Empresaria Group plc

Summary Report 2015

An international **specialist staffing** group.

Balanced and **diversified** by geography and sector.

Empresaria Group plc

Empresaria is an international specialist staffing group, with a strategy to develop leading brands within our sector expertise and to be diversified and balanced across geographies and sectors. The Group follows a multi-branded business model to address global talent and skills shortages.

The Group operates in 18 countries across three primary geographic regions: UK, Continental Europe and Rest of the World. We are organised across six sectors, with each brand being a specialist in their niche market within our broad sector categories. The brand's specific expertise and knowledge of their market enables them to understand the needs of clients and candidates alike, allowing them to attack the market vertically rather than horizontally. Our spread of operations minimises the dependence on any single market, so reducing the impact from market fluctuations and other external factors. We are focused on growth markets, whether this is country or sector based.

The Group has three main service lines, temporary recruitment, permanent recruitment and offshore recruitment services. Overall we like to have a bias for temporary recruitment which is generally expected to be more stable throughout the economic cycle, but this also depends on the maturity of the staffing sector in each country, with less mature markets focused purely on permanent sales. We target professional and specialist job levels where our brands can offer a higher value added service to clients.

The Group applies a philosophy of management equity to align the interests of shareholders and key management through the sharing of risk and reward, with operating company management teams owning shares directly in their own businesses. There is a decentralised structure with local management retaining operational autonomy and central functions focussing on financial planning and control, Group development and administration.

19 Brands

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6 Key sectors

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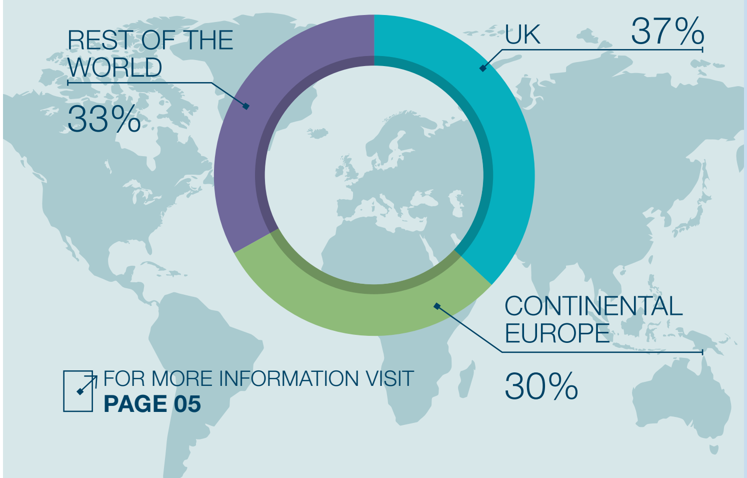
3 Regions



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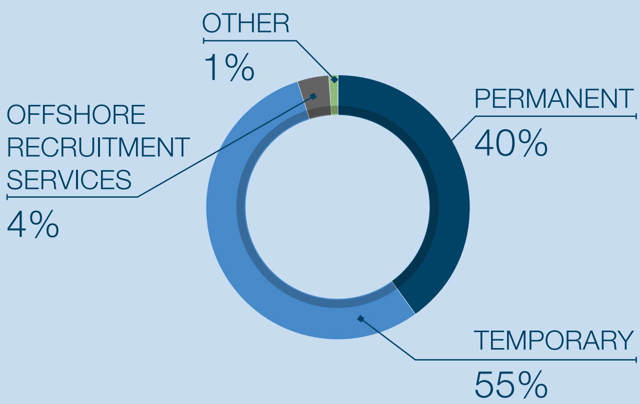
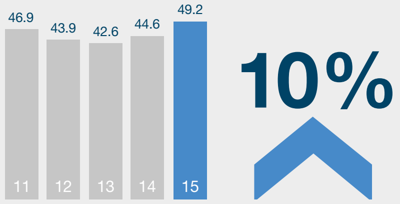
3 Service lines



Financial highlights

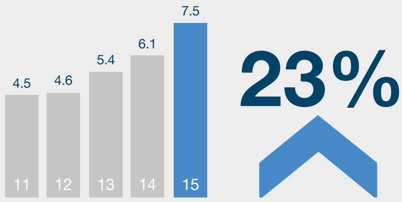
NET FEE INCOME (£M)

£49.2m (2014: £44.6m)



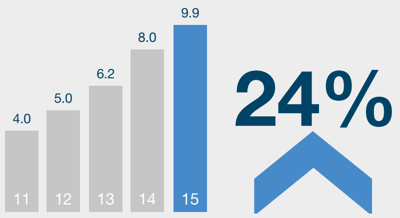
ADJUSTED PROFIT BEFORE TAX (£M)

£7.5m (2014: £6.1m)



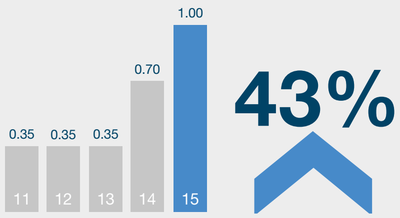
ADJUSTED DILUTED EPS (P)

9.9p (2014 8.0p)



DIVIDEND GROWTH

1.00p (2014: 0.70p)



Operating highlights

- Revenue of £187.3m down 0.3% due to negative currency impacts and a reduction in lower margin work
- Net fee income up 10% on prior year
- Ten consecutive quarters of net fee income growth
- Conversion ratio increases to 16.3% from 14.7%
- Operating profit up 19% to £7.6m
- Profit before tax up 20% to £7.1m
- Diluted earnings per share up 24% to 9.9p
- Continued strength in German performance
- Strong growth of Offshore Recruitment Services from India
- Successful integration of investments made in 2014
- Net debt reduced by 26% to £7.3m
- Second brand launches in UAE
- Investment in October 2015 in USA based professional healthcare staffing company
- 16% increase in average number of staff

Contents

CAUTIONARY STATEMENT

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

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

Chairman's statement

'The Group has delivered another period of strong profit and earnings per share growth'

It has been an important year in the Group's development as we delivered a record profit, developed the organic investments made in 2014, invested in new staff across our brands and issued new equity to fund the purchase of a high quality business operating in the USA healthcare sector, which also brought new investors onto the shareholder register.

The Group again delivered strong growth in profit and earnings per share in 2015, despite the continued impact of foreign exchange. This currency issue and our strategy of reducing our exposure to low margin, high volume business in the Technical & Industrial sector meant Group revenue remained broadly flat at £187.3m (2014: £187.9m). However, net fee income grew 10% to £49.2m (2014: £44.6m) as permanent recruitment sales were up 28% year on year. Net fee income from temporary recruitment was down 1.5%, due to a 3.5% reduction in sales, partially offset by improved margins of 16.7% (2014: 16.3%). Permanent sales, including the Offshore Recruitment Services ('ORS') business, now account for 45% of net fee income (2014: 38%).

Operating profit grew by 19% to £7.6m (2014: £6.4m), with costs being carefully managed to help the conversion ratio improve to 16.3% (2014: 14.7%). Interest costs were level with the prior year, resulting in profit before tax increasing 20% to £7.1m. On an adjusted basis, excluding amortisation, exceptional items and profit or loss on disposal of businesses, operating profit of £8.0m was up 21% on prior year and profit before tax was £7.5m, up 23%.

Diluted earnings per share grew by 24% to 9.3p in line with our vision to deliver sustainable growth in earnings per share. On an adjusted basis it grew by 24% to 9.9p, increasing for the fourth year in a row.

Trading summary £'m	**2015**	**2014**	**% change**	**% change constant currency****
Revenue	187.3	187.9	(0.3%)	3%
Net fee income	49.2	44.6	10%	16%
Operating profit	7.6	6.4	19%	29%
Profit before tax	7.1	5.9	20%	30%
Adjusted operating profit*	8.0	6.6	21%	30%
Adjusted profit before tax*	7.5	6.1	23%	44%

* The adjusted operating profit and adjusted profit before tax figures exclude exceptional items, profit or loss on disposal of businesses and intangible amortisation.

** The like-for-like currency movement is calculated by translating the 2014 results at the 2015 exchange rates.

ADJUSTED PROFIT BEFORE TAX

£7.5m

(2014: £6.1m)

23%

We have made further progress in reducing our debt whilst also continuing to invest in the business. During the year the Group generated £7.6m of cash from operations which helped reduce our net debt from £9.8m to £7.3m. This includes the new term loan taken out in October to help fund the purchase of Pharmaceutical Strategies in the USA. This means we have achieved our target of a 'debt to debtors' ratio of no more than 25%, with the ratio dropping to 23% this year. This is a great achievement and demonstrates the improving financial strength of the Group.

INVESTMENTS

Underpinning our strategy is our focus on investing in our existing brands, to help develop them to build long-term sustainable profit streams. Complementing this, we evaluate external investment opportunities to accelerate the growth of the Group and increase our presence in sectors where we feel we are under-represented.

In line with our strategy, in October we purchased Pharmaceutical Strategies (PS), a healthcare staffing firm operating from Boston and servicing clients throughout the USA. PS specialises in providing qualified pharmacists and nurses to the healthcare sector, in particular to the Pharmacy Benefit Management companies. This sector is undergoing high growth rates due to the implementation of the Affordable Care Act and we see good prospects for the business over the medium-term. This investment also takes the Group into a new geography and provides a base for other brands to use if they want to enter the USA market. We have been pleased at how quickly it has integrated into the Group.

PEOPLE

The Group has a stable and experienced Board which is working hard to deliver growth, reduce risk and improve our long-term financial performance, which in turn leads to higher shareholder returns.

