

**Empresaria**

*Stronger  
together*

**Empresaria Group plc**  
Summary Report 2020

## **Our purpose**

Our purpose is to positively impact the lives of people, while delivering exceptional talent to our clients globally.

## **Our vision**

Our vision is to be the leading global specialist staffing group in our chosen sectors.



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For more information visit our website  
[www.empresaria.com](http://www.empresaria.com)

## Highlights

# Operational and financial resilience alongside strategic progress

### Financial

£54.0m

Net fee income

£5.2m

Adjusted profit before tax

£13.6m

Adjusted net debt

4.1p

Adjusted, diluted earnings per share

### Operational

#### April 2020

- Successfully moved over 1,000 people in India to home working in three days while continuing to deliver to our clients.

#### July 2020

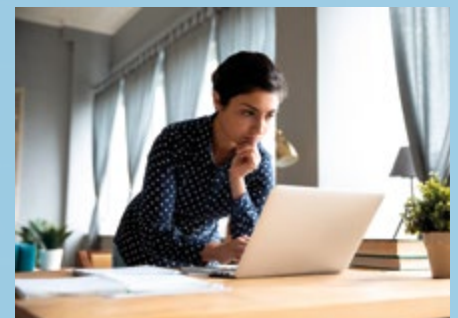
- Bullhorn went live in our UK and Singapore financial services operations and in our UK marketing and digital operations, continuing our investment in key technology despite the impact of COVID-19.

#### October 2020

- Our Chair, Tony Martin, recognised by Staffing Industry Analysts in the Staffing 100 Europe Hall of Fame, with our CEO, Rhona Driggs, included in the 2020 list of the 100 most influential European staffing leaders.

#### November 2020

- Internal networking event attracts 235 participants from across the globe to share their experiences and best practice.



## At a Glance

### Who we are

Founded in 1996, Empresaria Group plc is a global specialist staffing group operating across six diversified sectors in 20 countries but supplying to many more. Driven by our passion for the staffing industry, we are committed to positively impacting the lives of people, while delivering exceptional talent to our clients globally. We are listed on the London Stock Exchange as part of AIM.

### Our expertise

Our expertise covers six key sectors:



Professional



IT



Healthcare



Property, Construction & Engineering



Commercial



Offshore Recruitment Services

For more information:  
See pages 20 to 25

### Our values

#### Innovation

Creativity  
Ingenuity

#### Collaboration

Communication  
Teamwork

#### Accountability

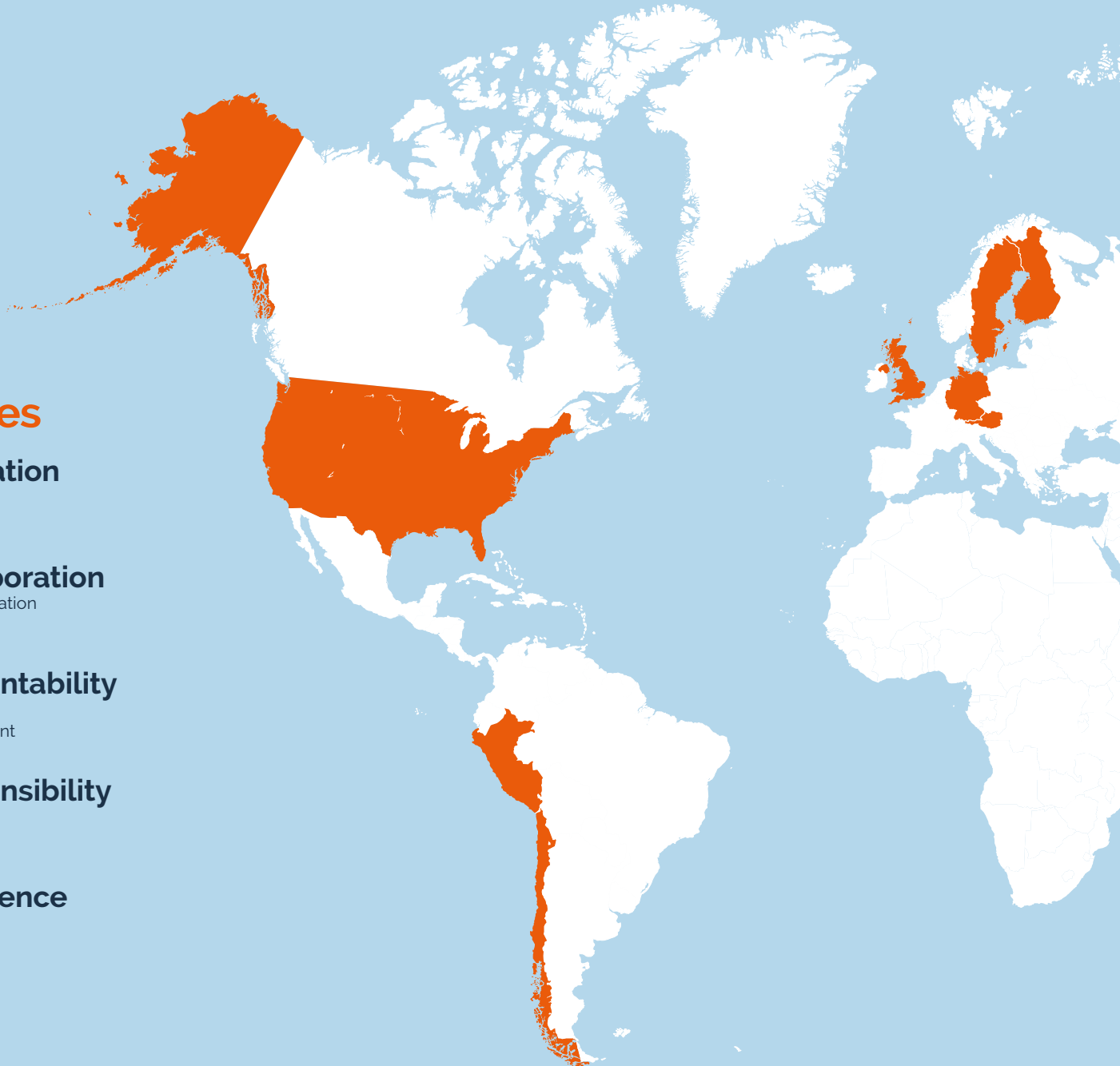
Leadership  
Commitment

#### Responsibility

Integrity  
Honesty

#### Excellence

Results  
Discipline



## Our diversified model

Empresaria is highly diversified with operations across six sectors in 20 countries offering permanent and temporary/contract recruitment services as well as offshore recruitment services.

**Service type**  
% of net fee income



- Permanent **32%**
- Temporary and contract **59%**
- Offshore recruitment services **9%**

**Sector**  
% of net fee income



- Professional **28%**
- IT **23%**
- Healthcare **5%**
- Property, Construction & Engineering **1%**
- Commercial **32%**
- Offshore Recruitment Services **11%**

**Region**  
% of net fee income



- UK **25%**
- Continental Europe **26%**
- Asia Pacific **35%**
- Americas **14%**



We have operations across

**6**  
sectors

located in

**20**  
countries worldwide

## Chair's Statement

**Our full-year results demonstrate the resilience of the Group and the benefits of its diversification by sector and geography.**



### 2020 performance

The past year has been extremely challenging for the staffing industry, the global economy and society as a whole. Our full-year results have once again demonstrated the resilience of the Group in the face of economic uncertainty and the benefits of our diversification by sector and geography. Our Offshore Recruitment Services sector, which is a key differentiator for the Group, also proved resilient and bounced back strongly after the initial impact from COVID-19.

We started 2020 strongly, realising the benefits of the operational initiatives we made in 2019, and delivering year-on-year operating profit growth in each of the first three months of the year. As COVID-19 started to impact us in March, the benefits of our *Stronger Together* initiative were evident as we responded swiftly and effectively, facing the challenges we encountered together as a Group through sharing experiences and ideas. A key factor in helping to deliver in this environment was the responsiveness and expertise of our Board which has significant experience in the Group and the wider staffing industry. Our governance processes were very effective during this period.

Our diversification delivered key benefits. For example, in Germany, the surge in supermarket sales increased demand for staffing from our logistics operation. This helped to partially offset some of the more significant adverse impacts, such as in our aviation business where demand for pilots fell substantially.

This diversity, combined with our swift actions on costs, ensured that despite a significant fall in net fee income, the Group remained profitable (adjusted profit before tax) through each quarter of the year. As we moved into the second half of 2020 our markets and clients started to adjust to the new normal and we saw some positive momentum going into the final months of the year. The improved level of demand, combined with our strong cost controls and the benefits from operational initiatives, enabled us to deliver a higher level of adjusted profit before tax in the second half of the year compared with the first, despite net fee income being lower.

We have continued to push forward with our operational initiatives, including seeking to improve and optimise our operating models to enable us to deliver more efficiently and effectively and providing the flexibility to take advantage as and when demand returns. Our investment in a common technology platform has

continued to progress and will be implemented in the majority of the Group within the next 18 months.

**People**

It is the dedication and hard work of all our teams around the world that has enabled us to successfully navigate the challenges of 2020 and the Board would like to thank all of our employees for their contributions under difficult circumstances.

Our *Stronger Together* initiative, launched in 2019, has enabled our staff to operate more effectively, feel part of a global operation and realise the benefits that brings. A great example of this is a recent internal networking event which brought 235 of our people together in an online event to share ideas and best practice.

**Dividend**

In common with many businesses, the Group took the decision not to pay a dividend in the first half of 2020, reflecting

the uncertainties at the time and the significant potential impact of COVID-19 on the business. While the pandemic is not over, the situation has stabilised and the Group has demonstrated the resilience of its operations and its balance sheet. As a result, we are planning to reinstate the dividend and propose a dividend of 1.0p per share for the year ended 31 December 2020. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 4 June 2021 to shareholders on the register on 14 May 2021.

**Outlook**

COVID-19 will continue to be a significant influence for the year ahead. However, we have shown in 2020 that we can continue to deliver effectively to our clients in this 'new normal' and do so while delivering profits (adjusted profit before tax) for our shareholders. With the benefit of the operational investments and initiatives we have continued to drive forward in the year, we believe we are well placed to exit the

pandemic stronger than we entered it. The increased level of national lockdowns and restrictions in several of our markets at the start of 2021 means we remain cautious on the immediate outlook, but believe we are well placed to take advantage as and when markets recover.



**Tony Martin**  
Chair  
26 March 2021



*Stronger Together*

**Our COVID-19 response**

Our Offshore Recruitment Services operation in India is the largest employer in the Group, with an internal headcount of more than 1,000. Prior to COVID-19 this workforce was office based and there were no provisions for significant numbers to work from home. As COVID-19 restrictions started to be imposed globally it became clear that we would not be allowed to continue to work from the office.

At the end of March 2020 we successfully moved all our staff to home working. This was achieved in just 72 hours while continuing to deliver to our clients. As the situation stabilised, productivity rose and today our US fill rates have almost doubled and we have significantly improved our per recruiter metrics from pre-COVID levels. While restrictions have since been eased, the vast majority of this workforce continue to work remotely, and our ability to operate more flexibly has increased the talent pool we can draw from.

**>1,000**

employees moved to home working in India

## Investment Case

**“Our diversification by sector and geography, our differentiating Offshore Recruitment Services sector, combined with our focused strategy, create a unique and compelling investment case.”**

**Rhona Driggs**  
Chief Executive Officer

*Stronger together*

### Focused strategy aligned with our shareholders

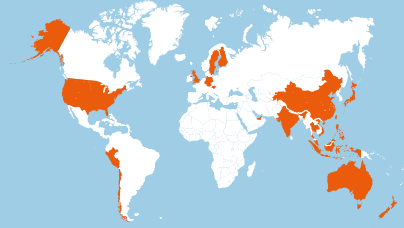
Our strategy is focused on delivering organic growth, investing in our existing businesses and implementing common technology to drive synergies and profits across the Group.

