



# Diversity drives our opportunities

Summary Report 2017

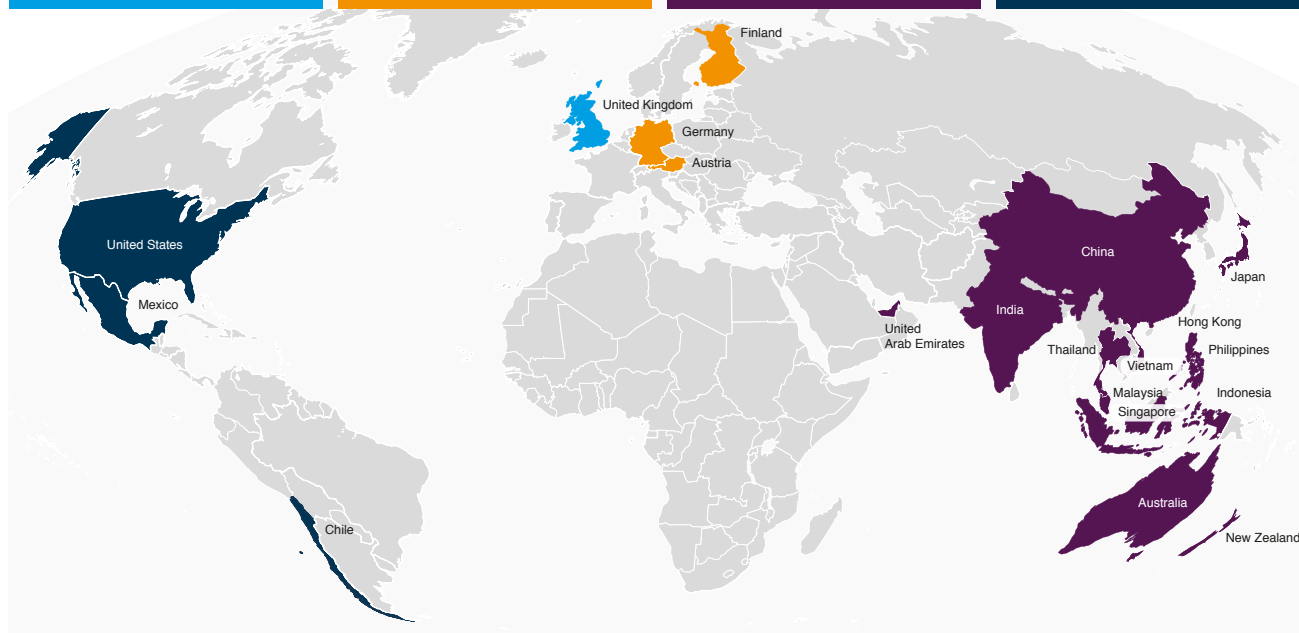
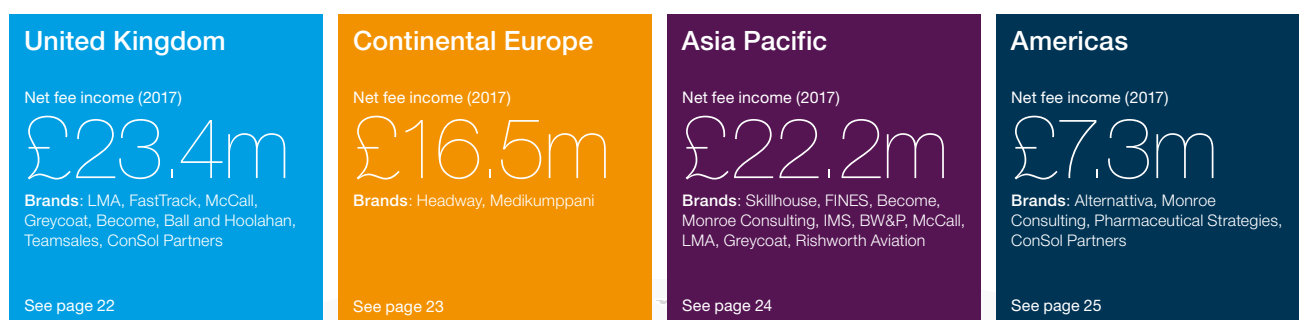
**Empresaria** Group plc  
An international specialist staffing group

# Business

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

# Vision

Our vision is to be a leading international, specialist staffing group. Our purpose is to help people to realise their potential. We will achieve this by continuously developing our staff and in turn delivering a quality service to our clients and candidates.



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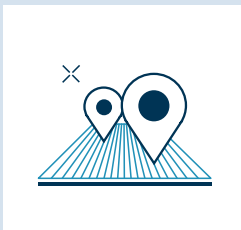
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# Strategy

To realise our vision, we continually respond to trends and changes in our marketplace to help our clients and candidates fulfil their potential. Our strategy is to develop leading brands and to be diversified and balanced across geographies and sectors. Our spread of operations minimises the dependence on any single market, so reducing the impact from market fluctuations and other external factors. Each brand is a specialist in their niche market, enabling them to understand the needs of clients and candidates alike, allowing them to attack the market vertically rather than horizontally. We differentiate ourselves in the marketplace by our four core business model pillars:



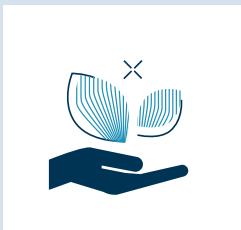
## Multi-branded model

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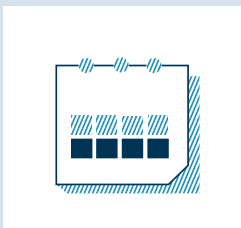
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Our vision is to be a leading international, specialist staffing group. Our purpose is to help people to realise their potential.

Our strategy is to develop leading brands and to be diversified and balanced across geographies and sectors.

### 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.

## Multi-branded model



We target different segments of the market with different brands. Each brand has in-depth knowledge and expertise in their specific market, enabling them to help their clients and candidates to make the best matches. 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.

### KEY PERFORMANCE INDICATOR

#### NET FEE INCOME FROM PROFESSIONAL AND SPECIALIST ROLES

This demonstrates the proportion of our business generated 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:** The ratio has increased to 87%.

2017:

87%

2016:

86%



## Why this is important

Our brands are experts in their niche markets, so able to understand the requirements of both clients and candidates to help deliver the best staffing solution or candidate match. We have a global reach but operate with local knowledge, helping our brands to spot and react to opportunities quickly.

Their 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. Our primary focus is 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.

With different markets exhibiting different growth rates we have brands operating across multiple sectors and geographies, so we are not dependent on any single market. Our central team provides management experience, expertise and support, as well as resources to help each brand deliver to their goals.

## Building scale by investing in our brands

We have a clear focus to deliver organic growth, by continually investing in and developing our brands.

This can be through adding new staff, opening new offices or expanding operations into new areas, be that sector niches or geographies. We also identify examples of best practice across the Group to help brands find opportunities to improve productivity or collaborate. Our brands operate from 20 countries and seven core sectors, so we have

expertise in operating in multiple locations and industries. Brands are able to make use of other Group offices and know-how when looking to enter new geographies, so reducing their risk and costs.

We look at bolt-on opportunities where this can help accelerate entry into a new sector niche or geography. We use external investments to enter new markets, filling in gaps in our existing sector or geographic coverage.

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# 18

Brands

# 20

Countries

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## Management equity philosophy



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. This helps attract and then retain ambitious and talented managers. Our decentralised structure and entrepreneurial culture enables managers to run their businesses effectively, reacting to local opportunities but also benefitting from being part of a global organisation and the support and advice this provides.

### KEY PERFORMANCE INDICATOR

#### NUMBER OF MANAGERS HOLDING EQUITY

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

**Target:** All brands have management holding equity.

**Progress:** The total number of managers holding equity in their company is 51, down 6 on the prior year due to the mergers and divestment in the year. Currently one brand has no management holding equity (2016: one).

2017:

51

2016:

57



## 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 run their business. It is important to develop staff who are passionate about what they do, who want to help their clients and candidates to realise their potential.

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

## How it works

Senior management have the opportunity to retain or acquire shares in the operating company they are responsible for.

Management can create a meaningful capital value over time if they grow the profit in their business. This works well with our decentralised structure, as the local management team run their business with a high level of operational autonomy.

This aligns the interests of management with Empresaria as a majority shareholder, encouraging a long-term view for the business.

### Acquisition of shares →



- At least 51% of the shares are owned by Empresaria.
- A minority share position is retained by management or acquired by them at fair value.

### Holding period →



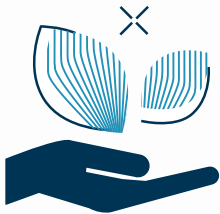
- Shares can be offered for sale after a specified holding period, typically between 4 and 5 years.
- Shares can be offered for sale over a minimum 2 to 3 year period.
- The decision to purchase the shares is at Empresaria's sole discretion. There are no put options in place.
- The decision to buy shares is based on each specific situation, with consideration given to management succession plans, recent trading performance and potential of the business in the next few years.

### Valuation →



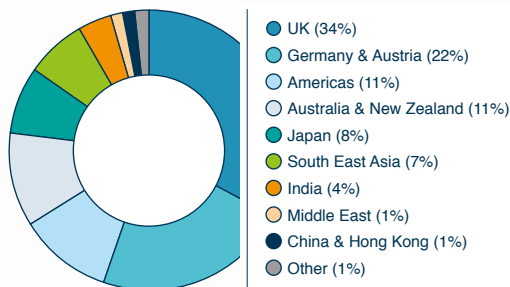
- Valuation basis is agreed up-front and documented in a shareholders' agreement.
- The valuation is typically based on the average profit after tax for the previous three full years before the shares are sold, using Empresaria's trading multiple (share price divided by last EPS) less 0.5, to ensure it is earnings-accretive to Empresaria's shareholders. The multiple is capped at a maximum of 10.

## Focus on growth markets

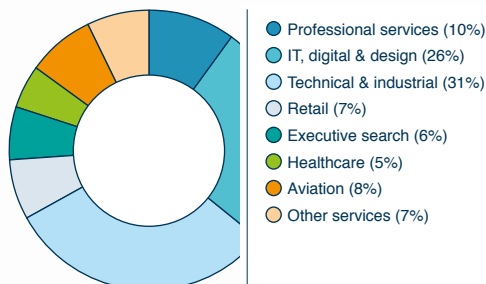


We target businesses that operate in growth regions and sectors. We have a good spread across both established and emerging staffing markets and across different industry sectors. By having a balanced and diversified spread of operations across different markets we are not reliant on any single market and can mitigate the impacts of a slow-down in any particular market.

### Net fee income by geography (%)



### Net fee income by sector (%)





## Why this is important

We want to operate in markets where there are good growth prospects, to help us deliver a sustainable growth in profit. We know that markets operate at different speeds and economies go through cycles, so our spread of operations across sectors and geographies reduces the risk from a downturn in any single market.

## Market size

We have a good spread of operations across both established and emerging staffing markets, with 71% of our net fee income derived from the UK, Germany, Japan and USA, which are the four largest staffing markets in the world.

These markets provide a significant market opportunity for our brands to operate as niche market experts as well as making it easier to find experienced managers who have the passion, skills and expertise to develop international brands.

The World Employment Confederation estimates in their 2017 Economic report that the global staffing market generates €417 billion in sales revenue, which includes €279 billion from agency sales (temporary and contract), €36.8 billion from direct recruitment (permanent) and €3.3 billion from RPO (Offshore recruitment services).

Global market staffing sales  
(2017)

# €417bn

✕ See page 22 for Operating review



## Asia and Latin America

With the exception of Japan and Australia, the Asian and Latin American staffing markets are relatively immature. There are low levels of temporary recruitment in South East Asia, but as this staffing market develops we expect temporary staffing to grow and we are well positioned to benefit from this. There is a significant long-term growth potential in these emerging staffing markets due to the size of their populations, concentration of work in large cities and increasing levels of middle class with better education levels than previous generations. We have a good presence across the emerging staffing markets with a particular focus on Asia Pacific, India and Latin America.

