.9
Social security costs	3.6	3.3
Pension costs	0.7	0.7
Share-based payments	–	(0.2)
	42.0	39.7

Details of Directors' remuneration are given on pages 39 to 42.

	2018 No.	2017 No.
Average monthly number of persons employed – sales and administration	1,625	1,367
Number of persons employed as at 31 December – sales and administration	1,805	1,361

9 Finance income and costs

	2018 £m	2017 £m
Finance income		
Bank interest receivable	0.2	0.1
	0.2	0.1
Finance costs		
Invoice financing	(0.2)	(0.2)
Bank loans and overdrafts	(0.7)	(0.5)
Interest on tax payments	(0.2)	–
	(1.1)	(0.7)
Net finance costs	(0.9)	(0.6)

10 Taxation

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

	2018 £m	2017 £m
Current tax		
Current year income tax expense	4.3	3.8
Adjustments in respect of prior years	(0.1)	–
Total current tax expense	4.2	3.8
Deferred tax		
Deferred tax credit	(0.6)	(0.2)
Total income tax expense in the income statement	3.6	3.6

10 Taxation continued**(b) Factors affecting the income tax expense for the year**

The table below explains the differences between the expected income tax expense and the Group's actual income tax expense for the year. The expected income tax expense is assessed by applying the local tax rates to the profits in each business and aggregating these amounts. This leads to an average tax rate for 2018 of 30% (2017: 32%).

	2018 £m	2017 £m Re-presented*
Profit before taxation	9.4	8.1
Tax at the relevant local rates	2.8	2.6
Effects of:		
Expenses not deductible for tax purposes	0.3	0.3
Exceptional expense items not deductible for tax purposes	0.1	0.2
Current year losses not recognised for tax purposes	0.3	0.3
Deferred tax on unremitted overseas earnings	0.1	0.1
Dividend distribution tax	0.1	–
Adjustments in respect of prior years	(0.1)	–
Write down of losses previously recognised as deferred tax assets	–	0.1
Tax expense	3.6	3.6

* The 2017 figures have been re-presented to reconcile from the relevant local tax rates rather than the UK tax rate as previously presented. The Group operates in many jurisdictions and the revised presentation provides more relevant information and remains in line with the requirements of IAS 12 Income Taxes.

The movement in deferred tax is explained in note 22.

No tax was recognised in other comprehensive income (2017: £nil).

11 Reconciliation of adjusted profit before tax to profit before tax

	2018 £m	2017 £m
Profit before tax	9.4	8.1
Exceptional items	0.3	–
Fair value charge on acquisition of non-controlling shares	–	0.3
Loss on business disposal	–	0.9
Amortisation of intangible assets identified in business combinations	1.7	1.7
Adjusted profit before tax	11.4	11.0

Notes to the consolidated financial statements continued

12 Earnings per share

Basic earnings per share is assessed by dividing the earnings attributable to the owners of Empresaria Group plc by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated as for basic earnings per share but adjusting the weighted average number of shares for the diluting impact of shares that could potentially be issued. For 2018 and 2017 these are all related to share options and further details can be found in note 29 and the Directors' remuneration report on pages 39 to 42. Reconciliations between basic and diluted measures are given below.

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

	2018 £m	2017 £m
Earnings		
Earnings attributable to equity holders of the parent	4.6	4.1
Adjustments:		
Exceptional items	0.3	–
Fair value charge on acquisition of non-controlling shares	–	0.3
Loss on business disposal	–	0.9
Amortisation of intangible assets identified in business combinations	1.7	1.7
Tax on the above	(0.3)	(0.4)
Non-controlling interests in respect of all the above	(0.1)	(0.2)
Adjusted earnings	6.2	6.4

Number of shares	Millions	Millions
Weighted average number of shares – basic	50.6	50.9
Dilution effect of share options	0.4	0.5
Weighted average number of shares – diluted	51.0	51.4

Earnings per share	Pence	Pence
Basic	9.2	8.0
Dilution effect of share options	(0.1)	(0.1)
Diluted	9.1	7.9

Adjusted earnings per share	Pence	Pence
Basic	12.2	12.6
Dilution effect of share options	(0.1)	(0.1)
Diluted	12.1	12.5

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

13 Business combination and disposals

(a) Business combination

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

The total fair value of consideration is expected to be £2.2m, including cash paid during 2018 of £2.0m and £0.2m of additional cash consideration expected to be paid in 2019, subject to the audit of Grupo Solimano's results for the year ended 31 December 2018.

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

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

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

Acquisition related costs of £0.1m have been incurred and are recognised directly in the income statement within administrative costs.

Goodwill comprises unrecognised intangible assets in respect of its employees and their close understanding of their client's requirements which are of great importance in the recruitment business. The subsidiaries of Grupo Solimano S. A. C. are run as one operating unit and the goodwill on acquisition has therefore been allocated to the business as a whole and not to a lower level. None of the goodwill is deductible for tax purposes.

All payments made for the shares are considered to be part of the acquisition consideration. There are no contingent payments which meet the requirements to be assessed as a separate transaction, including in respect of post-acquisition employment services.

In 2018 the investment has contributed £7.6m to the Group's revenue, and £0.1m to the Group's profit. If the investment had been completed on 1 January 2018 the Group's revenue for the year would have been £375.1m and the Group's profit for the year would have been £6.0m.

Notes to the consolidated financial statements continued

13 Business combination and disposals continued

(b) Business disposal

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

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

In 2017 PT Learning Resources contributed £0.7m to the Group's revenue. Apart from the loss on business disposal, its operations contributed a loss of £0.2m to the Group's profit after tax. It contributed operating cash outflows of £0.2m to the Group's net operating cash flows.