A key part of our business model is management equity, aligning key management and shareholder interests. This approach enables Empresaria to attract and retain the best people. At the end of the year we had 42 management shareholders, owning shares in different Group companies. We expect to increase this number during 2016.

The success of the Group is testament to the hard work and commitment of our staff and the Board would like to thank every individual for their contribution to the business. I have visited a number of our brands over the last year and have been impressed by the dedication and hard work I have seen from our staff.

GOVERNANCE

We have the right system of Governance in place to deliver on our vision and ensure there is a sustainable profitable future.

The Group adopts high standards of corporate governance which we believe is a core requirement for a successful business operating a decentralised model across different regions and brands. There is a strong culture of financial control in the Group, with clear policies covering corporate conduct and governance. The Board develops the Group's corporate governance arrangements with reference to the UK Corporate Governance Code.

The values and culture of the Group, which is based on shared ownership and true operational autonomy for brand managers, are key to our long-term growth prospects. As the Group continues to grow and operate in more countries the Board pays particular attention to maintaining this strong operating philosophy and it is reinforced during our leader's conference, last held in 2015 in Oman.

DIVIDEND

The Board has reviewed the dividend in the light of the positive trading result, stronger balance sheet and reduction in total debt. The Board intends to follow a progressive dividend policy in line with trading performance and for the year ending 31 December 2015 the Board has proposed a final dividend of 1.0p per share (2014: 0.7p per share) which, if approved by shareholders at the Annual General Meeting, will be paid on 31 May 2016 to shareholders on the register on 6 May 2016.

OUTLOOK

The Group has delivered another period of strong profit and earnings per share growth, driven by our focused growth strategy. We are confident that 2016 will be another year of growth with the Group benefiting from both the investments made in its existing brands and the purchase of Pharmaceutical Strategies.

Despite wider market uncertainties at the start of the year we see exciting opportunities to develop our network. We are committed to growing the business to drive increased profits and enhanced shareholder value. We look forward to the year ahead with confidence.

Anthony Martin
Chairman

1 March 2016

Group at a glance

19 brands, 6 key sectors in 3 geographic regions

TECHNICAL & INDUSTRIAL
NET FEE INCOME
£21.5m
(2014: £20.8m)
BRANDS

IT, DIGITAL & DESIGN
NET FEE INCOME
£9.2m
(2014: £7.2m)
BRANDS

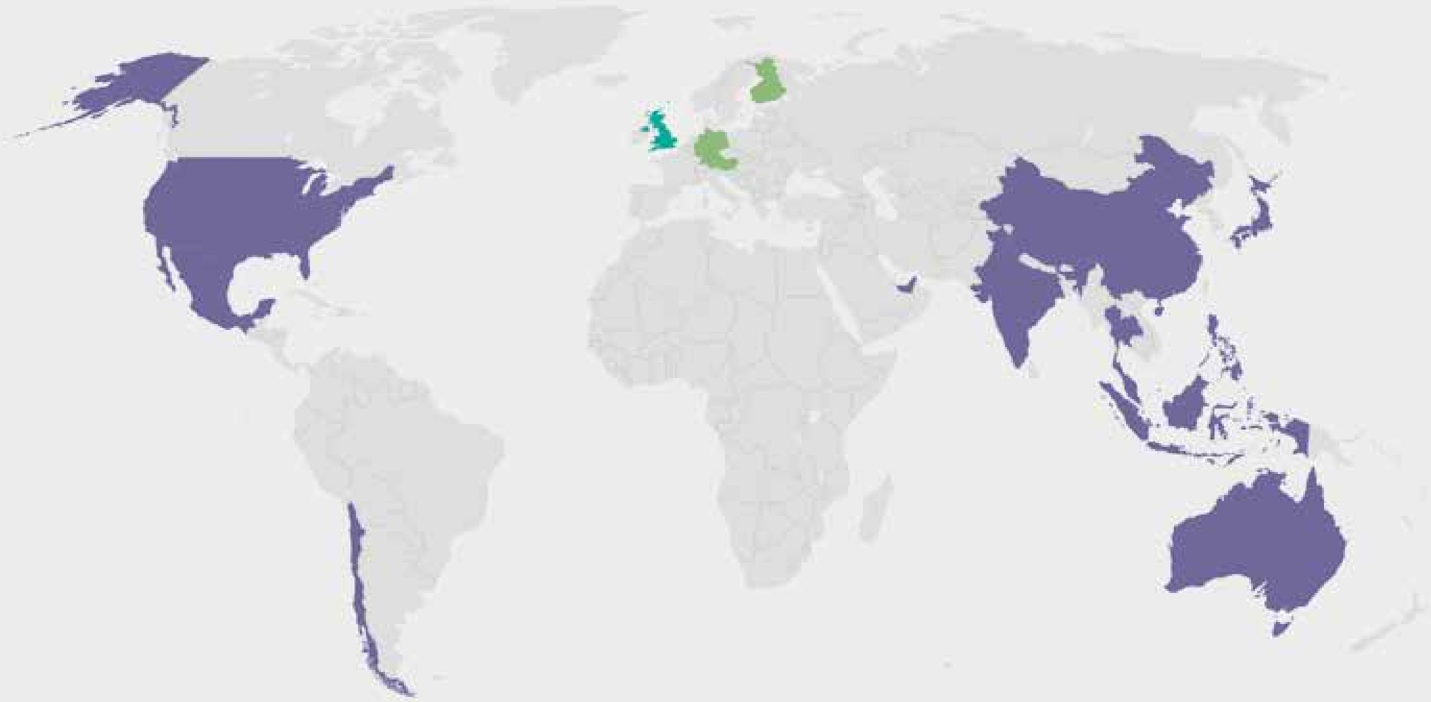
PROFESSIONAL SERVICES
NET FEE INCOME
£6.2m
(2014: £5.1m)
BRANDS

RETAIL
NET FEE INCOME
£3.4m
(2014: £3.2m)
BRANDS

EXECUTIVE SEARCH
NET FEE INCOME
£3.1m
(2014: £2.6m)
BRANDS

HEALTHCARE
NET FEE INCOME
£1.7m
(2014: £1.5m)
BRANDS

OTHER
NET FEE INCOME
£4.1m
(2014: £4.2m)
BRANDS



UNITED KINGDOM

NET FEE INCOME

£18.4m

(2014: £15.9m)

BRANDS

BECOME · FASTTRACK
REFLEX · LMA
MANSION HOUSE
TEAMSALES
GREYCOAT · McCALL
BALL AND HOOLAHAN

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CONTINENTAL EUROPE

COUNTRIES OF OPERATION:

GERMANY · AUSTRIA
FINLAND

NET FEE INCOME

£14.5m

(2014: £15.0m)

BRANDS

HEADWAY · MEDIRADIX

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REST OF THE WORLD

COUNTRIES OF OPERATION:

JAPAN · INDONESIA · INDIA
AUSTRALIA · CHILE · UAE · USA
THAILAND · SINGAPORE · CHINA
HONG KONG · PHILIPPINES
MALAYSIA · MEXICO

NET FEE INCOME

£16.3m

(2014: £13.7m)

BRANDS

SKILLHOUSE · FINES
BECOME · MONROE · LEARNING
RESOURCES · IMS · BW&P
PHARMACEUTICAL STRATEGIES
ALTERNATTIVA · McCALL

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Multi-branded **business model**

The vision of the Group is to be a leading international, specialist staffing group delivering a quality service to our customers and candidates that generates a sustainable growth in earnings per share.

To succeed we need to align our resources behind our strategic priorities. We depend on our staff to develop relationships with clients and candidates, helping to get people working through their in-depth knowledge of their markets. Our structure provides people with the freedom to run their business, supported by a focused central team.

RESOURCES & **RELATIONSHIPS**

FINANCIAL
Our ability to invest in the business.

PEOPLE
The skills and expertise of our staff.

BRAND REPUTATION
Our brands are experts in their markets.

VALUES
Our decentralised structure with operational autonomy for managers

NETWORK
Our brands are servicing clients and candidates across the world.

TECHNOLOGY
Our ability to connect with clients and candidates.

HOW WE GENERATE **REVENUE**

We focus on what we know best with 99% of our business from recruitment services.

PERMANENT RECRUITMENT
(40% of net fee income)

We earn fees when a candidate is placed in a role with a client, with the fee typically being a percentage of the candidate's total salary. Services are generally provided on a contingent basis, so fees are only earned when a vacancy is filled.

TEMPORARY RECRUITMENT
(55% of net fee income)

A fee is earned for the time worked by the candidate with the client, as a percentage of the salary earned in the period.

OFFSHORE RECRUITMENT SERVICES
(4% of net fee income)

A range of recruitment services are provided to clients from an offshore centre.

OTHER SERVICES
(1% of net fee income)

We also provide Training services in South East Asia.

HOW WE CREATE **VALUE**

MULTI-BRANDED MODEL
We target different segments of the market with different brands. Each brand has specific in-depth knowledge and expertise in their market.

MANAGEMENT EQUITY PHILOSOPHY
Senior managers hold equity in their company, so aligning their interests with shareholders. This helps attract and then retain ambitious and talented managers. Our decentralised structure and entrepreneurial culture enables managers to run their businesses effectively and react to local opportunities.

FOCUS ON GROWTH MARKETS
We target operations in growth regions and sectors and have a good presence in high growth markets.

OPERATIONAL FOCUS ON TEMPORARY RECRUITMENT
Providing ongoing temporary recruitment services develops long-term client relationships and helps financial planning through more predictable earnings.