In these markets we focus on the key economic centres, where we will see the best return on our investment. We do not have large networks of branch offices, but focus on where the workers and clients are concentrated, so having access to the greatest pool of vacancies and candidates.



## India

We have a fast-growing Offshore Recruitment Services business operating out of India and providing a range of recruitment services, primarily to clients in the USA and UK. We see this having good potential for future growth as agencies in established markets look to manage their cost base and increase operational flexibility by outsourcing certain parts of the recruitment process.



## Germany and Austria

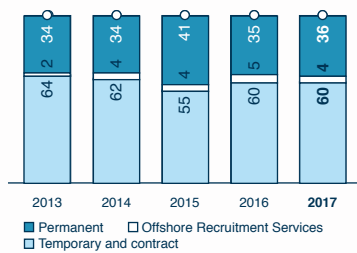
The German staffing market is the least mature of these markets, having only de-regulated in 2004, but is already the fourth largest staffing market in the world and we expect it to grow to be the biggest in Europe over the medium term.

## Operational focus on temporary and contract recruitment

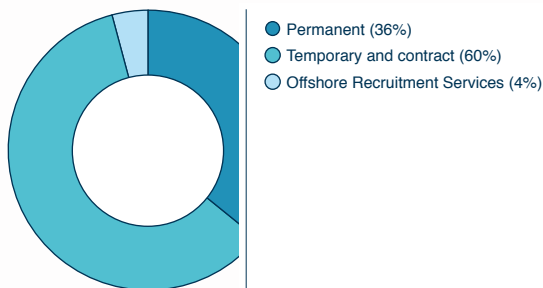


Providing ongoing temporary and contract recruitment services develops long-term client relationships and helps financial planning through more predictable earnings. Temporary staffing is generally more stable throughout the economic cycle and provides clients and candidates with the flexibility to organise their business and careers.

**Split of net fee income from temporary and contract services (%)**



**Split of net fee income by service type (%)**



## Why this is important

The Group has three main service lines, temporary and contract recruitment, permanent recruitment and Offshore Recruitment Services. Overall we aim for a bias in temporary and contract recruitment, which is generally more stable throughout the economic cycle, although this also depends on the maturity of the

staffing sector in each country, with some low maturity markets focused purely on permanent sales. With temporary and contract recruitment, we typically have a long-term relationship with our clients and a more predictable income stream, which helps with resourcing and planning.

## Temporary staffing in key markets

As a Group we have an overall bias towards contract and temporary recruitment, providing workers with the flexibility to work when they want and also helping people to enter the working environment.

In the established staffing markets we have a high proportion of temporary and contract recruitment. The established markets are typically larger and more regulated. We monitor changes in regulations across our territories and we participate in consultation exercises with the regulators, to help them understand the benefits to their economies

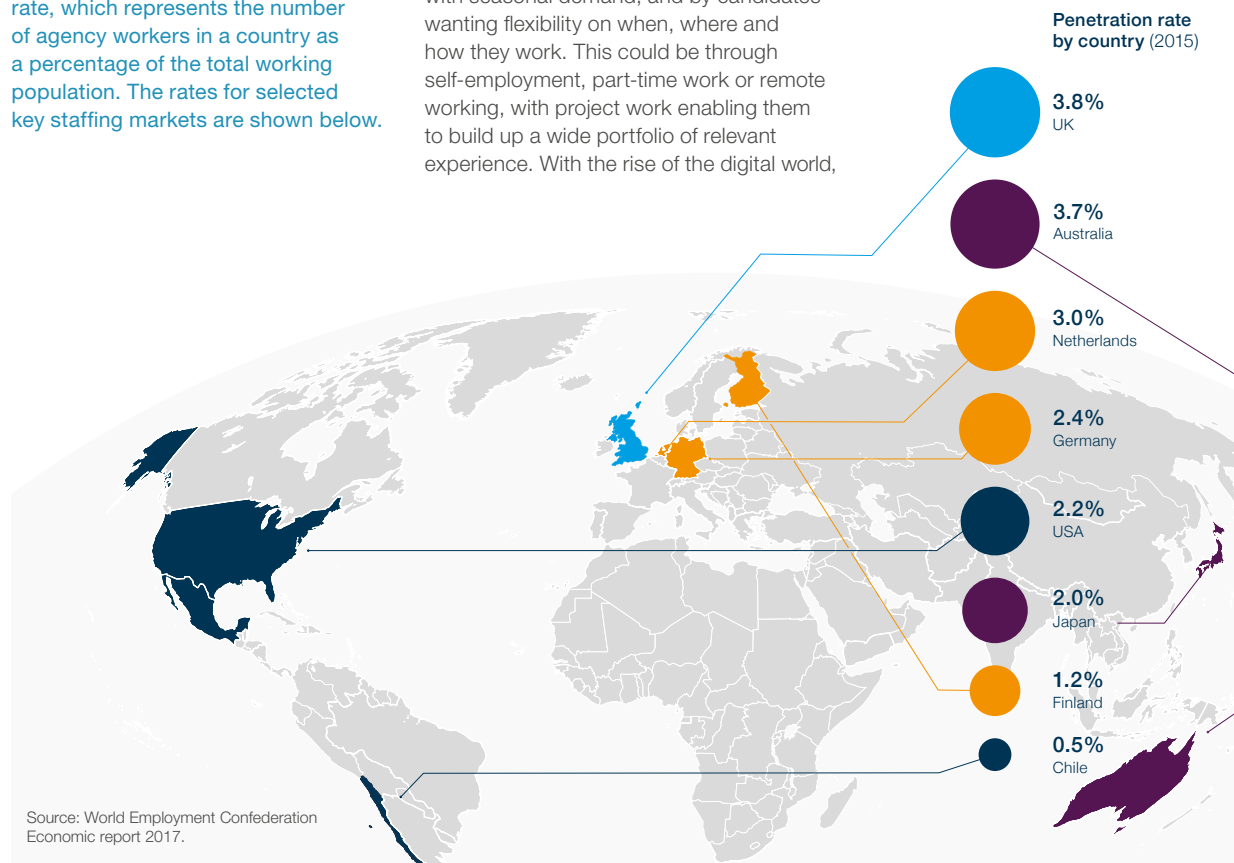
and businesses from temporary labour solutions. In those markets where there is no or little regulation of labour markets we focus more on permanent recruitment, but with the expertise around the Group we are well placed to develop temporary recruitment solutions as these markets develop.

## Temporary penetration rates in key markets

The most regulated markets typically have the highest temporary penetration rate, which represents the number of agency workers in a country as a percentage of the total working population. The rates for selected key staffing markets are shown below.

In established staffing markets there is an ongoing trend towards flexible working practices. This is being driven by both clients wanting solutions for specific projects, to manage their costs or deal with seasonal demand, and by candidates wanting flexibility on when, where and how they work. This could be through self-employment, part-time work or remote working, with project work enabling them to build up a wide portfolio of relevant experience. With the rise of the digital world,

it is increasingly easy for candidates to work from anywhere in the world, reducing geographic boundaries and time zone issues.



# Chairman's statement



The Group has delivered another record year of profit. Our business model and strategy is delivering consistently, with 18 quarters of year-on-year net fee income growth for the period to December 2017.

As well as the growth in profit, our diversification across sectors and geographies helps to reduce risk and insulate the Group from difficulties in individual markets.

Empresaria is a global business, operating from locations in 20 countries. Whilst global reach is clearly important, local focus is key with our management teams running their businesses in alignment with local market conditions and opportunities.

As part of our strategy to develop leading brands, we invest to help them develop and take a leading position within their niche sector area of expertise. It is important that each brand has the potential to develop within the Group and where changes are needed, we identify and implement them. In line with this ethos, we ended 2017 with 18 brands, having merged two brands and exited from another. The Board sees good opportunities for growth across the Group and we will continue to invest in our brands to build capacity and coverage.

## The market

As we enter 2018 the worldwide economic conditions are largely positive, with synchronised growth forecast for the first time since the global financial crisis. The main markets that we operate in are expected to grow, and this includes the UK where we continue to operate under a cloud of Brexit uncertainty. We are seeing candidate shortages across our markets and regions. We play a vital role in helping client companies find the right resources they need to grow.

The positive economic outlook suggests a good year ahead for the staffing sector, with "Staffing Industry Analysts" forecasting 6% growth in the global staffing sector in 2018. Against this is ongoing geo-political uncertainty, which could derail growth in any territory, as well as the impact of new legislation in our markets, with particular changes in Germany and Japan impacting the temporary staffing markets in 2018. Our diversity puts us in a good position to both manage the impact of localised issues and make the most of positive market conditions.

## People, values & culture

The Board has over 100 years of combined experience in the staffing industry and during the year we took steps to strengthen the board with Spencer Wreford taking on the role of Chief Operating Officer. We look forward to welcoming Tim Anderson to the board as Group Finance Director by the end of March 2018.

As we have continued to invest in our brands, the average number of staff across the Group in the year has increased to 1,367 (2016: 1,282). The success of the Group is down to the hard work of every one of them and the Board would like to thank each individual for their contribution to our success.

A key part of our business model, and one that aligns key operating company management and Empresaria shareholder interests, is subsidiary management equity, where management hold shares in their operating companies. This approach helps Empresaria to attract and retain the best people. At the end of the year we had 51 management shareholders owning shares in the operating companies they are responsible for.

It is important for businesses to have a clear vision to help frame all decision making and identify priorities for investment. We operate in a people business and our purpose is to help people to achieve their potential, whether this is our internal staff who can develop meaningful careers within the Group, our candidates who we help to find work, or our clients who we help to identify the best candidates.

We operate with a decentralised structure, with local management responsible for running their businesses but 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 people realise their potential.

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

## Shareholder returns

The Group has delivered six consecutive years of double-digit growth in adjusted diluted earnings per share as we look to build a sustainable business for the long-term benefit of shareholders and other key stakeholders. The adjusted measures exclude amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments. We use the adjusted measures as we believe they reflect the underlying trading results and are measures typically used by investors and the analyst community.

The Board has reviewed the dividend and in line with our progressive dividend policy, for the year ended 31 December 2017, we propose an increase of 15% to 1.32p per share (2016: 1.15p per share) to be approved by shareholders at the Annual General Meeting. The dividend will be paid on 31 May 2018 to shareholders on the register on 4 May 2018.

# Highlights of 2017

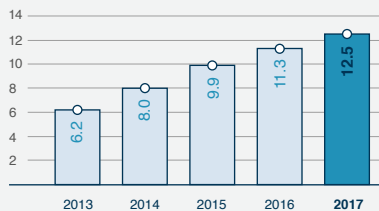
## KEY PERFORMANCE INDICATOR

### ADJUSTED DILUTED EARNINGS PER SHARE GROWTH

This demonstrates return to shareholders, in line with our strategy of delivering a sustainable growth in earnings per share.

**Progress:** Adjusted diluted EPS grew by 11%, representing the sixth year of consecutive growth.

#### Adjusted diluted EPS (p)



At the end of the year we initiated a small share buy-back programme, which concluded in January 2018 with the total purchase of 260,384 shares at a cost of £249,445. These shares are held in an Employee Benefit Trust to cover potential exercises of vested share options thus reducing the dilutive effect of issuing new shares. Based on the number of vested options and the share price at the time, this was a sensible use of capital for the benefit of all shareholders.

### Outlook

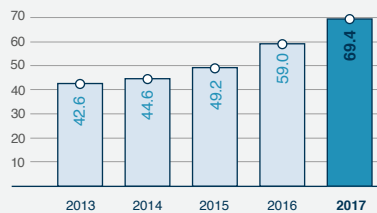
The Group has a strong platform from which to deliver the next phase of growth. The economic conditions are positive and whilst we maintain a cautious view on political risk, we see good opportunities to develop our Group further during the year ahead. We have a proven strategy and brands that have the potential to grow their profit.