Operational initiatives continued despite COVID-19 impact

Ongoing implementation of common technology platform



For more information:  
See page 15



### Diversified operations

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

**6**  
sectors

**20**  
countries



For more information:  
See pages 20 to 26





## Offshore Recruitment Services differentiator

Our Offshore Recruitment Services sector is unique among our peers.

We see great opportunity for growth, both with external clients and through increased cooperation with operations within Empresaria.

Offshore Recruitment Services sector

**11%**

of Group net fee income

 For more information: See page 25



## Resilient financing structure

Our borrowing requirements are strongly linked to working capital and in the event of a financial downturn working capital unwinds and our net debt reduces, as has been evidenced in 2020.

Adjusted net debt

**£13.6m**

(2019: £19.1m)

Working capital inflow

**£5.1m**

(2019: outflow of £1.7m)

 For more information: See pages 27 to 31




## Experienced Board and management team

Our experienced Board and management team have a strong track record in the staffing industry.

Total staffing industry experience across our Board

**>100**

years

 For more information: See pages 38 to 39

## Current Market Conditions

**“We are now seeing clear signs of a global two-speed recovery and we have positioned key businesses to capitalise on the markets that will show recovery first.”**

**Rhona Driggs**  
Chief Executive Officer

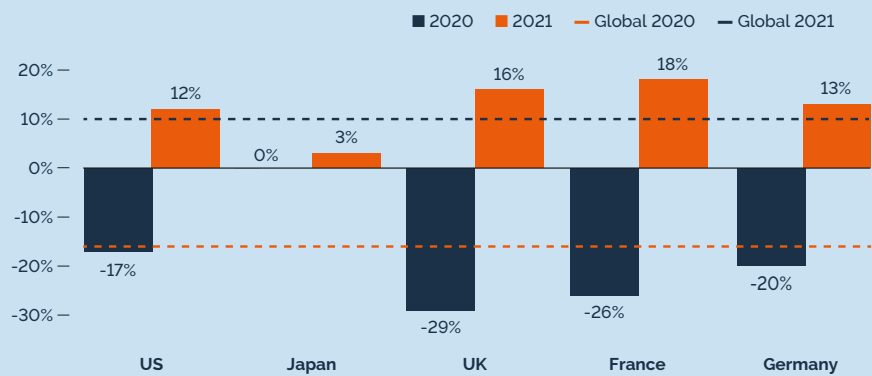
### COVID-19 recovery

We are now seeing clear signs of a two-speed recovery. The split is evident between industries able to adjust and operate in the current environment and others, like travel, aviation, service and hospitality industries, that continue to be significantly impacted by restrictions, lockdowns and consumer concerns. This is directly reflected in the labour market where demand for workers has improved in some industries and in others remains stalled.

### Staffing market forecasts

In 2020 the COVID-19 global pandemic dominated our lives and the global economy, including the staffing sector. In November 2020, SIA projected global staffing revenue to fall by 16% in 2020 (2019: growth of 2%). A significant bounce-back is forecast for 2021 with global growth of 10% but with the caveat that this includes assumptions around the ongoing impact of COVID-19 and the success of vaccination programmes.

SIA staffing market forecasts – five largest markets



The recovery of the global economy and the staffing sector is unlikely to be smooth and different markets are likely to recover at different rates; this is inherently hard to forecast. Our Group operates in seven of the 14 largest staffing markets as identified by SIA, most of which are forecast to grow by more than 10% in 2021. Our diversified global presence provides some protection as markets recover.

### Digital transformation

Digital transformation has been an ongoing theme in the sector but the events of 2020 have played a key role in shaping and accelerating this change. The world's communication infrastructure has been tested and stretched, while the importance of technology in the workplace has never been greater as businesses moved to remote working with employees engaging with their colleagues and clients digitally as we all look to find ways to be effective in the 'new normal'.

This has had a significant impact on the staffing sector, with video interviews becoming the norm and many workers starting roles without ever meeting their employer in person or stepping foot inside their new workplace.

We are currently engaged in several technology initiatives to ensure we remain competitive in connecting talent with our clients; this includes our Group-wide

deployment of Bullhorn to upgrade our front office technology. In our Offshore Recruitment Services sector we have launched a direct sourcing and talent community management solution for enterprises in the US that will position us for future growth and diversification in a key market.

### 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 in the long term these are normally positive for the staffing market, 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 was originally planned for April 2020, but was deferred to April 2021 just as it was due to take effect. 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 10% of our net fee income. We are well prepared and have maintained the active engagement we put in place with

our clients and candidates ahead of the original planned implementation date.

We continue to work with them to approach this in a manner which is compliant while enabling our clients to continue to operate a workforce that fits their needs as well as ensuring our candidates are treated fairly. While we expect to see some limited short-term impact from this change, we also see opportunities to target market share.

- Indonesia – The new Omnibus law aims to boost investment and create jobs. While it has been welcomed by many it has also led to protests, with concerns that it will erode workers' rights and objections to changes to rules around severance pay, the use of contract workers and outsourcing. The new law has the potential to create significant new opportunities for the staffing industry, not least by opening up the contract and temporary worker part of the market.



## Our Business Model

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

## Our resources



### People

Our people are our greatest asset. We invest in our employees and provide our candidates with outstanding service and career opportunities.



### Clients

Client relationships built on trust drive our success. We seek to provide our clients with the best experience and talent in the marketplace.



### Financial strength

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



### Brand reputation

Our brands are experts in their markets and sectors and have long-standing client relationships.



### 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.

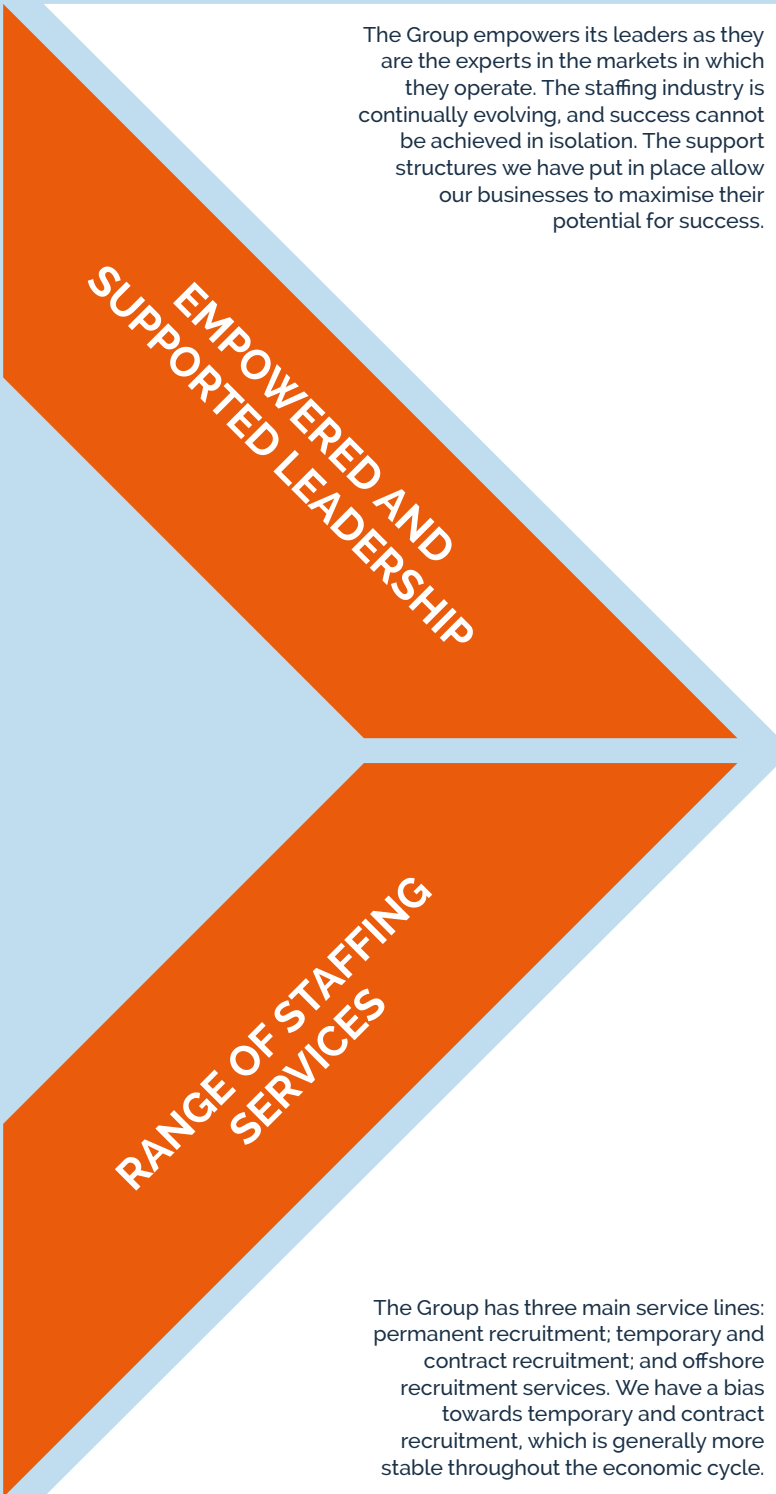
## Our approach

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.

MULTI-BRANDED WITH FOCUSED  
SECTOR-DRIVEN APPROACH

DIVERSIFIED BY  
GEOGRAPHY AND SECTOR

Our diversification across six sectors and 20 countries helps mitigate economic and political risks as well as provide opportunities to drive organic growth.



## Delivering long-term value

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

#### Our people

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

#### Our clients

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

#### Our communities

We make direct social and economic contributions in the countries we operate in. We are engaged in supporting local community and charitable organisations. We positively impact the lives of people, helping them to find meaningful employment and develop their careers. We contribute to the local economy through tax payments and use of local suppliers.

#### 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.

### Delivered through our strategy

 For more information: See page 15

### Stakeholder engagement

 For more information: See pages 36 to 37

## Chief Executive's Q&A

# Q&A with CEO Rhona Driggs

*Stronger Together*



Q

**You started 2020 strongly. Can you give us some insight on this?**

A

At the beginning of the year we started to realise the benefits of the operational initiatives we put in place in 2019. As a result we delivered year-on-year increases in operating profit in each of the first three months of 2020. We started to see impact from COVID-19 in March, which resulted in first quarter net fee income falling 5% against 2019.

The benefits of our operational initiatives gave us a solid foundation as COVID-19 started to impact the business. This confidence and belief in what we were doing shaped how we approached the pandemic and fed our determination to capitalise on these benefits and continue to deliver change in the challenging months ahead.

Q

**You seem to be navigating COVID-19 quite successfully. What is the key to that?**

A

When we started to see the impact on net fee income and demand in March we took swift action on cost across the Group, especially in businesses where net fee income was expected to be hardest hit. These actions included a Group-wide hiring freeze alongside pay and headcount reductions. We did not take these decisions lightly as we sought to protect our employees and our business at a very uncertain time.

We had strong and consistent communication across the Group and our geographic diversity meant that we were able to share experiences and learning from those countries that went into lockdown earliest.

The work we have done on building culture helped us not only in our communication across the Group, but also in the sharing of ideas and experiences. We provided regular training and webinars focused first and foremost on the safety and well-being of our employees, our clients and our candidates and then quickly launched into managing productivity in a remote environment. We ensured the focus in each of our businesses was on areas where they were seeing demand in order to maximise opportunities and net fee income and supported our businesses with training so they could broaden their offering into areas where we had the opportunity to easily pivot our services.

