



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

Empresaria Group plc
Summary Report 2018

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Cautionary statement

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

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

Empresaria at a glance

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

Vision and purpose

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

Our purpose is to help people realise their potential by:

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

For further information



Visit: www.empresaria.com





United Kingdom

Net fee income 2018

£23.7m

% of Group net fee income

33%

Brands

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



Continental Europe

Net fee income 2018

£15.6m

% of Group net fee income

22%

Brands

Headway
Medikumppani



Asia Pacific

Net fee income 2018

£24.5m

% of Group net fee income

34%

Brands

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



Americas

Net fee income 2018

£8.9m

% of Group net fee income

12%

Brands

Alternattiva
ConSol Partners
Grupo Solimano
Monroe Consulting
Pharmaceutical Strategies

Empresaria in numbers

Number of brands in the Group

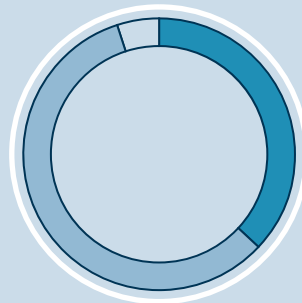
20

Countries we are in

21

Service type

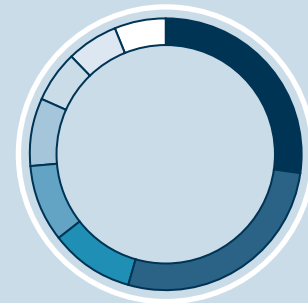
% of net fee income



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

Sectors

% of net fee income



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

Trading Summary

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

* Adjusted to exclude amortisation of intangible assets identified in business combinations, exceptional items, gain or loss on disposal of businesses, fair value charges on acquisition of non-controlling shares and, in the case of earnings, any related tax.

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

For full definition of terms see Glossary on page 36.

Chairman's statement

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

Tony Martin
Chairman



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

Our purpose and what makes us different

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

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

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

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

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

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

The market

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

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

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

People & culture

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

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

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

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

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

Governance

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

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

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

Investments

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

Shareholder returns

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

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

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

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

Outlook

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



Tony Martin

Chairman
12 March 2019

Financial highlights

Net fee income

£72.3m

2017: £69.4m

Adjusted profit before tax

£11.4m

2017: £11.0m

Adjusted diluted earnings per share

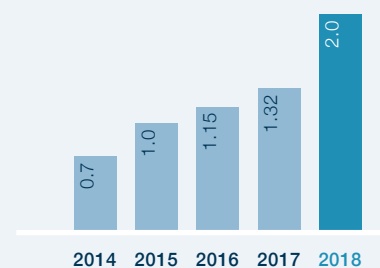
12.1p

2017: 12.5p

Dividend

2.0p

2017: 1.32p



For more information
Finance review pages 20 to 23

Our strategy and business model

Our resources...

People

The skills and expertise of our staff

Financial strength

Our ability to invest in the business

Brand reputation

Our brands are experts in their markets

Values & Culture

Our decentralised structure provides operational autonomy for managers

Network

Our brands operate from 21 countries across the world

Technology

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

drive our strategy...

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



Organic growth

Organic investment in existing brands

through our business model...

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

...to deliver long-term value

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

Our investors

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

111%

increase in adjusted PBT over last 5 years

470%

increase in dividend per share over last 5 years

£0.5m

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

Our people

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

89%

increase in average employee numbers over last 5 years

Our community

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



External investments

Accelerate growth in key sectors or geographies

Market drivers in our industry

Social & political trends

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

City population is expected to grow to

70% by 2050

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

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

Our approach

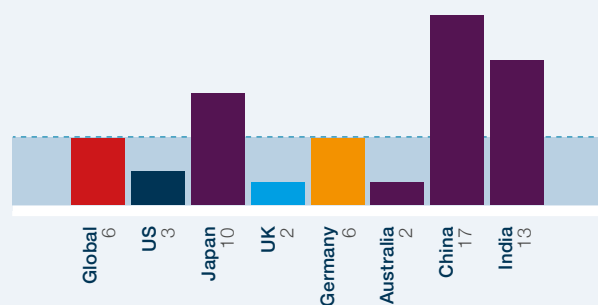
Our brands are focused on the markets where there is the greatest client need to maximise the return on investment. Compliance with regulations is taken very seriously and our central legal and tax team monitor and oversee changes required from new legislation. We offer a range of staffing services to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