14 Property, plant and equipment

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

14 Property, plant and equipment continued

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

15 Goodwill

	2018 £m	2017 £m
At 1 January	35.9	36.0
Business combinations (see note 13)	1.2	–
Impairment charge	(0.3)	–
Foreign exchange movement	0.3	(0.1)
At 31 December	37.1	35.9

Goodwill is reviewed and tested for impairment on an annual basis or more frequently if there is an indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of the group of cash generating units (CGUs) the goodwill has been allocated to, with the recoverable amount of those CGUs. The recoverable amounts of the CGUs are considered to be their value in use.

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

Operating profit and pre-tax cash flows

The operating profit and pre-tax cash flow is based on the 2019 budgets approved by the Group's Board. These budgets are extrapolated using short-term industry growth rate forecasts and long-term growth rates and margins that are consistent with the business plans approved by the Group's Board. These cash flows are discounted to present value to assess the value in use.

Discount rates

The pre-tax, country specific rates used to discount the forecast cash flows range from 8% to 16% (2017: 8% to 15%) reflecting current local market assessments of the time value of money and the risks specific to the relevant business. These discount rates reflect the estimated industry weighted average cost of capital in each market and are based on the Groups weighted average cost of capital adjusted for local factors.

Pre-tax discount rates used by operating segment are as follows:

UK:	9.4%
Continental Europe:	8.3% to 8.6%
Asia Pacific:	8% to 16%
Americas:	11% to 13%

Notes to the consolidated financial statements continued

15 Goodwill continued

Growth rates

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

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

UK:	1.6%
Continental Europe:	1.3% to 1.4%
Asia Pacific:	0.5% to 6.0% (capped)
Americas:	1.6% to 5.0%

As a result of the impairment reviews carried out at 31 December 2018, an impairment charge of £0.3m has been recognised for a business in the Asia Pacific region.

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

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

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

	2018 £m	2017 £m
Goodwill by region		
UK	11.9	11.9
Continental Europe	14.6	14.5
Asia Pacific	6.0	6.3
Americas	4.6	3.2
	37.1	35.9

Included within the above at 31 December 2018 are significant goodwill balances as set out in the table below along with the relevant discount rate and growth rate assumptions:

	Goodwill £m	Discount rate %	Growth rate %
Headway	13.1	8.3	1.4
ConSol Partners	4.2	9.4	3.0
Rishworth Aviation	3.8	11.0	3.6

16 Intangible assets

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

2017	Intangible assets identified in business combinations				
	Customer relationships £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
Cost					
At 1 January 2017	14.2	9.6	23.8	0.6	24.4
Additions	–	–	–	0.1	0.1
Foreign exchange movement	(0.5)	(0.4)	(0.9)	–	(0.9)
At 31 December 2017	13.7	9.2	22.9	0.7	23.6
Accumulated amortisation					
At 1 January 2017	2.2	0.9	3.1	0.5	3.6
Charge for year	1.1	0.6	1.7	0.1	1.8
At 31 December 2017	3.3	1.5	4.8	0.6	5.4
Net book value as at 31 December 2016	12.0	8.7	20.7	0.1	20.8
Net book value as at 31 December 2017	10.4	7.7	18.1	0.1	18.2

Notes to the consolidated financial statements continued

17 Subsidiaries

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

The following consolidated UK subsidiary companies are exempt from an annual audit under section 479A of the Companies Act 2006 for which the Company has provided a guarantee under section 479C of the Companies Act 2006. This guarantees all outstanding liabilities to which the subsidiary is subject to as at 31 December 2018 until they are settled in full. The guarantee is enforceable against the Company by any person to whom the subsidiary is liable in respect of those liabilities.

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

18 Trade and other receivables

	2018 £m	2017 £m
Current		
Gross trade receivables	49.2	44.0
Less provision for impairment of trade receivables	(1.1)	(0.8)
Trade receivables	48.1	43.2
Prepayments	1.9	1.5
Accrued income	3.3	3.1
Corporation tax receivable	1.2	1.8
Other receivables	2.8	3.5
	57.3	53.1

Trade receivables include £34.8m (2017: £31.7m) on which security has been given as part of bank facilities.

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

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

19 Trade and other payables

	2018 £m	2017 £m
Current		
Trade payables	2.2	2.1
Other tax and social security	8.1	8.4
Pilot bonds	5.3	7.5
Client deposits	0.9	0.7
Temporary recruitment worker wages	3.9	3.9
Other payables	1.9	2.0
Accruals	19.4	17.4
Deferred consideration	0.2	–
	41.9	42.0

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

The pilot bonds represent unrestricted funds held by Rishworth Aviation at the request of clients that are repayable to the pilot over the course of a contract, typically between three and five years. If the pilot terminates their contract early, the outstanding bond is payable to the client. For this reason the bonds are shown as a current liability. As at 31 December 2018, if the bonds were to be repaid in line with existing contracts, £2.9m (2017: £4.5m) would be repayable in more than one year. In 2019, one of Rishworth's largest clients has confirmed that it will no longer require bonds to be held. As a result an additional £1.9m of the bonds outstanding as at 31 December 2018 are expected to be repaid in 2019.

20 Borrowings

	2018 £m	2017 £m
Current		
Bank overdrafts	22.0	20.4
Amounts related to invoice financing	9.7	9.7
Bank loans	0.3	6.5
	32.0	36.6
Non-current		
Bank loans	5.2	1.3
	5.2	1.3
Borrowings	37.2	37.9

The following key bank facilities are in place at 31 December 2018:

A revolving credit facility of £10.0m, expiring in June 2021. As at 31 December 2018 the amount outstanding is £5.0m (2017: £1.0m). Interest is payable at 1.5% plus LIBOR or EURIBOR.