INVESTING IN THE FUTURE

We operate with a consistent business model and strategy, focused on growth. We target profit growth rather than simply revenue generation, with the quality of earnings important, so helping create sustainable long-term shareholder value.

If we provide a good service to our clients and candidates it will help us to deliver profits, which creates value for shareholders and allows us to reinvest in the business to benefit more clients and candidates.

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

STRATEGIC FOCUS

DEVELOP LEADING SPECIALIST BRANDS WITH SECTOR EXPERTISE

We invest in our brands to ensure they have sufficient scale and strength to deliver sustainable profits. Our primary focus is on professional and specialist job roles in sectors which have good long-term growth prospects.

MAINTAIN DIVERSIFICATION AND BALANCE BY GEOGRAPHY AND SECTOR

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

DEVELOP A SOLID FINANCIAL FOUNDATION

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

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OUTCOMES

INCREASED SHAREHOLDER RETURNS

We are delivering sustainable returns for shareholders with growth in earnings per share and a progressive dividend policy in line with trading performance.

HELPING PEOPLE FIND JOBS AND DEVELOP THEIR CAREERS

We help people to find work so they can provide for their families and develop their skills and experience.

DEVELOP SUSTAINABLE BRANDS WITH STRONG REPUTATION

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.

REWARDING CAREERS FOR STAFF

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

SUPPORTING LOCAL BUSINESS

We help businesses find the workers they need to meet their goals.

FINANCIAL RETURNS

Growth in profit and cash-flow allow us to invest in the future of the business.

INVESTING IN THE FUTURE

Market drivers that shape our strategy

The key drivers for the Group's strategy include economic activity, population growth and urbanisation, talent shortages and access to staff. These are explained below.

INDUSTRY OPPORTUNITIES AND CHALLENGES

Talent shortages

Flexible working practices

Advances in technology & disruptive business models

Market regulations

MACRO-ECONOMIC AND SOCIAL DRIVERS

Economic growth

Market size and specialisation

Competition for talent – global markets

Population size

Urbanisation

Growth of the middle classes in emerging markets

OUR STRATEGIC RESPONSE

Develop leading brands which are specialists in their markets

Focus on professional & specialist job roles

Focus on sectors with long-term growth prospects

Diversified and balanced by geography and sector

Focus on key economic centres

Mix of established and emerging markets

INDUSTRY OPPORTUNITIES AND CHALLENGES:

The level of regulation in the market indicates how sophisticated it is, with higher regulations generally creating a bigger staffing industry. This is illustrated by the temporary penetration rate, which represents the number of agency workers in a country as a percentage of the total working population. Regulations generally provide better working conditions and so encourage workers away from unofficial employment, which helps to develop the staffing industry.

Talent shortages exist in key sectors that we operate in such as Engineering, Healthcare and IT, as there are insufficient workers with the necessary skills due to either technological advances or growth from emerging markets fuelling demand. This will increase the globalisation of the workforce in these sectors and the need for specialist recruiters to be able to source the best talent available. There is also an expected reduction in the number of low skilled jobs in the future, with half of US jobs predicted to be at risk of being computerised over the next two decades according to 'The Future of Employment: How susceptible are jobs to computerisation?' by C Frey & M Osborne (2013).

There is an ongoing trend towards flexible working practices, including project based work and outsourcing. This is coming from changing candidate preferences and the need for clients to manage costs. In the established staffing markets we see an increased use of Preferred Supplier Lists (PSL) and Managed Service Providers (MSP) and with advances in technology there are new business models being developed for the industry that could change the way businesses find and hire talent in the future.

OUR OPPORTUNITY:

We have a bias towards temporary recruitment, offering workers the flexibility to work when they want or to help people get into the working environment. We expect this trend to increase and as markets get more regulated it removes any negative sentiment towards temporary working. We look to maintain a strong temporary and interim recruitment service offering. Our focus is also on professional and specialist job roles where we believe the biggest talent shortages exist and where recruitment agencies are needed to help identify hard-to-find candidates, reducing our exposure to generalist roles.

We have a fast-growing ORS business, operating out of India and providing services primarily in the USA and UK, often helping agencies that are operating under MSP arrangements and require outsourced support to meet their agreed service levels. We keep a close eye on new technologies and business models but we believe the key benefit of using a staffing agency is the expertise and knowledge they have of their market, so helping to source hard to find candidates and make the best possible match against job specifications. We encourage staff training and development across the Group and our multi-branded model develops niche sector expertise.

MACRO-ECONOMIC DRIVERS:

Staffing market growth is heavily linked to economic growth and levels of business confidence. Good economic conditions increase hiring activity by creating new roles and candidates having confidence to move between roles, creating job churn. This dual impact means staffing markets are generally expected to grow at higher rates to country GDP.

The size of a market illustrates the existing opportunity for staffing companies and the level of specialism in the market, with larger markets having a greater degree of specialism.

The world economy is increasingly inter-connected with businesses operating across international boundaries. Employment opportunities are following this trend with more people working outside their country of birth.

OUR OPPORTUNITY:

We have a presence in both established and emerging staffing markets. Nearly three quarters of our net fee income is derived from the UK, Germany, Japan and USA, which are four of the top five largest staffing markets in the world. The UK, Japanese and USA markets are highly developed with established staffing sectors. This provides a significant market opportunity for our brands to operate as niche market experts as well as the ability to find experienced managers who have the skills and expertise to develop international brands. The German staffing market is relatively immature having only de-regulated in 2004. It is the largest economy in Europe and we expect their staffing market to grow to be the biggest in Europe over the medium-term. With the exception of Japan and Australia, the Asian and Latin American staffing markets are immature. There is little or no temporary recruitment in South East Asia, but as the staffing market develops we expect this will start to grow and we are well positioned to benefit from this. These markets also have high growth prospects and over time as they develop and mature, this should lead to more specialisation. The PwC World in 2050 projections predict that by 2030 seven of the world's biggest 12 economies will come from emerging markets.

By developing our brands to be market leaders and with operations across 18 countries we are able to service client and candidate needs across the world. It is an important part of our strategic plans to identify opportunities for brands to cross-border their expertise and provide an international service.

SOCIAL DRIVERS:

The population size in emerging markets points to long-term growth prospects for their staffing markets as skills improve and more people require work. There is also an ongoing trend for urbanisation, leading to a concentration of workers in the key economic centres, especially in emerging markets. The UN Department of Economics and Social Affairs estimate that 1.5 million people are added to the global urban population each week. This concentration of workers to the largest cities means these cities are the main drivers of GDP growth. The Brookings Institution estimates that 50% of global GDP is generated by the 300 largest metropolitan areas.

There is also a trend for growth in the number of middle class and education levels in emerging markets, creating opportunities for growth in staffing markets to find employment opportunities for those newly entering the marketplace. The PwC analysis of OECD projections (2010) predicted that by the end of this year the size of the middle class in Asia Pacific is expected to overtake Europe and North America combined.

OUR OPPORTUNITY:

There is a significant long-term growth potential in the emerging markets coming from the size of their populations, concentration of work in large cities and increasing levels of middle class with better education levels than the previous generations. This is why we like to have a good presence in the emerging markets with a particular focus on Asia Pacific, India and Latin America. As these markets develop we will be positioned to grow with them.

In our markets we focus on the key economic centres, where we will see the best return on our investment. We do not want to have large branch networks but focus where the workers are concentrated and so where we can get the best return on our investment.

Our **strategy**

The Group's strategy is focused on growth facilitating our vision to be a leading international, specialist staffing group delivering a quality service to our customers and candidates and creating a sustainable business for the long-term benefit of shareholders.

OBJECTIVE

DEVELOP LEADING SPECIALIST BRANDS WITH SECTOR EXPERTISE

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

Focus on professional and specialist job levels where there are the greatest talent shortages which in turn means margins are strongest. Our tailored service and sector expertise helps us to find the most suitable candidates.

Sectors with good long-term growth prospects where our niche sector expertise makes us best placed to deliver to the needs of clients and candidates.

MAINTAIN DIVERSIFICATION AND BALANCE BY GEOGRAPHY AND SECTOR

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

Footprint in key economic centres where there is the highest concentration of workers and business so delivering the best return on investment.

Established and emerging markets allows access to both stable mature markets and high growth emerging areas.

DEVELOP A SOLID FINANCIAL FOUNDATION

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

Funding is available to allow the Group to pursue investment opportunities.

BUY AND BUILD APPROACH

WE FOLLOW A BUY AND BUILD APPROACH TO DELIVER ON OUR STRATEGY.

BUILD

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

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

BUY

To accelerate our growth we also look at external investments, to fill gaps in our sector or geographic coverage.

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

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

FINANCIAL DISCIPLINE

Our investment activity is dependent on the resources we have available. We are in an overall debt position and we target a 'debt to debtors' ratio of 25%. We have a disciplined approach towards capital and funding with an intention for investments to be funded through equity or from operating cash flows and debt to be used for working capital funding.

PROGRESS & OUTLOOK

- Net fee income from professional and specialist job roles increased to 86% (2014: 81%).
- Investment in a leading brand in the pharmacy benefit managers niche of the US healthcare market.
- Opened second brand in Dubai.
- Increased average staff numbers to 1,096 from 942.
- Increased office space for four brands to expand into in 2016.
- Divested of two non-core small brands in early 2015 (GiT in Czech Republic and Slovakia and Metis in Malaysia).

RISKS AND KPIs

KEY RISKS

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KPIs

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- Expanded operations to USA and strengthened presence in healthcare sector with investment in PS.
- Integrated investments and new office openings made in 2014.
- Split of net fee income by region is 37% UK, 30% Continental Europe and 33% Rest of the World, although the two single largest countries (UK and Germany) represent 65% of the Group net fee income.