Economic trends

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

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

2019 SIA staffing market growth forecast (%)



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

Our approach

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

Technology trends

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

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

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

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

Our approach

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

Demographic trends

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

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



Our approach

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

People focused business model



Multi-branded with niche sector experts

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

Why this is important

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

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

Brands

20



Management equity philosophy

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

Why this is important

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

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

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

Managers holding equity

57

(2017: 51)



Diversified by geography and sector

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

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

Why this is important

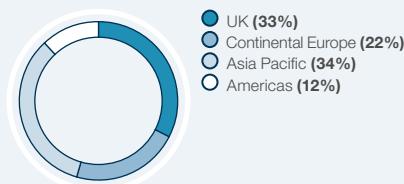
The mitigation of economic and political risks helps provide a more stable base for the Group to invest and grow. This is evidenced by the performance in 2018 where the Group delivered record profits despite regulatory changes in two key markets.

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

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

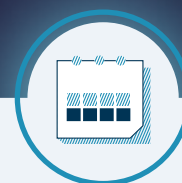
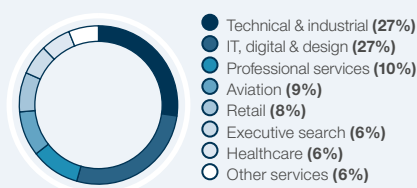
Regions

% of net fee income



Sectors

% of net fee income



Range of staffing services

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

Why this is important

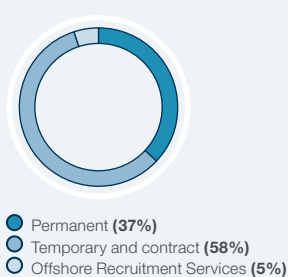
The overall bias towards temporary and contract recruitment helps mitigate our economic risks and the more predictable income streams derived from longer-term relationships help with resourcing and planning.

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

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

Service type

% of net fee income



Chief Executive's review

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

Spencer Wreford
Chief Executive Officer



Group performance in the year

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

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

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

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

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

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

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

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

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

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

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

Five year plan update

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

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

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

A focused strategy

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

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

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

Operational highlights

Strengthening our presence in Latin America

- Investment in Grupo Solimano

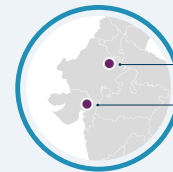


Strengthening central management team

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

Strong growth from RPO and offshore recruitment services business in India

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



Jaipur
Ahmedabad

Become opened new offices in 2019

- Brisbane, Australia
- Auckland, New Zealand

4ward Talent launched

Awards

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

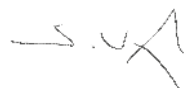
Chief Executive's review continued

This will be delivered through a two-pronged strategy:

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

Focus into 2019

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



Spencer Wreford
Chief Executive Officer
12 March 2019

Investment in Grupo Solimano



Strengthening our position in Latin America

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

At a glance

60%

Investment in Grupo Solimano

Peru is the

5th

largest economy in Latin America

Multi-branded with niche sector experts

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

Provision of staffing services with temporary and contract bias

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

Diversified by geography and sector

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

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

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

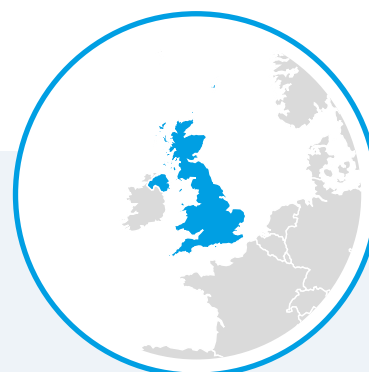
We have worked closely with the management team of Grupo Solimano over the last few years, building a strong relationship and recognising their ambitions to grow the business and raise the profile of formal labour structures within the country. We see good opportunities to grow the business through the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