A UK term loan of £2.0m was repaid during the year (2017: £2.0m). Interest was payable at 1.5% above the UK base rate.

A German term loan of €5.0m expired in February 2018 (2017: €5.0m) and was replaced by an overdraft facility. Interest was payable at 3% above EURIBOR.

Overdraft facilities are in place in the UK with a limit of £7.5m. The balance on this facility as at 31 December 2018 was £3.9m (2017: £4.1m). The interest rate was fixed at 1% above applicable currency base rates. A \$2.0m overdraft facility to provide working capital funding to Pharmaceutical Strategies had a balance as at 31 December 2018 of \$0.8m (2017: \$1.0m). Interest on this USD facility is payable at 2% over LIBOR. A €13m (2017: €8.0m) overdraft facility is also in place in Germany. This overdraft facility increased by €5m on the expiration of the term loan. The balance at 31 December 2018 was €7.8m (2017: €4.8m). Interest is payable at EURIBOR plus 2.3%.

Notes to the consolidated financial statements continued

20 Borrowings continued

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

There is an invoice financing facility in the UK of £13.0m (2017: £13.0m). As at 31 December 2018 the amount outstanding was £8.4m (2017: £8.2m). Interest is payable at 1.47% over UK base rate. There are also invoice financing facilities in Chile of £2.5m (2017: £1.5m). As at 31 December 2018 the amount outstanding was £1.3m (2017: £1.5m). Interest is payable at approximately 6%.

Other overseas overdraft and loans had interest rates of between 1.0% and 7.4%.

21 Net debt**(a) Net debt**

	2018 £m	2017 £m
Borrowings	(37.2)	(37.9)
Cash and cash equivalents	25.4	25.9
Net debt	(11.8)	(12.0)

Cash and cash equivalents at 31 December 2018 includes cash of £380,000 (2017: £253,000) held by a subsidiary in China which is subject to currency exchange restrictions.

(b) Adjusted net debt

	2018 £m	2017 £m
Cash and cash equivalents	25.4	25.9
Less cash held in respect of pilot bonds	(5.3)	(7.5)
Adjusted cash	20.1	18.4
Borrowings	(37.2)	(37.9)
Adjusted net debt	(17.1)	(19.5)

The Group presents adjusted net debt as its principle debt measure. Adjusted net debt is equal to net debt excluding cash held in respect of pilot bonds within the Rishworth Aviation business. Where required by the client, pilot bonds are taken at the start of the pilot's contract and are repayable to the pilot or the client during the course of the contract or if it ends early. There is no legal restriction over this cash, but given the requirement to repay it over a three year period, and that to hold these is a client requirement, cash equal to the amount of the bonds is excluded in calculating adjusted net debt.

(c) Movement in adjusted net debt

	2018 £m	2017 £m
As at 1 January	(19.5)	(15.7)
Net (decrease)/increase in cash and cash equivalents per consolidated cash flow statement	(0.6)	6.2
Borrowings in business acquired	(0.2)	-
Increase in overdrafts and loans	0.9	(6.2)
Increase in invoice financing	(0.1)	(0.7)
Foreign exchange movement	0.2	(0.8)
Adjusted for decrease/(increase) in cash held in respect of pilot bonds	2.2	(2.3)
As at 31 December	(17.1)	(19.5)

21 Net debt continued

(d) Reconciliation of borrowing arising from finance activity

	2018 £m	2017 £m
Borrowings as at 1 January	(37.9)	(30.8)
Increase in overdrafts	(1.5)	(15.3)
Proceeds from bank loans	(4.0)	(0.1)
Repayment of bank loans	6.4	9.2
Increase in invoice discounting	(0.1)	(0.7)
Borrowings in business acquired	(0.2)	–
Foreign exchange movement	0.1	(0.2)
Borrowings as at 31 December	(37.2)	(37.9)

22 Deferred tax

	Holiday pay £m	Retirement provision £m	Tax losses £m	Other temporary differences £m	Total 2018 £m	Total 2017 £m
Deferred Tax Asset						
At 1 January	0.2	0.1	0.1	0.6	1.0	1.0
Credit	0.1	–	–	0.3	0.4	–
Business combinations (see note 13)	0.1	–	–	–	0.1	–
At 31 December	0.4	0.1	0.1	0.9	1.5	1.0

	Intangible assets £m	Unremitted overseas earnings £m	Other temporary differences £m	Total 2018 £m	Total 2017 £m	
Deferred Tax Liability						
At 1 January		(3.8)	(0.2)	(0.1)	(4.1)	(4.4)
Credit/(charge) to income statement		0.3	(0.1)	–	0.2	0.2
Business combinations (see note 13)		(0.2)	–	–	(0.2)	–
Foreign exchange movement		(0.1)	–	–	(0.1)	0.1
At 31 December		(3.8)	(0.3)	(0.1)	(4.2)	(4.1)

At the balance sheet date, the Group has unused tax losses of £4.1m (2017: £2.1m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £0.3m (2017: £0.5m) of such losses. No deferred tax asset has been recognised in respect of the remaining £3.8m (2017: £1.6m) as it is not considered probable that there will be future taxable profits available.

No deferred tax liability is recognised on certain temporary differences totalling £6.3m (2017: £5.5m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The tax impact of these temporary differences would be £0.7m (2017 £0.6m) assuming all unremitted earnings were remitted in full in the year.

