

Empresaria

Stronger Together



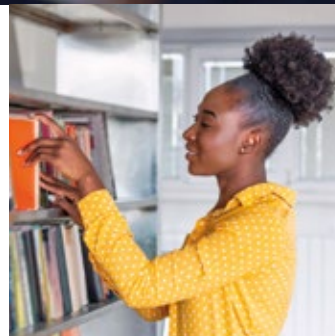
Chairman's Statement

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Operating review

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Investment case

[Read more on page 3 →](#)

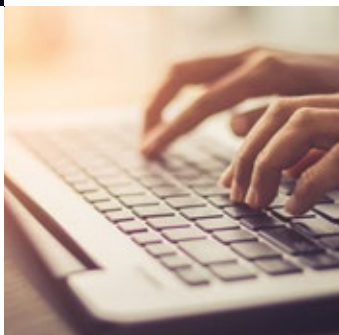


Finance review

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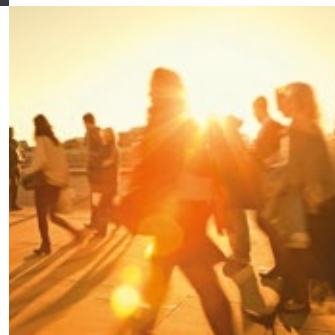
Chief Executive's Q&A

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Governance

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For further information
visit our new website

www.empresaria.com





Building a strong foundation for future growth

Driving change across the Group through:

- alignment of businesses around core sectors to better leverage synergies and cross-selling potential;
- enhancing operating models to scale the businesses more effectively; and
- driving a performance based culture.

Positioning for future growth including:

- investing in common technology;
- investing in our high performing Offshore Recruitment Services sector;
- investing in growth of our temp and contract operations; and
- investing in shared resources.

Strong record of profits and cash generation

4/5

Record profits in 4 out of the last 5 years

£74.5m

Net fee income

£9.3m

Adjusted profit before tax

112%

Conversion of adjusted profit before tax to cash

See Glossary for definition of terms.

At a Glance

A diversified model

Empresaria has a highly diversified business model with operations across six sectors in 20 countries offering permanent and temporary/contract recruitment services and offshore recruitment services.

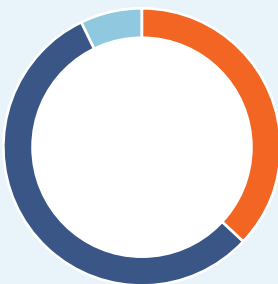


6
Sectors

20
Countries

Service type

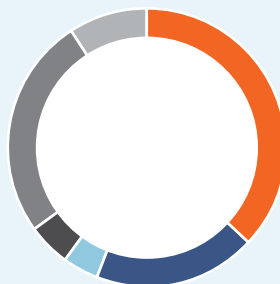
% of net fee income



- 37% Permanent
- 56% Temporary and Contract
- 7% Offshore Recruitment Services

Sector

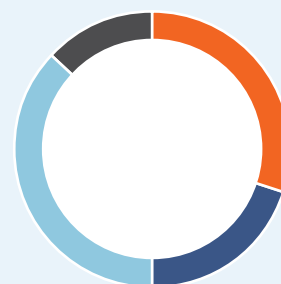
% of net fee income



- 37% Professional
- 19% IT
- 4% Healthcare
- 5% Property, Construction & Engineering
- 26% Commercial
- 9% Offshore Recruitment Services

Region

% of net fee income



- 30% UK
- 20% Continental Europe
- 37% Asia Pacific
- 13% Americas

Investment Case

Focused strategy aligned with our shareholders

[Read more on p9 →](#)

Our strategy is focused on delivering organic growth, investing in our existing businesses and technology to drive synergies and profits across the Group.

Aligned businesses in sectors

Signed agreement with Bullhorn in 2019 to upgrade our front office technology

Diversified business model

[Read more on p12 →](#)

Empresaria is diversified by geography, sector and service creating an ability to offset risks and challenges in one area with opportunities and growth elsewhere.

Permanent, Temporary and contract, and offshore recruitment services

20
countries

Offshore Recruitment Services sector

[Read more on p21 →](#)

Our Offshore Recruitment Services sector is unique amongst our peers.

We see great opportunity for growth both with external clients and through increased delivery to operations across the Group.

Offshore Recruitment Services sector adjusted operating profit up

88%
in 2019

Cash generative business

[Read more on p25 →](#)

Significant free cash flow generated each year allowing us to invest in the business and providing the ability to reduce our net debt.

Progressive dividend policy.

Free cash flow

£4.8m
(2018: £6.7m)

Dividend up

10% to 2.2p

Track record of strong profits

[Read more on p14 →](#)

Record levels of adjusted profit before tax delivered in 4 of the last 5 years.

4/5

Record profits in
4 out of the last 5 years

Chairman's Statement

“Our business model is a key differentiator for the Group.”



2019 performance

We are pleased to report our full year results which have delivered growth in net fee income despite a challenging economic environment in some of our key markets. As for many in the staffing sector, we have seen adverse impacts from Brexit and the weakening of the German automotive sector which combined with challenges in our UK Engineering business have resulted in a reduction in profits, but our diversification by sector and geography has delivered good growth elsewhere. For example, our Offshore Recruitment Services sector has gone from strength to strength delivering a 37% increase in net fee income and an 88% increase in adjusted operating profit.

Following our decision to align our brands around our core sectors, we have continued to make good progress in addressing operational issues, taking the decision to substantially reduce the UK engineering business and merging brands within our Professional sector. We have identified further key areas for operational improvement and investment in 2020 and we are building a strong foundation for future growth.

People & strategy

In June 2019 we appointed Rhona Driggs as Chief Executive Officer. Rhona has been with the Group since November 2018 when she joined as Chief Operating Officer. She has implemented significant operational change and initiatives, and has put in place a new clear strategy and operational investment plan for 2020 and beyond focused on delivering organic growth.

In May 2019 we launched our *Stronger Together* initiative which seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria.

Our business model is a key differentiator for the Group and in the constantly evolving staffing sector it is important that we are continually evaluating how we operate in order to ensure that our approach remains relevant and competitive.

We are currently looking at alternatives to replace our second generation management equity scheme to achieve a more relevant and more flexible performance based reward for management. Our first generation management equity scheme has been very successful when attracting new businesses into the Group, enabling us to retain key management and giving them the opportunity to continue to grow their business while holding an equity stake and we will continue to apply this principal when looking at future investments.

The average number of staff across the Group increased to 1,955 (2018: 1,625) driven by the growth in our Offshore Recruitment Services sector where average headcount has increased by 299 from last year. The success of the Group is down to the hard work and commitment of all our staff and the Board would like to thank all of them for their contribution to our continued success.

We continue to operate with a decentralised structure but with increased levels of support from the central team. Local management remain responsible for running their businesses within the context of the Group's strategic objectives and 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.

Dividend

The Board has reviewed the dividend in line with our progressive dividend policy and for the year ended 31 December 2019 we propose a dividend of 2.2p, up 10% 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 29 May 2020 to shareholders on the register on 15 May 2020.

Outlook

The world of work is continuing to change rapidly as technology evolves. Skilled worker shortages continue to be a key challenge as we seek to create a flexible workforce that can adopt new skills in real time.

The difficult economic environment of 2019 looks set to continue into 2020 and we have new challenges from the implementation of IR35 in the UK and the current global outbreak of coronavirus. However, with the operational changes and investments we have made in 2019 and have planned for 2020, we are building a strong foundation for the future.



Tony Martin
Chairman

17 March 2020

Operational Highlights

Stronger Together initiative launched in May

- Businesses aligned around our six key sectors
- Drive to identify and maximise synergies
- Clear plans to drive synergies in front and back office technologies (e.g. Bullhorn)
- Common core values across the group
- Greater transparency driving a performance-based culture
- Workplace groupwide communication tool launched in December 2019 to more effectively enable cross selling and improve overall communication at all levels

Strong growth in Offshore Recruitment Services

- 37% increase in net fee income
- 88% increase in adjusted operating profit
- More than 1,100 employees

Investing in growing US IT

- Austin office opened in April

Acknowledgements and Awards

- CEO, Rhona Driggs – Included in the SIA's Global Power 150 Women in Staffing as part of the International 50
- LMA – 2nd place Sunday Times Best Companies to Work for
- IMS – IAOP Global Outsourcing 100
- IMS – Gujarat Best Employer Brand
- Monroe – Human Resources Asia Awards Malaysia, Recruitment Agency of the Year (Silver)

Chief Executive's Q&A

“We are building a strong foundation that will help us drive future profits.”



Q. Congratulations on your new role! What excites you most about your new challenge?

A. Having been in the role for nearly nine months now, I see tremendous potential in the Group. We have a great opportunity to drive best practices, leverage synergies and the ability for greater collaboration to gain meaningful market share with existing clients across the globe. There is also a great ability to drive future growth and profits through leveraging the expertise in our Offshore Recruitment Services sector across our businesses. This along with creating size and scale in our sectors and markets will accelerate our growth. I am confident we have the right strategy and I am excited to start delivering on these opportunities.

Q. How was 2019 for Empresaria?

A. In 2019 Group performance was affected by economic factors such as Brexit uncertainty and the weakening of the German automotive sector which were exacerbated by issues within our UK Engineering business. However, despite these issues we delivered growth in net fee income of 3% to £74.5m with increases across all our sectors with the exception of Property, Construction & Engineering. While adjusted profit before tax was down by 18% to £9.3m we remain a very profitable group.

We made a number of operational changes during the year, including the difficult decision to close a substantial part of our UK engineering business which made a significant loss in 2019. This business had struggled for a number of years and had seen a significant reduction in its net fee income over that time. As a result of the actions we've taken our Property, Construction & Engineering sector is expected to return to profit in 2020.

In addition, we made significant changes in our businesses impacted by Brexit or the downturn in the German automotive sector. This involved right-sizing cost bases or adjusting operating models to create a more efficient operation along with driving a sales strategy to diversify our client base. These changes did not come without cost but the benefits will be seen as we move into 2020.