The Peruvian Association of Good Employers (ABE)

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

Operating review

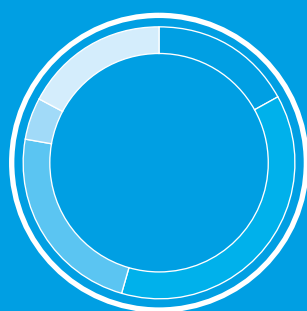
United Kingdom



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

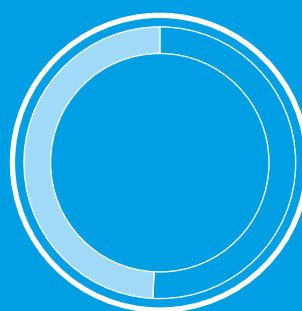
Overview

Net fee income by sector (%)



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

Net fee income by services (%)



- Permanent 51%
- Temporary & contract 49%

Countries:

UK

Brands:

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

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

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

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

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

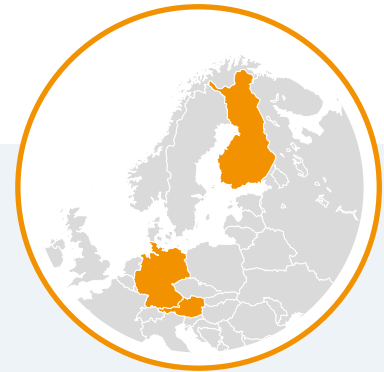
In domestic services, Greycoat delivered an improved second half performance with higher productivity resulting in full year operating profit growth ahead of the prior year.

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

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

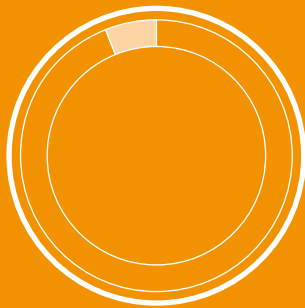
Continental Europe

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



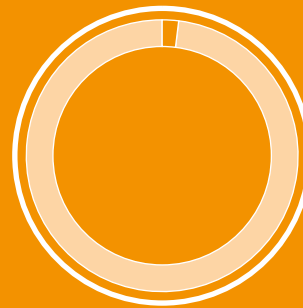
Overview

Net fee income by sector (%)



○ Technical & industrial 94%
● Healthcare 6%

Net fee income by services (%)



○ Permanent 2%
● Temporary & contract 98%

Countries:

Austria
Finland
Germany

Brands:

Headway
Medikumppani

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

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

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

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

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

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

Operating review

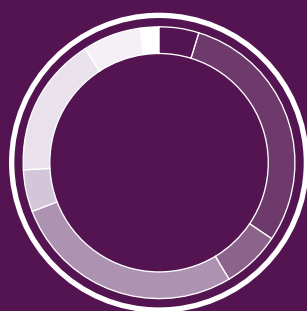
Asia Pacific



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

Overview

Net fee income by sector (%)



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

Net fee income by services (%)



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

Countries:

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

Brands:

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

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

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

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

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

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

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

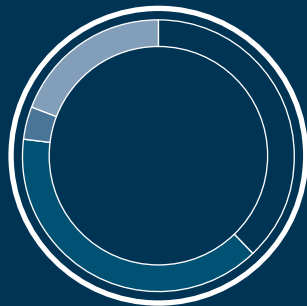
Americas



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

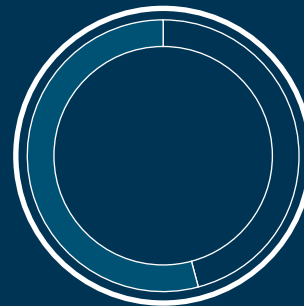
Overview

Net fee income by sector (%)



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

Net fee income by services (%)



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

Countries:

Chile
Mexico
Peru
USA

Brands:

Alternativa
ConSol Partners
Grupo Solimano
Monroe Consulting
Pharmaceutical Strategies