23 Share capital and Shares held by Employee Benefit Trust

Share capital

	2018		2017	
	Number of shares	£m	Number of shares	£m
Issued, allotted and fully paid				
Ordinary shares of 5p each	49,019,132	2.4	49,019,132	2.4

The Company has one class of ordinary share which carries no rights to fixed income. All ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Notes to the consolidated financial statements continued

23 Share capital and Shares held by Employee Benefit Trust continued

Shares held by the Empresaria Employee Benefit Trust

	2018 Number of shares	2017 Number of shares
Allotted and fully paid		
Ordinary shares of 5p each	576,204	96,500

During the year ended 31 December 2018 the Company purchased 479,704 (2017: 96,500) of its own shares for a total consideration of £0.4m (2017: £0.1m). The shares have subsequently been transferred to the Empresaria Employee Benefit Trust to meet the obligation to provide shares when employees exercise their options or awards.

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

24 Financial risk management

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

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

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

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

Credit risk

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

Classes of financial assets – carrying amounts

	2018 £m	2017 £m
Cash and cash equivalents	25.4	25.9
Trade and other receivables *	54.2	49.8

* Trade and other receivables exclude prepayments, tax and social security amounting to £3.1m (2017: £3.3m).

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

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

The amounts presented in the balance sheet are net of allowances for impairment. An allowance for impairment is made based on the expected credit loss as described in note 2. The Group has no significant concentration of risk, with exposure spread over a large number of third parties and customers. A provision of £1.1m (2017: £0.8m) has been recorded.

24 Financial risk management continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

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

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

	Current	Overdue by up to 30 days	Overdue by up to 60 days	Overdue by up to 90 days	Overdue by more than 90 days	Total
Average expected loss rate (%)	0.5%	2.0%	3.0%	4.0%	5.0%	
Gross carrying amount (£m)	37.2	7.7	2.1	1.0	1.2	49.2
Loss provision (£m)	0.79	0.15	0.06	0.04	0.06	1.1

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

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

	2018 £m	2017 £m
Balance as 1 January	0.8	1.0
Impairment loss recognised	0.7	0.8
Impairment loss utilised	(0.4)	(1.0)
Balance at 31 December	1.1	0.8

Market risk

(a) Foreign exchange risk

The majority of the Group's transactions are carried out in the local currency of the respective country the business is operating in. However, the Group does undertake transactions denominated in foreign currencies and consequently exposures to exchange rate fluctuation arise. The majority of this exposure is mitigated by incurring costs in the same currency.

To mitigate the Group's exposure to foreign currency risk, non-local currency cash flows are monitored and if applicable, forward exchange contracts are entered into in accordance with the Group's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

As at 31 December 2018 there were a small number of forward currency contracts in place. The amount covered by these at 31 December 2018 was £0.7m (2017: 0.9m). The fair value of these as at 31 December 2018 was £nil (2017: £nil).

During the year Group has recognised a net foreign exchange gain of £0.1m (2017: £nil) in the Consolidated income statement.

Notes to the consolidated financial statements continued

24 Financial risk management continued

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

	Foreign currency monetary items		Sensitivity analysis impact of non-functional currency foreign exchange exposure		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2018					
US Dollars	7.1	(6.3)	US Dollars (10%)	(0.1)	(0.1)
Euro	11.8	(7.5)	Euro (10%)	(0.4)	(0.4)
	Foreign currency monetary items		Sensitivity analysis impact of non-functional currency foreign exchange exposure		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2017					
US Dollars	5.6	(5.2)	US Dollars (10%)	(0.1)	(0.1)
Euro	11.2	(10.3)	Euro (10%)	(0.1)	(0.1)

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

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

The Group also has currency exposure on the translation of overseas subsidiaries' results into Pounds Sterling. The Group does not actively hedge this exposure although there is an element of natural hedge by having operations in different countries. The amount of currency retranslation gain recognised in equity was £0.8m (2017: loss £1.2m).

(b) Interest rate risk

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

At 31 December 2018, the Group is exposed to changes in market interest rates through its borrowings, which are subject to variable interest rates. For further information see note 20.

	2018	2017
Effective interest rate on borrowings in the year	2.6%	2.6%

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

Interest rate

	2018 £m	2017 £m
Net result for the year	(0.3)	(0.3)
Equity	(0.3)	(0.3)

24 Financial risk management continued

Liquidity risk

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

As at 31 December 2018, the Group's liabilities have contractual maturities which are summarised below:

	Current				Non-current	
	within 6 months		6 to 12 months		1 to 5 years	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Borrowings	31.9	35.3	0.1	1.3	5.2	1.2
Trade and other payables	33.8	33.6	–	–	–	–
Total	65.7	68.9	0.1	1.3	5.2	1.2

* Trade and other payables in above table exclude other tax and social security amounting to £8.1m (2017: £8.4m).

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 £16.7m (2017: £19.3m) of undrawn bank facilities (excluding invoice financing).

Capital structure

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. The capital structure of the Group consists of net debt, which includes borrowings and cash and cash equivalents (see note 21) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 23 and in the Consolidated statement of changes in equity.

The board reviews the capital structure of the Group on an ongoing basis, considering the cost of capital and the risks associated with each class of capital. The Board closely monitors the level of borrowings, its debt to debtors ratio and compliance with any covenants on its borrowings. Further details on covenants are given in the Financial review on page 23.

Debt to debtors ratio

	2018 £m	2017 £m
Adjusted net debt (see note 21)	17.1	19.5
Trade receivables	48.1	43.2
Debt to debtors ratio	36%	45%

25 Financial commitments

Operating leases

	Motor vehicles		Land and buildings	
	2018 £m	2017 £m	2018 £m	2017 £m
Total minimum operating lease payments due:				
Within one year	0.5	0.6	2.9	2.4
One to five years	0.5	0.6	2.7	3.4
After five years	–	–	0.4	0.7
	1.0	1.2	6.0	6.5

Notes to the consolidated financial statements continued

26 Dividends

	2018 £000	2017 £000
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 1.32p (2016: 1.15p) per share	644	564
Proposed final dividend for the year ended 31 December 2018 of 2.0p (2017: 1.32p) per share	969	644

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

27 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the financial year was £3.3m (2017: loss of £2.2m).