Our Offshore Recruitment Services sector performed strongly, delivering a 37% increase in net fee income and an 88% increase in adjusted operating profit. This performance demonstrates the value that this sector adds to the Group, something that we believe is unique amongst our peers. This sector will also be a key enabler for growth across other parts of the Group as we look to leverage this internal expertise to drive additional revenue, along with cost and operational efficiencies, in our other sectors.

Q. What changes have you brought forward in the Group and why?

A. The Group has historically been run as a series of independent businesses with common majority ownership and key strategic support but limited operational involvement from the central team. The result of this was limited ability of the individual businesses to realise the full benefits of being part of a global group. In May 2019 we launched our *Stronger Together* initiative which seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria.

This has led us to strategically increase investment in key areas of our central team to provide the level of support that is needed to drive growth in our brands. This has also driven the operational changes we have made that are captured in our *Stronger Together* initiative.

Q&A

These key changes include:

- Aligning our businesses around core sectors enabling them to share common experiences, leverage synergies and learn from each other.
- Increasing support from the central team, in particular in marketing, training and technology has helped align strategy and evolve best practice.
- Increasing investment in common technology (e.g. Bullhorn, Workplace). Technology is key in the staffing sector to enable us to respond to our client demands quickly and effectively to remain competitive, while a common platform increases the ability to generate cross-selling and to generate meaningful and business intelligence from across the Group.
- Evolving our operating models in certain brands to enable them to scale more effectively in the temporary segment.
- Creating a performance based culture where results are openly shared across the management levels and aligning incentive schemes across the business. This also comes with the understanding that underperformance will be addressed rapidly.

While these are significant changes to how the Group historically operated, the engagement and receptiveness across the Group has exceeded my expectations and as a result we have already started to see meaningful positive outcomes. One example of this is shown to the right as a case study on the success of our *Stronger Together* initiative with our Offshore Recruitment Services and our Healthcare Sector. I am excited about the possibilities and the early successes we have seen with this initiative that I believe are positive indicators that this is driving the change we need to grow our businesses.

Q. Where do you see the potential for growth in the Group and what are your investment priorities?

A. I see potential for growth across the whole Group, particularly with our focus on delivering the benefits of being part of a global group through our *Stronger Together* initiative which will help enable all of our brands to flourish. We are also in high growth sectors such as IT and Healthcare and expect these to be strong drivers of future profit. Our Offshore Recruitment Services sector, a business which makes Empresaria unique among our peers, has delivered very positive growth and we expect this to continue to be a key contributor to profit growth in future years.



Stronger Together Case Study

Our *Stronger Together* initiative seeks to maximise the benefits to our businesses of being part of a global group and allows them to benefit from the expertise we have across Empresaria. Our Offshore Recruitment Services sector specialises in providing any aspect of the recruitment process to staffing companies in the US and the UK. They have a strong track record of demonstrating significant ROI to their clients but have historically been underutilised within Empresaria.

This is starting to change and our US Healthcare business has been leading the way in 2019. The market they operate in is primarily driven by Managed Service Providers (MSP) utilising Vendor Management System (VMS) technology to deliver to the end clients. Speed and responsiveness are key success factors in working with this client base and we were reliant on a small US based recruitment team who were struggling to cover the high volume and demand while maintaining profitable market share due to the high costs of operating in very competitive MSP space. This changed in April when they started to shift their recruitment team from onshore to offshore, delivering higher volumes, faster and at lower cost. This has been so successful that the majority of the recruitment team is now based at our operation in India with only minimal recruiting resource in the US. As a result, we have seen increases in both net fee income and profits, with an increased conversion ratio in the second half of 24% against 13% in the first half, while also allowing the business to offset the ongoing impact from margin reductions at key clients.

Chief Executive's Q&A continued

We are focused on organic growth as we look to reduce our level of net debt. Any investment in the short term will therefore be focused on our existing businesses and we do not plan on making any substantial external investments. We are also focused on increasing the proportion of net fee income we derive from temporary/contract business so that our "temp to perm ratio" increases from its present level of 60:40 towards our target level of 70:30. This requires the operating model adjustments we have made and are continuing to make to create greater scalability in our temporary/contract business.

Our investment priorities for 2020 include:

- Implementation of Bullhorn across multiple brands to ensure they have the technology to enable them to maximise their value to clients and candidates.
- Investment in our IT sector to develop our temporary and contract revenues in the US and to strengthen our temporary and contract position in the UK.
- Identification of key leadership to drive our growth and provide us with the sector and functional expertise needed to maximise our results.
- Investment in evolving our infrastructure and diversifying our revenue in our Offshore Recruitment Services sector to ensure this continues to be a high performing sector for us. We have seen rapid growth in recent years and need to continue to invest to enable this sector to deliver the next phase of growth. These investments will be key to help us ensure this continues to be a high performing sector for us in the future.

Q. What are the key drivers and trends in the staffing sector at the moment and how are these impacting Empresaria?

A. Each Empresaria business is exposed to the local drivers impacting their market and sector and these can vary significantly from business to business. The diverse nature of the Group, both by sector and geography, provides some natural protection against risks arising from these with opportunities in one market offsetting challenges in another. Our management teams are experts in their specific markets allowing them to identify and respond to local trends and drivers.

We do see trends in the wider sector which have the ability to impact the Group as a whole:

- The need for speed – Being the best is no longer good enough if you are not there first. Clients want qualified candidates quickly and will not be willing to wait for the perfect candidate. Our investments in technology and processes are aimed at improving the speed and efficiency of our operations.
- The continuing rise of MSP and Recruitment Process Outsourcing (RPO) outside of the US – An ongoing trend that continues to develop throughout global staffing markets. Some staffing firms try to resist these, but both represent excellent opportunities for businesses with the right operating models and we are investing to ensure our brands are well positioned to grow in these areas.
- The power of regional selling – Clients want to minimise the number of staffing companies they engage with and this includes across geographic regions. As a global group Empresaria is well positioned to meet these requirements, however the siloed way in which the business had historically operated did not encourage this to happen. As we bring the Group together in collaboration we will be better positioned to deliver on a regional basis and increase our market share with clients.

Q. How do you see 2020 developing for the Group?

A. We remain cognisant of economic and market headwinds particularly with the acceleration of the current coronavirus outbreak. We are unsure of the impact this will have on the staffing sector at this time however we remain confident on our longer term prospects given the positive changes we made in 2019 and the further areas for operational change and investment planned for 2020. Our *Stronger Together* initiative is gaining momentum and we are starting to see some real benefits from the changes we have made. As with any change, in particular the cultural shift we are driving, it will take time to realise those benefits but I am confident that we are well on our way to building a strong foundation that will enable us to accelerate future profits.



Rhona Driggs
Chief Executive Officer
17 March 2020

Strategic Objectives

Our Vision

To be the leading global specialist staffing group in our chosen sectors

Our Purpose

To positively impact the lives of people while delivering exceptional talent and solutions to our clients globally

Our Values

- Innovation
- Collaboration
- Accountability
- Responsibility
- Excellence

1

Build scale in key markets and sectors

We are focused on developing scale in key markets and sectors to provide clients with services across sectors, skillsets and regions. This will drive greater market share with both new and existing clients and enable us to effectively scale increasing NFI and driving greater profitability.

2

Materially increase and diversify profits

We are focused on diversifying our profit base across our business and growing our high potential businesses/sectors. This will reduce our reliance on a small number of businesses that today generate the majority of our profits and enable us to realise the potential of the Group. We are also focused on increasing our temp to perm ratio, currently at 60:40, to 70:30 over time to create a more stable profit base.

3

Invest in technology to drive revenue and productivity

Technology continues to drive innovation and competitive advantage in the staffing sector. We are investing in implementing technology that will enable us to deliver to clients and candidates more quickly, efficiently and effectively and to maintain our competitive edge.

4

Reduce net debt balancing investment activity against financial constraints

We are focused on reducing our levels of debt, with investment in existing businesses rather than significant external investments. The Group's significant external investments in 2016 were funded by net debt rather than equity at low interest rates. While our debt remains inexpensive and we are well within our covenant requirements, reduction remains a key priority.

Read more on our key performance indicators on page 14 →

Current Market Conditions

Staffing market forecasts

Generally, staffing industry growth is highly correlated with GDP growth: the stronger the economy, the stronger the staffing market. However, other factors such as regulatory changes and the maturity or penetration of the staffing market (share of GDP made up by staffing revenue) come into play. The less penetrated the market is, all else being equal, the more room it has to grow.

SIA project global staffing revenue growth to reduce to 2% in 2019 (2018: 5%) reflecting a reduction in global GDP. They project 2020 staffing growth to improve to 3% in 2020 as part of a mild pick up in global GDP but with the caveat that there are a number of external macro-economic and political risks which could jeopardise this, including the subsequent coronavirus outbreak discussed in more detail below.

We are in 7 of the 15 largest staffing markets as identified by SIA, and all the markets in which we are present are forecast to grow in 2020 with the exception of Germany which is expected to remain flat. SIA have highlighted 15 countries where they forecast double digit growth for 2019, driven by increasing penetration, and we are in 9 of these markets, 8 of which SIA forecast to grow by double digits again in 2020. Empresaria's global presence has a balanced mix between the established and the growth markets enabling us to take advantage of opportunities in both.

Digital transformation

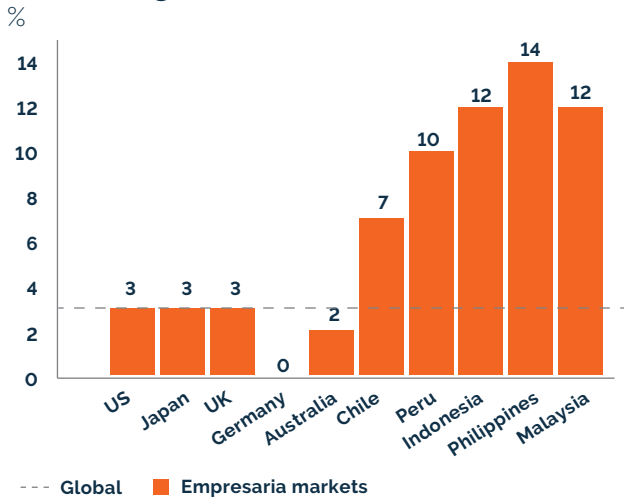
The rise of vertical talent pools and gig economy jobs are just two signs of the changing talent landscape. Uber's trial launch of Uber Works to place gig workers via staffing firms is one example of technology introducing new models for connecting talent with jobs. Bullhorn's Global Recruitment and Insights Data (GRID) report showed an overwhelming 80% surveyed see digital transformation as a positive for their business, but only 25% currently have a digital transformation strategy in place.