Our Board was also extremely responsive, which, combined with their significant experience in the Group and the wider staffing industry, helped enable us to execute changes rapidly.

As initial cost reductions took place we kept our focus on client retention and sales, and on keeping client and candidate engagement high. We were also determined to take advantage of this time to make the operational changes needed in the business to ensure we come out of the pandemic stronger than we went in.

Communication and engagement were key for us. Our internal communication technology, implemented in December 2019, enabled us to instantly and effectively communicate across the entire Group. It also provided us with a platform to leverage and share best practices and experiences, which was extremely beneficial given our markets were being impacted at different times. Lessons learned and shared were vital for us in navigating this pandemic.

**Q** **Has COVID-19 slowed down progress against strategic initiatives?**

**A** Our organic growth was impacted, however I am pleased with the progress we made on many of our other strategic initiatives and in fact we were able to accelerate several of these from our initial target dates.

We accelerated our initiatives to leverage our Offshore Recruitment Services sector to move recruiting and back office functions to a lower cost environment while maintaining quality.

We protected key investments, such as our technology initiatives, and launched a new offering in our Offshore Recruitment Services sector in the US market, which is a key growth area for the Group.

We restructured our operations in a number of our businesses which will provide greater focus on sales and recruiting while providing more scalable operating models.



## Chief Executive's Q&A continued

### Q&A with CEO Rhona Driggs

*Stronger Together*

Q

**Are there benefits that have come from the pandemic and what lessons will you take forward?**

A

The biggest initial benefit was the acceleration of the unity we had been building in the Group as a result of facing the common challenge of COVID-19. This helped us to adapt and respond quickly and further prove our *Stronger Together* initiatives.

We learned that in many cases we can be effective working remotely and will be able to take advantage of a more flexible workforce in those businesses that have shown increased productivity, enabling us to recruit the best talent regardless of where they live.

It is more important than ever to have a flexible cost base and we acted quickly as a group on cost, and no businesses were exempt from that. As a result we have rightsized our cost base moving into 2021.

Additionally, we demonstrated the strength of our balance sheet and illustrated that our funding structure responds as we would expect in a downturn, with our net debt reducing significantly as working capital requirements fell in line with trading.

Q

**Do you see any long-term impact on the staffing industry from COVID-19?**

A

The staffing industry has always proven to be extremely resilient. We are first to see the impact from an economic downturn but also generally first to show signs of recovery as companies look to leverage a more flexible workforce in times of uncertainty. Our clients will be looking for flexible staffing solutions as their businesses recover.

I would expect to see greater demand for outsourcing and offshore solutions given the lessons learned during the pandemic and the greater acceptance of remote workers. I would also expect to see a significant reduction in office space as companies make permanent moves to a more remote or hybrid work environment.

We will also see continued acceleration of the digitalisation and automation of staffing processes including hiring (video interviewing), onboarding and candidate engagement platforms. Technology solutions such as our investment in a common platform will play a pivotal role post pandemic.

Q

**How do you see 2021 developing for the Group?**

A

We have been focused on exiting the pandemic stronger than we went in. The operational changes and efficiencies we have made, and will continue to make, leave us well positioned to take advantage of recovery in our markets.

Successful implementation and adoption of our IT initiatives will be a competitive advantage, harnessing the power of a global organisation with the strength of local market knowledge and expertise.

While we cannot control how COVID-19 will continue to impact us and our clients around the world, we are cautiously optimistic and focused on what we can control: how we respond to each challenge; how we grow our market share with our clients; and how we best position ourselves for market recovery.



**Rhona Driggs**  
Chief Executive Officer  
26 March 2021



# Strategic Objectives

## 2020 progress

## 2021 priorities

### 1. Build scale in key markets and sectors

We are focused on developing scale in key markets and sectors. We will do this by gaining additional market share with clients through cross-selling efforts and providing them with services across sectors, skillsets and regions. This will enable us to effectively scale, increasing net fee income and driving greater profitability.

- Implemented improvements to operating models in key businesses to provide greater focus on sales and recruiting and deliver greater scalability.
- Consolidated small loss-making operations in Chile and New Zealand and closed one in Mexico to focus on high growth sectors and markets.
- Restructured management in key businesses.
- Reorganisation of one of our German businesses to focus on achieving greater market share, increase scalability and broaden their offering.

- Implementation of regional management and sales structure to enable greater regional cooperation and help us deliver increased levels of cross-selling and drive regional scale.
- Increasing the US presence of our IT and Healthcare sectors.
- Expanding Offshore Recruitment Services operations to new bases – Philippines trial planned for the first half of 2021.

### 2. Materially increase and diversify profits

Diversifying our profit base across our business is key for us. We will do this through growing our high potential businesses and sectors and increasing our temp to perm ratio to 70:30 over time to create a more stable profit base.

- Temp to perm ratio increased from 60:40 to 65:35 in the year as permanent revenues were hit harder by the economic impact of COVID-19 than temporary and contract. This impact is expected to at least partially unwind as permanent recruitment recovers.
- US launch of IMS Oneworld, a direct sourcing and talent community management solution for enterprises.
- Improvements to operating models targeted at delivering growth in temporary and contract.
- Rightsized cost bases across a number of operations, especially those most impacted by COVID-19, positioning them for a return to growth.

- Rebuild net fee income and profits in operations heavily impacted by COVID-19.
- Focus on growing temporary and contract IT in the US where the vast majority of net fee income is currently from permanent recruitment.
- Expand service offerings to clients – increase delivery of Statement Of Work, Recruitment Process Outsourcing and Direct Sourcing.

### 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.

- Technology implementation continued despite challenges from COVID-19.
- Technology road map broadened to maximise the wider benefits from core and ancillary systems.
- Achieved greater adoption and delivered benefits from our internal communication technology implemented at the end of 2019.

- Accelerate implementation of technology.
- Deliver benefits of common technology – access to a global database of candidates, improved management information, enhanced cross-selling, increased speed and responsiveness to our clients and our candidates.

### 4. Reduce net debt, balancing investment activity against financial constraints

The Group's level of net debt reflects significant acquisitions made in 2016 which were funded by debt rather than equity at a time of low interest rates. While our debt remains relatively inexpensive we recognise that our net debt position is not looked upon favourably by many in the investor community, therefore this is a key priority for us. We will focus investments in existing businesses rather than significant external investments.

- Resilience of funding model evidenced with net debt reducing substantially reflecting working capital inflows.
- No dividend paid in 2020 and investments prioritised to preserve cash during an uncertain period.

- Refinancing of revolving credit facility.
- Restart dividend, rebased to reflect lower levels of profit in 2020.
- Continue to focus investment on organic growth such as our core technology roll-out.

**Stronger Together Initiative**  
Case studies

Our *Stronger Together* initiative proved invaluable to the Group in the face of COVID-19.



Stronger

“Our *Stronger Together* initiative has been a catalyst for change in the Group and we have faced the global pandemic more effectively than we would have been able to in the past.”

Rhona Driggs  
Chief Executive Officer

## ...through collaboration



As the pandemic developed we sought to pivot our offerings and focus on areas of demand, utilising and sharing existing expertise in the Group.

In Germany we enhanced our service to clients by developing an IT offering, utilising the expertise in the UK to enable our German operation to diversify its offering.

## ...through investing in technology



During 2020 we continued to invest in implementing a common front office technology platform to enable us to leverage the benefits of being a global group and help drive our cross-selling initiatives and maximise value from a global candidate database.

Planned implementations continued during the year, even in a remote working environment. We will have the majority of our brands on a common platform within 18 months.

# together

## ...through sharing best practice



Sharing of experience and best practice was instrumental in helping us navigate the challenges of 2020.

We hosted various internal webinars and networking events to increase collaboration and communication across the Group. We also leveraged our new internal communication tool to strengthen our communication across sectors and markets.

## Key Performance Indicators

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

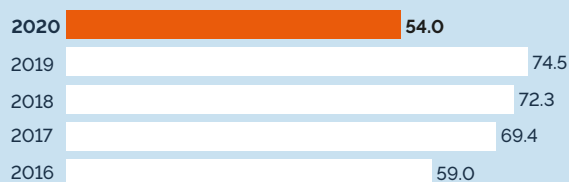
### Key to strategy

- 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

# £54.0m



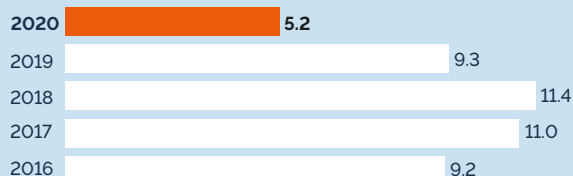
**Why and how we measure**  
Net fee income is the Group's principal 'revenue' measure, incorporating both permanent fees and the gross margin earned on temporary and contract workers and offshore recruitment services.

**How we have performed**  
Net fee income has fallen by 28% in 2020, reflecting the significant impact COVID-19 has had on our operations with falls across all of our sectors.

## Adjusted profit before tax

2

# £5.2m



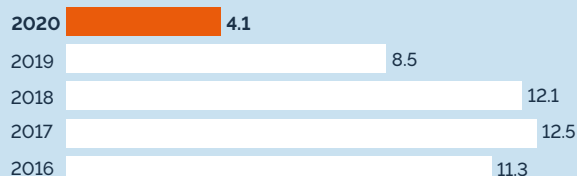
**Why and how we measure**  
Adjusted profit before tax measures the Group's underlying profit performance and is stated before amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, exceptional items and fair value charges on acquisition of non-controlling shares.

**How we have performed**  
Adjusted profit has reduced by 44% in 2020, reflecting the challenges faced with COVID-19. The swift actions we have taken on costs across the Group have helped mitigate the impact on profits.

## Adjusted, diluted earnings per share

2

# 4.1p



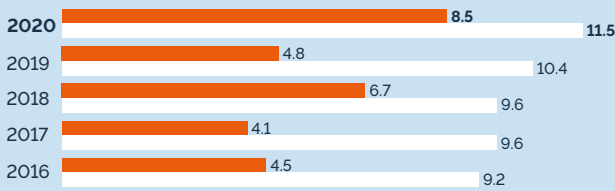
**Why and how we measure**  
Adjusted, diluted earnings per share measures the underlying performance of the Group's earnings for its shareholders. Adjusted earnings is assessed before those items excluded in adjusted profit before tax along with their related tax impacts.

**How we have performed**  
Adjusted EPS has fallen by 52% in 2020, 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

# £8.5m



### 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

In 2020 free cash flow has increased, with the reduction in profits more than offset by the inflow of working capital.

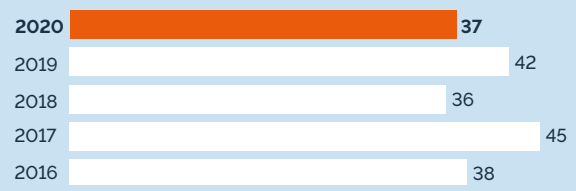
#### Key:

- Post-tax
- Pre-tax

## Debt to debtors ratio

4

# 37%



### 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.

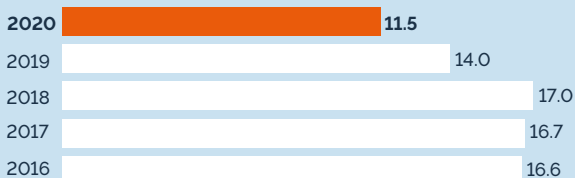
### How we have performed

The Group's debt to debtors ratio has fallen during the year, reflecting the decrease in net debt partly offset by 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

# 11.5%



### 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.

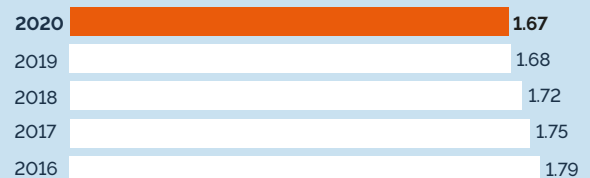
### How we have performed

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

# 1.67x




### 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 is in line with the prior year, reflecting the strong cost control measures implemented in 2020 in response to the reduced levels of demand due to COVID-19.