**Tony Martin**  
Chairman

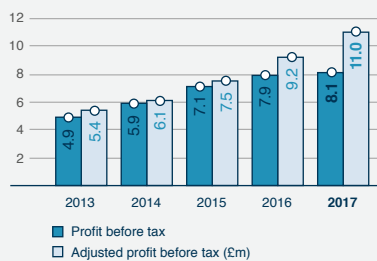
13 March 2018

## Financial highlights

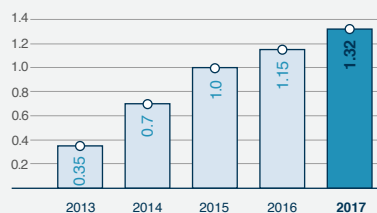
### Net fee income (£m)



### Adjusted profit before tax (£m)



### Dividend (p)



## Brand awards in 2017



**ConSol Partners:** Staffing Industry Analysts Executive Forum recognised as 2017 best staffing firm to work for in the USA (up to 51 employees).



**IMS:** Times Ascent Dream company to work for (IOAP The Global Outsourcing 100).

## Operational highlights

### Strengthening a multi-branded group



- Entry into Vietnam through Monroe Consulting. As a Group we provide a global service, now operating from 20 countries.
- UK brands merged (Mansion House merged into LMA, Reflex HR merged into FastTrack).

### Investing in staff with focus on productivity

- Average staff numbers increased to 1,367 (2016: 1,282).

### Management change

- Spencer Wreford appointed Chief Operating Officer in September 2017.

## Operating excellence



**Become** celebrates 20 years in business.



**McCall** celebrates 25 years in business.



**LMA:** Global Recruiter APAC winner.



**Monroe Consulting:** Global Recruiter Best In-house training APAC; Best small recruitment business (commended); Best Newcomer (Malaysia Gold); Best Candidate Experience (Malaysia Bronze).

# Our business model

We leverage our resources

Through our four strategic pillars

## Our people

The skills and expertise of our staff.

## Our financial strength

Our ability to invest in the business.

## Our brand reputation

Our brands are experts in their markets.

## Our values & culture

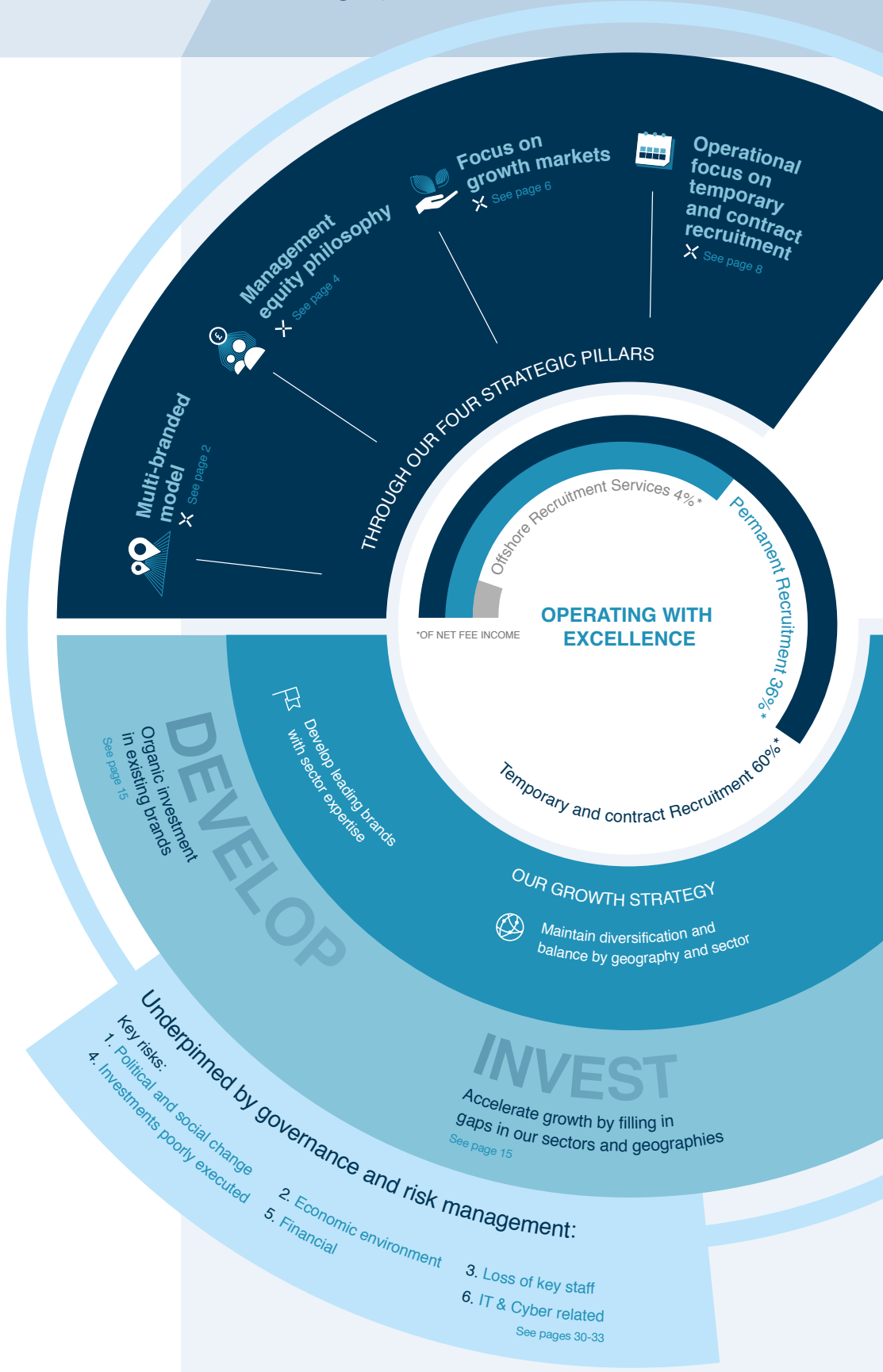
Our decentralised structure provides operational autonomy for managers.

## Our network

Our brands are servicing clients and candidates in 20 countries across the world.

## Our technology

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



## To generate good returns and sustainable long-term value

### Our unique business model

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



Develop a solid financial foundation

# DISCIPLINE

Financial discipline  
See page 15

### Investors

We aim to deliver sustainable returns for shareholders with growth in adjusted diluted earnings per share and a progressive dividend policy in line with trading performance.

Growth in profit and cash-flow allows us to re-invest in our businesses to grow their profit into the future.

Dividend (p)

# 1.32p

Adjusted diluted EPS (p)

# 12.5p

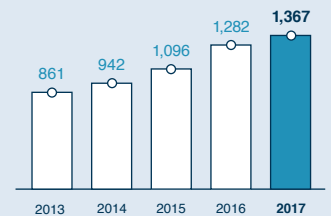
### People

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

Average employee numbers (2017)

# 1,367

Average staff numbers



### 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 support their families, and we contribute to the local economy through tax payments and use of local suppliers.

We help local businesses meet their objectives 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.

# Market drivers in our industry

## Economic conditions

Confidence drives client's hiring activity and investment in staff, and confidence makes candidates more comfortable to move job. Confidence builds with good economic conditions, with growing economies creating new roles and candidates moving between existing roles. This dual impact means staffing markets are generally expected to grow at higher rates than country GDP, but different geographies and sectors exhibit different economic conditions and so demand is not spread evenly.

Market opportunity is also based on the size of the market and the level of specialism, with larger markets having a greater degree of specialism. The world economy is increasingly inter-connected with businesses operating in global markets across international boundaries. The labour markets are reacting to this with people becoming more mobile and working outside their country of birth.

## Talent shortages

Talent shortages exist in many sectors, making it difficult for clients to find suitable staff, as there are insufficient workers with the necessary skills to meet demand. Clients have a number of routes to find candidates but where there is a scarcity of talent a staffing agency is invaluable to help with difficult to find candidates. There is an ageing population in developed economies which further exacerbates this skills shortage and in emerging economies where there are growing populations they often lack the skills and experience needed by clients.

Advances in technology and automation are reducing the requirement for a number of low skilled jobs, making them obsolete. However, these advances also lead to the creation of new roles that did not exist a few years ago, although there are shortages of people with experience in these new areas. There is an increasing divide between the qualifications and skills of workers and the evolving demands of the labour market.

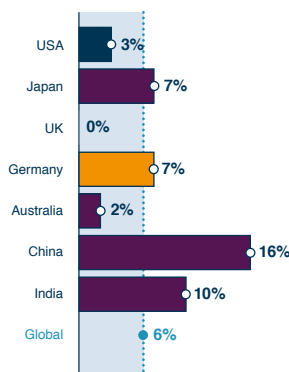
There is an ongoing trend for urbanisation, leading to a concentration of workers in the key economic centres, especially in emerging markets. The concentration of workers to the largest cities means these cities are the main drivers of economic growth and business opportunities.

## Changes in market regulations and new technologies

Market regulations can be a driver of growth, with well-regulated markets encouraging temporary employment by protecting the rights of temporary workers, for example by providing the right to equal pay and conditions. New business models can create opportunities for workers, as seen with the growth of workers in the gig economy. They also create uncertainties as authorities review how to deal with the taxation of income and profits, which could lead to changes in regulations around how workers can be engaged.

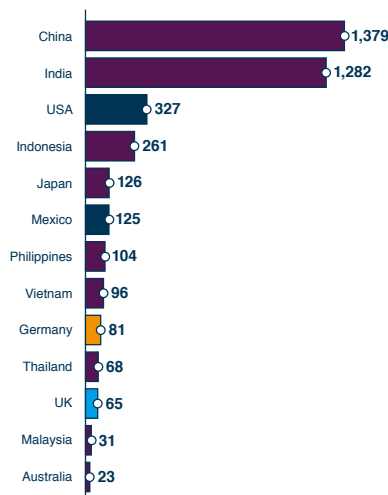
New technologies and tools in staffing are changing how we interact with candidates and clients, with some models helping the staffing industry to be more productive and some looking to bypass the agency. In established staffing markets we see an increasing use of Vendor Management Systems ('VMS') and Managed Service Providers ('MSP') where software solutions or external advisers act as the mechanism for providing staffing services to clients, reducing or removing the interaction between the end client and staffing agency. With the supply and demand for job markets becoming increasingly digitalised it can be difficult to sift through the sheer volume of data online to find the best match. This is where the experience of a staffing agency can be vital to find the right candidate.

**2018 staffing market growth (%)**



Source: SIA forecast.

**Populations (millions)**



Source: CIA World Factbook (July 2017 estimates).



# How we meet our objectives

We follow an Invest and Develop approach to deliver on our strategy. We are a strategic investor, looking to invest in like-minded people who share our values and are passionate about their business.

## DEVELOP

It is important for our existing brands to 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

## INVEST

To accelerate our growth we also look at external investments, to fill gaps in our sector or geographic coverage or to bring in specific market knowledge into the Group.

External investment will occur 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

It is important to have the right culture fit with any external investment, typically finding businesses that have potential but have reached a point where they need help to move forward to the next level. We want to work with them to develop a leading staffing brand.

## 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%.

Our preference is for investments to be funded through equity or from operating cash flows and debt to be used for working capital funding. We review investment opportunities and funding options based on our expectations for the business and the costs of raising new funds to deliver the best overall result for shareholders.



### FULL BUSINESS MODEL:

Discover the full business model on page 12 of this report.

# Our growth strategy

The Group's strategy is focused on growth, facilitating our vision to be a leading international, specialist staffing group.

## 1. Develop leading specialist brands with sector expertise



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

### Our strategic objectives

- **Focus on professional and specialist job levels** where there are the greatest talent shortages.
- **Sectors with good long-term growth prospects** where our niche sector expertise helps us to deliver to the needs of both clients and candidates.