We are currently engaged in several technology initiatives to ensure we remain competitive in connecting talent with jobs, this includes our recently signed engagement with Bullhorn to upgrade our front office technology. In order to remain competitive, we need to tap into diverse talent pools. This type of operational adaptability requires a digitised technology infrastructure that can be rapidly configured.

80%
see digital transformation as positive for their business

Only **25%**
have a digital transformation strategy in place

SIA staffing market forecasts



Legislative and regulatory changes

The legislative and regulatory landscape is continually evolving across the staffing sector, primarily driven by governments' desire to improve workers' rights and conditions and to minimise tax losses. We see changes in our markets each year, and normally these are positive for the staffing market in the long term, particularly in developing markets where a significant portion of the workforce or staffing activity could be operating unofficially.

Current legislative activity includes:

- UK – IR35 is being extended to apply to the private sector. This will change the way in which temporary and contract workers are engaged by our clients, bringing more into the PAYE system. With our global footprint, our exposure to the UK temporary and contract market is less than 15% of our net fee income, but we are well prepared and have been actively engaging with our clients to approach this in a manner which is both compliant and enables them to continue to operate a workforce that fits their needs. While we expect to see some limited short term impact from this change, we also see opportunities to target.
- California, US – On 1 January 2020 AB5 came into effect and will turn many independent contractors into employees and, much like IR35, places the burden of proof for classifying individuals as independent contractors on the hiring entity. While we operate in California our business is almost 100% permanent placement so will see no direct impact. However, there could be opportunities as companies may start to hire more permanent staff.



Coronavirus

The coronavirus outbreak is a new and growing threat which has the potential to impact the global economy. At the date of this report the impact on the Group has been limited, but it is starting to impact recruitment processes in countries with a greater number of cases. Our presence in China is small, so we do not see a large impact there. The impact in our aviation business is starting to be felt with reduction in demand for pilots as airlines assess the impact and there is a risk that vulnerable airlines could go out of business if they lose significant revenue. In markets where cases are increasing, including the UK, we see greater caution being exercised with increased levels of home working and recruitment processes being conducted through video conferencing.

The staffing sector often feels the effects of economic issues ahead of other sectors as the first reaction of companies can be to pause or halt recruitment processes. So far no significant financial effect has been felt by the Group but the Board is monitoring the situation closely.

Our Business Model

Our global footprint with local market expertise in niche businesses drives our competitive edge.

Our resources

How we create value

People

Our people are everything. We are invested in developing the skills and expertise of our employees and providing our candidates with outstanding service and opportunities.

Clients

Our relationships with clients drives our success. We seek to provide our clients with the best experience and talent in the marketplace.

Financial strength

Our financial strength enables us to invest in our clients, our people and our business.

Brand reputation

Our brands are experts in their markets and services as demonstrated by the long tenure of our brands in our markets.

Global network

Our brands operate from 20 countries across the world and service many more from hub locations.

Technology

Our ability to connect with clients and candidates quickly and effectively.

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

Multi-branded with focused sector driven approach

The Group operates in six sectors, targeting different segments of the market with different brands. Each has in-depth knowledge and expertise in their specific market.

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

Diversified by geography and sector

The Group is diversified by both geography and sector, operating in 20 countries and across six 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. 60% of our net fee income is delivered by our presence in the four largest staffing markets (USA, Japan, UK, Germany) while we also have a significant presence in Latin American and Asia Pacific where we believe there are excellent opportunities for long-term growth.

Why this is important

Our diversification helps mitigate economic and political risks from individual markets and helps provide a more stable base for the Group to invest and grow.

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 within Latin America and Asia Pacific provides opportunities for long-term growth as these markets develop.

Empowered and supported leadership

The Group empowers its leaders as they are the experts in the markets in which they operate. The staffing industry is continually evolving, and success cannot be achieved in isolation. The support structures we have put in place allow our businesses to maximise their potential for success.

Why this is important

The staffing industry is constantly evolving, with greater competition, the impact of technology and a complex and evolving regulatory environment. In order to be successful we must be able to respond to these changes, challenges and opportunities.

The Group provides a strong support network, driven through its sector structure which enables each of our business leaders to maximise the potential of their operations.

This allows us to operate effectively as a Group, and to maximise benefit for our stakeholders.

Range of staffing services

The Group has three main service lines: permanent recruitment; temporary and contract recruitment; and offshore recruitment services. While we provide a full range of staffing services, we have a bias towards 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.

Our focus also reflects the markets we operate in, the opportunities we identify and the services in demand.

Our Offshore Recruitment Services sector makes us unique amongst our peers and has shown strong growth. We believe this will continue to be a driver of future growth.

The long-term value we deliver

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.

Record adjusted PBT in 4 of the last 5 years

210% increase in dividend per share over last 5 years

Our clients

We deliver exceptional talent and solutions to our clients globally enabling them to deliver on their own strategies and objectives.

Our people

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

107% increase in average employee numbers over last 5 years

Our communities

We make direct social and economic contributions in the countries we operate in. We positively impact the lives of people, helping them to find work and develop their careers, and we contribute to the local economy through tax payments and use of local suppliers. We help local and global businesses by delivering exceptional talent and solutions to our clients.

Delivered through our strategy

[Read more on page 9 →](#)

Key Performance Indicators

We measure progress against our objectives using the following performance measures.

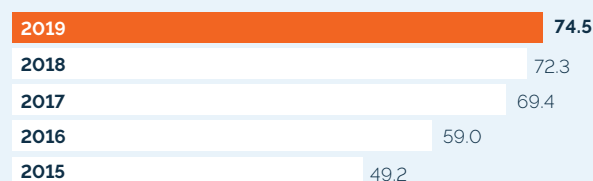
Key to strategy

- 1 Build scale in key markets and sectors
- 2 Materially increase and diversify profits
- 3 Invest in technology to drive revenue and productivity
- 4 Reduce net debt balancing investment activity against financial constraints

Net fee income

1,2,3

£74.5m



Why and how we measure

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

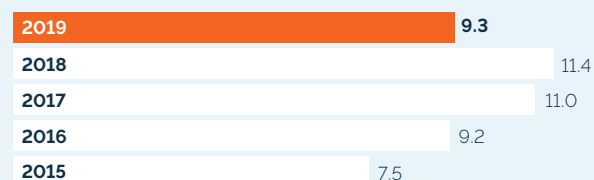
How we have performed

Net fee income has increased by 3% in 2019 despite the challenging economic environment with growth across all our sectors apart from Property, Construction & Engineering.

Adjusted profit before tax

2

£9.3m



Why and 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, impairment of goodwill, exceptional items and fair value charges on acquisition of non-controlling shares.

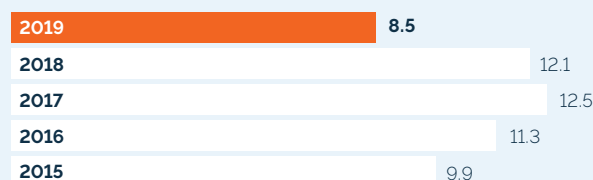
How we have performed

Adjusted profit before tax has reduced by 18% in 2019 reflecting the challenges faced with Brexit, the German automotive sector, and in our UK engineering business.

Adjusted, diluted earnings per share

2

8.5p



Why and how we measure

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

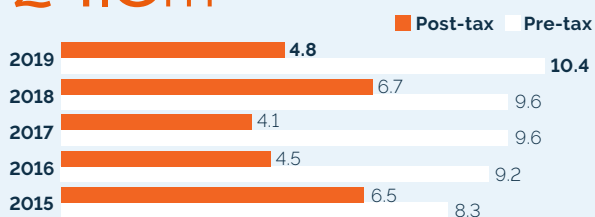
How we have performed

Adjusted EPS has fallen by 30% during 2019 reflecting the fall in profits along with 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

4

£4.8m



Why and 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 and after deducting payments made under lease agreements. As an international business tax cash flows can be volatile so a pre-tax free cash flow figure is also presented.

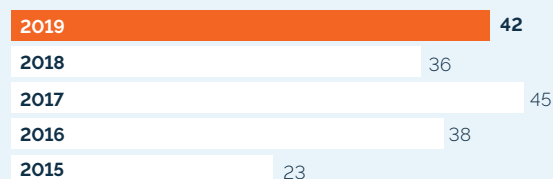
How we have performed

Free cash flow reduced in the year with higher tax outflows following the completion of tax audits. Pre-tax cash flows are very stable and for 2019 represent a 112% conversion of adjusted profit before tax to cash.

Debt to debtors ratio

4

42%



Why and how we measure

The majority of the Group's debt is short term and matched against working capital requirements. The Group's 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.

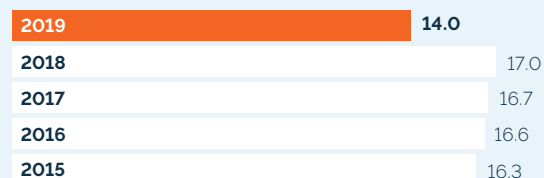
How we have performed

The Group's debt to debtors ratio has increased during the year reflecting the increase in net debt and a reduction in trade receivables. We continue to focus on reducing the overall level of debt with the aim of reducing the debt to debtors ratio to 25%.

Conversion ratio

3

14.0%



Why and 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.