## Operating Review




### Professional

# 28%

of Group net fee income

Countries	New	Thailand
Australia	Zealand	UK
China	Philippines	Vietnam
Indonesia	Singapore	
Malaysia	Sweden	

**Net fee income by service**



- Permanent **67%**
- Temporary and contract **33%**

Financials		
£m	2020	2019
Revenue	<b>55.3</b>	125.0
Net fee income	<b>15.4</b>	27.3
Adjusted operating profit	<b>0.2</b>	3.5
% of Group net fee income	<b>28%</b>	37%
Average number of staff	<b>342</b>	413

Our Professional sector saw the greatest impact from COVID-19, with revenue down by 56% (55% in constant currency), net fee income down by 44% (43% in constant currency) and adjusted operating profit decreasing to £0.2m. All of our operations in this sector were significantly impacted by COVID-19 with large falls in net fee income. Swift cost-cutting actions ensured that losses were kept to a minimum and the sector as a whole remained profitable.

The greatest impact on net fee income was in our business supplying pilots to the aviation industry. This industry has been badly affected, and the ongoing impact of travel restrictions and passenger attitudes to flying mean that we do not expect this to recover in the short term. As a result, an impairment charge has been booked against the goodwill and other intangible assets related to this business. The business has been restructured in order to rightsize its cost base and ensure it is well placed to take advantage when the market recovers. Although we are cautious on short-term recovery, this sector has a strong track record of bouncing back after significant adverse events and we believe there is good growth potential in the medium and long term.

In Asia we currently operate primarily in permanent recruitment focused markets and we saw a significant impact from

COVID-19 in each country, but with the timing of the peak impact varying by location. With the exception of Vietnam, where we delivered year-on-year growth in net fee income, and China, which was in line with 2019, all countries saw double-digit falls in net fee income against the prior year. Some improvements were seen in the second half of the year but markets have remained subdued as second and third waves of COVID-19 and associated localised restrictions continue to impact.

In the UK our operation focused on clients in the financial services sector, which had previously been impacted by Brexit uncertainty, was significantly impacted by COVID-19. This impact continued through the second half of the year with Brexit uncertainty muting any early signs of recovery from COVID-19. Our domestic services business was very badly hit in the first UK lockdown as clients were unwilling to invite new staff into their homes. Demand recovered well as the year went on although the localised restrictions in place at the end of the year have had an adverse impact.

During 2020 we reviewed our smaller operations and consolidated loss-making offices in Chile and New Zealand and closed one in Mexico.





**IT**

**23%**

of Group net fee income

**Countries**

Japan  
UK  
USA

**Net fee income by service**



● Permanent 43%  
● Temporary and contract 57%

**Financials**

£m	2020	2019
Revenue	41.8	45.2
Net fee income	12.7	14.4
Adjusted operating profit	1.8	3.2
% of Group net fee income	23%	19%
Average number of staff	105	116

Our IT sector was one of our more resilient sectors in the face of COVID-19, with revenue down by 8% (8% in constant currency), net fee income down by 12% (12% in constant currency) and adjusted operating profit decreasing to £1.8m.

In Japan, although the impact of COVID-19 was felt earlier in the year than in many countries, it was also one of the most resilient markets with a relatively effective response to the virus. Our operation there was one of our most successful with a low single-digit percentage fall in net fee income and profits in line with 2019.

In the US, a very strong start to 2020 was followed by a weaker second half to the year and full-year net fee income fell by a mid single-digit percentage. Our US business is currently almost 90% permanent recruitment, leaving it exposed to greater fluctuations in net fee income, particularly in the face of significant market impacts such as those seen this year. We are focused on growing our temporary and contract business in the US and see this as a key market for delivering future growth.

Our UK business, where 80% of our net fee income is derived from placements outside the UK, had a difficult year and saw a much greater impact from COVID-19 than we saw elsewhere in this sector, with net fee income falling by 20% and operating profit by more than half. Actions have been taken to restructure this business, reducing costs and improving the operating model so they are better placed to drive sales and deliver profits as demand returns.

During the year we invested further in this sector by acquiring the remaining shares in ConSol Partners, taking our ownership to 100%. This investment was done on substantially reduced terms compared to the original acquisition in 2016, reflecting both the founders' desire to sell their remaining shares now that they were no longer directly involved in the business, and all parties' appreciation of the impact of COVID-19 on the Group. This business has performed well since joining the Group and although it has had a challenging 2020, we believe it continues to have great potential for growth given the strong demand for IT and our investment reflects the Group's commitment to investing in high potential sectors.



## Operating Review continued



### Healthcare

5%

of Group net fee income

#### Countries

Finland  
USA

#### Net fee income by service



● Permanent 8%  
● Temporary and contract 92%

#### Financials

£m	2020	2019
Revenue	13.2	11.3
Net fee income	2.5	2.8
Adjusted operating profit	0.4	0.5
% of Group net fee income	5%	4%
Average number of staff	17	21

Our Healthcare sector was our most resilient in the face of COVID-19, with revenue up by 17% (17% in constant currency), net fee income down by 11% (11% in constant currency) and adjusted operating profit decreasing only slightly to £0.4m.

In the US, our revenues increased but net fee income reduced with higher volumes offset by lower margins at our major clients. An adverse impact was seen from COVID-19, particularly during the first lockdowns, with patients unable or unwilling to engage with healthcare services unless absolutely necessary, resulting in lower demand for temporary staff. However, we have started to see a more positive benefit with strong momentum developing at the end of the year driven by testing and vaccination programmes.

In Finland, both revenue and net fee income increased year on year. An adverse impact from COVID-19 was seen in the second quarter of 2020 in line with the US, but demand recovered strongly through the second half with the final months of the year showing significant increases over 2019.







## Property, Construction & Engineering

1%

of Group net fee income

Countries  
UK

Net fee income  
by service



● Permanent 14%  
● Temporary and contract 86%

### Financials

£m	2020	2019
Revenue	3.6	22.4
Net fee income	0.7	3.8
Adjusted operating loss	(0.2)	(1.2)
% of Group net fee income	1%	5%
Average number of staff	17	61


The restructuring of our UK engineering business late in 2019, which resulted in the closure of a substantial part of the business, is the main driver for the year-on-year movements in this sector.

Our remaining operations are focused on supplying sales staff to the new home sector and on building management systems which will be complemented by expansion into the white collar end of the construction sector as we target our investment at higher skilled roles where we see greater opportunity and less risk.

Lockdown restrictions in the UK have had a particularly significant impact on our supply of sales staff to the new home sector, with sites forced to close and sales activity transferred online. Demand is yet to show any significant signs of recovery but this business has a strong track record of bouncing back when demand recovers.



## Operating Review continued



# Commercial

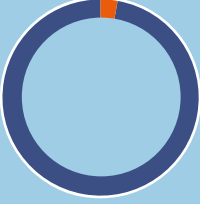
# 32%

of Group net fee income

**Countries**

- Chile
- Germany
- Japan
- Peru

**Net fee income by service**



- Permanent **3%**
- Temporary and contract **97%**

**Financials**

£m	2020	2019
Revenue	<b>132.3</b>	142.4
Net fee income	<b>17.2</b>	19.7
Adjusted operating profit	<b>4.6</b>	5.4
% of Group net fee income	<b>32%</b>	26%
Average number of staff	<b>256</b>	273

Our Commercial sector was one of our more resilient sectors in the face of COVID-19, with revenue down by 7% (5% in constant currency), net fee income down by 13% (12% in constant currency) and adjusted operating profit reducing by 15% to £4.6m.

In Germany, our logistics business benefited from the impact of COVID-19, with increased demand from its clients, which include a number of supermarkets, as they saw increases in trading, particularly during lockdown restrictions. This was offset by weaker demand in our other German businesses where we have major clients in the automotive sector which continued to face significant challenges in the first half of the year. We started to see demand increase in the second half of 2020 and have restructured our operations to improve focus and efficiency and ensure we are well placed to take advantage as the market recovers.

In Latin America, the impact of COVID-19 started to be felt later than in our other markets but nonetheless had a significant impact on our businesses there. In Chile we received some protection with supermarkets forming a significant part of the client base, which helped offset impacts from other clients.

In Japan we place staff in the retail sector and demand was significantly impacted in the first half of the year with retail outlets shut during Tokyo lockdowns and reduced demand when they reopened. Demand has partially recovered during the second half of the year but conditions remain challenging.





## Offshore Recruitment Services

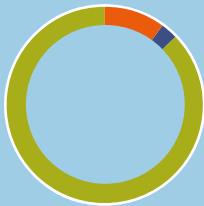
# 11%

of Group net fee income

### Countries

India  
UAE

### Net fee income by service



- Permanent **10%**
- Temporary and contract **3%**
- Offshore recruitment services **87%**

### Financials

£m	2020	2019
Revenue	<b>10.9</b>	12.2
Net fee income	<b>6.1</b>	7.0
Adjusted operating profit	<b>2.6</b>	3.2
% of Group net fee income	<b>11%</b>	9%
Average number of staff	<b>1,019</b>	1,051

Our Offshore Recruitment Services sector was initially significantly impacted by COVID-19 but rebounded quickly with full year revenue reducing by 11% (6% in constant currency), net fee income by 13% (8% in constant currency) and adjusted operating profit by 19% to £2.6m.

Our operations, which primarily support the staffing sector in the US and UK, experienced a significant drop in demand during the second quarter, particularly from its US clients, when staffing services started to see the initial impact of COVID-19 on their own businesses. However, the business has recovered strongly through the second half of 2020 and is now back at the level seen at the start of the year with headcount in our India operation back over 1,000.

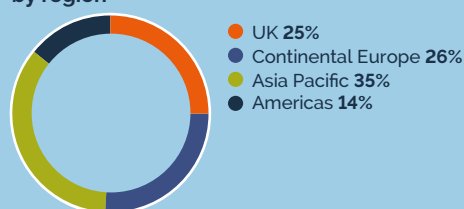
We have continued to invest in this sector with the launch of a managed direct sourcing and Recruitment Process Outsourcing solution which will further accelerate the growth and diversification of this business.



## Operating Review continued

### Regional summary

#### Net fee income by region



Financials £m	Revenue		Net fee income		Adjusted operating profit	
	2020	2019	2020	2019	2020	2019
UK	46.4	77.6	13.4	22.6	0.6	1.2
Continental Europe	91.1	93.1	14.0	14.7	3.8	4.0
Asia Pacific	63.9	126.4	19.4	27.7	3.6	7.2
Americas	55.7	61.4	7.8	10.0	1.4	2.2
Central and consolidation	(0.6)	(0.5)	(0.6)	(0.5)	(3.2)	(4.2)
<b>Total</b>	<b>256.5</b>	<b>358.0</b>	<b>54.0</b>	<b>74.5</b>	<b>6.2</b>	<b>10.4</b>

The UK was one of our worst performing regions, with revenue down 40%, net fee income down 41% and adjusted operating profit down 50%. All of our sectors with a presence in the UK were significantly impacted, but strong action on costs ensured this region remained profitable.

Continental Europe was our best performing region, with revenue down just 2%, net fee income down 5% and adjusted operating profit down 5%. The region benefited from positive performances from our logistics business in our Commercial sector in Germany and our Healthcare operation in Finland, which helped to offset the adverse impact elsewhere, particularly in our operations that supply the automotive sector in Germany.