From a sector perspective we are keen to increase our presence in IT, Healthcare and the Professional services sectors, which we see as having good long-term growth prospects and we are currently under-represented in.

KEY RISKS

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KPIs

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We have made good progress in reducing our debt levels, despite the ongoing investment in the business. We delivered a record adjusted profit before tax which has helped to reduce our net debt to £7.3m at the end of the year, in line with our target of reaching a 25% debt to debtors ratio. This also represents a net debt to EBITDA ratio of 0.8.

KEY RISKS

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KPIs

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Chief Executive's review

'Announcing record profit levels and our largest investment for eight years is testament to the strength of our strategy of building a diversified group and developing leading brands.'

Announcing record profit levels and our largest investment for eight years is testament to the strength of our strategy of building a diversified group and developing leading brands.

We have made good progress against this strategy, with net fee income growth across all of our regions and an improved conversion ratio, helping to reduce debt levels again, down below our target ratio of 25% 'debt to debtors'.

Our purchase of Pharmaceutical Strategies ('PS') opened up a new region in the USA, further diversifying the Group geographically and at the same time strengthening our presence in the healthcare sector. PS is expected to deliver a good uplift in profit into 2016, having integrated well into the Group and is operating in a high growth market sector with good long-term prospects.

Last year we presented our five year growth plan to 2018 and we have been pleased with our progress, with improvements made in all areas. We delivered a growth in net fee income of 10% despite unfavourable currency movements (16% in constant currency), an increase in the conversion ratio to 16.3%, the fourth year of continued improvement and we reduced our 'debt to debtors' ratio from 32% to 23%, below our 25% target. This is important to enable to Group to take advantage of opportunities that arise and to be able to invest in the ongoing business. There is still more to be done but we believe we are on the right track and the Board is focused on making all of the targets a reality.

Organic growth is at the core of our business model and we have specific plans with each brand to develop them into leading brands in their sectors. However, to meet our long-term goals we also see the need to supplement our organic growth with external investments; to enter a new geography, increase our presence in an existing sector or as a bolt-on to an existing brand. We have an ongoing business development programme to identify suitable brands to join the group, where there is a fit of people and culture and where they meet our strategic priorities.

5 year Plan
2014-2018

	Target	2015	2014
Net fee income growth	10%	10%	5%
Conversion ratio	20%	16.3%	14.7%
Debt to debtors ratio	25%	23%	32%

Case study

PHARMACEUTICAL STRATEGIES

pharmaceutical strategies

In October 2015 we acquired 100% of the Pharmaceutical Strategies Group ('PS'), comprising Pharmaceutical Strategies LLC, Recruitment Strategies LLC, Medical Recruitment Strategies LLC and Recruitment Strategies Group LLC.

www.pharmaceuticalstrategies.com

NET FEE INCOME GROWTH:
2014 TO 2015 =

53%

The PS Group is based in Stoneham, Massachusetts, just outside Boston, from where it services clients across the whole of the USA with a team of 19 staff. PS has a strong presence in the Pharmacy Benefit Management ('PBM') sector of the healthcare market. The PBM sector has seen rapid growth in recent years following the adoption of the Affordable Care Act, which is reforming the healthcare system by providing more Americans with affordable quality health insurance. The obamacarefacts.com website identifies that 32 million Americans will be able to afford health care who could not get it before. Under the adoption of the Act 95% of Americans would be insured. In 2013 over 15% were without insurance. The growth in the healthcare market is also being driven by an ageing population, increasing levels of obesity and the positive economic conditions over the last 5 years. These factors are forecast to drive increased demand for staffing in the healthcare sector into the mid-term.

PBM companies serve as the middlemen between insurance companies, pharmacies and manufacturers to secure lower drug costs for insurers and insurance companies. Since drug costs have been steadily increasing over the years, insurance companies have been relying more on PBM companies to control costs. The US Department of Health and Human Services projects growth in healthcare expenditure to average 5.8% per annum between 2014 and 2024. The PBM companies collectively bring in almost $300 billion in revenues each year and engage more than 210 million Americans through their services (source: Wall Street Journal).

PS provides qualified pharmacists and pharmacist technicians to the PBM companies, primarily to assist in call centres dealing with questions from doctors and individuals about which drugs are available on specific client health plans or what would be available on a change of plan. They also provide pharmacists, pharmacist technicians, nurses, and other healthcare professionals to hospitals, speciality pharmacies, dispensing facilities, long-term care centres and in-home healthcare providers.

PS currently provide temporary staff across the country and estimate that they have a relationship with 70% of the PBM market.

PS represents a good strategic fit to Empresaria, by bolstering our presence in the high growth healthcare sector and further diversifying the Group geographically, with an entry into the US market. PS is a temporary recruitment business focused on professional and specialist roles, so is complementary to our focus of building a temporary recruitment bias and operational mix. In line with our management equity business model, the CEO of PS is remaining with the business and is tied in with second generation equity incentive.

United **Kingdom**

£'m	2015	2014	2013
Revenue	62.7	65.8	70.7
Net fee income	18.4	15.9	15.8
Adjusted operating profit	2.2	2.2	2.1
% of Group net fee income	37%	35%	37%
Average number of employees	224	197	197

OVERVIEW

In the UK revenue declined by 5% due to the deliberate move away from low value work in the Technical & Industrial sector. The lower paid end of this sector has been heavily impacted by changes in legislation, with false self-employment legislation implemented in April 2014 and new travel and subsistence rules in place from April 2016. Our approach to transition away from the generalist market and to increase our presence in professional and specialist roles has helped offset the impact of this to a certain extent, but there has been a short-term profit impact with a lower contribution from this sector in 2015. Excluding this sector there was revenue growth of 27%, with a particularly strong result from the Professional services area, helped by improved conditions in the banking sector and ongoing growth within the HR and Secretarial areas. We enjoyed a full contribution from Ball and Hoolahan, acquired in December 2014. This business has been successfully integrated into the Become group and we have clear plans to grow the brand's presence across our network over the next few years. There were also positive performances from our brands in Domestic services and Retail (new house sales).

Net fee income grew by 16% to £18.4m (2014: £15.9m), however due to the move away from the lower paid end of the Technical & Industrial sector and the associated profit reduction, there was a reduction in conversion ratio. We also saw increased costs in the last quarter from three brands moving office. Whilst this has created space for future expansion there is an increase in rent costs and one-off moving costs. Overall there was an increase in average staff numbers of 27 with 224 in 2015 (2014: 197) as we continue to invest in the future growth.

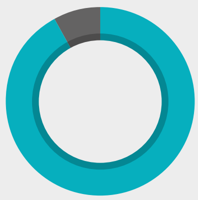
% NET FEE INCOME BY SECTOR

28% Professional services
19% IT, digital & design
28% Technical & Industrial
6% Retail
19% Other services

% NET FEE INCOME BY SERVICES

57% Permanent
43% Temporary

% NET FEE INCOME BY JOB LEVELS



92% Professional & specialist
8% General

Brands:

Continental **Europe**

£'m	2015	2014	2013
Revenue	75.2	76.8	76.9
Net fee income	14.5	15.0	13.9
Adjusted operating profit	3.9	3.2	1.8
% of Group net fee income	30%	34%	33%
Average number of employees	123	132	155

OVERVIEW

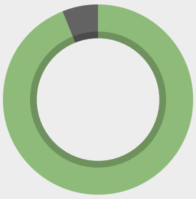
Continental Europe again delivered strong growth in profit, up over 100% in the last two years. This is due to the Headway business in Germany and Austria, where revenue growth (14% in local currency) is coupled with a more appropriate cost base, to deliver growth in adjusted operating profit of 28% in local currency. The German economy has grown in 2015, business confidence remains positive and we expect this to continue in 2016.

Our healthcare business in Finland is making good progress with its move away from an import model (reliant on Estonian staff working in Finland) to a local model (growth coming from Finnish staff). Costs were removed with the closure of a physical presence in Estonia and whilst we will continue to place Estonian workers we expect the mix to be in favour of Finnish by the end of 2016. The local economic conditions remain weak but we are pleased with the progress being made by the management team.

Due to the weak performance of the Euro, currency rates have negatively impacted on the reported results for the region, with profit growth being £0.3m higher in constant currency.

In line with our strategy to exit businesses without strong growth prospects, we finalised the exit of our loss making GiT business operating in Czech Republic (disposal) and Slovakia (closed down).

% NET FEE INCOME BY SECTOR

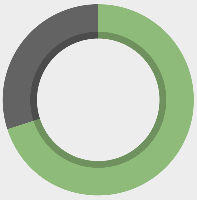


94% Technical & industrial
6% Healthcare

% NET FEE INCOME BY SERVICES

2% Permanent
98% Temporary

% NET FEE INCOME BY JOB LEVELS



70% Professional & specialist
30% General

Brands: headway people. passion. possibilities. mediradix

Rest of the **World**

£'m	2015	2014	2013
Revenue	49.4	45.3	46.8
Net fee income	16.3	13.7	12.9
Adjusted operating profit	1.9	1.2	2.1
% of Group net fee income	33%	31%	30%
Average number of employees	749	613	509

OVERVIEW

Following investment in 2014, we have seen a marked improvement in profit in the year with the new offices all delivering improved contributions this year. There were mixed performances across the region, with the established markets in Japan and Australia both performing well, as well as good results coming in particular from Thailand, Chile and India.