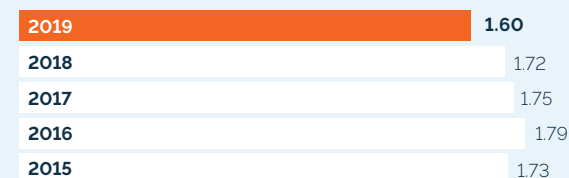
How we have performed

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

Staff productivity

3

1.60x



Why and 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 within administrative costs.

How we have performed

Staff productivity has reduced in the year reflecting the challenges and issues in the UK and Germany. A key part of the Group's strategy is focused on improving productivity.

Operating Review



Professional

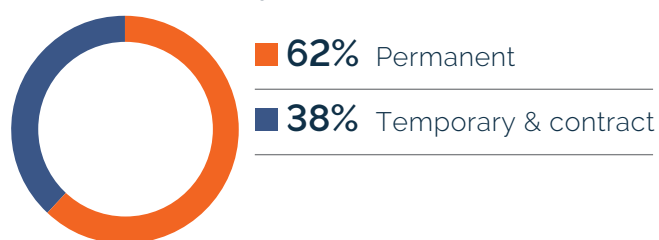
37%

of Group net fee income

Countries:

Australia, Chile, China, Indonesia, Malaysia, Mexico, New Zealand, Philippines, Singapore, Thailand, UK, Vietnam

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	125.0	139.7
Net fee income	27.3	26.8
Adjusted operating profit	3.5	4.5
% of Group net fee income	37%	37%
Average number of employees	413	375

Revenue reduced by 11% (10% in constant currency), net fee income was up 2% (1% in constant currency) with adjusted operating profit decreasing by 22% reflecting a mix of performances across the sector.

The reduction in revenue was largely driven by our aviation business which, as previously communicated, expected more challenging market conditions in 2019. However, a significant part of the reduction in revenue is due to a change in the billing structure for a number of pilots which, following a base transfer, have moved from our payroll onto our client's payroll. This means that while we achieve the same net fee income, we do not gross up the revenue for salary costs. The challenging market conditions are expected to continue into 2020 as we are now seeing an adverse impact from the ongoing grounding of the Boeing 737 Max and an ongoing reduction in demand for new pilots from a large client. The current outbreak of coronavirus is starting to have an impact with airlines delaying recruitment processes while they assess the impact.

Brexit uncertainty had a significant impact in the UK, predominantly on our professional services business which has a high exposure to the financial services sector. Steps have been taken to right size the cost base and we expect to see the benefits of this as we move into 2020.

During the year we merged our marketing/digital business under our professional services business, at the same time closing our loss-making operation in Hong Kong. This business had been struggling to grow and had a high cost base and this move will generate immediate cost savings and provide improved opportunity for long term growth. Our office in Auckland, New Zealand, which opened in early 2019, continues to show good promise, but our office in Brisbane, Australia, which opened around the same time, has proven unsuccessful and was subsequently closed.

Elsewhere in professional we saw strong net fee income growth in our Asia-based executive search business, although in 2019 this was offset by increases in the cost base. Our domestic services business had another good year showing increases in both net fee income and profits.

Overall adjusted operating profit for the sector was down reflecting the significant impact of Brexit on professional services and the reduction in our aviation business.



IT

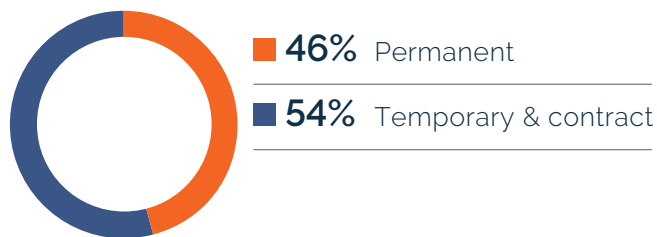
19%

of Group net fee income

Countries:

Japan, UK, USA

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	45.2	44.0
Net fee income	14.4	13.6
Adjusted operating profit	3.2	3.2
% of Group net fee income	19%	19%
Average number of employees	116	115

Revenue increased by 3% (0% in constant currency), with net fee income up 6% (3% in constant currency) and adjusted operating profit unchanged from 2018.

In Japan we saw net fee income growth as increases in permanent fees more than offset the challenges of rebuilding the temp base following the regulatory changes in 2018.

In the UK net fee income grew strongly with growth coming mainly from permanent recruitment. We will be investing in 2020 to strengthen our position in the temp market.

The US saw a fall in net fee income after a very strong 2018 which saw benefit from the growth of the cryptocurrency market. This market declined sharply at the start of 2019 and other sources of revenue have had to be found. The Austin office which opened in April 2019 is progressing well and is already breaking even as we move into 2020. We are investing in growing our presence in the US temp market as we are currently permanent placement focused. There is a tremendous opportunity to grow in this market and this will also build more stability into the financial results.

Total adjusted operating profit for the sector was flat year on year with growth in the UK and Japan offset by the fall in the US.

We invested further in this segment by acquiring additional shares in ConSol Partners taking our ownership to 82.5%. This business has performed well since joining the Group and our investment reflects the Group's commitment to investing in high potential sectors.

Operating Review continued



Healthcare

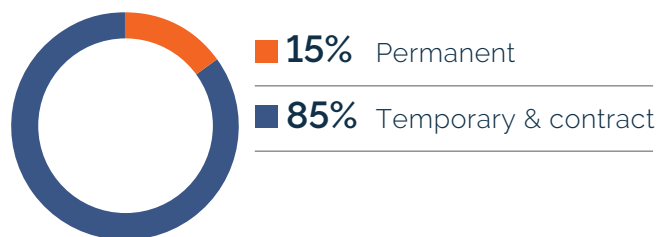
4%

of Group net fee income

Countries:

Finland, USA

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	11.3	11.3
Net fee income	2.8	2.7
Adjusted operating profit	0.5	0.5
% of Group net fee income	4%	4%
Average number of employees	21	29

Revenue was unchanged (down 1% in constant currency), net fee income grew by 4% (2% in constant currency) and adjusted operating profit was unchanged.

The first half of 2019 saw a slow start to the year for the sector with our businesses in both Finland and the US struggling with operational issues.

In Finland we had a reduction in the number of contractors on assignment due to recruitment challenges. In September we appointed a new managing director to the business and there has been a rejuvenated recruitment effort which is starting to see results. The business is in the early stages of leveraging our offshore recruitment operation in India to improve delivery and reduce cost.

In the US we were struggling to deliver both on volume and speed in a very competitive MSP environment. We restructured the operations in April and aligned our structure to the demands of our clients which included leveraging our internal offshore recruitment services expertise to meet the high volume and speed requirements. As a result, we were able to employ a much larger team (note this headcount is shown with the Offshore Recruitment Services sector) for a lower cost and significantly increase fill ratios. Following this we have seen much improved profitability in the second half of the year.

Total adjusted operating profit for the sector is in line with the prior year with the improvements seen in the second half of the year offsetting the slow start.



Property, Construction & Engineering

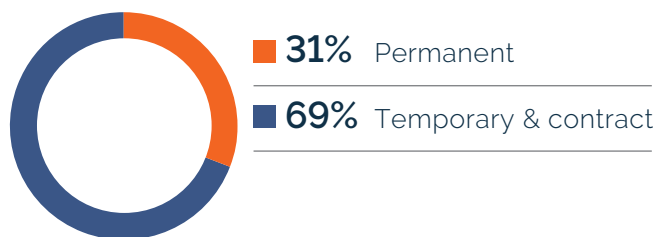
5%

of Group net fee income

Countries:

UK

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	22.4	31.6
Net fee income	3.8	5.3
Adjusted operating (loss)/profit	(1.2)	0.5
% of Group net fee income	5%	7%
Average number of employees	61	67

Revenue fell by 29%, net fee income by 28% and the sector recorded an adjusted operating loss of £1.2m. There is no currency translation impact as all operations are UK based.

The fall in results was driven by our UK engineering business. This business had been struggling with declining net fee income in recent years and in 2019 Brexit and challenging market conditions combined with the insolvency of certain clients and the early closure of major projects resulting in further material decline in revenues. Due to this deterioration in trading, a restructuring of the UK engineering business was undertaken resulting in the closure of a substantial part of the business with selected profitable elements retained.

We were also impacted by Brexit uncertainty as the fall in new house sales in the UK reduced demand for our business supplying sales professionals. This business experienced one of the worst markets in its history but remained profitable due to its efficient operating model.

We are working on ways in which to diversify the revenues in this sector creating a more rounded supplier focused on white collar roles.

Future growth and investment in this sector will be targeted at the skilled, white collar market where we see greater opportunity and less risk. This sector is expected to return to profit in 2020 as a result of the actions taken.

Operating Review continued



Commercial

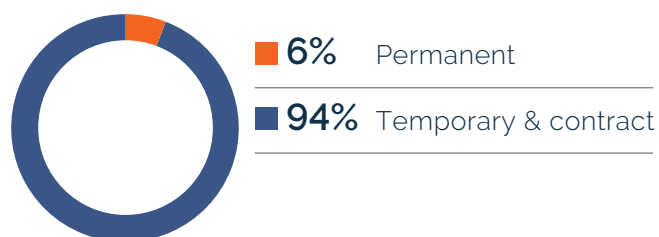
26%

of Group net fee income

Countries:

Chile, Germany, Japan, Peru

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	142.4	132.7
Net fee income	19.7	19.2
Adjusted operating profit	5.4	5.6
% of Group net fee income	26%	27%
Average number of employees	273	272

Revenue increased by 7% (9% in constant currency), net fee income by 3% (3% in constant currency) while adjusted operating profit fell by 4%.

In Germany the 2018 legislation changes are now business as usual and we are not experiencing any ongoing adverse effects. Our businesses there have successfully integrated these changes into their operations, with our logistics business returning to net fee income growth. However, we have been impacted by the weakening of the German automotive sector in our temp business and this significantly impacted both net fee income and profitability in the period. Action was taken to right size the cost base of the business and we are starting to realise the benefit of these actions.