Asia Pacific had a difficult year, with revenue down 49%, net fee income down 30% and adjusted operating profit down 50%. Our Professional sector was the biggest contributor to this, with our New Zealand

based operation that supplies the aviation industry particularly badly affected. Our IT operation in Japan performed well under the circumstances with only a small fall in net fee income, while our Offshore Recruitment Services business, primarily based in India, saw results fall compared to the prior year but ended the year strongly. Our other operations in Asia are largely reliant on permanent recruitment which is typically more heavily impacted in times of economic disruption.

In the Americas, revenue fell 9%, net fee income fell 22% while adjusted operating profit was down 36%. Our Healthcare business in the US saw revenue rise but net fee income fall, reflecting lower margins with key clients. Our US IT business had a good start to the year but saw demand fall in the second half. In Latin America COVID-19 had a significant impact in both Peru and Chile, with our Chile business receiving some protection with its client base including supermarkets.

## Finance Review

### Financial resilience demonstrated in the face of COVID-19.



#### Overview

The Group's results for 2020 reflect a challenging year that has been dominated by the impact of COVID-19. After a strong start that saw three successive months of year-on-year operating profit growth, COVID-19 had a substantial impact across our operations. In the second quarter net fee income fell by 39% against the same period in 2019 with smaller year-on-year falls of 38% and 27% in the third and fourth quarters, respectively, as our markets and clients started to adapt to the new normal. Net fee income and revenue for the full year both fell by 28% against 2019.

Swift and decisive cost actions at the start of the second quarter, along with benefits from the diversity of our sectors and markets, meant that at an adjusted operating profit level we delivered profits in every quarter of the year. The ongoing benefits of our cost actions and operational initiatives helped deliver an increased level of adjusted profit before tax in the second half of the year, compared to the first, despite a lower level of net fee income. Adjusted profit before tax for the full year was £5.2m (2019: £9.3m) while reported loss before tax was £2.0m (2019: profit before tax £2.9m).

Despite the fall in profits, the Group's adjusted net debt reduced during the year to £13.6m (2019: £19.1m) reflecting significant working capital inflows as trading levels dropped and demonstrating the resilience of the Group's balance sheet in economic downturns. The level of adjusted net debt is expected to increase again if trading levels continue to recover.

#### Revenue

**£256.5m**

2019: £358.0m

#### Net fee income

**£54.0m**

2019: £74.5m

#### Adjusted profit before tax

**£5.2m**

2019: £9.3m

## Finance Review continued

### Income statement

	2020 £m	2019 £m	% change	% change constant currency <sup>2</sup>
Revenue	256.5	358.0	-28%	-27%
Net fee income	54.0	74.5	-28%	-27%
Operating (loss)/profit	(1.0)	4.0	-125%	
Adjusted operating profit <sup>1</sup>	6.2	10.4	-40%	-39%
(Loss)/profit before tax	(2.0)	2.9	-169%	
Adjusted profit before tax <sup>1</sup>	5.2	9.3	-44%	
Diluted loss per share	(6.2)p	(1.6)p	-288%	
Adjusted diluted earnings per share <sup>1</sup>	4.1p	8.5p	-52%	

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

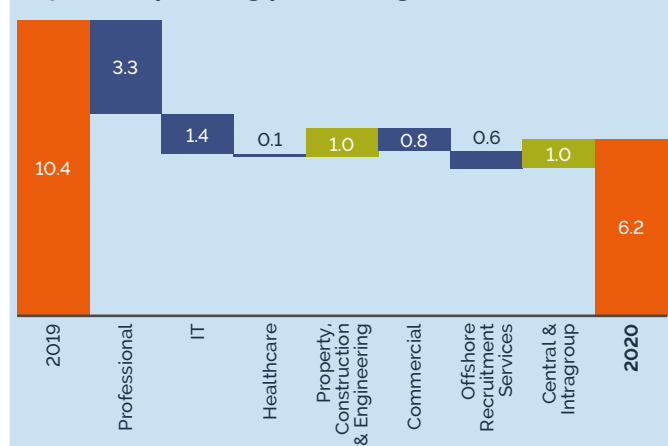
2 The constant currency movement is calculated by translating the 2019 results at the 2020 exchange rates.

Revenue and net fee income both reduced by 28%, and 27% in constant currency. Adjusted operating profit reduced by 40%, 39% in constant currency. A detailed analysis by sector is provided in the Operating Review on pages 20 to 26.

Central costs have decreased to £3.2m (2019: £4.2m) reflecting the impact of cost-saving initiatives, along with reduced costs for bonuses and share schemes.

The Group utilised government support schemes introduced to help protect jobs and minimise redundancies. These varied by country but typically involved payments from governments to support part of the salary of staff working either no or reduced hours due to the impact of COVID-19. All funds received were paid out to employees and in most cases did not cover 100% of the cost of the lost time. Payments of £1.9m were received in respect of internal staff and these are offset in administrative costs in the income statement. Had these payments not been received, the Group would most likely have made further permanent reductions to head count in order to reduce these costs. We also worked with our clients to help protect the jobs of our temporary workers, with a further £3.6m of support offset against cost of sales in the income statement. Had the government schemes not been available, in most cases this would have resulted in those temporary assignments being ended.

### Adjusted operating profit bridge



Adjusted profit before tax has reduced by 44% to £5.2m reflecting the lower adjusted operating profit. The reported loss before tax of £2.0m reflects impairment charges on goodwill and other intangible assets of £5.0m (2019: £2.5m), exceptional costs of £0.2m (2019: £2.1m), a fair value charge on acquisition of non-controlling shares of £0.3m (2019: £nil) and amortisation of intangible assets identified in business combinations of £1.7m (2019: £1.8m).

The impairment charges arose in our Professional sector where our operation providing pilots to the aviation industry has seen a very significant impact on its operations due to COVID-19. Although actions have been taken to rightsize the cost base, the aviation industry is not expected to recover as quickly as other areas and in the short term this business is expected to make substantially lower profits than in the past. As a result, an impairment charge has been booked on both goodwill and other intangible assets related to this operation.

Exceptional costs of £0.2m have been recognised in the year with costs of £0.3m in respect of the restructuring of senior management positions across the Group and £0.2m incurred in closing our operation in Mexico, offset by credits of £0.3m in respect of exceptional items booked in prior years. Some additional one-off costs have been incurred as a result of cost-cutting exercises undertaken in response to COVID-19. The Group has not disclosed these as exceptional costs as they do not meet our definition of exceptional items and so they are included as a cost within our adjusted profit measures.

A £0.3m fair value charge on acquisition of non-controlling shares (2019: £nil) has been recognised on the acquisition of shareholdings from management shareholders on their exit from the Group.

The total tax charge for the year is £1.2m (2019: £2.4m), with the effective tax rate of -60% (2019: +83%) distorted by the mix of profits by jurisdiction and the non-deductible goodwill impairment charge. On an adjusted basis, the effective rate is 46% (2019: 37%). The effective tax rate is higher than the underlying tax rates due to a number of factors, including:

- the level of non-deductible expenses in the year (£0.5m);
- withholding and dividend taxes resulting from overseas operations (£0.2m); and
- deferred tax assets not recognised for certain tax losses around the Group (£0.3m).

Adjusted, diluted earnings per share fell by 52% to 4.1p. This reflects the reduction in adjusted profit before tax, along with an increase in the proportion of profits allocated to non-controlling interests. Those businesses with higher non-controlling ownership, particularly in our Offshore Recruitment Services sector, have performed relatively strongly compared to much of the rest of the Group in 2020, resulting in this increased allocation. Reported diluted loss per share was 6.2p (2019: loss per share 1.6p) reflecting the impact of impairment charges discussed above.

### Balance sheet

	2020 £m	2019 Restated £m
Goodwill and other intangible assets	43.0	49.0
Trade and other receivables	44.9	55.2
Cash and cash equivalents	20.8	17.6
Right-of-use assets	9.0	10.2
Other assets	4.4	4.7
<b>Assets</b>	<b>122.1</b>	<b>136.7</b>
Trade and other payables	(33.4)	(37.7)
Borrowings	(33.4)	(35.2)
Lease liabilities	(9.4)	(10.8)
Other liabilities	(3.5)	(5.0)
<b>Liabilities</b>	<b>(79.7)</b>	<b>(88.7)</b>
<b>Net assets</b>	<b>42.4</b>	<b>48.0</b>

Goodwill and intangible assets arose from the investments the Group has made. As at 31 December 2020 the balance was £43.0m (2019: £49.0m) with the movement from 2019 due to £1.8m of amortisation of intangible assets (2019: £1.9m), foreign exchange gains of £0.5m (2019: losses of £1.5m), impairment charges of £5.0m (2019: £2.5m) related to the Group's aviation business in the Professional sector and additions of £0.3m (2019: £0.1m).

Trade and other receivables includes trade receivables of £37.0m (2019: £45.6m) with the reduction from 2019 reflecting the impact of COVID-19 on trading levels. Average debtor days for the Group in 2020 were 47 (2019: 44), with debtor days at 31 December 2020 of 47 (2019: 44). The increase in debtor days reflects the reduction in our aviation business which has a low working capital requirement. The income statement includes £0.6m (2019: £0.6m) in respect of impairment losses on trade receivables.

Cash and borrowings are discussed in the financing section below.

### Cash flow

The Group is typically highly cash generative with a historically 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.

	2020 £m	2019 £m
Net cash inflow from operating activities per cash flow statement	14.2	7.5
Cash flows related to pilot bonds	0.5	3.8
Payments under lease agreements	(6.2)	(6.5)
Free cash flow	8.5	4.8
Taxation	3.0	5.6
<b>Free cash flow (pre-tax)</b>	<b>11.5</b>	<b>10.4</b>

In 2020 the Group saw an increase in free cash flow with the falls in trading due to COVID-19 driving significant working capital inflows, more than offsetting the fall in profit, and illustrating the resilience of the Group's funding model in a downturn. In the first half of 2020, the Group deferred UK VAT and payments under similar schemes totalling £3.5m. The majority of this was repaid in the second half of the year with the remaining £0.9m to be settled in the first quarter of 2021. While the working capital outflows started to reverse in the second half of the year, trading levels and working capital requirements remain below the levels at the end of 2019. Were trading levels to continue to recover, we would expect working capital requirements to continue to increase.

The Group also presents a pre-tax free cash flow measure as tax payments in a global business can be volatile. Tax payments in the year were substantially lower than 2019, reflecting both the reduction in profit levels and payments in 2019 to settle tax liabilities in jurisdictions where multi-year tax audits are the norm.

In 2020 the Group utilised its free cash flow as follows:

	2020 £m	2019 £m
Free cash flow	8.5	4.8
Acquisition of businesses (net of cash acquired)	(0.1)	(0.2)
Purchase of shares in existing subsidiaries	(1.5)	(3.5)
Purchase of property, plant and equipment and software	(0.7)	(1.5)
Dividends paid to owners of Empresaria Group plc	-	(1.0)
Dividends paid to non-controlling interests	(0.5)	(0.6)
Purchase of own shares in Employee Benefit Trust	(0.2)	-
<b>Decrease/(increase) in adjusted net debt</b>	<b>5.5</b>	<b>(2.0)</b>

The purchase of shares in existing subsidiaries mainly relates to the acquisition of further shares in ConSol Partners in May 2020. Following further smaller purchases later in the year the Group now owns 100% of this business. A number of smaller purchases of shares in other subsidiaries were made primarily as a result of the departure of management shareholders.