28 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. These transactions include franchise fees, interest charges and revenue, which amounted to £3.6m (2017: £3.3m), £0.9m (2017: £0.8m) and £0.4m (2017: £nil), respectively.

The Company transacted with 24/7 Translations Limited for the provision of translation services. Spencer Wreford, Chief Executive Officer, jointly owns this company with his wife. In total the services charged were for £1,881 (2017: £nil). The Company also transacted with Cobweb Cyber Limited for the provision of cyber security services. Penny Freer, Non-Executive Director, holds a minority interest shareholding and is a director in this company. In total the services charged were for £4,800 (2017: £nil).

Remuneration of key management personnel

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

The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on pages 39 to 42.

	2018 £m	2017 £m
Short-term employee benefits	0.7	0.6
Post-employment benefits (contributions to defined contribution pension schemes)	0.1	0.1
Share-based payments	-	(0.2)

Directors' transactions

Dividends totalling £184,923 (2017: £161,168) were paid in the year in respect of ordinary shares held by the Company's Directors.

Management equity

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

Purchased by the Group:

Company	%	Aggregate consideration	Seller
	of shares	£000	
Interactive Manpower Solutions Private limited	0.4%	16	R Thomas and K Kumar
LMA Recruitment Singapore Pte. Limited	15%	28	M Streeton
PT Monroe Consulting Group	10%	15	B Hendrayono
Teamsales Limited	1.7%	9	C Delaney
Beresford Wilson and Partners FZ-LLC	10.1%	nil	R Weetch

There were no shares sold to management of subsidiaries during the year.

29 Share-based payments

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

In 2018 a charge of £nil (2017: credit of £0.2m) was recognised in the income statement. Movements in the number of options outstanding are as follows:

	2018 Number of share options thousands	2017 Number of share options thousands
Outstanding as at 1 January	3,355	3,273
Expired during the year (weighted average exercise price was £nil (2017: £nil))	(571)	(281)
Granted during the year	762	363
Outstanding as at 31 December	3,546	3,355
Vested as at 31 December	1,982	1,897

The fair value of options granted during the year is estimated using a Black-Scholes model for the element with an earnings per share performance conditions and a Monte Carlo model for the element with a total shareholder return performance condition. Details of the performance conditions can be found in the Directors' remuneration report on pages 39 to 42.

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

	Award in 2018	Award in 2018	Award in 2017
Share price at date of grant	88.0p	74.0p	138.5p
Weighted average exercise price	nil	nil	nil
Expected volatility	34.7%	34.4%	36.3%
Expected life	2.6 years	2.3 years	3 years
Risk-free rate	0.76%	0.74%	0.11%
Expected dividend yields	1.51%	1.78%	0.83%
Vesting dates	March 2021	March 2021	March 2020
Fair value assessed per share	67.9p	54.2p	105.5p

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

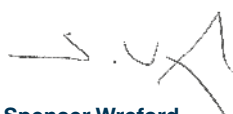
Parent Company balance sheet

	Note	2018 £m	2017 £m
Non-current assets			
Tangible assets	5	–	–
Investments in subsidiaries	6	51.2	49.0
		51.2	49.0
Current assets			
Debtors	7	6.0	4.3
Creditors: amounts falling due within one year	8	(19.4)	(21.8)
Net current assets		(13.4)	(17.5)
Total assets less current liabilities		37.8	31.5
Creditors: amounts falling due after more than one year	9	(5.0)	(1.0)
Net assets		32.8	30.5
Capital and reserves			
Called-up share capital	10	2.4	2.4
Share premium account		22.4	22.4
Merger reserve		0.9	0.9
Other reserves		0.7	0.7
Equity reserve		(0.2)	(0.2)
Profit and loss account		6.6	4.3
Shareholders' funds		32.8	30.5

The profit for the financial year ended 31 December 2018 was £3.3m (2017: Loss of £2.2m).

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 12 March 2019.

Signed on behalf of the Board of Directors



Spencer Wreford
Chief Executive Officer



Tim Anderson
Group Finance Director

Parent Company statement of changes in equity

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Other reserves £m	Equity reserve £m	Profit and loss account £m	Total Shareholders' funds £m
At 1 January 2017	2.4	22.4	0.9	0.9	(0.2)	7.2	33.6
Loss for the financial year and total comprehensive loss	–	–	–	–	–	(2.2)	(2.2)
Dividend paid on equity shares	–	–	–	–	–	(0.6)	(0.6)
Movement in share options	–	–	–	(0.2)	–	–	(0.2)
Purchases of own shares by Employee Benefit Trust	–	–	–	–	–	(0.1)	(0.1)
At 31 December 2017	2.4	22.4	0.9	0.7	(0.2)	4.3	30.5
Profit for the financial year and total comprehensive loss	–	–	–	–	–	3.3	3.3
Dividend paid on equity shares	–	–	–	–	–	(0.6)	(0.6)
Movement in share options	–	–	–	–	–	–	–
Purchases of own shares by Employee Benefit Trust	–	–	–	–	–	(0.4)	(0.4)
At 31 December 2018	2.4	22.4	0.9	0.7	(0.2)	6.6	32.8

Equity comprises the following:

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

Notes to the Parent Company financial statements

1 Basis of preparation, general information and summary of significant accounting policies

(a) Basis of preparation and general information

The financial statements are for the twelve months ended 31 December 2018. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

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

The Company has taken advantage of a disclosure exemption and has elected not to present a cashflow statement.