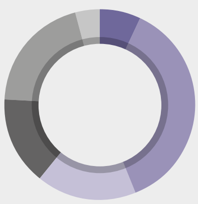
In India, our Offshore Recruitment Services business has seen significant growth, with staff numbers at the end of the year up 65% on the prior year. The plan to open a third office in 2016 was brought forward due to high demand, opening in November 2015 so they now operate out of three offices in Ahmedabad. This business mainly services clients in the USA and UK, with a primary focus on the IT and Healthcare sectors in each respective market. We see good opportunities for continued growth in 2016.

We also now have a direct presence in the USA with the purchase of Pharmaceutical Strategies in October 2015. Based in Boston, Massachusetts, they supply qualified pharmacists to the high-growth healthcare sector. According to the US Department of Health and Humans Services, healthcare expenditure is expected to grow at an average rate of 5.8% between 2014 and 2024. This growth is driven by increased demand from the implementation of the Affordable Care Act, an ageing population, rising obesity levels and good economic conditions.

Market conditions in South East Asia and China have been mixed. In Indonesia we have seen business confidence dented by worsening economic conditions. Our Executive search business saw slightly lower profit levels and our training business has been restructured to reflect their lower sales level. The majority of this programme has been completed in the year and the management team has been strengthened so we expect a marked improvement in bottom line performance in 2016. In Thailand we have seen strong growth and there have been improved performances also in the Philippines, Malaysia and Singapore. China is going through a high profile rebalancing of their economy. We only have a small presence in China, which has been restructured and rebranded to the successful executive search brand Monroe Consulting. We see good prospects moving into 2016, with a greater emphasis on Chinese clients rather than relying on multinational companies.

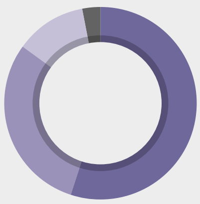
In January 2015 we sold our small stand-alone brand in Malaysia to management. We now operate in that market through our established Monroe Consulting brand which is making good progress.

% NET FEE INCOME BY SECTOR



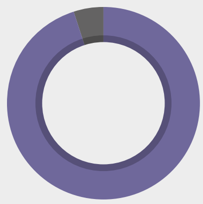
- 7% Professional services
- 37% IT, digital & design
- 17% Technical & industrial
- 15% Retail
- 20% Executive Search
- 4% Other services

% NET FEE INCOME BY SERVICES



- 55% Permanent
- 30% Temporary
- 12% ORS
- 3% Other

% NET FEE INCOME BY JOB LEVEL



- 95% Professional & specialist
- 5% General

Brands:

Case study

IMS

Interactive Manpower Solutions Pvt. Ltd (IMS) was a start-up in 2006 with the aim of providing outsourced services to the recruitment and staffing industry. Elements of the recruitment process are outsourced and delivered offshore from three IMS centres in India, which we call 'Offshore Recruitment Services'.

www.imspeople.com

ims
People? Possible!

NET FEE INCOME GROWTH: 2011 TO 2015 =

428%

The services provided to clients are either non-voice (such as database management, job postings, sourcing candidates or CV formatting) or voice based (such as headhunting, market research, candidate screening and interviews, reference checking and document collation). Clients can choose to cover the entire recruitment life cycle or specific activities.

The services are highly specialised, customised to the client and follow global delivery standards. Although services are provided to clients in any sector, the primary focus is on the Healthcare, IT and Engineering & Energy sectors.

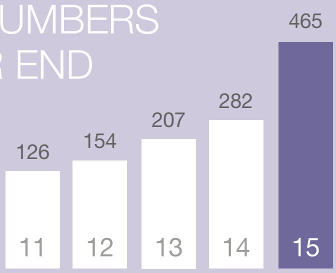
The key asset of the company is its people. IMS invests heavily in training, coaching and mentoring its staff to ensure they deliver a high quality service to their clients. By the end of 2015 they had over 450 staff. On any given day they receive 300 orders and submit 500 candidates to their clients. In 2015 they filled 1,700 orders for over 130 staffing firms.

IMS has been recognised for their achievements:

- In 2015 they were awarded the 'Best SME in India' in the emerging sector category by Dun & Bradstreet.
- Silicon India, a Bangalore headquartered magazine has rated IMS as the 'Best SMEs in Offshore Recruitment Services' in 2015.
- In 2014 IMS won the 'Outsourced Solutions Provider' award in Australia from Recruitment International.

IMS has clear plans to continue growing, with expectations of opening a fourth office in 2016 to meet the increasing client demand.

STAFF NUMBERS AT YEAR END



Key performance indicators

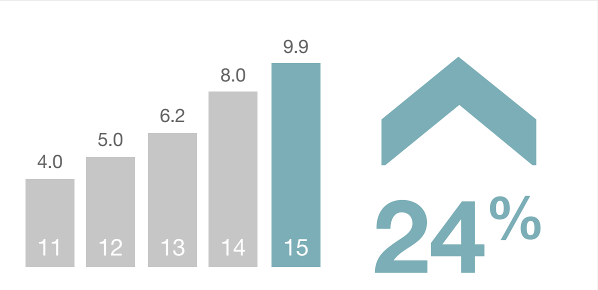
These are used to measure progress against objectives and strategy.

1 ADJUSTED DILUTED EARNINGS PER SHARE GROWTH

This demonstrates the return to shareholders. Our strategy is designed to deliver a sustainable growth in earnings per share.

The remuneration of the executive directors (annual bonus and LTIP) is linked to this measure.

Progress
EPS grew by 24%, representing the fourth year of consecutive growth.

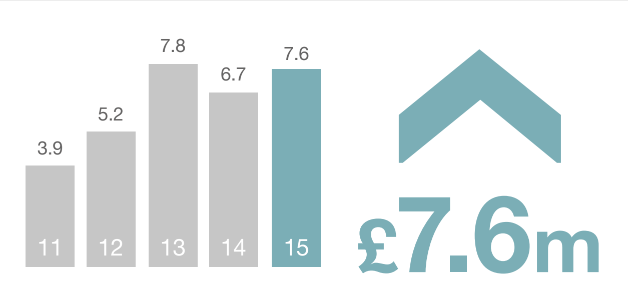


2 CASH GENERATED FROM OPERATIONS

This demonstrates how much cash is being generated from the operations of the business before tax, financing and investing decisions. It is measured as the operating profit of the Group, excluding non-cash items and including working capital movements.

The remuneration of the executive directors (annual bonus) is linked to this measure.

Progress
£7.6m (2014: £6.7m)

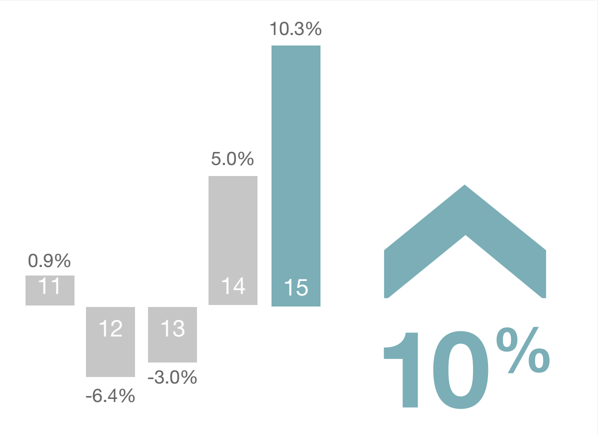


3 NET FEE INCOME GROWTH

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

Target
Average annual growth of 10%.

Progress
10% (16% in constant currency).

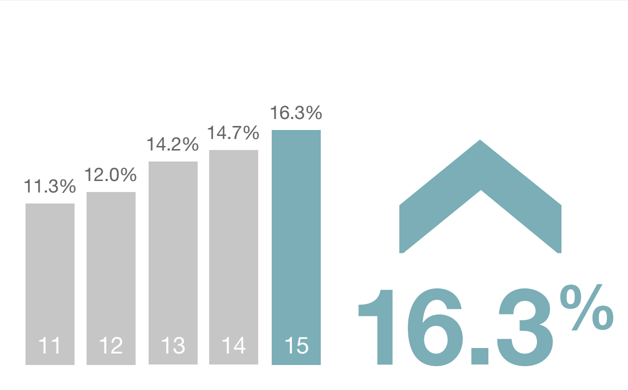


4 CONVERSION RATIO

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

Target
Reach 20% ratio over 5 years to 2018.

Progress
16.3%, being the fourth consecutive year of improvement.



5 NUMBER OF MANAGERS HOLDING EQUITY

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

Target
All brands have management holding equity.

Progress
The total number of managers is down on the prior year. Currently 2 brands have no management holding equity (2014: 3).

2015: 42
(2014: 44)

6 NET FEE INCOME FROM PROFESSIONAL & SPECIALIST ROLES

This demonstrates how much of the business is from professional and specialist positions.

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

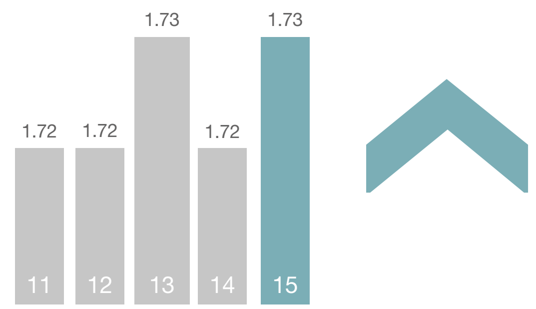
Progress
There has been a 5 percentage point improvement during the year, helped by the investments made in the year and focus in the Technical & Industrial sector.