Purchase of property, plant and equipment and software of £0.7m is substantially reduced from 2019 which included costs to relocate our Indian operation into a single office. Dividends paid to our shareholders were £nil (2019: £1.0m) reflecting the cancellation of the 2019 final dividend. Empresaria shares purchased and transferred into the Employee Benefit Trust totalled £0.2m while dividends paid to non-controlling interests were £0.5m (2019: £0.6m).

## Finance Review continued

### Financing

The Group's treasury function is managed centrally and the Group's financial risk management policies are set out in note 23 in the Group's full Annual Report and Accounts.

	2020 £m	2019 £m
Cash and cash equivalents	20.8	17.6
Pilot bonds	(1.0)	(1.5)
Adjusted cash	19.8	16.1
Overdraft facilities	(22.1)	(17.9)
Invoice financing	(4.9)	(6.9)
Bank loans	(6.4)	(10.4)
Total borrowings	(33.4)	(35.2)
Adjusted net debt	(13.6)	(19.1)

Adjusted net debt at 31 December 2020 decreased to £13.6m (2019: £19.1m) reflecting the cash flows discussed above. Adjusted net debt excludes cash of £1.0m (2019: £1.5m) 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. The level of bonds held has continued to reduce during the year, reflecting the drop in the level of activity in that business. These movements have no impact on our adjusted net debt measure.

During 2020, the month-end average adjusted net debt position was £12.8m (2019: £18.7m) with a high of £17.7m at 31 March (2019: £23.0m at 30 September) and a low of £8.9m at 30 June (2019: £15.3m at 31 January).

Our debt to debtors ratio (adjusted net debt as a percentage of trade receivables) has reduced to 37% (2019: 42%) with the reduction in adjusted net debt more than offsetting the fall in trade receivables. We continue to be focused on reducing our debt levels with the aim of lowering the debt to debtor ratio to 25%.

Total borrowings were £33.4m (2019: £35.2m) being bank overdrafts of £22.1m (2019: £17.9m), invoice financing of £4.9m (2019: £6.9m) and bank loans of £6.4m (2019: £10.4m). The Group's borrowings are principally held to fund working capital requirements and are predominantly due within one year. As at 31 December 2020, £1.2m of borrowings are shown as non-current.

The Group maintains a range of facilities to manage its working capital and financing requirements. At 31 December 2020 the Group had facilities totalling £57.3m (2019: £55.1m).

	2020 £m	2019 £m
UK facilities		
Overdrafts	10.0	7.5
Revolving credit facility	15.0	14.0
Invoice financing facility	10.0	13.0
Total UK facilities	35.0	34.5
Continental Europe facilities	12.9	12.2
Asia Pacific facilities	3.2	2.4
Americas facilities	6.2	6.0
	57.3	55.1
Undrawn facilities (excluding invoice financing)	17.6	11.5

During the year the revolving credit facility was extended to £15.0m from £14.0m by activating the remaining £1.0m of the £5.0m accordion arrangement in order to purchase additional shares in ConSol Partners in May. During the year the UK invoice financing facility was reduced to £10.0m following the closure of a substantial part of our UK engineering business at the end of 2019 which reduced our financing requirements.

In the second quarter of 2020, when uncertainty over the impact of COVID-19 was at its highest, the Group agreed a precautionary £2.5m increase in its UK overdraft facility. Alongside this, the Group agreed a relaxation of the covenant tests on the revolving credit facility for the remainder of its term. These covenants are tested on a quarterly basis and have been met throughout the period, even if measured against the original unadjusted covenants. The covenants, and our performance against them as at 31 December 2020, are as follows:

Covenant	Target (original)	Target (adjusted)	Actual
Net debt: EBITDA	< 2.5 times	< 4.5 times	0.8
Interest cover	> 5.0 times	> 3.0 times	10.4
Debt service cover	> 1.25 times	> 1.25 times	5.6

Subsequent to the reporting date, in March 2021, the revolving credit facility was refinanced. The facility continues to be for £15.0m and has a 2.5 year term to September 2023.



### Management equity

As highlighted in our 2019 Annual Report, the Group has moved away from issuing second generation equity schemes for incoming management and has put in place appropriate alternative incentive schemes. Existing shareholdings and commitments remain in place and continue to be reflected in these accounts.

Based on results for the year ended 31 December 2020, and using applicable valuation mechanisms in shareholders' agreements but ignoring any holding period requirements, the payment to acquire all those shares not held by Empresaria would be approximately £9.0m were the maximum valuation multiples to apply. Of this, approximately 98% relates to first generation shares accounted for as non-controlling interests in the consolidated financial statements. There is no legal obligation on the Group to acquire the shares held by management at any time.

During the year the Group acquired the remaining shares in ConSol Partners for consideration of £1.7m taking our ownership to 100%. Other shares were acquired from management across a number of subsidiaries for total consideration of £0.4m.

### Dividend

In April 2020, as it became clear that COVID-19 had the potential to significantly impact the global economy and the prospects of the Group, the Board considered it prudent to cancel the proposed dividend in respect of the year ended 31 December 2019 in order to strengthen the Group's balance sheet and aid liquidity.

The economic environment has begun to stabilise and, while COVID-19 continues to have a significant negative impact on the global economy, most businesses, including Empresaria, have found ways of working effectively in the new normal. The resilience of the Group and the strength of its balance sheet were evident throughout 2020 and as a result the Board is proposing a dividend of 1.0p per share for the year ended 31 December 2020. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 4 June 2021 to shareholders on the register on 14 May 2021.

### Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities, which included consideration of the potential ongoing impact of COVID-19. 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  
26 March 2021

## Risks and Uncertainties

The Board has ultimate responsibility for establishing the Group's appetite for risk and for effective risk management across the Group. The risk management process followed by the Board is designed to improve the likelihood of delivering against the Group's 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

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 those 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 risk register is prepared based on individual business risk registers which are updated during the annual budget cycle and reviewed regularly during the year. The Audit Committee oversees the internal and financial control frameworks to help mitigate risk.

### Group control environment

Group companies operate under a system of internal controls which include, but are 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. Day-to-day risk management is the responsibility of operating company management.

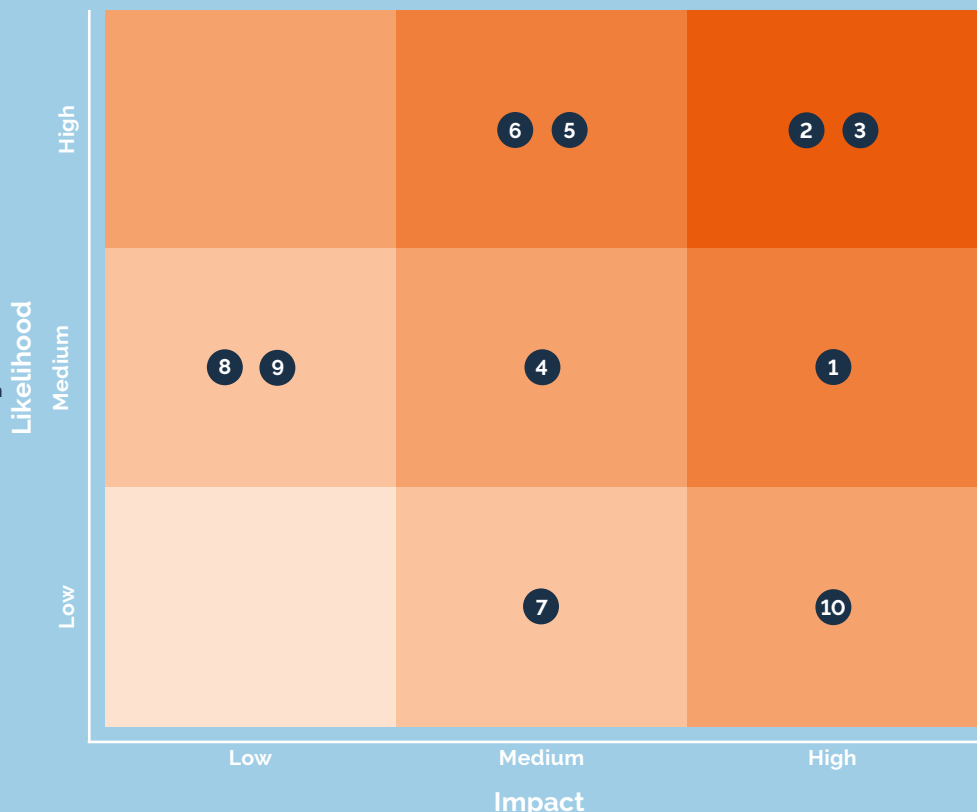
The risk management process identified a number of risks across the Group, as detailed in the chart below. The principal risks that are most likely to affect business operations, and hence the financial results and delivery of strategy, are explained in more detail in the following pages.

### Impact of COVID-19

COVID-19 has had a significant impact on both our financial results and how we operate, as discussed in more detail throughout the Strategic Report. In managing its risks the Group has followed government guidelines in each of the countries in which we operate, prioritising the health and safety of our staff and working with our clients to ensure the safety of our candidates. We have utilised government support schemes in order to protect the jobs of our internal staff and worked with clients to protect the jobs of our temporary workers. The greatest impact on the Group's risks has been from the impact on the economic environment and this, along with the impact on our other principal risks, is discussed in more detail under each individual risk heading.

## Risk matrix chart

- 1 Political and social changes
- 2 Economic environment
- 3 Loss of key staff
- 4 Investments poorly executed
- 5 Financial
- 6 Cyber security and data protection
- 7 Management capacity
- 8 Competition
- 9 Exposure to key clients
- 10 Payments to temporary workers



Risk

Change in risk profile

How we mitigate the risk

## 1. Political and social change

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 have an impact on how we operate and on the financial performance of the Group. 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.

Brexit uncertainty continued to have some impact on our UK operations in 2020, particularly where we have clients in the financial services sector. However, the impact was much reduced and difficult to separate given the much broader and significant impact from COVID-19. With the ongoing position now much clearer this is becoming part of business as usual.

In the UK, plans to apply IR35 (which clarifies an individual's tax employment status) to the private sector from 6 April 2020 were delayed with a revised implementation date of 6 April 2021. The significant work we did with our clients and candidates ahead of the original implementation date means we remain well placed 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 there may be some impact in the short term we do not expect it to have a significant impact given our exposure to temporary and contract in the UK is less than 10% of our total net fee income.

The Group made use of government support schemes to help protect jobs and reduce job losses. Each scheme had its own conditions and compliance requirements which needed to be met or risk either repayment or penalties.

In Indonesia, the new Omnibus law aims to boost investment and create jobs. While it has been welcomed by many, it has also led to protests, with concerns that it will erode workers' rights and objections to changes to rules around severance pay, use of contract workers and outsourcing. The new law has the potential to create significant new opportunities for the staffing industry and for the Group, not least by opening up the contract and temporary worker part of the market.



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. These skillsets and resources also helped us to manage the compliance requirements of government support schemes that we accessed in 2020.

Our business model helps us to mitigate the negative impacts from political and social changes:

- Diversification 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.

We are experts in our markets, helping us to respond effectively to changes in legislation, as well as making it easier to attract candidates because of our reputation and knowledge.

## 2. Economic environment

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.

The global economy recorded a significant downturn in 2020 with the impact of the COVID-19 pandemic hitting most markets and sectors. Partial recovery is expected in 2021, with strong growth against 2020 in many markets but recovery to pre-COVID levels not generally expected until at least 2022. Significant uncertainty remains, with forecasts including assumptions around successful vaccination roll-outs and reductions in the widespread lockdowns seen in 2020 and at the start of 2021.

The longer-term impact on the UK economy from leaving the EU remains unclear but with a trade deal now in place many sectors have the certainty they need for this to be part of business as usual, although the ongoing impact on financial services remains uncertain.