(b) Summary of significant accounting policies

Going concern

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

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Tangible fixed assets

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

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

Investments in subsidiaries

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

Leases

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

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

Financial Instruments

Short term debtors and creditors are measured at transaction price, less any impairment. Loans receivable and other financial liabilities, including amounts due from and to subsidiary undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Pension costs

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

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 2018 of £3.3m (2017: Loss of £2.2m).

3 Directors and employees

	2018 £m	2017 £m
Staff costs		
Wages and salaries	1.6	1.2
Social security costs	0.2	0.1
Other pension costs	0.1	0.1
Share based payments	–	(0.2)
	1.9	1.2
	2018 Number	2017 Number
Average monthly number of persons employed (including directors)	17	15

Bonus costs in the year were £0.4m (2017: £0.1m).

Details of Directors' remuneration are given on pages 39 to 42.

4 Dividends

During 2018 Empresaria Group plc paid a dividend of £0.6m to its equity shareholders (2017: £0.6m). This amounted to 1.32p per ordinary share (2017: 1.15p).

Please see note 26 of the Group accounts for information on proposed dividends for the year ended 31 December 2018.

5 Tangible assets

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

	Fixtures, fittings and equipment £m
Cost	
As at 1 January 2018 and 31 December 2018	0.5
Accumulated depreciation	
At 1 January 2018	0.5
Charge for the year	–
At 31 December 2018	0.5
Net book value	
At 31 December 2017	–
At 31 December 2018	–

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2018	57.6
Additions	2.3
Disposals	(2.2)
At 31 December 2018	57.7
Impairment	
At 1 January 2018	8.6
Reversal	(0.6)
Disposals	(1.5)
At 31 December 2018	6.5
Net book value	
At 31 December 2017	49.0
As 31 December 2018	51.2

During the year the company made a further investment in Empresaria Americas Limited of £2.0m in relation to the investment in Grupo Solimano S.A.C as disclosed in note 13 of the Group accounts. A further £0.3m was invested in Empresaria Asia Limited as part of an internal reorganisation. Disposals in the year also reflected internal reorganisations within the Group. The impairment reversal of £0.6m is in relation to the investment in Medikumppani Oy where the full amount of the previously recognised impairment has been reversed following an assessment of the recoverable amount at the year end.

Investments comprise of the following subsidiary companies:

Company	Class of share held	2018 Effective % holding	2017 Effective % holding
Registered office: Old Church House, Sandy Lane, Crawley Down, West Sussex, RH10 4HS UK			
Ball and Hoolahan Limited	Ordinary	90	90
Beresford Wilson and Partners Limited	Ordinary	99	88
BWP Holdco Limited	"A" Ordinary	99	88
ConSol Partners (Holdings) Limited	"A" Ordinary	65	65
ConSol Partners Limited	Ordinary	65	65
Creative People Limited (Dissolved 13 February 2018)	Ordinary	–	90
Empresaria Americas Finco Limited	Ordinary	100	100
Empresaria Americas Limited*	Ordinary	100	100
Empresaria Asia Limited*	Ordinary	100	100
Empresaria Indonesia Holdings Limited (formerly Empresaria China (Holdings) Ltd)	Ordinary	100	100
Empresaria GIT Holdings Limited*	"A" and "B" Ordinary	100	100
Empresaria GIT Limited	Ordinary	100	100
Empresaria T&I Holdings Limited* (formerly Empresaria Gulf Limited*)	Ordinary	100	100
Empresaria Services Limited* (formerly Empresaria Healthcare Limited*)	Ordinary	100	100
Empresaria Malaysia Holdings Limited	"A" Ordinary	70	70
Empresaria Mexico Holdings Limited	"A" Ordinary	51	51
Empresaria North America Limited	"A" Ordinary	88	88
Empresaria NZ Finco Limited	Ordinary	100	100
Empresaria NZ Limited*	Ordinary	100	100
Empresaria Peru Holdings Limited (formerly Alpion Recruitment Limited)	Ordinary	100	100
Empresaria Philippines Holdings Limited	"A" Ordinary	90	90

6 Investments in subsidiaries continued

Company	Class of share held	2018 Effective % holding	2017 Effective % holding
Empresaria T&I Limited (formerly Empresaria Technical & Industrial Holdings Limited)	Ordinary	100	100
Empresaria Technology (Holdings) Limited*	Ordinary	100	100
Empresaria Thailand Holdings Limited	"A" Ordinary	70	70
Empresaria Vietnam Holdings Limited	Ordinary	100	100
EMR1000 Limited*	Ordinary	100	100
FastTrack Management Services Limited*	"A" Ordinary	75	75
Global Crew UK Limited	Ordinary	83	83
Greycoat Investments Limited*	Ordinary	100	100
Greycoat Placements Limited*	"A" Ordinary	90	90
Interim Management International Limited*	Ordinary	100	100
LMA Recruitment Limited*	"A" Ordinary	63	63
Become Recruitment Limited (formerly Mac People Limited)	Ordinary	90	90
Mansion House Recruitment Limited*	Ordinary	63	100
McCall Limited*	"A" Ordinary	82	82
NMS Czech Holding Limited*	"A" Ordinary	51	51
Oval (888) Limited*	"A" and "B" Ordinary	100	100
Publishing People Limited (Dissolved 13 February 2018)	Ordinary	–	90
Reflex HR Limited	Ordinary	100	100
Teamsales Limited*	"A" Ordinary	97	95
The Recruitment Business Holdings Limited*	"A" Ordinary	90	90
The Recruitment Business Limited	Ordinary	90	90
The Recruitment Store (2000) Limited (Dissolved 13 February 2018)	Ordinary	–	90
TLN 1004 Limited*	"A" and "B" Ordinary	100	100
TLN 1006 Limited*	"A" and "B" Ordinary	100	100
Web People Recruitment Limited (Dissolved 13 February 2018)	Ordinary	–	90
Registered office: Stanley & Williamson, Level 1 34 Burton Street, Kirribilli NSW 2061, Australia			
The Recruitment Business Pty Limited	Ordinary	90	90
Registered office: Durisolstraße 1/WDZ II, 4600 Wels, Austria			
headwayaustria GesmbH	Ordinary	100	100
Registered office: Ave. Isidora Goyenechea 3250, 13th Floor, Santiago, District of Las Condes, Chile			
Empresaria Group Chile Limitada*	Ordinary	100	100
Registered office: Alcade Jorge Monckeberg 77, Santiago, Chile			
A-Consulting Limitada	Ordinary	56	56
Alternattiva Empresa De Servicios Transitorios Limitada	Ordinary	56	56
Instituto De Capacitacion Complementaria De La Empresa Limitada	Ordinary	56	56
Marketing y Promociones S.A.	Ordinary	56	56
Registered office: Cerro El Plomo #5420, Oficina 703, 7th Floor, Las Condes, Santiago, 7560742			
Monroe Chile S.A.	Ordinary	55	55