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

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

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

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

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

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

Key performance indicators

Key to strategy



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

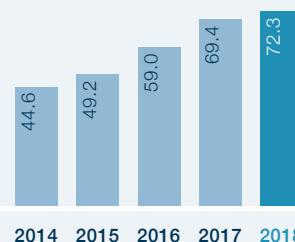


Improve productivity

Net fee income



£72.3m



Why/how we measure

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

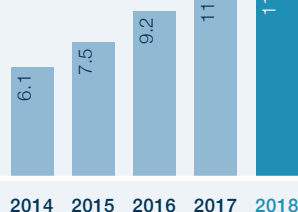
How we have performed

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

Adjusted profit before tax



£11.4m



Why/how we measure

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

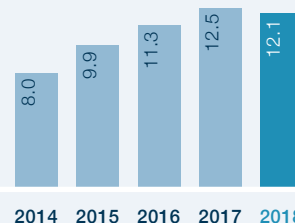
How we have performed

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

Adjusted, diluted earnings per share



12.1p



Why/how we measure

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

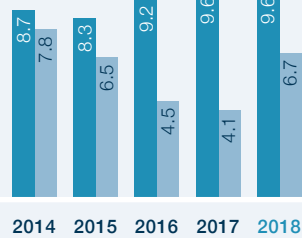
How we have performed

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

Free cash flow

£9.6m

■ Pre-tax
■ Post-tax



Why/how we measure

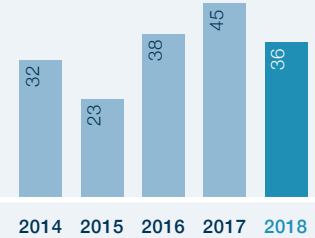
Free cash flow is the level of cash generated that is available for investment by the Group. It is calculated as net cash from operating activities per the cash flow statement, adjusted to exclude working capital movements related to cash held in respect of pilot bonds. As an international business tax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

How we have performed

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

Debt to debtors ratio

36%



Why/how we measure

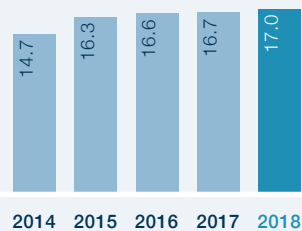
The majority of the Group's debt is short term and matched against working capital requirements. The Groups debt to debtors ratio is calculated as adjusted net debt as a percentage of trade debtors. Adjusted net debt excludes cash held in respect of pilot bonds.

How we have performed

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

Conversion ratio

17.0%



Why/how we measure

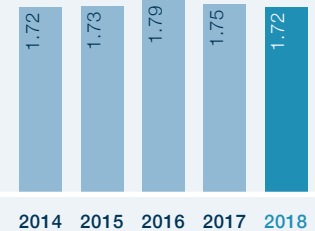
The conversion ratio measures how efficient we are at converting our net fee income to profit. It is calculated as adjusted operating profit as a percentage of net fee income.

How we have performed

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

Staff productivity

1.72x



Why/how we measure

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

How we have performed

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

Finance review

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

Tim Anderson
Group Finance Director



Revenue

£366.8m

2017: £357.1m

Net fee income

£72.3m

2017: £69.4m

Adjusted operating profit

+6%

Adjusted profit before tax

£11.4m

2017: £11.0m

Overview

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

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

Income statement

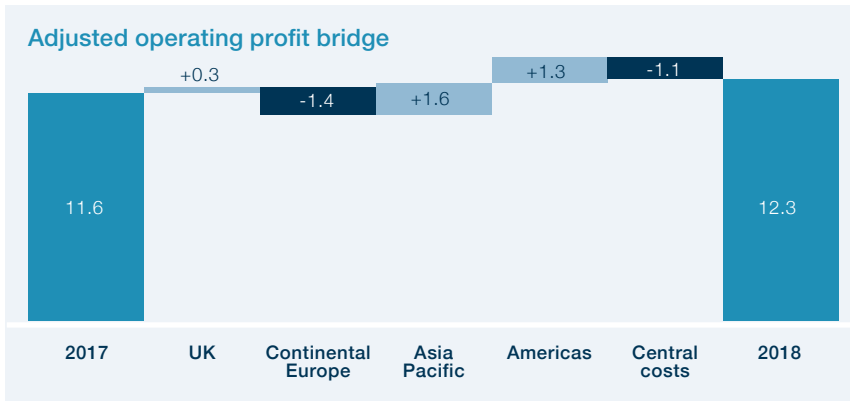
Net fee income increased by 4%, 6% in constant currency. Adjusted operating profit

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

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

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

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



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

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

Taxation

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

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

Balance sheet

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

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

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

Cash and borrowings are discussed in the financing section below.