In Latin America we see great opportunity for our businesses to work together to generate improved results through cross-selling in the region and this is something we will be looking to aggressively drive forward in 2020. In Chile we had another solid year with growth in both net fee income and adjusted operating profit, while our business in Peru, which joined the Group in July 2018, has continued to perform well, growing its client base in what is a competitive and low margin market. A full year contribution from Peru in 2019 resulted in an increase to sector net fee income of £1.0m.

Sector adjusted operating profit has fallen slightly year on the year with the adverse impact of the German automotive sector outweighing the positive contributions elsewhere.



Offshore Recruitment Services

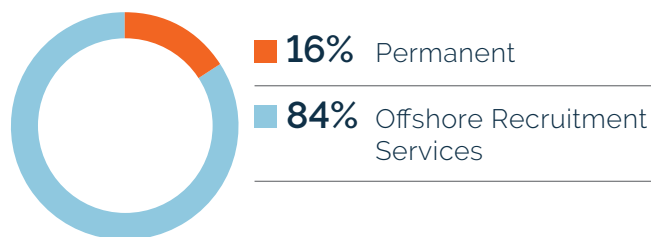
9%

of Group net fee income

Countries:

India, UAE

Net fee income by service



Financials

	2019 £m	2018 £m
Revenue	12.2	7.9
Net fee income	7.0	5.1
Adjusted operating profit	3.2	1.7
% of Group net fee income	9%	7%
Average number of employees	1,051	752

Revenue increased by 54% (54% in constant currency), net fee income by 37% (37% in constant currency) and adjusted operating profit by 88%.

Our Offshore Recruitment Services sector has continued to see substantial growth, delivering another very strong year with growth across all its target markets with the US leading the way with increased demand and several new client wins.

This success takes us to over 1,100 full time employees at 31 December 2019 and we have identified a need to increase investment in the infrastructure of the business in 2020 in order to support its future growth.

We see this sector as integral to the future success of Empresaria, both through its delivery to external clients, but also through increased internal delivery to operations across the Group. An example of the value they can deliver is given in the *Stronger Together* case study on page 7.

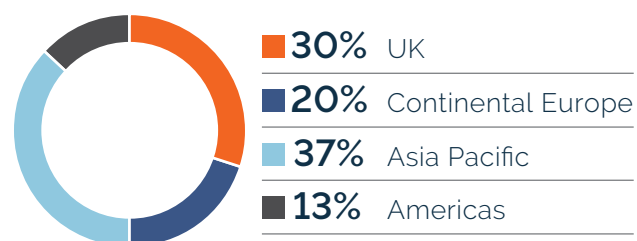
Our UAE operation sits under the Offshore Recruitment Services structure and we see opportunity to bring these services to the UAE and the surrounding region.

Operating Review continued



Regional Summary

Net fee income by region



The UK was our worst performing region, impacted by Brexit and the issues in our UK engineering business, and showing declines in revenue, net fee income and adjusted operating profit. While there were positive performances, most notably in our domestic services operation, these were not enough to offset the declines elsewhere.

In Continental Europe we saw revenue, net fee income and adjusted operating profit reduce. This was a result of the impact of the weakening of the German automotive sector combined with the issues in our Healthcare business in Finland.

Asia Pacific has been our strongest performing region with growth in net fee income and adjusted operating profit. The fall in revenue is primarily driven by a change in income recognition following changes under a key contract which did not impact net fee income (see Professional on page 16). The biggest driver of growth has been our Offshore Recruitment Services sector.

In the Americas performance has been in line with the prior year, with the increases in revenue and net fee income being primarily driven by a full year contribution from our investment in Peru which joined the Group in July 2018. The positive results seen in our Commercial operations have been more than offset by the reduction in profits in our US IT business as discussed on page 17.

Financials

	Revenue		Net fee income		Adjusted operating profit	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
UK	77.6	85.7	22.6	23.7	1.2	2.9
Continental Europe	93.1	96.1	14.7	15.6	4.0	4.7
Asia Pacific	126.4	136.8	27.7	24.5	7.2	6.1
Americas	61.4	48.6	10.0	8.9	2.2	2.3
Central and consolidation	(0.5)	(0.4)	(0.5)	(0.4)	(4.2)	(3.7)
Total	358.0	366.8	74.5	72.3	10.4	12.3

Finance Review

“Net fee income growth despite a challenging economic environment.”



Revenue

£358.0m

2018: £366.8m

Net fee income

£74.5m

2018: £72.3m

Adjusted operating profit

£10.4m

2018: 12.3m

Adjusted profit before tax

£9.3m

2018: 11.4m

Overview

The Group has delivered growth in net fee income of 3% against a challenging economic background. The impact of Brexit, the weakening of the German automotive sector, combined with a deterioration in our UK engineering business have resulted in adjusted profit before tax falling by 18% to £9.3m and reported profit before tax falling to £2.9m (2018: £9.4m).

Despite the reduction in profits pre-tax free cash flow increased to £10.4m (2018: £9.6m) reflecting working capital inflows. But with the impact of higher tax cash flows and investment activity, adjusted net debt has increased to £19.1m (2018: £17.1m). Investment activity has been focused on our existing businesses and included capital expenditure of £1.5m and the July investment in additional shares in our UK and US IT business for consideration of £3.5m.

Income statement

	2019 £m	2018 £m	% change	% change constant currency ²
Revenue	358.0	366.8	-2%	-2%
Net fee income	74.5	72.3	+3%	+2%
Operating profit	4.0	10.3	-61%	-61%
Adjusted operating profit ¹	10.4	12.3	-15%	-16%
Profit before tax	2.9	9.4	-69%	-69%
Adjusted profit before tax ¹	9.3	11.4	-18%	-19%
Diluted (loss)/earnings per share	(1.6)p	9.1p	-118%	
Adjusted diluted earnings per share ¹	8.5p	12.1p	-30%	

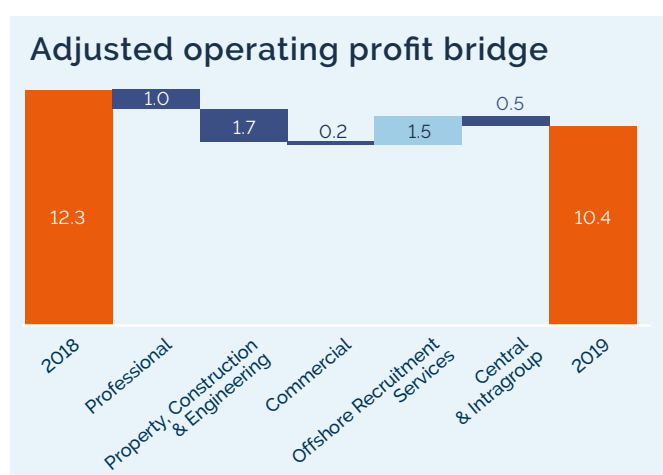
1. Adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items, fair value charges on acquisition of non-controlling shares and, in the case of earnings, any related tax.

2. The constant currency movement is calculated by translating the 2018 results at the 2019 exchange rates.

Finance Review continued

Income statement

Net fee income increased by 3%, 2% in constant currency. Adjusted operating profit reduced by 15%, 16% in constant currency, reflecting the growth in our Offshore Recruitment Services sector which was more than offset by the challenges elsewhere. A detailed analysis by sector is provided in the operating review on pages 16 to 22. Central costs have increased to £4.2m (2018: £3.7m) reflecting investments in central staff including marketing, training and technology.



Adjusted profit before tax has reduced by 18%, 19% in constant currency, to £9.3m reflecting the lower operating profit along with the adoption of IFRS 16 Leases which has increased the net interest charge by £0.4m with no restatement of comparatives. Reported profit before tax shows a more significant reduction to £2.9m with goodwill impairment charges of £2.5m and exceptional costs of £2.1m. The goodwill impairment charge arises following the decision to exit a substantial part of the Group's lossmaking UK engineering business. Exceptional costs include £1.1m related to the UK engineering business, £0.5m of costs associated with merging brands within the Professional sector and £0.5m costs related to the Group's change of Chief Executive Officer in June 2019.

The total tax charge for the year is £2.4m (2018: £3.6m), representing an effective tax rate of 83% (2018: 38%) and reflecting the high level of non-deductible goodwill impairment. On an adjusted basis, the effective rate was 37% (2018: 34%). Based on the tax rates in the countries in which we operate a lower tax rate would be expected, the effective rate is higher due to a number of factors, including:

- the level of non-deductible expenses in the year (£0.4m);
- withholding and dividend taxes resulting from overseas operations (£0.1m); and
- deferred tax assets not recognised for certain tax losses around the Group (£0.3m).

Adjusted, diluted earnings per share fell by 30% to 8.5p. This reflects the reduction in adjusted profit before tax, along with an increase in the allocation of profits to non-controlling interests. Those businesses with higher non-controlling ownership have performed more strongly relative to the rest of the Group in 2019 resulting in this increased allocation. Reported diluted loss per share was 1.6p (2018: earnings per share 9.1p).

Balance sheet

	2019 £m	2018 £m
Goodwill and other intangible assets	49.0	54.8
Trade and other receivables	55.2	57.3
Cash and cash equivalents	17.6	25.4
Right-of-use assets	10.6	-
Other assets	4.7	3.6
Assets	137.1	141.1
Trade and other payables	(37.7)	(41.9)
Borrowings	(35.2)	(37.2)
Lease liabilities	(11.2)	-
Other liabilities	(5.0)	(7.4)
Liabilities	(89.1)	(86.5)
Net assets	48.0	54.6

Goodwill and intangible assets represent the largest assets on the balance sheet and arise from the investments the Group has made. As at 31 December 2019 the balance was £49.0m (2018: £54.8m). The movements in the year were £1.9m of amortisation of intangible assets (2018: £1.8m), foreign exchange losses of £1.5m (2018: gain of £0.6m), software additions of £0.1m (2018: £0.2m) and an impairment charge of £2.5m (2018: £0.3m) related to the Group's UK engineering business.