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries continued

Company	Class of share held	2018 Effective % holding	2017 Effective % holding
Registered office: Room 16F02, No. 828-838, Zhangyang Road, Pudong New Area, Shanghai, China			
Monroe Consulting China Group (formerly named Empresaria Intelligence HR Consultants)	Ordinary	100	100
Registered office: Linnankatu 13a B32, 6th Floor, 20100 Turku, Finland			
Medikumppani Oy* (formerly Mediradix Oy)	Ordinary	96	96
Registered office: Landshuter Strabe 73, 84030, Ergolding, Germany			
Empresaria Holding Deutschland GmbH*	Ordinary	100	100
headwaypersonal GmbH	Series A and Series B	90	90
headwaylogistic administration GmbH	Series A and Series B	84	84
headwayindustrie GmbH	Ordinary	84	84
Registered office: Herner Strasse 35, D-45657 Recklinghausen, Germany			
headwaylogistic GmbH	Ordinary	84	84
Registered office: 22/F, 3 Lockhart Road, Wanchai, Hong Kong			
LMA Recruitment Limited (Dissolved 27 April 2018)	Ordinary	–	100
Registered office: Unit B, 10th Floor E168, nos 166-168 Des Voeux Road Central, Sheung Wan, Hong Kong			
The Recruitment Business Limited	Ordinary	90	90
Registered office: Ground Floor, 001 Raghupati Niketan, Opp. Ishita Appartments, Navrangpura, Ahmedabad, Gujarat, 380 009, India			
Interactive Manpower Solutions Private Limited*	Ordinary	71	71
Registered office: Gedung Sovereign Plaza, Lt 16 Unit A-B, Jl. TB Simatupang Kav. 36, Jakarta, SELATAN 12430, Indonesia			
PT. Monroe Consulting Group	"A" Ordinary	100	90
Registered office: No. 2 TR Building, 2-10-4 Yoyogi, Shibuya-ku, Tokyo, Japan			
FINES K.K.	Ordinary	51	51
FINES Tokyo K.K.	Ordinary	51	51
Registered office: 8-27 Toranomom 3-chome, Minato-ku, Tokyo, Japan			
Skillhouse Staffing Solutions K.K.	Ordinary	90	90
Registered office: Portman House, Hue Street, St Helier, JE4 5RP, Jersey			
Rhinefield Limited* (Dissolved 18 December 2018)	Ordinary	–	100
Registered office: 14A Jalan Tun Mohd Fuad, Taman Tun Dr Ismail, 60000, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Agensi Pekerjaan Monroe Consulting Group Malaysia Sdn. Bhd.	Ordinary	70	70
Registered office: Insurgentes 1796 4to Piso, Colonia Florida, DF 01030, Mexico			
Monroe Consulting Mexico, S.A. de C.V.	Class I and Class II Ordinary	51	51

6 Investments in subsidiaries continued

Company	Class of share held	2018 Effective % holding	2017 Effective % holding
Registered office: GVW Accountants Limited, Level 1, 109 Carlton Gore Road, Newmarket, 1023 New Zealand			
Global Resources Asia Limited	Ordinary	83	83
Rishworth Holdco Limited	Ordinary	83	83
Rishworth Aviation Asia Limited	Ordinary	83	83
Rishworth Aviation Asia Pacific Limited	Ordinary	83	83
Rishworth Aviation Europe Limited	Ordinary	83	83
Rishworth Aviation Limited	Ordinary	83	83
Rishworth Aviation International Limited	Ordinary	83	83
Rishworth Aviation Services Limited (formerly Rishworth Personnel Limited)	Ordinary	83	83
Rishworth Solutions Limited	Ordinary	83	83
Registered office: Unit 605 Richville Corporate Tower, 1107 Alabang-Zapote Road, Madrigal Business Park, Alabang, Muntinlupa C, 1780, Philippines			
HR Philippines Holdings, Inc.	Ordinary	90	90
Registered office: Unit 2108 Trade & Financial Tower, 7th Avenue Corner 32nd Street, Global City, BGC Fort Bonifacio, Taguig, 1634, Philippines			
Monroe Consulting Philippines, Inc.	Ordinary	90	90
Registered office: 10 Anson Road #35-06A, International Plaza, 079903, Singapore			
Global Crew Asia Pte Ltd	Ordinary	83	83
Global Resources Aviation Singapore PTE Ltd	Ordinary	83	83
Registered office: De Cuserstraat 93, tweede en derde verdieping, 1081 CN, Amsterdam, Netherlands			
Global Crew Netherlands B.V.	Ordinary	83	83
Registered office: Level 28 Clifford Centre, 24 Raffles Place, Singapore 048621 Singapore			
LMA Recruitment Singapore Pte. Limited	Ordinary	75	60
Registered office: 10 Anson Road, #10-08 Singapore, Singapore 079903, Singapore			
McCall Singapore Pte. Limited	Ordinary	82	82
Registered office: Postova 3, 811 06, Bratislava, Slovakia			
Gate1234 s.r.o.	Ordinary	100	100
Registered office: Norrtullsgatan 6, 4th Floor, 11329 Stockholm, Sweden			
Rishworth Aviation AB	Ordinary	83	83
Registered office: 28th Floor, Lake Rajada Office Complex Bldg, 193/119 Ratchadapisek Rd, Klongtoey, Bangkok, 10110, Thailand			
Monroe Holdings (Thailand) Company Limited	Ordinary	70	70
Monroe Recruitment Consulting Group Company Limited	Ordinary	70	70
Registered office: Office 306, Building 19, Dubai Knowledge Village, PO Box 500693, United Arab Emirates			
Beresford Wilson and Partners FZ-LLC	Ordinary	98	88