Cash flow

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

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

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

Finance review continued

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

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

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

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

Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management equity

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

Acquisition of shares

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

Holding period

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

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

Valuation

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

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

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

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

Investment in Grupo Solimano

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

On acquisition, goodwill and intangible assets totalling £2.0m have been recognised.

Dividend

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






Going concern

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



Tim Anderson
Group Finance Director
12 March 2019

Investment case

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

Risks and uncertainties

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

Risk appetite policy

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

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

Risk register

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

Group control environment

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

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

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

Risk matrix chart



Risks and uncertainties continued

1. Political and social change

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

2. Economic environment

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

3. Loss of key staff

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

4. Investments poorly executed

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

5. Financial

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

6. Cyber security and data protection

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

The Board of Directors and Secretary



1. Tony Martin
Chairman

Appointed: July 2004
Committee Memberships: None

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

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

Other key external appointments:
None.

2. Zach Miles Non-Executive Director

Appointed: October 2008

Committee Memberships:

Audit Committee (Chair), Remuneration Committee, Nomination Committee

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

Other key external appointments:

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

3. Penny Freer Non-Executive Director

Appointed: December 2005

Committee Memberships:

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

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

Other key external appointments:

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

4. Spencer Wreford Chief Executive Officer

Appointed: May 2018

Committee Memberships: None

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

Other key external appointments:

None.

5. Tim Anderson Group Finance Director

Appointed: March 2018

Committee Memberships: None

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

Other key external appointments:

None.

6. Rhona Driggs Chief Operating Officer

Appointed: November 2018

Committee Memberships: None

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

Other key external appointments:

None.

7. James Chapman General Counsel and Company Secretary

Appointed: June 2015

Committee Memberships: None

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

Other key external appointments:

None.

Consolidated income statement

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

Consolidated statement of comprehensive income

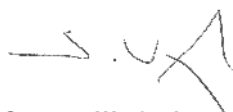
	2018 £m	2017 £m
Profit for the year	5.8	4.5
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	0.8	(1.2)
Items that will not be reclassified to the income statement:		
Exchange differences on translation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

Consolidated balance sheet

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

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

Signed on behalf of the Board of Directors



Spencer Wreford
Chief Executive Officer



Tim Anderson
Group Finance Director

Consolidated statement of changes in equity

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

Consolidated cash flow statement

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

Basis of preparation and general information

The financial information has been abridged from the audited financial information for the year ended 31 December 2018.

The financial information in this document does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 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 2017 and 2018, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year. New standards include IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. These changes have not had a significant impact on the financial statements.

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

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

Officers and professional advisers

Directors

Spencer Wreford
Tim Anderson
Rhona Driggs
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

Nominated Adviser & Broker

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Bankers

HSBC plc
West & Wales Corporate Banking
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Independent auditor

BDO LLP
London Gatwick Office
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Registrars

Link Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Glossary

Adjusted earnings per share

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

Adjusted net debt

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

Adjusted operating profit

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

Adjusted profit before tax

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

Change in constant currency

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

Conversion ratio

Adjusted operating profit as a percentage of net fee income.

Debt to debtors ratio

Adjusted net debt as a percentage of trade receivables.

Free cash flow

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

Free cash (pre-tax)

Free cash flow excluding cash flows on income taxes.

Net fee income

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

Offshore Recruitment Services (ORS)

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

Pilot bonds

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

RPO

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

SIA

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

Staff productivity

Net fee income divided by staff costs.



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Empresaria Group plc

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

empresaria.com