While a global economic downturn will impact all businesses, the Group's business model and strategy helps mitigate the impact from an economic downturn in any one market:

- Diversification across sectors and regions.
- Developing and scaling our leading brands will create businesses that are more robust and have greater ability to withstand economic downturns.
- Bias towards temporary and contract recruitment which is typically less volatile than permanent recruitment during the economic cycle.

The Group fully complies with local guidance and client requirements in response to COVID-19, ensuring we have been able to continue to deliver to our clients' needs.

## Risks and Uncertainties continued

Risk	Change in risk profile	How we mitigate the risk
<p><b>3. Loss of key staff</b></p> <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 limited changes to key operational management during the year and have been mainly driven by the Group in order to address operational issues.</p> <p style="text-align: center;">-</p>	<p>New long-term incentive plans are in place for new senior hires, replacing the Group's second generation equity scheme. The new scheme is designed to retain and appropriately reward key management and drive a pay for performance culture. The second generation management scheme remains in place for existing holders.</p> <p>In 2021 the Group is implementing a regional management structure with the appointment of regional leads for APAC and UK and Europe. Greater regional cooperation will help us deliver increased levels of cross-selling and drive regional scale, and will also reduce the risk from the loss of key staff.</p>
<p><b>4. Investments poorly executed</b></p> <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. A poorly executed integration into the Group could lead to lost value or lost opportunities.</p> <p>Investment in existing operations whether in new offices, changes in processes, or in technology could, if poorly implemented, have an adverse impact with the potential to harm existing business.</p>	<p>The Group has undertaken no significant external investments in 2020.</p> <p>In 2020 we reviewed some of our smaller operations, consolidating loss-making offices in Chile and New Zealand, and closing our loss-making office in Mexico.</p> <p>We are investing in implementing Bullhorn and associated technology as a common platform across our Group. This will help improve the Group's competitiveness and is expected to deliver significant benefits.</p> <p style="text-align: center;">-</p>	<p>All material external investments must have Board approval with a clearly defined integration plan. 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. With our people-focused business model, the fit of the people is the most important factor and is the first criteria that must be met before any investment is pursued.</p> <p>Any internal investments which require significant outlay or commitment are subject to Board review and authorisation either as part of the annual budgeting process or separately as appropriate. Our ongoing Bullhorn implementation is a significant investment for the Group and is being undertaken in a phased way, brand by brand, but with a single Group-wide approach, to reduce implementation risks.</p>

Risk

Change in risk profile

How we mitigate the risk

## 5. Financial

The Group is reliant on debt to fund the working capital requirements of the business. If the Group was unable to secure funding at required levels it could be forced to dispose of parts of the business to repay debt or be unable to take advantage of opportunities for growth.

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

Operating from 20 countries, the Group is exposed to movements in foreign currency exchange rates. Movements in exchange rates impact the reporting of the Group's profits and may impact the value of cash and assets around the Group.

The impact of COVID-19 impacted the profitability of the Group in 2020 which placed more pressure on banking covenants although working capital inflows increased facility headroom. A relaxation of covenants was agreed with our bankers although the Group remained compliant with the original covenants throughout the year.

UK base interest rates reduced in 2020 as the Bank of England responded to the impact of COVID-19. Although base rates remain low, market risk has increased with the result that lending margins are significantly higher, which raises the cost of the Group's facilities for 2021.

After the balance sheet date, in March 2021, the Group refinanced its revolving credit facility at existing levels for a further 2.5 years.

Sterling exchange rates remain volatile and although the net impact on the Group's revenue and profits in 2020 has been comparatively small, the strengthening of Sterling towards the end of the year and in the first part of 2021 would indicate a potential for this to have a more significant impact on the Group's results in 2021.



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.

The Group is exposed to movements in interest rates. We do not currently hedge this exposure but monitor movements in the relevant rates to be able to react if they move adversely.

Approximately 75% of the Group's business is outside the UK, resulting in exposure to movements in exchange rates on translation of overseas operations. The Group does not currently hedge this risk as there is to some degree a natural hedge from our geographical diversification. Intragroup balances are hedged where possible, using cash or overdraft balances to act as a natural currency hedge.

A limited number of forward contracts are used to hedge trading currency risks for our operation in India which derives the vast majority of its revenue from outside of India.

## 6. Cyber security and data protection

The risk of cyber-attacks is an ever present one. 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.

With stringent regulatory environments around data protection there is a risk of failing to comply with regulations, leading to fines and damage to brand reputation.

The threat from this is always changing and as we grow we are more likely to be a target for hackers and criminals. Bringing businesses together through greater collaboration and common systems increases the potential impact of a breach but allows improved security to be put in place, reducing the likelihood.

The move to increased home working in most cases made use of existing remote working arrangements and appropriate controls were already in place. Where this was not the case, additional measures and controls were implemented to maintain the required level of security and control.



We have policies in place to safeguard assets and data within the Group. We have placed an increased emphasis on cyber security with greater 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 pace and reflect the changes in the Group.

## Engaging With Our Stakeholders

### S172 statement

This statement sets out how the Board seeks to understand the views of the Company's key stakeholders and how their interests and the matters set out in section 172 of the UK Companies Act 2006 have been considered in Board discussions and decision-making.

During the year, the Directors consider that they have acted and made decisions in a way that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard for:

- the likely consequences of any decision in the long term: See Strategic Objectives on page 15, Our Business Model on pages 10 and 11 and Risks and Uncertainties on pages 32 to 35;
- the interests of the Group's employees: See stakeholder engagement on page 37;

- the need to foster the Company's business relationships with suppliers, customers and others: See stakeholder engagement on page 37;
- the impact of the Company's operations on the community and environment: See stakeholder engagement on page 37, environmental impact on page 36 and contributing to our communities on page 36;
- the desirability of the Company maintaining a reputation for high standards of business conduct: See stakeholder engagement on page 37 and Corporate Governance section on page 44 of the Group's full Annual Report and Accounts; and
- the need to act fairly between members of the Company: See stakeholder engagement on page 37 and the Corporate Governance section on page 43 of the Group's full Annual Report and Accounts.

The principal decisions taken through the year are discussed in greater detail throughout the Strategic Report. These key decisions included:

- cost actions in the face of COVID-19 including a Group-wide hiring freeze, pay reductions and headcount reductions: See Chief Executive's Q&A on pages 12 to 14;
- the use of COVID-19 related government support schemes: See Finance Review on page 28;
- operational changes including operating models and key changes in management: See Chief Executive's Q&A on pages 12 to 14;
- the decision to continue investment in key projects such as our Bullhorn technology implementation: See Chief Executive's Q&A on pages 12 to 14; and
- the acquisition of additional shares in our UK IT operation: See Operating Review on page 21.

### Environmental impact

While the Group operates in a sector that has a low environmental impact, the Group remains committed to minimising its impact on the environment. This includes: participation in recycling programmes for office waste; use of green energy providers; reliance on electronic media for marketing and communications, including providing this Annual Report in electronic format unless requested otherwise; and the use of video conferencing to minimise travel costs as far as is practical.

### Contributing to our communities

Across the Group our teams are involved in a range of activities to provide help, support or money to good causes in their local communities. Examples of activity across the Group in 2020 include:

- **In India** we supported a number of good causes, including: distribution of 2,500 winter jackets to the children on the streets of Ahmedabad and Jaipur; supporting the Loomba Foundation in creating a sustainable livelihood for 150 poor widows and destitute women in Ahmedabad; working with Making a Difference NGO in donating essential food items to 250 families in rural areas; and supporting the education of poor students by contributing computers to schools.
- **In the Philippines** our teams launched an appeal to help deliver basic essentials to the people displaced by the Taal Volcano eruption.
- **In Indonesia** we donated medical equipment to Jakarta health workers and donated funds to buy more medical supplies.
- **In Germany** we donated money to a local hospice and donated presents to people in need through Humedica. We also supported a local animal shelter and made donations to local youth sports.
- **In Austria** we supported local charities by donating presents for children in need.
- **In Finland** we sponsored a campaign to improve the safety of children walking to school in the dark.



Winter jacket distribution in India.



Walking to school safety campaign in Finland.

**Stakeholder engagement**

Stakeholder engagement is key to delivering success for the Group. By listening to and working with our stakeholders we can grow our business and deliver over the long term.

Stakeholder	How we engage
Our employees	<p>Increasing engagement with our teams across the globe has been a core focus in 2020, and has been vital during a global pandemic when our top priority was to ensure that our employees were safe. At the end of 2019 we launched a new internal communications tool which has enabled communication between individuals and teams across the Group for the first time and helped us to develop a shared culture and embed our ICARE values.</p> <p>This has helped us improve communication through:</p> <ul style="list-style-type: none"> <li>• sharing of best practices;</li> <li>• networking and training events;</li> <li>• cross-selling and client leads; and</li> <li>• sharing of cultural events.</li> </ul> <p>As a global business we are proud of the diversity of our Group. At the end 2020 we launched our first ever Group-wide diversity and inclusion initiative starting with a Group survey. We are currently consolidating the results and assembling a Group-wide task force to review these and to identify and implement actions across the Group.</p>
Our candidates	<p>Engagement with our candidates is critical to our success and we engage with candidates in a number of ways: through direct contact from our consultants; through our brand websites; through community engagement; and through our technology portals. A strong relationship will mean that we will not just place a candidate once, but multiple times throughout their career. We gain great value from referrals so candidate experience is always top of mind. Throughout the pandemic the safety of our candidates has been a priority and we have worked closely with our candidates and clients to ensure this.</p>
Our clients	<p>Developing long-standing and deep relationships with clients is critical for our long-term success. Our aim is to continue to ensure we are driving value to our clients as trusted partners. As we develop and broaden our sales offering, building relationships with clients spanning multiple sectors and regions will help drive our growth and enable us to deliver on our strategic objectives. Our high level of engagement has never been more important than in 2020 as we have worked with our clients to identify and deliver to their requirements and work with them to ensure the safety of our candidates.</p>
Our communities	<p>The Group encourages its operations and staff to work with their local communities and charities. Each business works with organisations that reflect the needs of those communities. Further details are provided on page 36.</p>
Our shareholders	<p>We seek to engage with shareholders to maintain a mutual understanding of objectives and manage expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors, who are contactable both directly and via Financial PR.</p> <p>The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss and obtain their views, present at externally run investor events and communicate regularly during the year.</p> <p>The annual and interim presentations made to investors and interviews with the Executive Directors are all made available on the Company’s website.</p> <p>The Company also retains a Financial PR adviser, a house broker and an equity research analyst, who each provide feedback from existing shareholders and potential investors.</p>

## Board of Directors and Secretary



**Tony Martin**  
Chair

**Zach Miles**  
Non-Executive Director

**Penny Freer**  
Non-Executive Director



**Appointed:** July 2004

**Skills and experience:**

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, and Hall of Fame 2020.

**Other key external appointments:**

None

**Appointed:** October 2008

**Skills and experience:**

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 Bright Network (UK) Limited.

**Appointed:** December 2005

**Skills and experience:**

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

**Other key external appointments:**

Chairman of AP Ventures, Senior Independent Director of Advanced Medical Solutions plc, Chairman of Crown Place VCT and Non-Executive Director of The Henderson Smaller Companies Investment Trust plc.





**Rhona Driggs**  
Chief Executive Officer

**Appointed:** November 2018

**Skills and experience:**

Rhona was appointed as Chief Executive Officer in June 2019 having previously served as Chief Operating Officer since November 2018. Rhona has over 30 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 five consecutive years as one of the Staffing Industry Analysts' 'Global Power 150, a list of the Most Influential Women in Staffing' and was recognised in 2020 as one of Europe's Top 100 most influential leaders in staffing. Rhona's most recent role, before joining Empresaria, 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. She has an in-depth knowledge of the latest trends and operating models in the sector. Rhona joined the Women Business Collaborative (WBC) Advisory Council in January 2021.