### Our progress in 2017

We successfully integrated two new brands into the Group from external investments made in 2016.

Rishworth Aviation provides us with a leading position in Aviation, a new high growth global sector.

ConSol Partners increases our presence in high growth IT sectors, operating across the UK, Continental Europe and US markets.

In 2017, we merged a number of brands in the UK, to bring operational synergies and cost savings to the businesses. In Professional services the Mansion House insurance brand was merged into LMA, adding a further specialism to their offering. In the Technical & Industrial sector, Reflex HR merged into FastTrack, strengthening their combined position in the market and giving clients a better national coverage.

We exited a training business in Indonesia as we focus on our core staffing business.

### Our opportunities

With economic forecasts generally positive in the regions we are operating in, we see potential to continue to grow our Group profit into 2018.

With the restructuring undertaken in 2017 we have a stronger platform across the Group and the focus in 2018 is on investing in new staff and improving productivity. We see good opportunities to use technology tools to help our staff operate more effectively and efficiently and to invest more in staff training.

We also look for cost efficiencies within our operating structures and are working on a number of projects to improve reporting and streamline back office functions.

## 2. 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 on the Group from market fluctuations and external shocks.

## 3. Develop a solid financial foundation



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

- **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 staffing markets** allows access to both stable mature markets and high growth emerging markets.

- **Funding being available** to allow the Group to pursue internal and external investment opportunities.

With the investments in Rishworth Aviation and ConSol Partners in 2016, we now have a better diversification across our sectors, including a new sector in Aviation. Our Monroe Consulting brand opened a new office in Vietnam, our first venture in this country. This builds their South East Asia coverage, now operating in six countries in Asia Pacific and two in Latin America. The investment in ConSol Partners has increased our presence in the USA through their office in Los Angeles. From the London office they service clients in the UK and Continental Europe. With our existing IT, digital & design brand in Japan, Skillhouse, this sector now operates across all of our regions.

With our record profit in 2017 we have generated positive cashflows. With the deferred consideration payment related to ConSol Partners paid in the year, we have seen an increase in our debt to debtors ratio to 45%, up on 38% in 2016. Whilst this remains higher than our target of 25%, it only represents 1.5 times adjusted net debt to EBITDA. We have not made any external investments in 2017, with a focus to reduce the Group debt level. With our diversified Group we have delivered a record profit in the year. Our business is highly cash generative and with our committed bank facilities we end the year in a strong financial position.

10 of our 18 brands operate in more than one geographic region. We think this is important for leading brands to help spread their exposure and to deliver to the needs of clients across different geographies. We see ongoing opportunities to increase our brands' geographic coverage across the Group.

Although we do not currently expect to make any significant external investments in 2018, we continue to look at opportunities to further diversify our geographic or sector coverage either through new brands or bolt-on acquisitions.

In 2018 we do not currently anticipate making any significant external investments, as we continue to target a reduction in our net debt and our debt to debtors ratio. However, we continue to look at opportunities, both organic and external, to grow the Group where there is a strong strategic fit.

# Chief Executive's review



We are pleased to have delivered another record year of profit, further demonstrating that our strategy of being diversified by sector and geography is working, with adjusted profit before tax growing 20% to £11.0m (2016: £9.2m).

## Group performance in the year

We are pleased to have delivered another record year of profit, further demonstrating that our strategy of being diversified by sector and geography is working, with adjusted profit before tax growing 20% to £11.0m (2016: £9.2m). The 2017 results include a full year of contribution from the investments made in 2016 in Rishworth Aviation and ConSol Partners.

Group revenue increased by 32% to £357.1m (2016: £270.4m), with net fee income up 18% to £69.4m (2016: £59.0m). Our strongest results were in Japan (IT & design sector), Chile (retail sector) and in the professional services and other specialist sectors of the UK. Permanent revenue was up 14% and temporary and contract revenue was up 34%.

The two investments made in 2016 have integrated well into the Group. Rishworth Aviation has performed in line with our expectations. The decision was taken to incur professional fees to support the set-up of new bases of operations for key clients, which are already generating profitable returns and further consolidate their position as a key business partner. Our investment in ConSol has also been positive, with the UK office trading well and expanding their operations in Continental Europe. We have invested in the US office, bringing in more experienced staff and increasing their focus on temporary sales. There has been a positive contribution in the second half of the year from these changes and we see a good momentum moving into 2018.

We have continued to invest in our Group, with Monroe Consulting launching in Vietnam, a new country for the Group. This operation has started well and complements their existing footprint across South East Asia. The Group has also seen average staff numbers increase by 7% as we continue to invest in line with our leading brands strategy. In the UK, two brands were merged into FastTrack (technical & industrial) and LMA (professional services), which are expected to provide both operational and cost synergies in the coming years.

## Trading summary

£m	2017	2016	% change	% change constant currency**
Revenue	<b>357.1</b>	270.4	32%	28%
Net fee income	<b>69.4</b>	59.0	18%	13%
Operating profit	<b>8.7</b>	8.5	2%	(3%)
Adjusted operating profit*	<b>11.6</b>	9.8	18%	13%
Profit before tax	<b>8.1</b>	7.9	3%	(2%)
Adjusted profit before tax*	<b>11.0</b>	9.2	20%	14%

\* Adjusted to exclude amortisation of intangible assets, exceptional items, gain or loss on disposal of business and fair value charges on acquisition of non-controlling interests.

\*\* The constant currency movement is calculated by translating the 2016 results at the 2017 exchange rates.

With a Group operating in 20 countries and across various sectors, it is unrealistic to expect all brands to be performing at their peak at the same time. Our organic performance in the year has been impacted by weaker performances, primarily within the technical & industrial sector, and actions have been taken to make changes where required. At the net fee income level, the growth was driven by the investments made in 2016, with organic growth of 1%, although once currency benefits are removed, the constant currency organic net fees decreased by 3%. Germany and the Middle East were our weaker markets in the period. We saw a reduction in net fee income in Germany following the introduction of new legislation to limit the amount of time a worker can be treated as a temporary worker at the same client to 18 months as well as new minimum wage rules. We have been proactive in managing this position with worker rotations but this has resulted in lower temporary margins and a subsequent decline in profit. In the Middle East we have incurred restructuring costs in the year, bringing the cost base in line with current trading and whilst loss making, it was an improvement on the prior year and we saw a positive trend across the second half. In the UK a mixture of changes within the sales team and merger costs have put pressure on the results. As part of a mid-term growth plan, we will be investing further. The fact that we were able to deliver a record result in 2017, despite difficulties in certain markets, underlines the benefit of our strategy to be diversified across sectors and geographies and so not being reliant on any single market.

The Group temporary margin was 12.7% (2016: 14.5%) with the reduction mainly due to the full year impact of Rishworth Aviation, which has a high revenue and relatively low gross margin percentage, and the lower margins in Germany. The mix of net fee income was consistent with the prior year, with 60% from temporary and contract sales and 40% from permanent sales. The share of net fees from professional and specialist levels increased to 87% (2016: 86%). The Group generated 66% of net fee income from outside the UK (2016: 68%).

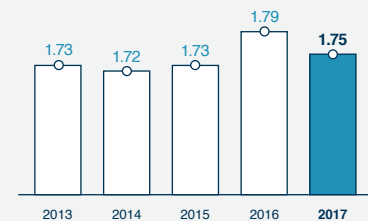
We have seen another improvement in our conversion ratio, albeit a small increase to 16.7% (2016: 16.6%). This represents six years of consecutive improvement, although the rate of growth was held back by costs incurred on exiting property leases in the UK, non-exceptional restructuring costs and investing in new staff. We have a clear focus to manage our costs, allowing investment in building the teams, but always looking for ways to operate more efficiently, with a particular focus on staff productivity.

#### KEY PERFORMANCE INDICATOR

##### STAFF PRODUCTIVITY

This is the key productivity ratio we monitor, demonstrating staff efficiency, calculated as the ratio of net fee income generated per £1 of staff cost. The staff cost includes all sales and administrative staff, reflecting the true cost of operating the Group.

**Progress:** At 1.75 in 2017 we have seen a small decline on 1.79 in 2016, but this remains above all other years since 2013.



#### Permanent revenue

+14%

#### Temporary and contract revenue

+34%

#### Net fee income

£69.4m  
2016: £59.0m

#### Adjusted profit before tax

£11.0m  
2016: £9.2m

# Chief Executive's review

## continued

Within our English speaking brands we have started to use our offshore recruitment outsourcing business in India to take over certain internal accounting processes, to deliver consistency, build scale and manage costs. Operating profit grew by 2% to £8.9m (2016: £8.7m), with higher amortisation costs of £1.7m (2016: £1.1m) reflecting the recent investments made by the Group, as well as a £0.9m loss on disposal for exiting the training business in Indonesia. The adjusted operating profit, stated before amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments grew by 18% to £11.6m (2016: £9.8m). The disposal was of a non-core business, which joined the Group in 2007. There was a need for a significant cash investment to restructure it for growth and we did not believe it was an ongoing fit with the Group. This was an accounting loss only and meant we did not need to make any further cash injections.

Profit before tax was up 3% to £8.1m (2016: £7.9m), with the underlying adjusted profit before tax up 20% to £11.0m (2016: £9.2m). Interest costs were level year on year, despite the increase in net debt. We also had a benefit from the weakness in Sterling on the translation of our overseas results. On a constant currency basis adjusted profit before tax was up 14% but reported profit before tax was down 2%. Currency has been beneficial for the last two years, following the Brexit vote, but based on the exchange rates at year end we would not expect to see the same benefit during 2018.

Diluted earnings per share was down 15% to 7.9p (2016: 9.3p), also impacted by the higher amortisation charges and loss on disposal. On an adjusted basis there was an 11% growth to 12.5p (2016: 11.3p), representing the sixth year of double digit percentage growth.

## Five year plan 2014-2018

As we enter 2018 we start the last year of our most recent five year growth plan. We are pleased with the progress we have made in all three key measures. We will continue to work on improving the conversion ratio and all three targets remain ongoing areas of focus for the Group.

### KEY PERFORMANCE INDICATOR

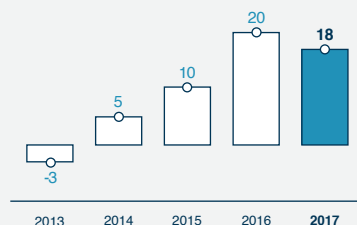
#### NET FEE INCOME GROWTH

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:** 18% (13% in constant currency). The last three years have been at or above our target level.

Net fee income growth (%)



### KEY PERFORMANCE INDICATOR

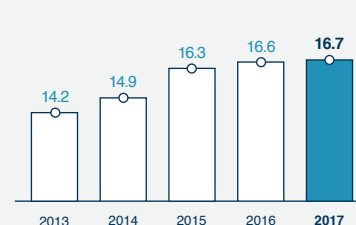
#### CONVERSION RATIO

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

**Target:** Reach 20% ratio by 2018.

**Progress:** 16.7%, being the sixth consecutive year of improvement. After the small growth in 2017 we do not expect to reach 20% in 2018 but continue to focus on balancing costs, productivity improvements and investments to grow net fee income to reach our target.

Conversion ratio (%)



Over the first four years of our plan we have delivered a 63% growth in net fee income, with 26% from organic growth (for businesses in the Group in 2013), 43% from new investments and 6% lost through divestments. The Board's decision to operate above the long-term debt to debtors target is explained in the Finance review.

#### KEY PERFORMANCE INDICATOR

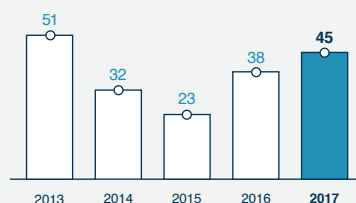
##### DEBT AS A % OF DEBTORS

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 increased to 45% from 38% in the prior year due to the acquisition based payments made in the year. Having reached the target in 2015 we took the decision to make two strategic investments using cash and debt in 2016, knowing this would significantly increase this ratio in the short-term. We expect to see this rate reduce in 2018 but not to reach the target level.