Trade and other receivables includes trade receivables of £45.6m (2018: £48.1m) with the reduction from 2018 reflecting a lower level of activity at the end of 2019 against the prior year, including as a result of the restructuring of the UK engineering business. Average debtor days for the Group in 2019 were 44 (2018: 42), with debtor days at 31 December 2019 of 44 (2018: 44). The bad debt expense during the year was £0.6m (2018: £0.7m).

Cash and borrowings are discussed in the financing section below.

Right-of-use assets and associated lease liabilities have been recognised in accordance with IFRS 16 Leases. Comparative financial information has not been restated. Further information is provided in notes 1 and 25 to the financial statements in the Group's full annual report.

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) and after deducting payments made under lease agreements.

	2019 £m	2018 £m
Net cash from operating activities per cash flow statement	7.5	4.5
Cash flows related to pilot bonds	3.8	2.2
Payments under lease agreements	(6.5)	–
Free cash flow	4.8	6.7
Taxation	5.6	2.9
Free cash flow (pre-tax)	10.4	9.6

The reduction in free cash flow in 2019 compared to 2018 reflects higher 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 2019 equates to 112% of adjusted profit before tax (2018: 84%) demonstrating the Group's ability to convert profits into cash.

In 2019 the Group utilised its free cash flow as follows:

	2019 £m	2018 £m
Free cash flow	4.8	6.7
Acquisition of businesses (net of net funds acquired)	(0.2)	(1.9)
Purchase of shares in subsidiary undertakings	(3.5)	–
Capital expenditure	(1.5)	(1.5)
Dividends paid to shareholders	(1.0)	(0.6)
Dividends paid to non-controlling interests	(0.6)	(0.4)
Purchase of own shares	–	(0.4)
Other	–	0.5
(Increase)/reduction in adjusted net debt	(2.0)	2.4

The purchase of shares in subsidiary undertakings relates to the acquisition of further shares in ConSol Partners in July 2019.

Capital expenditure of £1.5m reflects investments in our offices in India where the operations in Ahmedabad moved into a single purpose-built office in early 2019 having previously been spread across multiple sites. Dividends paid to shareholders were £1.0m reflecting the increased final dividend for 2019 while dividends paid to non-controlling interests were £0.6m.

Financing

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

	2019 £m	2018 £m
Cash and cash equivalents	17.6	25.4
Pilot bonds	(1.5)	(5.3)
Adjusted cash	16.1	20.1
Overdraft facilities	(17.9)	(22.0)
Invoice financing	(6.9)	(9.7)
Bank loans	(10.4)	(5.5)
Total borrowings	(35.2)	(37.2)
Adjusted net debt	(19.1)	(17.1)

Adjusted net debt at 31 December 2019 increased to £19.1m (2018: £17.1m). Adjusted net debt excludes cash of £1.5m (2018: £5.3m) held to match pilot bonds within our 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 removed the requirement to hold bonds and as a result the level of bonds held fell significantly. This had no impact on our adjusted net debt measure.

During 2019 the month end average adjusted net debt position was £18.7m (2018: £19.0m) with a high of £23.0m at 30 September (2018: £21.2m at 28 February) and a low of £15.3m at 31 January (2018: £17.1m at 31 December).

Finance Review continued

Our debt to debtors ratio (adjusted net debt as a percentage of trade receivables) has increased to 42% (2018: 36%) reflecting the increase in adjusted net debt and reduction in trade receivables. We continue to be focused on reducing our debt levels with the aim of reducing the debt to debtor ratio to 25%.

Total borrowings were £35.2m (2018: £37.2m) being bank overdrafts of £17.9m (2018: £22.0m), bank loans of £10.4m (2018: £5.5m) and invoice financing of £6.9m (2018: £9.7m). The Group's borrowings are principally held to fund working capital requirements and are predominantly due within one year. As at 31 December 2019, £10.0m of borrowings are shown as non-current, which is the amount drawn under the Group's revolving credit facility.

The Group maintains a range of facilities to manage its working capital and financing requirements. At 31 December 2019 the Group had facilities totalling £55.1m (2018: £49.4m).

	2019 £m	2018 £m
UK facilities		
- Overdrafts	7.5	7.5
- Revolving credit facility	14.0	10.0
- Invoice financing facility	13.0	13.0
Total UK facilities	34.5	30.5
Continental Europe facilities	12.2	12.9
Asia Pacific facilities	2.4	1.5
Americas facilities	6.0	4.5
	55.1	49.4
Undrawn facility (excluding invoice financing)	11.5	16.7

During the year the revolving credit facility was extended to £14.0m from £10.0m by activating £4.0m of the £5.0m accordion arrangement. These funds were drawn in order to purchase the additional shares in ConSol Partners in July. A further £1.0m is available under this accordion arrangement and is agreed in principle with the bank but would need new credit approval for any draw down.

Covenants are tested on a quarterly basis in respect of the revolving credit facility. All tests have been met during the year. The covenants and our performance against them as at 31 December 2019 are as follows:

Covenant	Target	Actual
Net debt: EBITDA	< 2.5 times	1.0
Interest cover	> 5.0 times	172
Debt service cover	> 1.25 times	3.0

Management equity

As discussed in the Chairman's statement, the Group was built on a management equity philosophy, with key management holding a meaningful stake in the business they are responsible for. We are looking at alternative incentive schemes to replace the second generation equity but existing shareholdings remain in place and continue to be reflected in these accounts. 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 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 made 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 2019, and using the valuation mechanisms in shareholders' agreement but ignoring holding period requirements, the potential payment to acquire non-controlling interests in full in 2020 would be £10.5m based on Empresaria's share price at close on 13 March 2020, and could be up to a maximum of £14.2m using the maximum multiple that could be applied. Of these amounts approximately 90% relates to first generation shares. There is no legal obligation on the Group to acquire the shares held by management at any time.

In some situations the consideration payable under the shareholders' agreement for second generation equity may be greater than the fair value of the shares under IFRS 13 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 acquired additional shares in ConSol Partners for consideration of £3.5m. The two founding management shareholders left their operational roles within this business at the end of 2019 following a successful handover period with incoming management. They continue to work with the Group on a consultancy basis, but we expect that they will offer their remaining shares to Empresaria at the next window in May.

Other shares acquired from or sold to management were for total consideration of less than £0.1m.

Dividend

During the year, the Group paid a dividend of 2.0p per share in respect of the year ended 31 December 2018. For the year ended 31 December 2019, the Board is proposing a dividend of 2.2p per share, an increase of 10% in line with the Group's progressive dividend policy 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 29 May 2020 to shareholders on the register on 15 May 2020.

Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities including the latest available information on the coronavirus outbreak and the potential impact on the Group. 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
Chief Financial Officer

17 March 2020

Section 172 Statement

The Board of Directors act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in s172 of the Companies Act 2006. The Company's key stakeholders are its shareholders, internal staff, candidates, clients and suppliers. At the core of the Board's decision-making process is a desire to make decisions that are for the long-term strategic benefit of the Group and its stakeholders as a whole.

From the end of 2018, the Board commenced a process of greater engagement with stakeholders, to help develop and clarify the Company's purpose, values and long-term strategy. The feedback received was taken into account in making decisions throughout 2019, which became a period of significant strategic and operational change across the Group, and illustrations of these can be found in various places in this Strategic Report.

Specific examples of how s172 has been taken into account and applied by the Board in their decision making during the year include:

- **Strategy:** Working with a variety of stakeholders, the Company has developed a greater clarity of strategic objectives for the Group and their delivery, focusing on delivery of organic growth. These have resulted in a number of developments through the year, such as:
 - the development of a clear Empresaria culture and set of values, which help create an environment in which employees can achieve their goals, realise their potential and improve their careers;
 - Workplace, an online collaboration tool from Facebook, has been rolled out across all Group companies, to enable direct and immediate engagement with all employees around the world;
 - the realignment of our brands into six core sectors enabling them to share common experiences and leverage synergies;
 - the '*Stronger Together*' initiative launched in May 2019 and discussed in the Chairman's Statement, the Chief Executive's Q&A and the case study on pages 6 and 7; and
 - the assessment of alternative performance based reward schemes for management to replace the second general management equity scheme.
- **Investment:** The Board is at all times acutely aware of investor sentiment regarding debt levels and weighs up the desire to reduce leverage against the need to make investment decisions for long-term benefit. During the year, the Board made the decision to make a significant further investment in ConSol Partners, a business operating in the high potential IT sector that has performed well since joining the Group in 2016. The Board also approved a budget that enabled the Group to invest in areas to drive long-term productivity and organic growth, including investment in:
 - increased capacity for our fast-growing Offshore Recruitment Sector;
 - front and back office technologies (eg Bullhorn) across multiple brands; and
 - providing greater central support, particularly for marketing, training and technology.
- **Managing losses:** The difficult trading conditions experienced by the Group's UK engineering business had negatively affected the Group's performance for some time. The Company had made several previous attempts to reinvigorate and invest in this business, to halt the decline and position it for growth. With the further material decline experienced in 2019, the decision was taken to close a substantial part of the business, making a number of redundancies, while retaining profitable elements. The decisions to continue to support that business and ultimately, when it became clear that selected lines were no longer viable, to close them, were made having full consideration of each of the factors set out in section 172, most notably the interests of and the impact on the employees, candidates and clients of that business, but also those of our shareholders and the wider Group. The closure plan was formulated and executed with the main aims of minimising costs, the swift re-employment of redundant staff and minimal disruption to candidates and clients.