**Other key external appointments:**  
None



**Tim Anderson**  
Chief Financial Officer

**Appointed:** March 2018

**Skills and experience:**

Tim has over 16 years' post qualified experience working for listed and private equity backed businesses across a number of sectors. Tim joined Empresaria in 2018 from Kurr Therapeutics Limited (formerly Cell Medica), a leading cellular immunotherapy company, where he was Group Finance Director. Prior to this, Tim held a number of finance positions in three FTSE 100 businesses, covering all aspects of finance.

Tim has a proven track record in developing the finance teams and structures of organisations with a focus on driving efficiencies, developing strong control frameworks and supporting strategic objectives. Tim has significant experience of mergers and acquisitions having worked for a number of acquisitive organisations.

Tim is a member of the Institute of Chartered Accountants in England and Wales, after qualifying with KPMG.

**Other key external appointments:**  
None



**James Chapman**  
General Counsel and  
Company Secretary

**Appointed:** June 2015

**Skills and experience:**

James is a practising solicitor with 20 years' experience working with Empresaria. He qualified as a solicitor in 2001 with international legal practice Osborne Clarke, specialising in corporate finance (principally M&A, capital markets /IPO, fundraising and restructuring) and acting for a range of corporate and investment bank clients.

James joined Empresaria in 2009 to establish the Group's in-house legal team and was appointed Company Secretary in June 2015. He manages the Group's in-house legal and company secretarial teams and is responsible for advising the Board on legal and governance matters.

**Other key external appointments:**  
None

**Committee membership**

-  Committee Chair
-  Audit Committee
-  Remuneration Committee
-  Nomination Committee

## Consolidated Income Statement

for the year ended 31 December 2020

	2020 £m	2019 £m
<b>Revenue</b>	<b>256.5</b>	358.0
Cost of sales	<b>(202.5)</b>	(283.5)
<b>Net fee income</b>	<b>54.0</b>	74.5
Administrative costs (including £0.6m (2019: £0.6m) in respect of trade receivable impairment losses)	<b>(47.8)</b>	(64.1)
<b>Adjusted operating profit</b>	<b>6.2</b>	10.4
Exceptional items	<b>(0.2)</b>	(2.1)
Fair value charge on acquisition of non-controlling shares	<b>(0.3)</b>	–
Impairment of goodwill	<b>(1.6)</b>	(2.5)
Impairment of other intangible assets	<b>(3.4)</b>	–
Amortisation of intangible assets identified in business combinations	<b>(1.7)</b>	(1.8)
<b>Operating (loss)/profit</b>	<b>(1.0)</b>	4.0
Finance income	<b>0.2</b>	0.2
Finance costs	<b>(1.2)</b>	(1.3)
Net finance costs	<b>(1.0)</b>	(1.1)
<b>(Loss)/profit before tax</b>	<b>(2.0)</b>	2.9
Taxation	<b>(1.2)</b>	(2.4)
<b>(Loss)/profit for the year</b>	<b>(3.2)</b>	0.5
<b>Attributable to:</b>		
Owners of Empresaria Group plc	<b>(3.1)</b>	(0.8)
Non-controlling interests	<b>(0.1)</b>	1.3
	<b>(3.2)</b>	0.5
	<b>Pence</b>	Pence
<b>(Loss)/earnings per share</b>		
Basic	<b>(6.2)</b>	(1.6)
Diluted	<b>(6.2)</b>	(1.6)

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £m	2019 £m
<b>(Loss)/profit for the year</b>	<b>(3.2)</b>	0.5
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	<b>0.4</b>	(1.9)
Items that will not be reclassified to the income statement:		
Exchange differences on translation of non-controlling interests in foreign operations	<b>(0.1)</b>	(0.3)
<b>Other comprehensive income/(loss) for the year</b>	<b>0.3</b>	(2.2)
<b>Total comprehensive loss for the year</b>	<b>(2.9)</b>	(1.7)
<b>Attributable to:</b>		
Owners of Empresaria Group plc	<b>(2.7)</b>	(2.7)
Non-controlling interests	<b>(0.2)</b>	1.0
	<b>(2.9)</b>	(1.7)

## Consolidated Balance Sheet

as at 31 December 2020

	2020 £m	2019 Restated £m
<b>Non-current assets</b>		
Property, plant and equipment	1.6	2.3
Right-of-use assets	9.0	10.2
Goodwill	32.5	33.5
Other intangible assets	10.5	15.5
Deferred tax assets	2.8	2.4
	<b>56.4</b>	63.9
<b>Current assets</b>		
Trade and other receivables	44.9	55.2
Cash and cash equivalents	20.8	17.6
	<b>65.7</b>	72.8
<b>Total assets</b>	<b>122.1</b>	136.7
<b>Current liabilities</b>		
Trade and other payables	33.4	37.7
Current tax liabilities	1.1	1.4
Borrowings	32.2	25.2
Lease liabilities	5.3	5.6
	<b>72.0</b>	69.9
<b>Non-current liabilities</b>		
Borrowings	1.2	10.0
Lease liabilities	4.1	5.2
Deferred tax liabilities	2.4	3.6
	<b>7.7</b>	18.8
<b>Total liabilities</b>	<b>79.7</b>	88.7
<b>Net assets</b>	<b>42.4</b>	48.0
<b>Equity</b>		
Share capital	2.4	2.4
Share premium account	22.4	22.4
Merger reserve	0.9	0.9
Retranslation reserve	4.2	4.0
Equity reserve	(10.2)	(9.8)
Other reserves	(0.6)	(0.6)
Retained earnings	18.1	21.4
<b>Equity attributable to owners of Empresaria Group plc</b>	<b>37.2</b>	40.7
<b>Non-controlling interests</b>	<b>5.2</b>	7.3
<b>Total equity</b>	<b>42.4</b>	48.0

These consolidated financial statements of Empresaria Group plc, registered number 03743194, were approved by the Board of Directors and authorised for issue on 26 March 2021.

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 2020

	Equity attributable to owners of Empresaria Group plc								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	Total £m		
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 (loss)/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
At 31 December 2019	2.4	22.4	0.9	4.0	(9.8)	(0.6)	21.4	40.7	7.3	48.0
Loss for the year	-	-	-	-	-	-	(3.1)	(3.1)	(0.1)	(3.2)
Exchange differences on translation of foreign operations	-	-	-	0.2	-	0.2	-	0.4	(0.1)	0.3
Total comprehensive income/(loss) for the year	-	-	-	0.2	-	0.2	(3.1)	(2.7)	(0.2)	(2.9)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Acquisition of non-controlling shares	-	-	-	-	(0.4)	-	-	(0.4)	(1.4)	(1.8)
Purchase of own shares in Employee Benefit Trust	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Share-based payments	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
<b>At 31 December 2020</b>	<b>2.4</b>	<b>22.4</b>	<b>0.9</b>	<b>4.2</b>	<b>(10.2)</b>	<b>(0.6)</b>	<b>18.1</b>	<b>37.2</b>	<b>5.2</b>	<b>42.4</b>

## Consolidated Cash Flow Statement

for the year ended 31 December 2020

	2020 £m	2019 £m
<b>(Loss)/profit for the year</b>	<b>(3.2)</b>	0.5
Adjustments for:		
Depreciation of property, plant and equipment and software amortisation	1.1	1.2
Depreciation of right-of-use assets	6.3	6.4
Fair value charge on acquisition of non-controlling shares	0.3	–
Impairment of goodwill	1.6	2.5
Impairment of other intangible assets	3.4	–
Amortisation of intangible assets identified in business combinations	1.7	1.8
Share-based payments	(0.2)	0.2
Net finance costs	1.0	1.1
Taxation	1.2	2.4
	<b>13.2</b>	16.1
Decrease in trade and other receivables	10.9	0.3
Decrease in trade and other payables (including pilot bonds outflow of £0.5m (2019: £3.8m))	(5.8)	(2.0)
<b>Cash generated from operations</b>	<b>18.3</b>	14.4
Interest paid	(1.1)	(1.3)
Income taxes paid	(3.0)	(5.6)
<b>Net cash inflow from operating activities</b>	<b>14.2</b>	7.5
<b>Cash flows from investing activities</b>		
Consideration paid for business acquisitions (net of cash acquired)	(0.1)	(0.2)
Purchase of property, plant and equipment, and software	(0.7)	(1.5)
Finance income	0.2	0.2
<b>Net cash outflow from investing activities</b>	<b>(0.6)</b>	(1.5)
<b>Cash flows from financing activities</b>		
Increase/(decrease) in overdrafts	3.8	(3.6)
Proceeds from bank loans	1.8	5.0
Repayment of bank loans	(5.7)	(0.2)
Decrease in invoice financing	(2.0)	(2.7)
Payment of obligations under leases	(6.2)	(6.5)
Purchase of shares in existing subsidiaries	(1.5)	(3.5)
Purchase of own shares in Employee Benefit Trust	(0.2)	–
Dividends paid to owners of Empresaria Group plc	–	(1.0)
Dividends paid to non-controlling interests	(0.5)	(0.6)
<b>Net cash outflow from financing activities</b>	<b>(10.5)</b>	(13.1)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3.1</b>	(7.1)
Foreign exchange movements	0.1	(0.7)
Cash and cash equivalents at beginning of the year	17.6	25.4
<b>Cash and cash equivalents at end of the year</b>	<b>20.8</b>	17.6
	<b>2020</b>	<b>2019</b>
	<b>£m</b>	<b>£m</b>
<b>Bank overdrafts at beginning of the year</b>	<b>(17.9)</b>	(22.0)
(Increase)/decrease in the year	(3.8)	3.6
Foreign exchange movements	(0.4)	0.5
<b>Bank overdrafts at end of the year</b>	<b>(22.1)</b>	(17.9)
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	<b>(1.3)</b>	(0.3)

## Basis of Preparation and General Information

The financial information has been abridged from the audited financial information for the year ended 31 December 2020.

The financial information set out above does not constitute the Company's consolidated statutory accounts for the year ended 31 December 2020, but is derived from those accounts. Statutory accounts for 2020 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

Accounting policies have been applied consistently with those set out in the 2019 financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year. During 2020 no new standards, amendments or interpretations had a significant impact on the financial statements.

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

**Empresaria Group plc**

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

## Officers and Professional Advisers

### Directors

Tony Martin  
Rhona Driggs  
Tim Anderson  
Penny Freer  
Zach Miles

### Secretary

James Chapman

### Registered office

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Sandy Lane  
Crawley Down  
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RH10 4HS

### Company registration number

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### Nominated Adviser & Broker

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2 Temple Back East  
Temple Quay  
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BS1 6EG

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West & Wales Corporate Banking  
3 Rivergate  
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### Independent auditor

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

### Registrars

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
West Yorkshire  
LS1 4DL



## Glossary

**Adjusted earnings per share**

Earnings per share adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, 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 and other intangible assets, 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 and other intangible assets, 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 ('RPO') is where an employer transfers all or part of its recruitment process to an external provider.

**SIA**

Staffing Industry Analysts ('SIA') is a global adviser on staffing and workforce solutions and a provider of data and publications related to the staffing industry.

**Staff productivity**

Net fee income divided by total staff costs within administrative 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



This report has been printed on material which is certified by the Forest Stewardship Council. The paper is made at a mill with ISO 14001 Environmental Management System accreditation. Printed using vegetable oil based inks, printer is also certified to ISO 14001 Environmental management system and FSC certified.

*Stronger together*

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