##### Total debt as % of trade debtors (%)



#### Focus into 2018

Organic growth has always been a core part of our business model and despite the low overall organic growth in the year, this remains a key focus of management. We agree specific plans with each brand to help them develop into leading brands in their sectors and we will continue to invest in new staff, locations and markets where we see opportunities to grow. We are confident that the plans we are following will help the Group deliver profitable organic growth in 2018.

We have not made any external investments during 2017, concentrating on integrating the three investments we made over a 12 month period from October 2015 to October 2016. It was important to settle them into the Group before looking for new investment opportunities. With the main focus on organic growth in 2018, we do not currently expect to make any significant external investments, but we will continue to work on identifying suitable opportunities to further develop the Group in line with our strategy. As part of balancing our sector and geographic coverage, we have a particular interest in increasing our presence in the Latin American region and the healthcare and professional services sectors. We also work with our brands to identify and execute sector specific bolt-on acquisition opportunities, to help accelerate their growth plans.

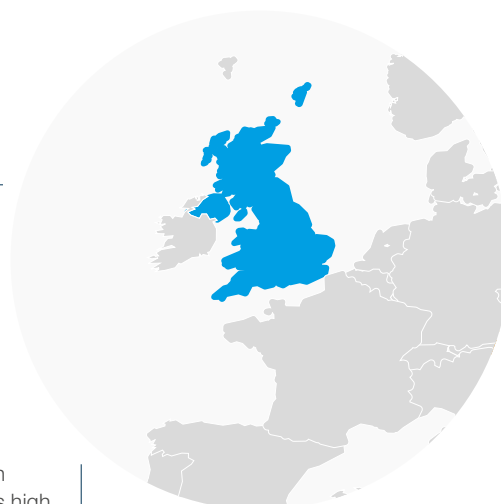
**Joost Kreulen**  
Chief Executive Officer

13 March 2018

# Operating review

## United Kingdom

£m	2017	2016	2015	2014
Revenue	<b>86.7</b>	70.1	62.7	65.8
Net fee income	<b>23.4</b>	19.0	18.4	15.9
Adjusted operating profit	<b>2.2</b>	1.5	2.2	2.2
% of Group net fee income	<b>34%</b>	32%	37%	35%
Average number of employees	<b>294</b>	262	224	197



Revenue increased by 24% and net fee income was up 23%, helped by having a full year of contribution from ConSol Partners. However, excluding this the underlying movement in net fee income was a reduction of 2%, due to lower sales within our insurance and technical & industrial brands. Our UK based brands in technical & industrial merged at the beginning of 2017 and overall the integration has run smoothly. The sector has been challenging, with candidate shortages and delays to key projects and at the same time the credit community has also been very cautious in this sector and this is unlikely to improve following recent well publicised company collapses. We are working closely with the business to help them make improvements in structure and process to recover their profit levels including the introduction of an improved training programme during the year. We plan to invest in adding more staff in 2018.

In professional services we have seen positive conditions, with activity levels high throughout the year. We have merged the insurance brand into LMA, our leading professional services brand, with effect from January 2018, with resulting cost and operational synergies. We have not seen any impact on client demand due to Brexit and staff numbers have increased 10% year on year. The LMA business has a good track record of adding new service lines and we are confident they will be able to maximise the opportunities with a dedicated insurance division.

We were also pleased with the contributions in domestic services and retail (new house sales), with both growing year on year and looking to strengthen their regional presence in 2018.

In IT & digital we have strengthened our presence with ConSol Partners. From their office in London they cover the UK and Continental Europe markets and they have seen the mix shift more towards Europe over the course of the year. In the digital & design sector our two brands have invested in staff and systems, such that their net contribution has been steady with the prior year, but we have seen an improving trend over the second half of the year, in particular with stronger temporary sales, and see good opportunities to grow into 2018.

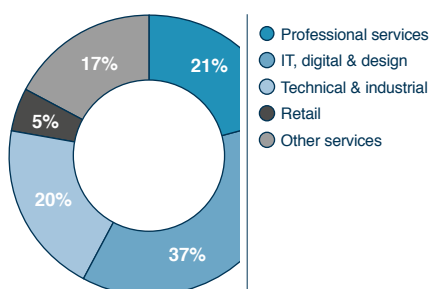
**Countries:**

UK

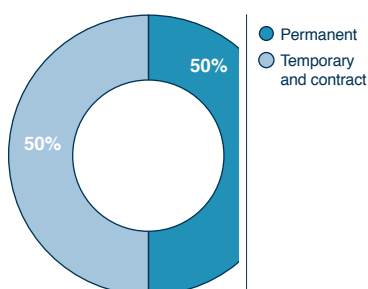
**Brands:**

- LMA
- FastTrack
- McCall
- Greycoat
- Become
- Ball and Hoolahan
- Teamsales
- ConSol Partners

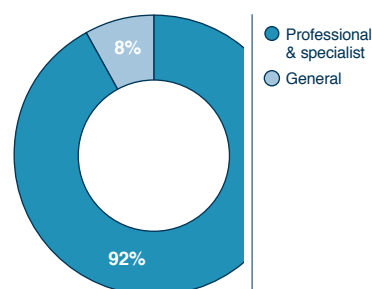
**Net fee income by sector (%)**



**Net fee income by services (%)**



**Net fee income by job level (%)**





## Continental Europe

£m	2017	2016	2015	2014
Revenue	<b>98.8</b>	92.0	75.2	76.8
Net fee income	<b>16.5</b>	16.8	14.5	15.0
Adjusted operating profit	<b>5.1</b>	4.9	3.9	3.2
% of Group net fee income	<b>23%</b>	28%	30%	34%
Average number of employees	<b>125</b>	127	123	132



Revenue grew by 7% but net fee income was down by 2%, with the temporary margin down 2% in Germany. The adjusted operating profit of £5.1m was up £0.2m on 2016, helped by a lower allocation of central charges due to the lower share of Group net fee income.

The Headway business in Germany and Austria continues to dominate the region. The Austrian business was positive, with investments made in staff. The German temporary staffing division has integrated new sales staff and invested in training and marketing and is well positioned to benefit from these investments in 2018. The Logistics division in Germany delivered strong profits but was negatively impacted by new legislation that was implemented in April 2017 and the set up costs related to taking on new clients.

The new regulations limit the time a worker can be on a temporary contract with a client to 18 months, with new equal pay regulations also introduced. With this division operating at lower pay brackets, these changes have increased pressure on margins and projects are being managed to meet client service period restrictions. We expect there will be a continuing impact into 2018 as clients get used to the new rules. We are confident that the high quality service we provide in the market will see us well placed to respond to ongoing client needs into the long-term.

Our Finnish healthcare business has had a solid year. We oversaw a change in the senior management team during the year and are investing in marketing initiatives in 2018 to improve candidate attraction.

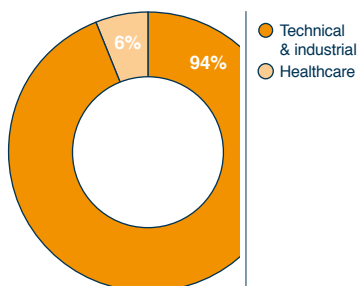
**Countries:**

Germany  
Austria  
Finland

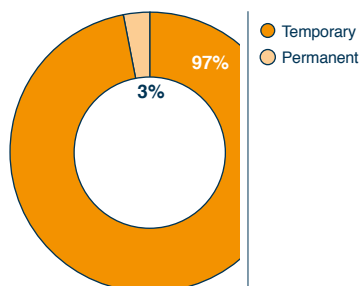
**Brands:**

Headway  
Medikumppani

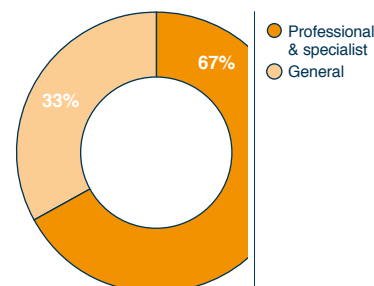
Net fee income by sector (%)



Net fee income by services (%)



Net fee income by job level (%)



# Operating review

continued

## Asia Pacific

£m	2017	2016	2015	2014
Revenue	<b>132.7</b>	77.3	29.2	27.7
Net fee income	<b>22.2</b>	18.6	14.2	12.3
Adjusted operating profit	<b>3.5</b>	2.7	1.6	1.2
% of Group net fee income	<b>33%</b>	32%	29%	28%
Average number of employees	<b>816</b>	795	673	545



Revenue grew by 72% and net fee income grew 19%. This was largely due to the full year contribution from Rishworth Aviation, which has a low temporary margin of 6%, so there is a larger impact on revenue. Excluding this, net fee income was up 3%.

The Rishworth business has performed in line with expectations and has settled well into the Group, providing a new sector specialism. A key focus in the year has been on setting up new pilot bases for their largest client. Whilst this has required them to incur additional professional fees, we expect the costs to reduce for 2018 and the new bases are already making profitable contributions.

There were particularly strong performances from Skillhouse in Japan (IT, digital & design sector) where the positive economic conditions, combined with an ageing population, has created strong client demand. Candidates are in short supply and new legislation takes effect in 2018 which limits the time workers can be on temporary or outsourced contracts with clients. We have yet to see how clients will react to these changes.

In South East Asia our executive search brand, Monroe Consulting, launched in Vietnam and now operate in six countries across the region. There were good results in Thailand, Malaysia and Indonesia and investments in staff across all offices. In India there was good growth in the outsourcing services to the UK, in particular in the healthcare sector, although their profit growth was dampened by currency impacts. They invested in additional sales resources for the key UK and US markets and we see good opportunities for 2018. We exited our non-core training business in Indonesia, with a sale to the management team as it would have required significant cash and time investments to turn it around and we felt it would be more successful as an independent company.

In professional services the LMA business in Singapore grew net fee income and profit. They continue to invest in new staff to capitalise on their market position.

Following a difficult period, our business in the technical & industrial sector in the Middle East has been fully restructured, with a new manager in place, and a cost base in line with current trading levels. There were additional bad debt write offs for historic issues and the UK base has been closed down. There has been an increase in oil price in the second half of the year, which should help local economic confidence and we expect a positive contribution in 2018.

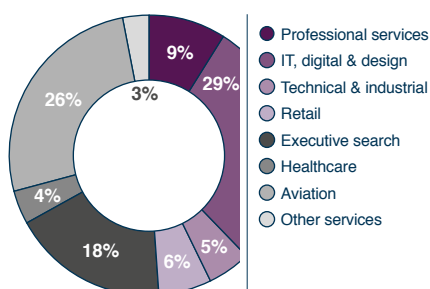
### Countries:

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

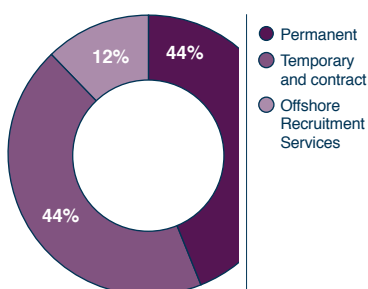
### Brands:

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

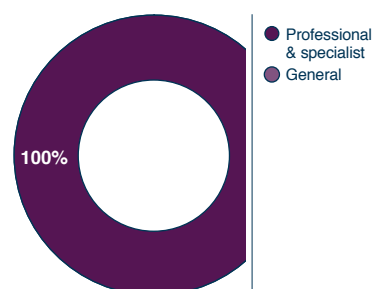
Net fee income by sector (%)



Net fee income by services (%)



Net fee income by job level (%)



## Americas

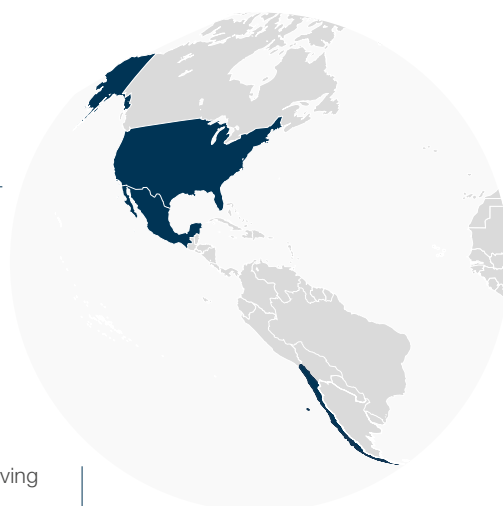
£m	2017	2016	2015	2014
Revenue	<b>38.9</b>	31.0	20.2	17.6
Net fee income	<b>7.3</b>	4.6	2.1	1.4
Adjusted operating profit	<b>0.8</b>	0.7	0.3	0.0
% of Group net fee income	<b>10%</b>	8%	4%	3%
Average number of employees	<b>132</b>	98	76	68

Revenue grew by 25% with net fee income up 59%, helped by the first full year contribution from ConSol Partners. Excluding this, the net fee income was up 17%.