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries continued

Company	Class of share held	2018 Effective % holding	2017 Effective % holding
Registered office: 615 South Dunpont Highway, Dover, Kent County, DE 19903, United States			
ConSol Partners LLC	Ordinary	65	65
Registered office: 2711 Centreville Road, Suite 400 City of Wilmington, County of New Castle, DE 19808, United States			
Empresaria USA Inc.	Common Stock	88	88
Registered office: 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808-1674 DE USA			
Empresaria Americas Services Inc	Common Stock	100	–
Registered office: 477 Main Street, Stoneham, MA 02180, United States			
Medical Recruitment Strategies, LLC	"A" and "B" Ordinary	88	88
Pharmaceutical Strategies, LLC	"A" and "B" Ordinary	88	88
Recruitment Strategies Group, LLC	"A" and "B" Ordinary	88	88
Recruitment Strategies, LLC	"A" and "B" Ordinary	88	88
Registered office: Floor 6, HD Tower, No 25 Bis, Nguyen Thi Minh Khai Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam			
Monroe Consulting Group Vietnam Limited Liability Company	Ordinary	100	100
Registered office: Av. Alfredo Benavides No 1551, Office No 901, District of Miraflores, province and dept of Lima, Peru			
Grupo Solimano S.A.C.	Ordinary	60	–
People Intermediacion S.A.C.	Ordinary	60	–
People Outsourcing S.A.C.	Ordinary	60	–
Solimano Asociados S.A.C.	Ordinary	60	–
Talentos, Servicios & Ingenieria S.A.C.	Ordinary	60	–

* These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December 2018 and 31 December 2017.

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

7 Debtors

	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	4.0	3.3
Other debtors	1.3	0.5
Prepayments and accrued income	0.7	0.5
	6.0	4.3

No amounts are due after more than one year (2017: £nil).

8 Creditors: amounts falling due within one year

	2018 £m	2017 £m
Bank overdraft and loans due within one year	13.0	16.6
Trade creditors	0.1	0.1
Amounts owed to subsidiary undertakings	5.2	4.3
Other creditors	0.1	0.1
Accruals	1.0	0.7
	19.4	21.8

9 Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Bank loans	5.0	1.0
	5.0	1.0

At 31 December 2018, the UK multi-currency revolving credit facility of £10.0m, expiring in 2021, had a balance of £5.0m (2017: £1.0m). Interest is payable at 1.5% plus LIBOR or EURIBOR.

During the year ended 31 December 2018 the UK term loan was repaid. The balance as at 31 December 2017 was £2.0m. Interest was payable at 1.5% above UK base rate.

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

	2018 £m	2017 £m
Bank loans		
Repayable within one year	–	2.0
Repayable between one and two years	–	–
Repayable between two and five years	5.0	1.0
	5.0	3.0

10 Called up share capital

	Number of shares	2018 £m	Number of shares	2017 £m
Issued, allotted and fully paid				
Ordinary shares of 5p each	49,019,132	2.4	49,019,132	2.4

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

11 Contingent liabilities

The Company is part of a bank overdraft arrangement that operates across a number of subsidiaries of the Company. This facility gives the Company greater access to readily available cash resources. Cross guarantees exist between the companies within this facility. The total amount owed by the group under this arrangement as at 31 December 2018 was £3.9m (2017: £4.1m).

12 Related party transactions

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

Officers and professional advisers

Directors

Spencer Wreford
Tim Anderson
Rhona Driggs
Tony Martin
Penny Freer
Zach Miles

Secretary

James Chapman

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Company registration number

03743194

Nominated Adviser & Broker

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EC2N 1AR

Solicitors

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Registrars

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Northern House
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HD8 0GA

Glossary

Adjusted earnings per share

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

Adjusted net debt

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

Adjusted operating profit

Operating profit adjusted to exclude amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of businesses and fair value charges on acquisition of non-controlling shares.

Adjusted profit before tax

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

Change in constant currency

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

Conversion ratio

Adjusted operating profit as a percentage of net fee income.

Debt to debtors ratio

Adjusted net debt as a percentage of trade receivables.

Free cash flow

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

Free cash (pre-tax)

Free cash flow excluding cash flows on income taxes.

Net fee income

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

Offshore Recruitment Services (ORS)

Recruitment services provided by our operation in India to businesses elsewhere in the world.

Pilot bonds

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

RPO

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

SIA

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

Staff productivity

Net fee income divided by staff costs.

Notes



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