2015: 86%
(2014: 81%)

7 STAFF PRODUCTIVITY

This demonstrates the overall staff productivity, calculated as the ratio of net fee income generated per £1 of staff cost. The staff cost includes both sales and administrative staff, reflecting the true cost of operating the Group.

Progress
At 1.73 in 2015 we have seen an improvement over 2014, despite a 16% increase in average staff levels.

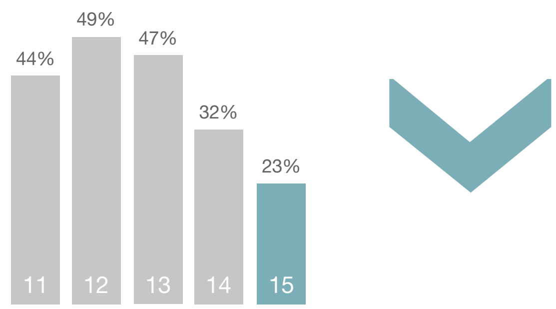


8 DEBT AS A % OF DEBTORS

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

Target
To reduce this to 25% by 2018.

Progress
This reduced to 23% from 32% in the prior year, below our target.



Risks and uncertainties

The risk management process followed by the Board is designed to improve the likelihood of delivering against strategy, to protect the interests of shareholders, to improve the quality of decision making and to help safeguard our assets. The risk management process consists of a group risk register which is reviewed by the Board annually with risks added, amended or removed as appropriate and actions updated. The group register is prepared based on individual brand registers which are updated during the annual budget cycle and reviewed regularly during the year with senior management at brand level board meetings. The Audit Committee review the control framework which helps to mitigate the risks.

The following were identified as the principal risks that are most likely to affect business operations and hence its financial results and delivery of strategy.

	1. ECONOMIC ENVIRONMENT	2. LOSS OF KEY STAFF
RISK	The performance of staffing businesses has historically shown a strong correlation with performance of the economies in which they operate.	The Group's success relies on recruiting and retaining senior management and other key employees. The Group's decentralised management structure gives operational autonomy to our company managing directors. Therefore they need to be incentivised and tied into the business, have suitable experience for the role, able to make the decisions necessary to run the business and develop a team to help provide succession planning.
IMPACT ON BUSINESS	An economic slowdown will impact on the demand for recruitment services and could reduce the Group's profits.	The loss of a key staff member without a suitable successor in place could lead to a reduction in trading and profitability. The choice of the wrong manager for a business could lead to sub-optimal decision making and losing ground to competitors or failing to operate procedures properly and so being liable to fines or penalties.
CHANGE IN RISK PROFILE	No change The global economy overall is expected to grow in 2016. However the economic recovery is not symmetrical across the world and there are a number of risks that threaten these forecasts and could lead to a recession in one or more countries. The global staffing market is forecast to grow in 2016 at a stronger rate than GDP forecasts.	No change There was a small reduction in the number of management holding equity in the period. We have divested two non-core brands and acquired another.
ACTIONS TAKEN TO MITIGATE RISK	The Group's strategy is designed to minimise the negative impact from an economic downturn in any one market, whilst acknowledging that a significant economic downturn will impact all businesses: • Sector and geographic diversification. This was improved in the year by entering the USA market and developing our presence in existing locations. • Develop core brands. By creating more robust businesses they should be able to better withstand any economic downturn. • We focus on temporary recruitment as this is typically less volatile than permanent recruitment during the economic cycles. Overall our exposure to permanent recruitment has increased in the year which increases this risk.	The Group's business model is based on management equity, so incentivising key management through equity ownership and tying them to the business for the long-term. We monitor the number of managers with equity in their own businesses and work with existing shareholders to identify key staff to participate in equity in the future. Currently there are 2 brands in the Group with no minority shareholders. We are making progress to reduce this by the end of 2016.

3. POLITICAL AND SOCIAL CHANGES

RISK

The Group's businesses are subject to legislation and regulations in each of their locations. In particular this impacts temporary recruitment which is more heavily regulated to protect the rights and treatment of temporary workers and in developing staffing markets where new regulations are made as the market grows and develops.

Social changes impact how people search for jobs and where they are likely to live.

IMPACT ON BUSINESS

Any changes to labour regulations could impact on the manner in which any business, or the Group as a whole, conducts its business and could therefore affect the financial performance of the Group. In some territories a recruitment licence is required. If local laws and regulations are not followed it could lead to sanctions being taken against the company, including penalties, fines and licences being revoked.

Our businesses need to target the locations where people want to work. They need to be able to identify and communicate with candidates to ensure job vacancies are filled.

CHANGE IN RISK PROFILE

Increased

In the UK there is a risk of leaving the EU with a vote due to be held in 2016. Until then there will be uncertainty in the market which could lead to a loss of business confidence. In April 2016 new legislation on travel & subsistence allowances will become law which will restrict the number of temporary workers able to be treated as self-employed. This is expected to reduce the margins available on lower paid workers who have operated through umbrella payroll structures, with this reduction needing to be taken by the client, agency or candidate or a mixture of them.

In Germany there is an ongoing debate over whether to introduce a limit on the length of time a worker can be a temporary worker.

There is an ongoing migrant crisis across Europe which could lead to restrictions on who can work in the EU.
The fall in oil price could lead to changes in policy across the Middle East states.

There will be presidential elections in the USA at the end of 2016.

ACTIONS TAKEN TO MITIGATE RISK

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

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

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

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

Risks and uncertainties continued

4. INVESTMENTS POORLY EXECUTED

RISK

There is a risk of losing value from poorly executed investments.

Investments may be overvalued or poorly integrated into the Group.

Organic investments in new offices will generally be loss making in the first 1–2 years so this needs to be carefully managed to minimise the costs to the business.

IMPACT ON BUSINESS

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

New office openings increase the risk of lower returns than planned if the business is not managed well.

CHANGE IN RISK PROFILE

Increased

We made an additional external investment in the year, opened a new office in Dubai and plan to continue to invest in the Group as part of a Buy and Build strategy.

ACTIONS TAKEN TO MITIGATE RISK

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

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

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

5. FINANCIAL

RISK

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

By operating in 18 countries the Group is exposed to movements in foreign currency rates.

IMPACT ON BUSINESS

If the Group was unable to secure funding at current levels it could be forced to dispose of parts of the business to repay the existing debt.

An increase in interest rates will increase costs and so reduce the profit in the business.

The group reports in Sterling but has operations in countries with different currencies. Negative movements in exchange rates would impact the reporting of Group profitability and may devalue the cash and assets around the Group.

CHANGE IN RISK PROFILE

Reduced

The currency markets continue to be volatile but our spread of operations helps to reduce the impact from any single currency.

The Group's total debt has reduced during the year and is now below our target rate of 25% of trade receivables.

New equity was raised to part-fund the acquisition in the USA, with new bank facilities also in place, with the continued support of the Group's banker.

ACTIONS TAKEN TO MITIGATE RISK

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

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

Nearly two thirds of the Group's business is transacted outside of the UK so we are exposed to movements in exchange rates. The Group does not currently hedge translation risk as there is to some degree a natural hedge from our strategy of being diversified by region. Intra-group balances are hedged using cash or overdraft balances to act as a natural currency hedge, for US Dollar, Euro, Japanese Yen, Singapore Dollar and Australian Dollars. No derivative instruments are currently used for hedging.

Finance review

‘Net debt decreased 26% in the year to £7.3m from £9.8m in 2014.’

A description of the performance of the business in the year is included in the Chairman’s Statement and Chief Executive’s Review.

FINANCE INCOME AND COSTS

Finance income was £0.1m (2014: £0.1m), all being bank interest income. Finance costs were £0.6m (2014: £0.6m), which primarily related to interest payable on invoice discounting, bank loans and overdrafts. In 2015 there were also interest costs from the late payment of tax following an ongoing tax audit in Germany.

TAXATION

The total tax charge in the year is £2.6m (2014: £2.1m) representing an effective tax rate of 36% (2014: 35%). This rate is higher than the UK rate due to a number of factors:

- The mix of profits is weighted towards higher tax jurisdictions, including Germany, Japan, India and Australia.
- A deferred tax asset has not been recognised for certain of the tax losses around the Group.
- There are higher levels of non-deductible expenses in the year, including the costs related to the purchase of Pharmaceutical Strategies.

DIVIDEND

During the year, the Group paid a dividend of £0.3m in respect of the year ended 31 December 2014, amounting to 0.70p per share. For the year ended 31 December 2015, the Board is proposing a dividend of 1.0p per share, which if approved by shareholders at the Annual General Meeting, will be paid on 31 May 2016 to shareholders on the register on 6 May 2016.

TREASURY

The Group has a central treasury function. Under the Group’s treasury policy speculative transactions are not permitted and where possible debt should match the location and currency of the related assets. The following matters are reserved for Board approval:

- Changes to the Group’s capital structure;
- Approval of Group financing arrangements or significant changes to existing arrangements;
- Approval of treasury policies and any activity involving forward contracts, derivatives, hedging activity and significant foreign currency exposures; and
- Approving the appointment of any of the Group’s principal bankers.

Treasury is managed to deal with the following risk areas.

	2015	2014	2013	2012	2011
Revenue (£m)	187.3	187.9	194.4	194.3	208.8
Gross profit (£m)	49.2	44.6	42.6	43.9	46.9
Operating profit (£m)	7.6	6.4	5.5	4.4	2.8
Adjusted operating profit (£m) *	8.0	6.6	6.0	5.4	5.3
Profit before tax (£m)	7.1	5.9	4.9	3.6	1.9
Adjusted profit before tax (£m) *	7.5	6.1	5.4	4.6	4.5
Diluted earnings/(loss) per share (pence)	9.3	7.5	5.2	3.0	(0.4)
Adjusted diluted earnings per share (pence) *	9.9	8.0	6.2	5.0	4.0
Proposed dividend per share (pence)	1.0	0.70	0.35	0.35	0.35

* Adjusted measures exclude amortisation of intangible assets, gains or losses on business disposals, movements on put and call options and exceptional items.