In Chile, we were pleased with another year of growth, with record profits. There was growth in all key divisions, with the strongest growth in the newer permanent and temporary staffing areas but also 12% growth in net fees from the outsourcing business.

In the IT digital & design sector, we had the first full year of ConSol Partners. We invested in staff to build the temporary sales service, increased the management resource and changed the mix in favour of more experienced consultants. The growth in temporary sales is slow and we expect this will take time to see any meaningful change in the sales mix. However, the other staff changes have had a more immediate impact, with a much improved second half result to offset the first half year and this positive momentum gives us confidence moving into 2018.

In healthcare, we have seen an improving performance from Pharmaceutical Strategies in the second half of the year. Following a change in client mix during 2016 they have made progress in broadening their client base and penetration in key clients with a wider service offering. There have been positive changes in the sales and recruitment teams and we are confident that this will deliver improved returns.



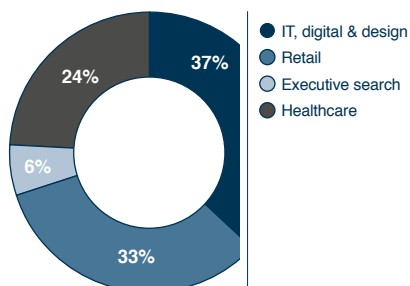
### Countries:

USA  
Mexico  
Chile

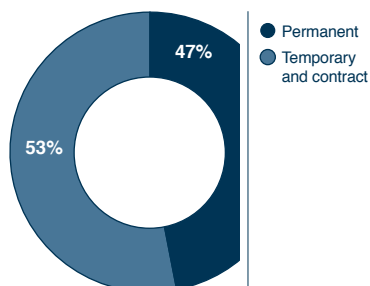
### Brands:

Alternattiva  
Monroe Consulting  
Pharmaceutical  
Strategies  
ConSol Partners

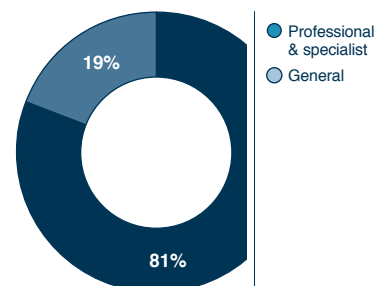
Net fee income by sector (%)



Net fee income by services (%)



Net fee income by job level (%)



# Finance review



Proposed final dividend increased by 15%, in line with our progressive dividend policy.

## Performance overview

	2017	2016	2015	2014	2013
Revenue (£m)	<b>357.1</b>	270.4	187.3	187.9	194.4
Net fee income (£m)	<b>69.4</b>	59.0	49.2	44.6	42.6
Operating profit (£m)	<b>8.7</b>	8.5	7.6	6.4	5.5
Adjusted operating profit (£m)*	<b>11.6</b>	9.8	8.0	6.6	6.0
Profit before tax (£m)	<b>8.1</b>	7.9	7.1	5.9	4.9
Adjusted profit before tax (£m)*	<b>11.0</b>	9.2	7.5	6.1	5.4
Diluted earnings per share (p)	<b>7.9</b>	9.3	9.3	7.5	5.2
Adjusted diluted earnings per share (p)*	<b>12.5</b>	11.3	9.9	8.0	6.2
Proposed dividend per share (p)	<b>1.32</b>	1.15	1.0	0.70	0.35

## Tax

The total tax charge in the year is £3.6m (2016: £3.5m), representing an effective tax rate of 44% (2016: 44%). The effective rate based on the adjusted profit before tax, so excluding the effect of amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity instruments is 37% (2016: 40%). 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, Australia and New Zealand (£1.1m).
- The level of non-deductible expenses in the year (£0.5m).
- A deferred tax asset has not been recognised for certain of the tax losses around the Group (£0.4m).

## Treasury

The Group's treasury function is managed centrally. Under the Group's treasury policy speculative transactions are not permitted and where possible liabilities, typically debt, 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.
- Approving the appointment of any of the Group's principal bankers.

## Capital management and allocation

The Board monitors the overall level of debt across the Group, to ensure we operate in line with our facilities and investment plans. There is a constant need to balance the conflicting priorities of reducing the debt level, investing in the business and returning funds to shareholders through dividend payments. Any increase in bank facilities needs Board approval and treasury management is part of the monthly Board reporting. The Board has set a target debt to debtors ratio of 25% and we also monitor other key debt ratios as follows:

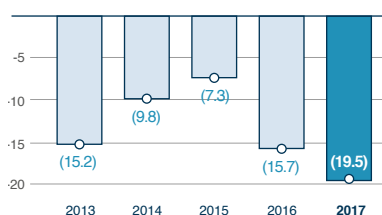
	2017	2016	2015	2014	2013
Adjusted net debt to EBITDA	<b>1.5</b>	1.5	0.8	1.3	2.2
Adjusted net debt to equity	<b>46%</b>	39%	24%	41%	70%

The principle followed by the Board is that debt should be available to fund working capital and that equity should be used for significant external investments. During 2016, the decision was taken to use debt to fund the external investments, taking into account shareholder dilution, the available funding options and the relative costs of raising new funds at the time. This was believed to be the best overall result for shareholders, based on our expectations of the business after making the investments. The Group reported net debt increased to £12.0m at 31 December 2017 (2016: £10.5m), as expected with the £5.6m deferred consideration payable on ConSol Partners in 2017. We expect to see a reduction in debt by the end of 2018 as we do not currently plan to make any significant external investments in the year.

	2017 £m	2016 £m
Cash at bank and in hand	25.9	20.3
Overdraft facilities	(20.4)	(5.1)
Invoice financing	(9.7)	(8.9)
Bank loans	(7.8)	(16.8)
Reported net debt	(12.0)	(10.5)
Pilot bonds	(7.5)	(5.2)
Adjusted net debt	(19.5)	(15.7)

The cash held by Rishworth Aviation at 31 December 2017 includes £7.5m for pilot bonds (2016: £5.2m), amounts which are repayable to pilots or the client throughout 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, when calculating our 'debt to debtors' ratio we exclude the cash held as pilot bonds, giving an adjusted net debt of £19.5m (2016: £15.7m) at year end. The 'debt to debtors' ratio has increased to 45%, from 38% last year, impacted by the deferred consideration spend in the year.

#### Adjusted net debt (£m)



The Group generates positive cash each year, with a strong correlation between operating cash flow and adjusted profit before tax.

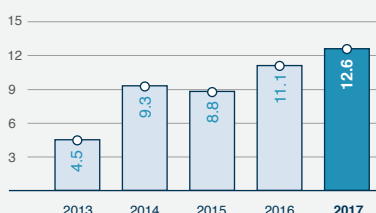
#### KEY PERFORMANCE INDICATOR

#### CASH GENERATED FROM OPERATIONS

This demonstrates how much cash is available for the Group to cover tax, financing and investments. It is measured as the operating profit of the Group, excluding non-cash items and including working capital movements.

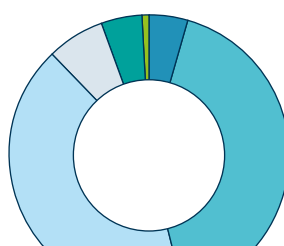
Progress: £12.6m (2016: £11.1m).

#### Cash generated from operations (£m)



The cash generated from operations has been utilised in 2017 as follows:

#### Cash generated from operations (£m)



- Net interest (£0.6)
- Taxation (£5.5m)
- Net deferred consideration (£5.5m)
- Capital expenditure on tangible fixed assets and software (£0.9m)
- Dividends to shareholders (£0.6m)
- Dividends to non-controlling interests in subsidiaries (£0.1m)

The deferred consideration includes £5.6m paid in relation to the investment in ConSol Partners. There are no further payments remaining on any existing investments. The taxation payment of £5.5m includes £0.8m of advance withholding tax on dividends, which is expected to be recovered in 2018.

#### Dividend

During the year, the Group paid a dividend of £0.6m in respect of the year ended 31 December 2016, amounting to 1.15p per share. For the year ended 31 December 2017, the Board is proposing a dividend of 1.32p per share, which if approved by shareholders at the Annual General Meeting, will be paid on 31 May 2018 to shareholders on the register on 4 May 2018.

#### Liquidity and 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 £50.5m (2016: £52.0m). This included a reduction in the UK invoice financing facility as ConSol Partners joined the Group arrangement and so closed their previous facility. We also increased the overall level of overdrafts across the Group, with the UK term loan reducing in line with the agreed repayment terms. The amount of facility undrawn of £19.3m (2016: £15.4m) excludes the headroom on the invoice financing facility, which is available to the UK companies only. The £10.0m revolving credit facility is with HSBC Bank plc, entered into for investment funding in 2016. Connected to this facility is a £5.0m accordion arrangement which has been agreed in principle by the bank, but would need new credit approval for any draw down from this amount. As part of the bank facilities with HSBC Bank plc, security is provided by companies in the UK, Germany and New Zealand.

	2017 £m	2016 £m
Overdrafts (UK)	8.6	6.2
Revolving credit facility (UK)	10.0	10.0
Term loan (UK)	2.0	3.5
Overdrafts and other loans (non-UK)	16.9	15.3
Total overdrafts and loans	37.5	35.0
Invoice financing facility (UK)	13.0	17.0
	50.5	52.0
Amount of overdraft and loan facility undrawn at year end	19.3	15.4

# Finance review

## continued

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 at year end are as follows:

Covenant	Target	Actual
Net debt: EBITDA*	< 2.5 times	0.6
Interest cover	> 5.0 times	17.6
Debt service cover	> 1.25 times	5.8

\* Target started at 3.0, reducing to 2.75 from the quarter ended 31 December 2016 and to 2.5 from the quarter ended 31 December 2017

### 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 overdraft and invoice financing facilities are used to fund working capital requirements for temporary and contract 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.

The majority of UK 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 pooling surplus funds from around the Group to minimise the use of the overdraft facilities.

Finance income was £0.1m (2016: £0.1m), all being bank interest income. Finance costs were £0.7m (2016: £0.7m), which related to interest payable on invoice discounting, bank loans and overdrafts. The effective interest rate for bank facilities for the year was 2.6% (2016: 2.6%).

### Foreign exchange risk

There was no foreign exchange from trading in the year (2016: Nil).

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 positively impacted overall by movements in exchange rates on the translation of Group results, the largest are detailed below:

Currency	Decline/(increase) in Sterling in the year using average rates (P&L)
Japanese Yen	2%
Indonesian Rupiah	4%
US Dollar	5%
Australian Dollar	8%
Euro	7%
Chilean Peso	9%
Thai Bhat	9%
New Zealand Dollar	(2%)

There are a small number of forward currency contracts in place at IMS (to sell US dollars and Pounds sterling) and ConSol Partners (to sell Euros). The amount covered by these at year end was £0.8m (2016: £0.6m).