Risks and Uncertainties – Managing our Risk

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

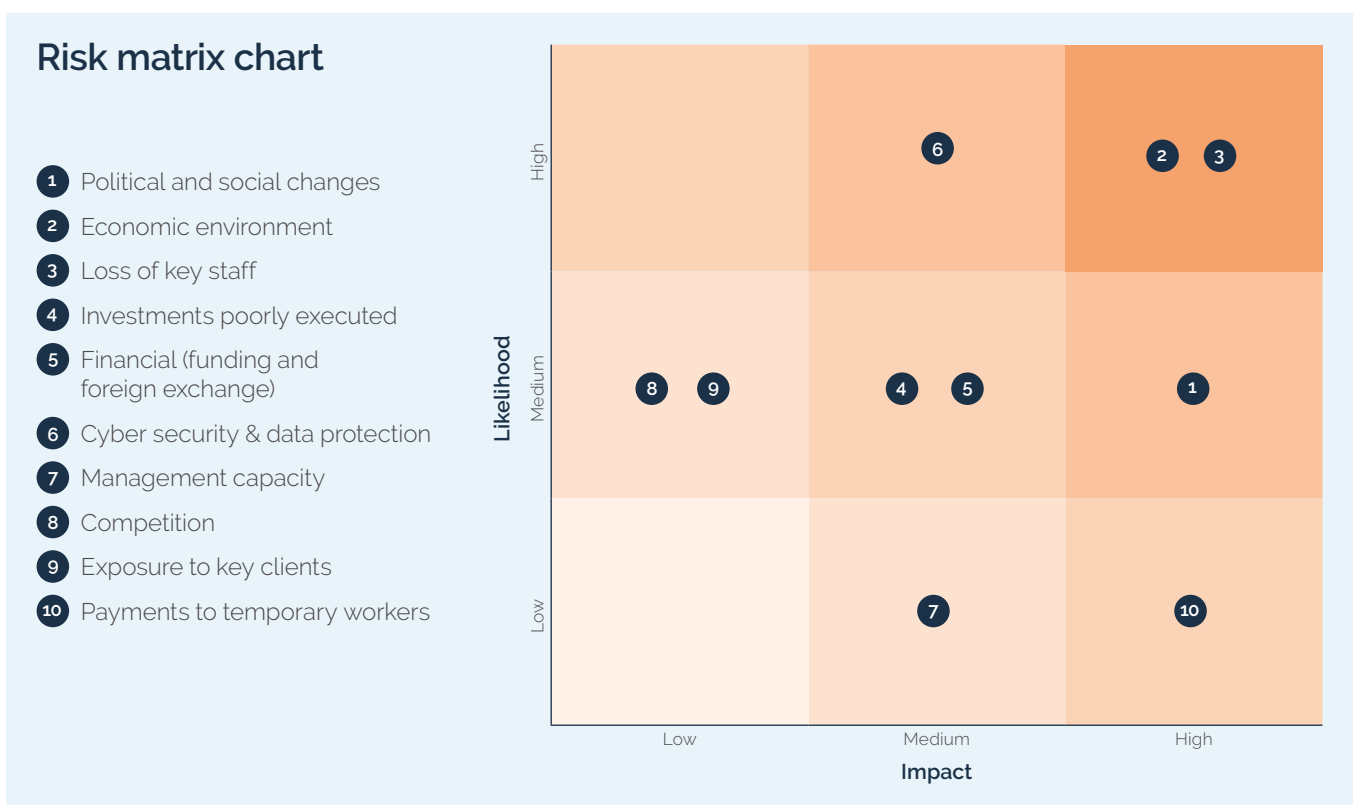
The Group’s risk register is reviewed by the Board at each meeting with risks added, amended or removed as appropriate and actions updated. The Group register is prepared based on individual brand registers which are

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.




Risks and Uncertainties – Managing our Risk 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 their markets. This particularly impacts temporary recruitment which is regulated to protect the rights of workers and 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 how we operate 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>Brexit uncertainty impacted our UK businesses throughout 2019. The UK formally left the EU on 31 January 2020, but significant uncertainty remains over the UK's ongoing relationship with the EU. There is no current expectation that Brexit will significantly adversely impact employment or other relevant legislation or regulations.</p> <p>In the UK the Government plans to apply IR35 (which clarifies an individual's tax employment status) to the private sector from 6 April 2020. We are working with our clients and candidates to ensure that the impact is fully understood, processes and practices are changed as needed and we continue to meet our clients' recruitment needs. IR35 creates both opportunities and risks and while we do not expect it to have a major adverse impact, there may be some impact in the short term.</p> <p>Chile has experienced a period of civil unrest with inequality and labour laws being identified as issues. While there was minimal impact on our business, there is an expectation this will lead to changes in labour laws and regulations. We expect these to strengthen workers right and to have a positive impact on the labour market and our operations.</p>	<p>The Group closely monitors the legal and regulatory environment in all our markets. The Group has membership of many local industry associations and we use professional advisers with local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant.</p> <p>Our business model helps us to mitigate the negative impacts 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 currently unpredictable with many areas of uncertainty, not least from the current outbreak of coronavirus so we take a cautious view on forecasts. The coronavirus outbreak has the potential to adversely impact the global economy, particularly in the short term. The situation is developing rapidly and while it has not yet had a significant financial impact on the Group the situation is expected to worsen before it improves.</p> <p>The full impact on the UK economy from leaving the EU remains unclear and this uncertainty may continue to negatively impact on investment in staff. Governments around the world are increasingly adopting protectionist trade policies which could impact on economic growth and the ability to bring overseas workers into a market.</p>	<p>The Group's business model and strategy helps mitigate the impact from an economic downturn in any one market, whilst acknowledging that a global economic downturn will impact all businesses:</p> <ul style="list-style-type: none"> • Diversification across sectors and regions • By developing and scaling our leading brands businesses should be more robust 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. <p>The Group fully complies with local guidance and client requirements in place in response to the Coronavirus. Where possible alternative recruitment practices such as video interviewing are being employed to maintain recruitment activity.</p>


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 only limited changes to key operational management during the year. These have either been driven by the Group in order to address operational issues, or have been planned in advance with successful transfer to incoming management.</p> <p>At board level Rhona Driggs has been promoted to Chief Executive Officer, having previously served as Chief Operating Officer.</p>	<p>To date, the Group's has employed a management equity philosophy to incentivise key management through equity ownership, tying them to the business for the long term. The Group is looking at alternative options to the second generation equity schemes and will replace these with a new long term incentive plan designed to appropriately retain and reward key management and driving a pay for performance culture.</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 external 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>Investment in existing operations whether through new offices, investments in process or technology if poorly implemented could have an adverse impact with the potential to harm existing business.</p>	<p>The Group has undertaken no external investments in 2019.</p> <p>In January 2019 our we opened new offices in Brisbane, Australia and Auckland, New Zealand in our Professional sector. Following a review of early performance the office in Brisbane was closed in late 2019 but we continue to see good opportunities in Auckland.</p> <p>In April 2019 we opened a new office in Austin, USA for our IT sector. This office is performing well.</p> <p>We are investing in implementing Bullhorn technology across a number of our brands. This will help maintain and improve the Group's competitiveness and is expected to deliver significant benefits.</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> <p>The Bullhorn implementation is being undertaken in a phased way, brand by brand reducing any implementation risks.</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>Operating from 20 countries the Group is exposed to movements in foreign currency rates. The Group reports in Sterling but has operations in countries with different currencies. Movements in exchange rates impact the reporting of Group profitability and may devalue the cash and assets around the Group.</p>	<p>UK interest rates have remained unchanged through 2019. There is some uncertainty as to how these will move in the rest of 2020, after a reduction in March, with this likely to be influenced by the coronavirus outbreak and how the economy reacts to leaving the EU.</p> <p>Sterling exchange rates remain volatile and although the net impact on the Group's revenue and profits in 2019 has been comparatively small, the strengthening of sterling towards the end of the year would indicate a potential for this to have a more significant impact on the Group's results in 2020.</p> <p>The Group also 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 70% 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 our operation in India which derives all of its revenue from outside of 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 an ever present one in the wider business environment. A successful breach could lead to the loss of sensitive data on clients or candidates, damage to our 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 businesses, they are more likely to be a target for hackers and criminals.</p> <p>Bringing businesses together through greater collaboration and common systems increases the potential impact of a breach but allows improved security to be in place reducing the likelihood.</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 increased oversight and training to ensure we meet a minimum standard of security. As we invest further in technology, we will also invest in ensuring our cyber security measures and policies keep step and reflect the changes in the Group.</p>

Corporate Social Responsibility

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

Key events

Germany

Supporting KlinikClowns in putting a smile on the faces of children in hospital



India

Supporting the Loomba foundation in Ahmedabad

UK

Bake sale in support of the NSPCC



Indonesia

Supporting a local orphanage during Ramadan

Local communities

A positive contributor to the community

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

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

- In India, IMS, through their IMS People Possible Foundation, took part and hosted many events, volunteering and raising money for charity. Including: supporting Loomba Foundation in creating a sustainable livelihood for 150 poor widows and destitute women in Ahmedabad; donating 1,330 sweet boxes to poor families in Gujarat, during the Diwali weekend; hosted a funfair for more than 65 children from slums of Navarachit; and donated more than 156 units of blood in association with the Indian Red Cross.
- In the UK, LMA team members raised over £16,000 for the NSPCC through a variety of different fundraising initiatives including an office bake off, running the London marathon and their annual charity quiz.
- In Chile, Alternativa supported the foundation Casa Sagrada Familia by bringing presents to the children living there. The foundation provides support to the families of children who are undergoing cancer treatment.
- In Germany, headwaypersonal donated to various charities including a hospital which provides clowns for children's entertainment.
- In the US, Pharmaceutical Strategies donated to Toys for Tots, Brigham Women's Hospital and a school fund.
- In the UK, become continued to work closely with Shillington, a specialist design education organisation. Each year the Become team identify star students whose work really stands out and look to help them find their first roles in the competitive design industry.
- In Indonesia, Monroe donated money to a local orphanage during Ramadan and invited the children for Iftar.
- In Germany, headwaylogistic made donations to youth sports and sports institutions locally. They also supported the Recklinghausen Animal Shelter.
- In the UK, ConSol Partners took part in Donate your Day in support of War Child. Employees chose to donate one day's salary to the cause which helps children in war-torn countries across the world.
- In Finland, Medikumppani donated money in December for children's Mental Health Care in Finland.

Candidates, clients, suppliers and shareholders

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

Our purpose is to positively impact the lives of people while delivering exceptional talent and solutions to our clients globally and to achieve this we must engage with our stakeholders in the right way.