Liquidity & Funding risk

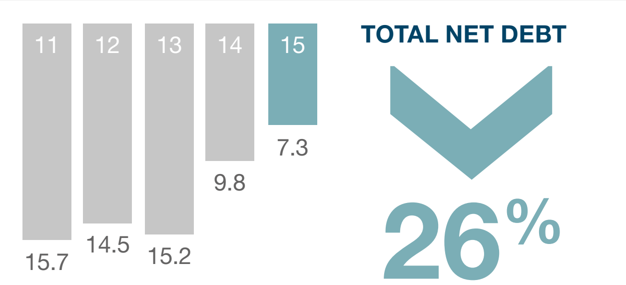
The Group maintains a range of appropriate facilities to manage its working capital and medium-term financing requirements. At the year-end the Group had banking facilities totalling £36.7m (2014: £32.5m) with the increase coming from overdraft facilities. The amount of facility undrawn of £15.6m (2014: £10.2m) excludes the headroom on the invoice financing facility. The invoice financing facility is available to the UK companies only.

	2015 £m	2014 £m
Overdrafts (UK)	6.5	4.8
Revolving credit facility (UK)	–	7.8
Term loan (UK)	4.5	0.8
Overdrafts and other loans (non-UK)	12.7	6.1
Invoice financing facility (UK)	13.0	13.0
	36.7	32.5
Amount of facility undrawn at year-end	15.6	10.2

During the year we replaced the £7.8m revolving credit facility in the UK with a mixture of a new €5m three year term loan and €8m overdraft facility provided directly to Headway in Germany by HSBC. A new £4.5m term loan from HSBC was taken out to part-fund the purchase of Pharmaceutical Strategies in October 2015, with the old term loan that was due to end in 2016 being repaid early as part of the renewal and increase in overdraft facility in the UK.

Group net debt decreased to £7.3m at 31 December 2015 (2014: £9.8m), as detailed below:

	2015 £m	2014 £m
Cash at bank and in hand	7.7	7.8
Overdraft facilities	(2.3)	(2.4)
Invoice financing	(6.9)	(8.1)
Bank loans	(5.8)	(7.1)
Total net debt	(7.3)	(9.8)



MANAGEMENT EQUITY PHILOSOPHY

A key component of our business model is management equity, where senior management own shares directly in the operating companies they are responsible for. This is a key tool for both attracting good quality managers as well as staff retention. It means that the interests of Empresaria as a majority shareholder are aligned with management, who have an opportunity to create a meaningful capital value over time if they can grow the profit in their business, encouraging a long-term view of their business. This works especially well with our decentralised structure, as we are reliant on the local management team to run their business with a high level of operational autonomy.

Where we acquire a majority stake in a business, the shares remaining with the founder are called first generation shares. When these shares have been acquired by Empresaria, we will often offer the next tier of management in the business the opportunity to buy shares, to incentivise them to grow the business to the next level. We call these second generation shares. It is important that the shares are acquired at market value with management investing their own cash which is at risk if the business does not perform. To help lower the market value of the shares and to protect the profit that we have previously acquired, we set a 'threshold profit' level for second generation shares. These shares only start creating value if the profit grows above the threshold level.

Empresaria will always own a majority of the shares and this ranges from as little as 51% to as much as 100% in a couple of instances. We enter into Shareholder Agreements with the management shareholders, which provide a valuation mechanism for their shares. They typically have to hold their shares for a minimum period of 5 years before they are able to offer them for sale to Empresaria, over a 2 or 3 year period. It is important to note that there is no legal obligation on Empresaria to purchase the shares and we decide on each specific situation, with consideration of the management succession plan in place, the recent trading performance and projections for growth in the next few years. The valuation is typically based on the average profit after tax for the previous three full years before the shares are sold, using the Empresaria trading multiple (share price divided by last EPS) less 0.5, to ensure it is earnings enhancing to Empresaria shareholders, and capped at a maximum of 10.

Finance review continued

The Group had to meet certain bank covenant tests on a quarterly basis under the terms of the old revolving credit facility. These were removed when the facility was replaced, although the new term loan taken out in the year has reinstated two covenants. The first test point was at 31 December 2015 and the figures are shown below:

Covenant	Target	2015
Net debt: EBITDA	< 3.0 times	0.7
Debt service cover	> 1.25 times	3.1

Interest rate risk

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

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

Finance costs were £0.6 million (2014: £0.6 million), which primarily related to interest payable on invoice discounting, bank loans and overdrafts. The effective interest rate for bank facilities for the year was 2.8% (2014: 3.4%).

Foreign exchange risk

There was a foreign exchange gain of £161,000 (2014: loss of £11,000).

The Group remains open to translation risk from reporting overseas results in Sterling. We do not actively hedge this exposure, with the diversity of operations across different countries providing an element of natural hedge.

During the year we were negatively impacted by adverse movements in exchange rates on the translation of Group results, the largest detailed below:

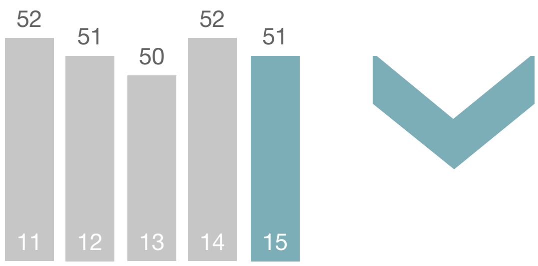
Currency	Decline in value versus Sterling in the year using average rates (P&L)
Japanese Yen	6%
Indonesian Rupiah	5%
Australian Dollar	11%
Euro	11%
Chilean Peso	6%

Credit risk

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

Debtor days are reviewed monthly with high balances followed up with local management. Average debtor days for the Group in 2015 were 51 (2014: 52), with a year-end balance of 52 (2014: 51 days). The debtor days in UAE remain higher than the Group average. Progress on reducing this has been slower than expected during 2015.

AVERAGE DEBTOR DAYS PER YEAR



CASHFLOW

Net debt decreased by £2.5m in the year to £7.3m (2014: £9.8m). The main areas of expenditure were on business investments and purchasing shares in existing subsidiaries, which was a net £6.3m, partly funded by an issue of new equity and additional bank facilities. Dividend payments were £0.3m, there was a net funding of working capital of £0.7m and the net tax and interest payment was £2.3m.

INVESTMENTS AND DISPOSALS

During the year, the Group made the following investments and purchases of shares in subsidiaries held by minority shareholders:

- 10% of PT Monroe Consulting Group (Indonesia) for cash consideration of £0.3m, taking the Group's total interest to 90%.
- 9% of Mansion House Limited (UK) for cash consideration of £0.1m, taking the Group's total shareholding to 67%.
- In October 2015, 100% of the shares in Pharmaceutical Strategies, a USA healthcare recruiter based in Boston, for an initial cash payment of $7.3m (approximately £4.8 million). Further payments are contingent on the results for the twelve months ended 31 December 2015, 2016 and 2017, with £3.3m recognised in the accounts at year-end. Following this purchase the CEO acquired equity in the company in line with our philosophy of management holding equity in the businesses they are responsible for.

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

There was also a deferred consideration payment of £0.5m for the purchase of 75% of the shares of Ball and Hoolahan Limited in September 2015. This represented the maximum amount payable under the Sale and Purchase Agreement.

NON-CONTROLLING INTERESTS

As part of our business model management can hold non-controlling interests in Group subsidiaries. As these interests are purchased they are typically replaced by 'second generation' equity. There is no obligation on Empresaria to acquire these shares but management shareholders have certain opportunities to offer their shares for sale.

Based on the results for the year ended 31 December 2015, the total value of all non-controlling interests, if purchased in 2016 using the valuation mechanism in existing shareholder agreements would total £3.6 million, ignoring any discounts applying to early transfers of shares.

In some instances the consideration payable under the shareholders agreement for second generation equity may be greater than the fair value of the shares under IFRS 13. Based on the results for the year ended 31 December 2015, the value in excess of fair value of all non-controlling interests, if purchased in 2016 using the valuation mechanism in existing shareholder agreements would total £1.3 million, ignoring any discounts applying to early transfers of shares.

Any consideration in excess of this fair value of the non-controlling interest is recognised as a charge in the income statement. These amounts are included as adjusting items when presenting the adjusted operating profit, adjusted profit before tax and adjusted earnings per share. There have not been any such charges in 2015 (2014: £Nil).

POST BALANCE SHEET EVENTS

There were no post balance sheet events.

GOING CONCERN

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. The Group's UK and German overdraft facilities were renewed in February 2016 for a further 12 months. Given the business forecasts and early trading performance, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements. Further details on going concern are found in note 1.

This Strategic report was approved by the Board on 1 March 2016 and is signed on its behalf by:

By order of the Board

Joost Kreulen
Chief Executive Officer

Spencer Wreford
Group Finance Director

1 March 2016

Board of **Directors**

1.	2.	3.
	4.	5.

1.

ANTHONY MARTIN (CHAIRMAN)

Appointed: July 2004
Committee Membership: None

Skills & experience

Anthony has over 30 years experience of running international specialist staffing companies. He served as Chairman and CEO of Select Appointments (Holdings) Plc from 1992 to 1999 when he became Vice Chairman and member of the Board of Management of Vedior NV, the world's third largest staffing services group. In August 2000 he assumed the role of Chairman and CEO, which he served until his retirement in February 2004. Anthony held the position of Executive Chairman at Corporate Services Group until standing down in September 2007.