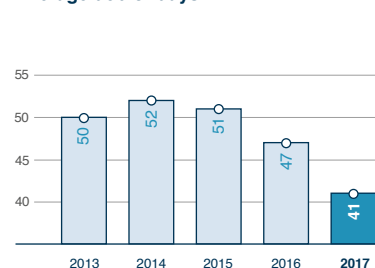
### Credit risk

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 2017 were 41 (2016: 47), with a year-end balance of 40 (2016: 41 days). This has reduced with Rishworth Aviation joining the Group as they have low debtor days, with airlines typically paying either in advance or within a short period of pilots being paid.

The debtor days in UAE remain higher than the Group average, although good progress has been made in managing this position. The outstanding debtor balance has reduced at the end of December 2017, although there have been further bad debt write downs on historic debts during the year. The Group's bad debt expense was £0.8m in the year (2016: £0.6m).

### Average debtor days



### Investments and non-controlling interests

#### Goodwill and intangibles

Goodwill and intangibles represent the largest assets on the balance sheet and arise due to the acquisitive strategy followed by the Group. As at 31 December 2017 the balance was £54.1m (2016: £56.8m). The movements in the year were £1.7m of amortisation (2016: £1.1m) and foreign exchange loss of £1.0m (2016: gain of £4.7m).

There was no impairment in the year (2016: £0.6m).

#### Investments and disposals

A deferred consideration payment of £5.6m was paid in cash in relation to the investment in ConSol Partners in October 2016, being the final payment due for the purchase of the 65% interest.

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

In September 2017 the Group disposed of its 51% investment in PT Learning Resources, a non-core training business in Indonesia. This resulted in a loss on disposal of £0.9m, after consideration received of £0.1m. The loss represents the write off of historic funding balances with no cash paid to the purchaser. Further cash consideration of £0.2m could be receivable, but is contingent on the outcome of a local tax investigation. No asset has been recognised at this stage.

#### Management equity philosophy and non-controlling interests

A key component of our business model is management equity, where senior management own shares directly in the operating companies they are responsible for. Details of how this operates can be found in the Strategic review on page 4.

When we acquire a majority stake in a business, the shares remaining with the founder are called 'first generation shares'. There are no material changes to the rights belonging to these first generation shares retained by founder management. We also enable senior management to acquire 'second generation shares'. This will often be when the first generation shares have been acquired by Empresaria and we want to incentivise the next tier of management in the operating company to grow the business to the next level. Management need to buy the second generation shares at market value, investing their own cash, which is at risk if the business does not perform. To help lower the market value of the second generation shares (to make it affordable for management to acquire a meaningful stake in the business they are responsible for) and to protect the profit that we have already acquired, we set a 'threshold profit' level. These second generation shares only start creating value for management if the profit grows above the 'threshold profit' level. The second generation shares typically have restrictions, such as limited or no entitlement to dividends and the price paid by the management shareholder reflects these restricted rights.

Based on the results for the year ended 31 December 2017, the total value of all non-controlling interests (shares held by management in the operating companies they are responsible for), if purchased in full in 2018 using the valuation mechanisms in existing shareholders agreements, would total £9.4m (2016: £9.0m), ignoring any potential discounts under the shareholders agreements for shares being acquired before the end of the holding period. There is no legal obligation on the Group to acquire the shares held by management at any time.

In some situations the consideration payable under the shareholders' agreement for second generation equity may be greater than the fair value of the shares under IFRS 13, 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 the adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

In April 2017, we increased our interest in Monroe Consulting (executive search in the Philippines) from 70% to 90%. The consideration was £0.1m, all paid in cash. This purchase is treated as a fair value charge in the income statement.

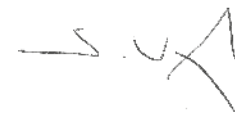
In May 2017, we increased our shareholding in Monroe Consulting (executive search in Thailand) by 10%, taking our interest up to 80%. The consideration of £0.2m was paid in cash. This purchase is treated as a fair value charge in the income statement. At the same time we have sold 10% second generation equity (taking our interest back to 70%) to local managers who became first time shareholders in the company. In line with our equity model, the second generation shares only create value if the profits exceed historic levels.

#### 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 March 2018 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 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.



**Spencer Wreford**  
Group Finance Director  
and Chief Operating Officer

13 March 2018

# Risks and uncertainties – Managing our risk

The Board has ultimate responsibility 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, to protect the interests of shareholders, to improve the quality of decision-making and to 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 consists of a Group risk register and a Risk appetite policy.

### Risk register

This 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 at brand-level Board meetings. The Audit Committee oversees the internal control and financial control frameworks to help mitigate risk.

### 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 to a growth 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.

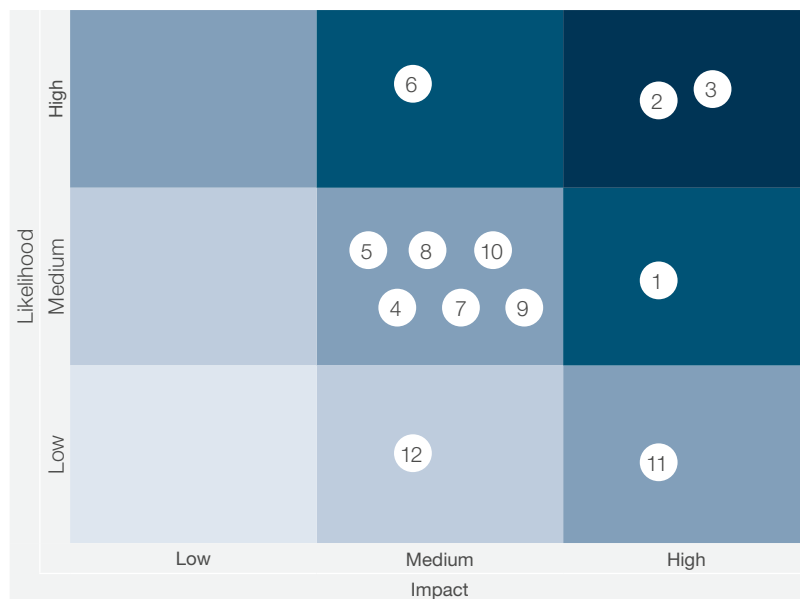
### Group control environment

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 evaluation and significant capital expenditure approval process and the 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

- 1 Political and social changes
- 2 Economic environment
- 3 Loss of key staff
- 4 Investments poorly executed
- 5 Financial (funding and foreign exchange)
- 6 Cyber security
- 7 Management capacity
- 8 Competition
- 9 Exposure to key clients
- 10 Data protection
- 11 Payments to temporary workers
- 12 Protection of assets





## 1. Political and social change

### IMPACT ON THE BUSINESS

The Group's businesses are subject to legislation, regulations 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, 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.

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.

### CHANGE IN RISK PROFILE



In the UK new legislation was introduced for public sector staffing (IR35) and there is an ongoing consultation about whether to apply this to the private sector from 2019.

In the USA President Trump continues to look to reduce the cost related to the Affordable Care Act. At this stage there have not been any changes that have made a significant impact on our business.

In Germany new legislation started in April 2017 to limit the length of time a worker can be a temporary worker to 18 months. There are also new minimum wage regulations that apply after 9 months. This has negatively impacted our temporary staffing business in Germany and we expect this will continue into 2018 through continuing pressure on margins.

The Brexit negotiations create uncertainty for businesses operating in the UK and Continental Europe. At this stage there is no clarity about the UK's future trading relationship with the EU or what the UK's immigration policy will be after March 2019. There has been a benefit on translating Group results into Sterling from the devaluation of the currency, but rates remain volatile.

In Japan two pieces of new legislation take effect in 2018. The first limits the time a worker can work on a temporary contract with a client to 3 years. The second limits the time a position can be outsourced to 5 years before the worker can insist on being taken on for an "indefinite term".

### ACTIONS TAKEN TO MITIGATE RISK

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 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, helping us to react to changes in legislation, as well as making it easier to attract candidates because of our reputation and knowledge.

## 2. Economic environment

### IMPACT ON THE BUSINESS

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.

### CHANGE IN RISK PROFILE



The global economy overall is expected to grow in 2018, with all key economies forecasting growth for the first time since the financial crisis. However, these economies are increasingly inter-linked and there are many areas of uncertainty, so we take a cautious view on these forecasts.

The full impact on the UK economy from the decision to leave the EU remains unclear and such uncertainty can negatively impact on investment in staff.

Governments around the world are increasingly adopting protectionist trade policies which could impact on economic growth and the ability to bring overseas workers into a market.

The oil price has recovered from recent lows, but remains significantly below historic highs. The economies of the Middle East are particularly reliant on the oil price and our business in UAE has suffered from a slow-down in the local economy in the last few years.

### 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 has improved with the full year impact from the investments made in 2016 in Rishworth Aviation and ConSol Partners
- *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 we continue to have a bias towards temporary and contract staffing.

# Risks and uncertainties – Managing our risk

continued

## 3. Loss of key staff

IMPACT ON THE BUSINESS	CHANGE IN RISK PROFILE	ACTIONS TAKEN TO MITIGATE 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 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 reputational damage, fines or penalties.</p>	<p>There have been a number of changes in senior management during 2017 as part of business restructuring which we believe will help the business to develop positively in 2018.</p>	<p>A key part of the Group's business model is management equity, 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 purchase equity in the future.</p> <p>Currently there is one brand in the Group with no management shareholder (2016: one brand).</p>

## 4. Investments poorly executed

IMPACT ON THE BUSINESS	CHANGE IN RISK PROFILE	ACTIONS TAKEN TO MITIGATE 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 risks 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>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. New office openings increase the risk of lower returns than planned if costs are not managed well.</p>	<p>We have opened a new office in Vietnam with the Monroe Consulting brand.</p> <p>The external investments made in 2016 have been integrated into the Group and we continue to work with them to identify opportunities to develop their businesses.</p> <p>We continue to look for new investment opportunities for the Group.</p>	<p>All material investments, whether organic or external, must have Board approval. Investments must have a clearly defined integration plan, with the Executive Directors having responsibility for implementation of the plan. 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 cash flow forecasts to ensure sufficient and appropriate funding is in place.</p> <p>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.</p> <p>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.</p>

## 5. Financial

### IMPACT ON THE BUSINESS

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

By operating from 20 countries the Group is exposed to movements in foreign currency rates. The Group reports in Sterling but has operations in countries with different currencies. Negative movements in exchange rates would impact the reporting of Group profitability and may devalue the cash and assets around the Group.

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.

If debt levels are too high there is an opportunity cost from not being able to pursue investment opportunities to further develop the Group.

### CHANGE IN RISK PROFILE



In 2017 we have continued to benefit from movements in currency rates to translate results into our reporting currency, however, the Sterling exchange rates remain volatile.

The Group's total debt has increased during 2017 as a result of the investments made in 2016.

There have been increases in interest rates in the UK and USA (two regions that are important to us for our debt exposure). It is expected there will be further increases in interest rates during 2018, but this should also be in response to positive economic conditions.

### 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.

Approximately 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, where possible, using cash or overdraft balances to act as a natural currency hedge, for US Dollar, Euro, Japanese Yen, Singapore Dollar, Australian Dollar, Mexican Peso and UAE Dirham.

A limited number of forward contracts have been used to hedge trading currency risks for IMS in India and ConSol Partners in Continental Europe.

## 6. IT & Cyber related

### IMPACT ON THE BUSINESS

The risk of cyber-attacks has increased in the wider business environment, with threats from hackers, viruses or sensitive information being accessed without authorisation.

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.

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.

### CHANGE IN RISK PROFILE



There have been a number of high profile cyber-attacks around the world in 2017. 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.