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

The Group promotes high ethical standards in its business activities and has Codes of Conduct for dealing with gifts, hospitality, corruption, fraud and the use of inside

information. All staff must comply with the laws and regulations of the country in which they operate.

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

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

Our employees

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

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

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

The Group recognises the need to provide a safe working environment for its staff and clients. Each office

is responsible for ensuring that their business operates in compliance with Group policies and local health and safety legislation.

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

The Group communicates with staff through a variety of means including internal communication tools and regional meetings. The Group's uses Workplace for internal communication and this also provides access to Group policies and procedures.

Society at large

Environmental impact

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

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

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

The Board of Directors and Secretary



Tony Martin
Chair

Appointed: July 2004

Tony has over 30 years' experience running international specialist staffing companies. He served as Chair and CEO of Select Appointments (Holdings) Plc ('Select') from 1992 to 1999, when he became Vice Chair 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 Chair and CEO, which he served until his retirement in February 2004. Tony held the position of Executive Chair 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 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 Chair of the Federation of Recruitment and Employment Services, now known as the Recruitment and Employment Confederation (REC), 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



Zach Miles
Non-Executive Director



Appointed: October 2008

Zach has 30 years' experience working in the staffing sector, as a Finance Director, CEO and Chair. Before joining Empresaria, Zach held the position of Chair and Chief Executive Officer of Vedior N.V. He was a member of the Board of Management from 1999, and Chair 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:
Chair of the Board of Trustees of Rapport Housing and Care and Chair of Bright Network (UK) Limited.



Penny Freer
Non-Executive Director



Appointed: December 2005

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 Chair 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, Crown Place VCT plc, The Henderson Smaller Companies Investment Trust plc and Member of London Bridge Capital Partners LLP.



Rhona Driggs
Chief Executive Officer

Appointed: November 2018

Rhona was appointed as Chief Executive Officer in June 2019 having previously served as Chief Operating Officer since November 2018. Rhona has over 29 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 four 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



Tim Anderson
Chief Financial Officer

Appointed: March 2018

Tim has over 16 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 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



James Chapman
General Counsel and
Company Secretary

Appointed: June 2015

James has over 19 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

Committee membership

- Committee Chairman
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

Consolidated Income Statement

for the year ended 31 December 2019

	2019 £m	2018 £m
Revenue	358.0	366.8
Cost of sales	(283.5)	(294.5)
Net fee income	74.5	72.3
Administrative costs (including £0.6m (2018: £0.7m) in respect of trade receivable impairment losses)	(64.1)	(60.0)
Adjusted operating profit	10.4	12.3
Exceptional items	(2.1)	-
Impairment of goodwill	(2.5)	(0.3)
Amortisation of intangible assets identified in business combinations	(1.8)	(1.7)
Operating profit	4.0	10.3
Finance income	0.2	0.2
Finance costs	(1.3)	(1.1)
Net finance costs	(1.1)	(0.9)
Profit before tax	2.9	9.4
Taxation	(2.4)	(3.6)
Profit for the year	0.5	5.8
Attributable to:		
Owners of Empresaria Group plc	(0.8)	4.6
Non-controlling interests	1.3	1.2
	0.5	5.8
	Pence	Pence
(Loss)/earnings per share		
Basic	(1.6)	9.2
Diluted	(1.6)	9.1

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	2019 £m	2018 £m
Profit for the year	0.5	5.8
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	(1.9)	0.8
Items that will not be reclassified to the income statement:		
Exchange differences on translation of non-controlling interests in foreign operations	(0.3)	(0.1)
Other comprehensive (loss)/income for the year	(2.2)	0.7
Total comprehensive (loss)/income for the year	(1.7)	6.5
Attributable to:		
Owners of Empresaria Group plc	(2.7)	5.4
Non-controlling interests	1.0	1.1
	(1.7)	6.5

Consolidated Balance Sheet

for the year ended 31 December 2019

	2019 £m	2018 £m
Non-current assets		
Property, plant and equipment	2.3	2.1
Right-of-use assets	10.6	-
Goodwill	33.5	371
Other intangible assets	15.5	177
Deferred tax assets	2.4	15
	64.3	58.4
Current assets		
Trade and other receivables	55.2	57.3
Cash and cash equivalents	17.6	25.4
	72.8	82.7
Total assets	137.1	141.1
Current liabilities		
Trade and other payables	37.7	41.9
Current tax liabilities	1.4	3.2
Borrowings	25.2	32.0
Lease liabilities	6.0	-
	70.3	77.1
Non-current liabilities		
Borrowings	10.0	5.2
Lease liabilities	5.2	-
Deferred tax liabilities	3.6	4.2
	18.8	9.4
Total liabilities	89.1	86.5
Net assets	48.0	54.6
Equity		
Share capital	2.4	2.4
Share premium account	22.4	22.4
Merger reserve	0.9	0.9
Retranslation reserve	4.0	5.8
Equity reserve	(9.8)	(7.7)
Other reserves	(0.6)	(0.7)
Retained earnings	21.4	23.2
Equity attributable to owners of Empresaria Group plc	40.7	46.3
Non-controlling interests	7.3	8.3
Total equity	48.0	54.6

These consolidated financial statements of Empresaria Group plc, registered number 03743194, were approved by the Board of Directors and authorised for issue on 17 March 2020.

Signed on behalf of the Board of Directors



Rhona Driggs
Chief Executive Officer



Tim Anderson
Chief Financial Officer

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	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 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
(Loss)/profit for the year	-	-	-	-	-	-	(0.8)	(0.8)	1.3	0.5
Exchange differences on translation of foreign operations	-	-	-	(1.8)	-	(0.1)	-	(1.9)	(0.3)	(2.2)
Total comprehensive income for the year	-	-	-	(1.8)	-	(0.1)	(0.8)	(2.7)	1.0	(1.7)
Dividend paid to owners of Empresaria Group plc	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Acquisition of non-controlling shares	-	-	-	-	(2.1)	-	-	(2.1)	(1.4)	(3.5)
Share-based payments	-	-	-	-	-	0.2	-	0.2	-	0.2
Balance at 31 December 2019	2.4	22.4	0.9	4.0	(9.8)	(0.6)	21.4	40.7	7.3	48.0

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	2019 £m	2018 £m
Profit for the year	0.5	5.8
Adjustments for:		
Depreciation of property, plant and equipment and software amortisation	1.2	1.0
Depreciation of right-of-use assets	6.4	-
Impairment of goodwill	2.5	0.3
Amortisation of intangible assets identified in business combinations	1.8	1.7
Share-based payments	0.2	-
Net finance costs	1.1	0.9
Taxation	2.4	3.6
	16.1	13.3
Decrease/(increase) in trade and other receivables	0.3	(2.2)
Decrease in trade and other payables (including pilot bonds outflow of £3.8m (2018: outflow of £2.2m))	(2.0)	(2.7)
Cash generated from operations	14.4	8.4
Interest paid	(1.3)	(1.0)
Income taxes paid	(5.6)	(2.9)
Net cash from operating activities	7.5	4.5
Cash flows from investing activities		
Consideration paid for business acquisitions (net of cash acquired)	(0.2)	(1.7)
Consideration received for business disposals	-	0.1
Purchase of property, plant and equipment, and software	(1.5)	(1.5)
Finance income	0.2	0.2
Net cash used in investing activities	(1.5)	(2.9)
Cash flows from financing activities		
(Decrease)/increase in overdrafts	(3.6)	1.5
Proceeds from bank loans	5.0	4.0
Repayment of bank loans	(0.2)	(6.4)
(Decrease)/increase in invoice financing	(2.7)	0.1
Payment of obligations under leases	(6.5)	-
Purchase of shares in existing subsidiaries	(3.5)	-
Purchase of own shares in Employee Benefit Trust	-	(0.4)
Dividends paid to owners of Empresaria Group plc	(1.0)	(0.6)
Dividends paid to non-controlling interests	(0.6)	(0.4)
Net cash outflow from financing activities	(13.1)	(2.2)
Net decrease in cash and cash equivalents	(7.1)	(0.6)
Effect of foreign exchange movements	(0.7)	0.1
Cash and cash equivalents at beginning of the year	25.4	25.9
Cash and cash equivalents at end of the year	17.6	25.4
	2019 £m	2018 £m
Bank overdrafts at beginning of the year	(22.0)	(20.4)
(Decrease)/increase in the year	3.6	(1.5)
Effect of foreign exchange movements	0.5	(0.1)
Bank overdrafts at end of the year	(17.9)	(22.0)
Cash, cash equivalents and bank overdrafts at end of the year	(0.3)	3.4

Basis of preparation and general information

The financial information has been abridged from the audited financial information for the year ended 31 December 2019.

The financial information set out above does not constitute the Company's consolidated statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

Accounting policies have been consistently applied consistently with those set out in the 2018 financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year. The only new standard which had a significant impact on these financial statements is the adoption of IFRS 16 Leases as set out in the Group's consolidated statutory accounts.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS'), this announcement does not itself contain sufficient financial information to comply with IFRS. The Group will be publishing full financial statements that comply with IFRS in April 2020.

The Group has published full financial statements that comply with IFRS on its website, www.empresaria.com. Alternatively you may request a full printed copy to be sent to you by writing to the Company Secretary at:

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Glossary

Adjusted earnings per share

Earnings per share adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill, exceptional items, 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, impairment of goodwill, exceptional items 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, impairment of goodwill, exceptional items 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 and after deducting payments made under lease agreements.

Free cash (pre-tax)

Free cash flow excluding cash outflows on income taxes.

Managed Service Provider (MSP)

An outsourced agency that manages the staffing requirements of an end client by managing its preferred staffing agencies.

Net fee income

Revenue less cost of sales. Cost of sales includes the remuneration cost of temporary and contract workers and the cost of staff 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.

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.

Vendor Management System (VMS)

Technology used by MSPs to enable them to deliver to their end clients. This is used to manage the end-to-end process including the distribution of roles to staffing agencies, collection of candidate submissions, coordination of interviews, job offers, billing and timesheets.

Notes

Notes



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