Other key external appointments

None.

2.

JOOST KREULEN (CHIEF EXECUTIVE OFFICER)

Appointed: January 2012
Committee Membership: None

Skills & experience

Joost has nearly 30 years experience of working in the staffing sector. He has been with Empresaria since 2009. He was initially responsible for its Asian operations and more recently also for a number of its UK based businesses. He was appointed Chief Operating Officer and Chief Executive Officer designate on 7 September 2011. Prior to joining Empresaria, Joost had spent 20 years working in various roles for businesses which now form part of Randstad N.V., most recently as head of specialist staffing operations in the Netherlands.

Other key external appointments

None.

3.

SPENCER WREFORD (GROUP FINANCE DIRECTOR)

Appointed: May 2010
Committee Membership: None

Skills & experience

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

Other key external appointments

None.

4.

PENNY FREER (NON-EXECUTIVE DIRECTOR)

Appointed: December 2005
Committee Membership:
Remuneration Committee (Chairman), Nomination Committee (Chairman), Audit Committee

Skills & experience

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

Other key external appointments

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

5.

ZACH MILES (NON-EXECUTIVE DIRECTOR)

Appointed: October 2008
Committee Membership:
Audit Committee (Chairman), Remuneration Committee, Nomination Committee

Skills & experience

Zach has 27 years experience working in the staffing sector, as a Finance Director, CEO and Chairman. Before joining Empresaria Zach held the position of Chairman and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chairman since February 2004. Before joining Vedior, Zach was CFO and a member of the Board of Directors of Select Appointments (Holdings) Plc. His career in the recruitment industry began in 1988. He was formerly a partner in the international accountancy firm Arthur Andersen and is a qualified Chartered Accountant. Together with Penny Freer, Zach performs the role of Senior Independent Director.

Other key external appointments

Chairman of the Board of Trustees of The Abbeyfield Kent Society.

Consolidated **income statement**

	2015 £m	2014 £m
Continuing operations		
Revenue	187.3	187.9
Cost of sales	(138.1)	(143.3)
Net fee income	49.2	44.6
Administrative costs	(41.2)	(38.0)
Operating profit before exceptional items, loss on business disposal and intangible amortisation	8.0	6.6
Exceptional items	–	0.1
Loss on business disposal	–	(0.1)
Intangible amortisation	(0.4)	(0.2)
Operating profit	7.6	6.4
Finance income	0.1	0.1
Finance costs	(0.6)	(0.6)
Profit before tax	7.1	5.9
Tax	(2.6)	(2.1)
Profit for the year	4.5	3.8
Attributable to:		
Equity holders of the parent	4.4	3.5
Non-controlling interest	0.1	0.3
	4.5	3.8
From continuing operations		
Earnings per share:		
Basic	9.6	7.8
Diluted	9.3	7.5
Earnings per share (adjusted):		
Basic	10.2	8.3
Diluted	9.9	8.0

Consolidated statement of **comprehensive income**

	2015 £m	2014 £m
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations	(0.5)	(0.9)
Items that will not be reclassified to income statement:		
Exchange differences on translation of foreign operations of non-controlling interest	(0.2)	(0.1)
Net expense recognised directly in equity	(0.7)	(1.0)
Profit for the year	4.5	3.8
Total comprehensive income for the year	3.8	2.8
Attributable to:		
Equity holders of the parent	3.9	2.6
Non-controlling interest	(0.1)	0.2
	3.8	2.8

Consolidated **balance sheet**

	2015 £m	2014 £m
Assets		
Non-current assets		
Property, plant and equipment	1.5	1.2
Goodwill	25.2	23.7
Other intangible assets	7.3	2.3
Deferred tax assets	0.9	0.9
	34.9	28.1
Current assets		
Trade and other receivables	35.9	34.5
Cash and cash equivalents	7.7	7.8
	43.6	42.3
Total assets	78.5	70.4
Liabilities		
Current liabilities		
Trade and other payables	24.0	21.9
Current tax liabilities	3.7	2.7
Borrowings	9.9	11.2
	37.6	35.8
Non-current liabilities		
Borrowings	5.1	6.4
Other creditors	1.0	–
Deferred tax liabilities	1.1	1.1
Total non-current liabilities	7.2	7.5
Total liabilities	44.8	43.3
Net assets	33.7	27.1
Equity		
Share capital	2.4	2.2
Share premium account	22.4	19.4
Merger reserve	0.9	0.9
Retranslation reserve	1.0	1.8
Equity reserve	(7.2)	(7.1)
Other reserves	(0.6)	(1.1)
Retained earnings	11.9	7.8
Equity attributable to owners of the Company	30.8	23.9
Non-controlling interest	2.9	3.2
Total equity	33.7	27.1

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 1 March 2016.

Signed on behalf of the Board of Directors

Joost Kreulen
Director

Spencer Wreford
Director

Consolidated statement of **changes in equity**

	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2013	2.2	19.4	0.9	2.6	(6.7)	(1.2)	4.4	3.1	24.7
Profit for the year	–	–	–	–	–	–	3.5	0.3	3.8
Dividend	–	–	–	–	–	–	(0.2)	–	(0.2)
Currency translation differences	–	–	–	(0.8)	–	(0.1)	–	(0.1)	(1.0)
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.4)	–	–	(0.1)	(0.5)
Business acquisition	–	–	–	–	–	–	–	0.2	0.2
Share based payment	–	–	–	–	–	0.2	–	–	0.2
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(0.2)	(0.2)
Balance at 31 December 2014	2.2	19.4	0.9	1.8	(7.1)	(1.1)	7.8	3.2	27.1
Profit for the year	–	–	–	–	–	–	4.4	0.1	4.5
Dividend	–	–	–	–	–	–	(0.3)	–	(0.3)
Shares issued	0.2	3.1	–	–	–	–	–	–	3.3
Expenses of issue of equity shares	–	(0.1)	–	–	–	–	–	–	(0.1)
Currency translation differences	–	–	–	(0.8)	–	0.3	–	(0.2)	(0.7)
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.1)	–	–	(0.2)	(0.3)
Share based payment	–	–	–	–	–	0.2	–	–	0.2
Balance at 31 December 2015	2.4	22.4	0.9	1.0	(7.2)	(0.6)	11.9	2.9	33.7

Equity comprises the following:

- ‘Share capital’ represents the nominal value of equity shares.
- ‘Share premium account’ represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- ‘Merger reserve’ relates to premiums arising on shares issued subject to the provisions of section 612 ‘Merger relief’ of the Companies Act 2006.
- ‘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 and exchange differences on intercompany long-term receivables which are treated as a net investment in foreign operations.
- ‘Retained earnings’ represents accumulated profits less distributions and income/expense recognised in equity from incorporation.
- ‘Non-controlling interest’ represents Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Consolidated **cash flow statement**

	2015 £m	2014 £m
Profit for the year	4.5	3.8
Adjustments for:		
Depreciation	0.7	0.7
Intangible amortisation	0.4	0.2
Taxation expense recognised in income statement	2.6	2.1
Exceptional items	–	(0.1)
Loss on business disposal	–	0.1
Cash paid for exceptional items	(0.5)	(0.3)
Share based payments	0.2	0.2
Net finance charge	0.5	0.5
	8.4	7.2
Decrease in invoice discounting	(1.2)	(2.6)
(Increase) / decrease in trade receivables	(1.1)	1.2
Increase in trade payables	1.5	0.9
Cash generated from operations	7.6	6.7
Interest paid	(0.5)	(0.6)
Income taxes paid	(1.8)	(0.9)
Net cash from operating activities	5.3	5.2
Cash flows from investing activities		
Cash acquired with business acquisition	0.1	0.1
Overdraft acquired with business	(0.7)	–
Consideration paid for business acquisition	(5.3)	(1.3)
Consideration received for business disposals	0.1	0.1
Purchase of property, plant and equipment and intangibles	(0.9)	(1.0)
Finance income	0.1	0.1
Net cash used in investing activities	(6.6)	(2.0)
Cash flows from financing activities		
Proceeds from issue of share capital	3.2	–
Further shares acquired in existing subsidiaries	(0.4)	(0.5)
(Decrease) / increase in borrowings	(0.1)	0.4
Proceeds from bank loan	5.3	0.1
Repayment of bank and other loan	(6.2)	(0.6)
Dividends paid to shareholders	(0.3)	(0.2)
Dividends paid to non-controlling interest in subsidiaries	(0.1)	(0.2)
Net cash from financing activities	1.4	(1.0)
Net increase in cash and cash equivalents	0.1	2.2
Effect of foreign exchange rate changes	(0.2)	(0.1)
Cash and cash equivalents at beginning of the year	7.8	5.7
Cash and cash equivalents at end of the year	7.7	7.8

Officers and professional advisers

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Spencer Wreford
Anthony Martin
Penny Freer
Zach Miles

SECRETARY
James Chapman

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Basis of **preparation and general information**

The financial information has been abridged from the audited financial information for the year ended 31 December 2015.

The financial information in this document does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

Accounting policies have been consistently applied throughout 2014 and 2015.

Whilst the financial information included in this report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS'), this report does not itself contain sufficient financial information to comply with IFRS. The Group has published full financial statements that comply with IFRS on its website, www.empresaria.com. Alternatively you may request a full printed copy to be sent to you by writing to the Company Secretary at:

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