New legislation is being introduced in the EU in May 2018 (General Data Protection Regulation), which introduces new rights for individuals and promotes good data governance and accountability amongst organisations. This will lead to changes in how the Group companies operate and deal with data. There are significant fines for non-compliance.

### ACTIONS TAKEN TO MITIGATE RISK

We have policies in place to safeguard assets and data within the Group. We also use external advisers to monitor the security of our Group websites and systems to meet a minimum standard of security and we continue to monitor ongoing cyber-security threats.

We are working through the GDPR legislation to ensure that all Group companies are compliant by May 2018.

# Board of Directors



**Tony Martin**  
Chairman

**Appointed:** July 2004

**Committee Membership:** None

#### Skills and experience:

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 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



**Joost Kreulen**  
Chief Executive Officer

**Appointed:** January 2012

**Committee membership:** None

#### Skills and experience:

Joost has 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 before being appointed Chief Executive Officer in January 2012. 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



**Spencer Wreford**  
Group Finance Director  
and Chief Operating Officer

**Appointed:** May 2010

**Committee Membership:** None

#### Skills and experience:

Spencer has been with Empresaria for nearly eight 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. 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 eight 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 and Wales, qualifying with Arthur Andersen.

#### Other key external appointments:

None



**Zach Miles**  
Non-Executive Director

**Appointed:** October 2008

**Committee membership:**  
Audit Committee (Chairman),  
Remuneration Committee,  
Nomination Committee

**Skills and experience:**

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. Together with Penny Freer, Zach performs the role of Senior Independent Director.

**Other key external appointments:**

Chairman of the Board of Trustees of Rapport Housing and Care.



**Penny Freer**  
Non-Executive Director

**Appointed:** December 2005

**Committee membership:**  
Remuneration Committee  
(Chairman), Nomination Committee  
(Chairman), Audit Committee

**Skills and 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; Non-Executive Director, Centric Health.

# Consolidated income statement

	2017 £m	2016 £m
<b>Continuing operations</b>		
<b>Revenue</b>	<b>357.1</b>	270.4
Cost of sales	<b>(287.7)</b>	(211.4)
<b>Net fee income</b>	<b>69.4</b>	59.0
Administrative costs	<b>(57.8)</b>	(49.2)
<b>Adjusted operating profit*</b>	<b>11.6</b>	9.8
Exceptional items	–	–
Fair value on acquisition of non-controlling shares	<b>(0.3)</b>	(0.2)
Loss on business disposal	<b>(0.9)</b>	–
Intangible amortisation	<b>(1.7)</b>	(1.1)
<b>Operating profit</b>	<b>8.7</b>	8.5
Finance income	<b>0.1</b>	0.1
Finance costs	<b>(0.7)</b>	(0.7)
<b>Profit before tax</b>	<b>8.1</b>	7.9
Tax	<b>(3.6)</b>	(3.5)
<b>Profit for the year</b>	<b>4.5</b>	4.4
<b>Attributable to:</b>		
Equity holders of the Parent	<b>4.1</b>	4.8
Non-controlling interest	<b>0.4</b>	(0.4)
	<b>4.5</b>	4.4
<b>From continuing operations</b>		
<b>Earnings per share:</b>		
Basic	<b>8.0</b>	9.6
Diluted	<b>7.9</b>	9.3
<b>Earnings per share (adjusted):</b>		
Basic	<b>12.6</b>	11.7
Diluted	<b>12.5</b>	11.3

\* 'Adjusted operating profit' is stated before exceptional items, gain or loss on business disposal, intangible amortisation and fair value on acquisition of non-controlling shares.

# Consolidated statement of comprehensive income

	2017 £m	2016 £m
<b>Items that may be reclassified subsequently to income statement:</b>		
Exchange differences on translation of foreign operations	(1.2)	5.1
<b>Items that will not be reclassified to income statement:</b>		
Exchange differences on translation of foreign operations of non-controlling interest	(0.1)	0.5
<b>Net (expense) / income recognised directly in equity</b>	<b>(1.3)</b>	5.6
<b>Profit for the year</b>	<b>4.5</b>	4.4
<b>Total comprehensive income for the year</b>	<b>3.2</b>	10.0
<b>Attributable to:</b>		
Equity holders of the Parent	2.9	9.9
Non-controlling interest	0.3	0.1
	<b>3.2</b>	10.0

# Consolidated balance sheet

	2017 £m	2016 £m Revised*
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1.4	1.6
Goodwill	35.9	36.0
Other intangible assets	18.2	20.8
Deferred tax assets	1.0	1.0
	<b>56.5</b>	59.4
<b>Current assets</b>		
Trade and other receivables	53.1	50.2
Cash and cash equivalents	25.9	20.3
	<b>79.0</b>	70.5
<b>Total assets</b>	<b>135.5</b>	129.9
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	42.0	44.9
Current tax liabilities	2.6	3.1
Borrowings	36.6	15.7
	<b>81.2</b>	63.7
<b>Non-current liabilities</b>		
Borrowings	1.3	15.1
Deferred tax liabilities	4.1	4.4
<b>Total non-current liabilities</b>	<b>5.4</b>	19.5
<b>Total liabilities</b>	<b>86.6</b>	83.2
<b>Net assets</b>	<b>48.9</b>	46.7
<b>EQUITY</b>		
Share capital	2.4	2.4
Share premium account	22.4	22.4
Merger reserve	0.9	0.9
Retranslation reserve	5.0	6.1
Equity reserve	(7.5)	(7.3)
Other reserves	(0.7)	(0.4)
Retained earnings	19.6	16.2
<b>Equity attributable to owners of the Company</b>	<b>42.1</b>	40.3
<b>Non-controlling interest</b>	<b>6.8</b>	6.4
<b>Total equity</b>	<b>48.9</b>	46.7

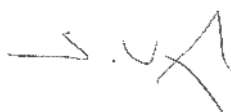
\* See Basis of preparation and general information on inside back cover.

These financial statements of Empresaria Group plc were approved by the Board of Directors and authorised for issue on 13 March 2018.

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
<b>Balance at 31 December 2015</b>	2.4	22.4	0.9	1.0	(7.2)	(0.6)	11.9	2.9	33.7
Profit for the year	–	–	–	–	–	–	4.8	(0.4)	4.4
Dividend	–	–	–	–	–	–	(0.5)	–	(0.5)
Currency translation differences	–	–	–	5.1	–	–	–	0.5	5.6
Share of non-controlling interest in Intangibles related balances on business acquisition	–	–	–	–	–	–	–	2.6	2.6
Share of non-controlling interest in other net assets on business combination	–	–	–	–	–	–	–	1.0	1.0
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.1)	–	–	(0.2)	(0.3)
Share based payment	–	–	–	–	–	0.2	–	–	0.2
<b>Balance at 31 December 2016</b>	2.4	22.4	0.9	6.1	(7.3)	(0.4)	16.2	6.4	46.7
Profit for the year	–	–	–	–	–	–	4.1	0.4	4.5
Dividend	–	–	–	–	–	–	(0.6)	–	(0.6)
Currency translation differences	–	–	–	(1.1)	–	(0.1)	–	(0.1)	(1.3)
Non-controlling interest acquired and other movements during the year	–	–	–	–	(0.2)	–	–	0.1	(0.1)
Purchases of own share in Employee Benefit Trust	–	–	–	–	–	–	(0.1)	–	(0.1)
Share based payment	–	–	–	–	–	(0.2)	–	–	(0.2)
<b>Balance at 31 December 2017</b>	<b>2.4</b>	<b>22.4</b>	<b>0.9</b>	<b>5.0</b>	<b>(7.5)</b>	<b>(0.7)</b>	<b>19.6</b>	<b>6.8</b>	<b>48.9</b>

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 (2016: £0.8m) and exchange differences on intercompany long-term receivables amounting (£1.3m) (2016: (£1.2m)) 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.

# Consolidated cash flow statement

	2017 £m	2016 £m Revised*
Profit for the year	4.5	4.4
Adjustments for:		
Depreciation and software amortisation	1.0	0.9
Intangible amortisation (identified as per IFRS 3 'Business combinations')	1.7	1.1
Taxation expense recognised in income statement	3.6	3.5
Loss on business disposal	0.9	–
Share based payments	(0.2)	0.2
Net finance charge	0.6	0.6
	12.1	10.7
Increase in trade receivables	(2.8)	(1.2)
Increase in trade payables	3.3	1.6
<b>Cash generated from operations</b>	<b>12.6</b>	<b>11.1</b>
Interest paid	(0.7)	(0.8)
Income taxes paid	(5.5)	(4.7)
<b>Net cash from operating activities</b>	<b>6.4</b>	<b>5.6</b>
<b>Cash flows from investing activities</b>		
Cash acquired with business acquisitions	–	7.9
Consideration paid for business acquisitions	(5.6)	(14.3)
Consideration received for business disposals	0.1	0.1
Purchase of property, plant and equipment and software	(0.9)	(0.8)
Finance income	0.1	0.1
<b>Net cash used in investing activities</b>	<b>(6.3)</b>	<b>(7.0)</b>
<b>Cash flows from financing activities</b>		
Purchases of own shares in Employee Benefit Trust	(0.1)	–
Non-restricted shares acquired in existing subsidiaries	–	(0.2)
Increase in borrowings	15.3	2.4
Proceeds from bank loan	0.1	11.3
Repayment of bank and other loan	(9.2)	(1.2)
Increase in invoice discounting	0.7	0.8
Dividends paid to shareholders	(0.6)	(0.5)
Dividends paid to non-controlling interest in subsidiaries	(0.1)	(0.2)
<b>Net cash from financing activities</b>	<b>6.1</b>	<b>12.4</b>
<b>Net increase in cash and cash equivalents</b>	<b>6.2</b>	<b>11.0</b>
Effect of foreign exchange rate changes	(0.6)	1.6
Cash and cash equivalents at beginning of the year	20.3	7.7
<b>Cash and cash equivalents at end of the year</b>	<b>25.9</b>	<b>20.3</b>
	2017 £m	2016 £m
<b>Bank overdrafts at beginning of the year</b>	<b>(5.1)</b>	<b>(2.3)</b>
Increase in the year	(15.3)	(2.4)
Effect of foreign exchange rate changes	–	(0.4)
<b>Bank overdrafts at end of the year</b>	<b>(20.4)</b>	<b>(5.1)</b>
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	<b>5.5</b>	<b>15.2</b>

\* See Basis of preparation and general information on inside back cover.

# Basis of preparation and general information

The financial information has been abridged from the audited financial information for the year ended 31 December 2017.

The financial information in this document does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their report was 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 2016 and 2017 except for the disclosure of cash pooling arrangements. Following an agenda decision by the IFRS Interpretation Committee regarding offsetting and cash pooling arrangements, the disclosure has been revised to disclose the grossed up position for cash and overdraft balances associated with cash pooling arrangements. As a result we revised the comparative balance sheet and cash flow presentation at 31 December 2016. The impact is to increase cash and cash equivalents and short term borrowings by £2.3m at 31 December 2016 (2015: £Nil). There was no impact on net debts. The impact of this change as at 31 December 2015 was £Nil and therefore a 'Consolidated balance sheet' for 2015 has not been presented.

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](http://www.empresaria.com). Alternatively you may request a full printed copy to be sent to you by writing to the Company Secretary at:

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

## Officers and professional advisers

### Directors

Joost Kreulen  
Spencer Wreford  
Tony Martin  
Penny Freer  
Zach Miles

### Secretary

James Chapman

### Registered office

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

### Company registration number

03743194

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Arden Partners plc  
125 Old Broad Street  
London  
EC2N 1AR

### Nominated Broker

Arden Partners plc  
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London  
EC2N 1AR

### Solicitors

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Bristol  
BS1 6EG

### Bankers

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West & Wales Corporate  
Banking 3 Rivergate  
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Bristol  
BS1 6ER

### Independent auditor

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### Registrars

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## **Empresaria** Group plc

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