Empresaria

stronger together

Empresaria Group plc
Annual report and accounts
2021

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

For more information visit our website
www.empresaria.com

Cautionary statement

The sole purpose and use of this annual report is to provide information to the shareholders of the Company, as a body, to assist them in exercising their governance rights. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This annual report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and nothing in this annual report should be construed as a profit forecast.

Highlights

Strong recovery and investment in accelerating future growth

Financial

Net fee income
£59.5m
2020: £54.0m

Adjusted profit before tax
£8.6m
2020: £5.2m

Adjusted, diluted earnings per share
8.6p
2020: 4.1p

Adjusted net debt
£14.0m
2020: £13.6m

Operational

March 2021
- Julie Smith appointed Regional CEO, UK & Europe.
- Bullhorn went live in two locations in our IT sector.

April 2021
- Rafael Moyano appointed Regional CEO, APAC.

May 2021
- Bullhorn went live in two locations in our Professional sector.

August 2021
- Garrick Cooper appointed President, North America.

October 2021
- Our CEO, Rhona Driggs, recognised by Staffing Industry analysts (SIA) in the 2021 list of the most influential European staffing leaders.

November 2021
- Offshore Recruitment Services sector hires 2,000th employee.
- Bullhorn went live in five locations in our Professional sector.
- Our CEO, Rhona Driggs, recognised in the SIA Global Power 150 Women in Staffing for the sixth consecutive year.

For definition of terms:
See glossary on page 103

Purpose led approach

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.

Our values

Innovation
Creativity, Ingenuity

Collaboration
Communication, Teamwork

Accountability
Leadership, Commitment

Responsibility
Integrity, Honesty

Excellence
Results, Discipline

Our strategy

- Build scale in key markets and sectors
- Increase diversity of profits by sector, market and service
- Increase productivity and efficiency
- Targeted investment in growth

For more information: See page 15

Our business model

- Multi-branded with focused sector-driven approach
- Diversified by geography and sector
- Range of staffing services
- Empowered and supported leadership

For more information: See pages 10 to 11

Chair's statement

Our full-year results demonstrate the diversity and the potential of the Group.

2021 performance

We are pleased to report our full-year results which have delivered a strong recovery in net fee income and very strong recovery in profits. As the year progressed demand returned in most of our markets and we were well positioned to benefit from this.

Our diversity by geography and sector remains a key strength of the Group and was critical to our performance as COVID-19 impacted the global economy in 2020. In 2021, all of our sectors delivered net fee income and profit better than, or in line with, 2020, with our diversity reflected in different levels of performance across the Group. Our Offshore Recruitment Services sector had a record year, delivering very significant growth and increasing headcount by more than 80%, capitalising on high demand as clients reviewed their cost bases and operating models as they looked to rebuild. Elsewhere, our Healthcare sector was well placed to support vaccination programmes, particularly in the US, and delivered record results. These exceptional performances were tempered by challenges elsewhere. In our Professional sector, our aviation operation continues to experience very subdued demand, particularly in its core Asia market. In our Commercial sector our logistics business, which had a very strong 2020, has experienced significant challenges in filling lower paid roles as the economy and labour market recovered.

People

We have made significant investment in our senior leadership team in 2021 with the appointment of three experienced industry professionals into regional leadership roles. We now have an extremely strong leadership team and we are starting to see the benefits in accelerating the execution of our strategy and growth plans.

The recovery we have delivered in 2021 would not have been possible without the hard work and commitment of our employees across the Group and I would like to thank each of them for their contribution.

During the year we launched our diversity, equality and inclusion initiative, starting with the Group's first ever Group-wide survey. We now have a DE&I committee in place which will help to shape the Group's approach to this critical area.

Dividend

The Board has reviewed the dividend in light of the continued recovery of the Group's results and our markets, and for the year ended 31 December 2021 we propose a dividend of 1.2p per share, up 20% on the prior year. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 8 June 2022, to shareholders on the register on 13 May 2022.

Outlook

In 2021 the Group moved back into growth mode, while investing in our operations. This investment will continue into 2022 with plans to grow our sales and recruitment teams in markets and sectors where we see strong opportunities for growth. The benefits from these investments will become apparent as we move through 2022 and we look forward to the year ahead with optimism.

Tony Martin
Chair
16 March 2022

Tony Martin
Chair

At a glance

Who we are

Founded in 1996, Empresaria is a global specialist staffing group operating across six diversified sectors in 19 countries but placing candidates in 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

Healthcare

Commercial

Where we are

We have operations across
6
sectors

We operate from
19
countries worldwide

IT

Property, Construction & Engineering

Offshore Recruitment Services

For more information:
See pages 18 to 23

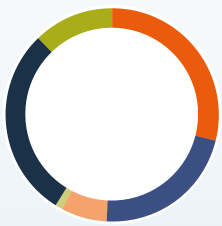
Our diversified model

Empresaria is highly diversified with operations across six sectors in 19 countries offering permanent placement, temporary and contract placement, and offshore recruitment services.

Service type
% of net fee income

- Permanent **34%**
- Temporary and contract **55%**
- Offshore recruitment services **11%**

Sector
% of net fee income



- Professional **29%**
- IT **22%**
- Healthcare **7%**
- Property, Construction & Engineering **1%**
- Commercial **29%**
- Offshore Recruitment Services **12%**

Region
% of net fee income

- UK **25%**
- Continental Europe **24%**
- Asia Pacific **35%**
- Americas **16%**

Investment case

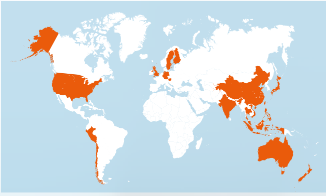
Our diversification by sector and geography, our differentiating Offshore Recruitment Services sector, combined with our focused strategy, create a unique and compelling investment case.

Stronger together

For more information:
See page 15

Focused strategy aligned with our shareholders

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



For more information:
See pages 18 to 24

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.

For more information:
See pages 23 and 25

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.

For more information:
See pages 26 to 29

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.

For more information:
See pages 38 to 39

Experienced Board and management team

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

3
regional leadership appointments

9
new locations live on our common front office platform

Permanent, temporary and contract, and offshore recruitment services

6
sectors

19
countries

Offshore Recruitment Services sector

26%
net fee income growth in 2021

Adjusted net debt

£14.0m
(2020: £13.6m)

Board staffing industry experience

>100
years

Case study

Leading together

Regional leadership appointments

In 2021 we made significant investment in our senior leadership team by adding three experienced industry professionals into regional leadership roles. Together with the existing leadership team, they will be instrumental in driving our strategic priorities forward.

Julie Smith
Regional CEO, UK & Europe – Appointed in March 2021
With 30 years' experience in the recruitment industry, Julie is a highly regarded industry expert across Recruitment Process Outsourcing and Managed Service Programmes. Prior to joining Empresaria, she was Vice President of Operations at Volt Consulting Group where she expanded the business across 26 European countries.

Rafael Moyano
Regional CEO, APAC – Appointed in April 2021
Rafael has more than 25 years' experience working across three continents. He has led diverse workforces in the Talent Management, Recruitment, Technology, IT and Engineering industries. He joined Empresaria from The Adecco Group where he was most recently the CEO of Australia and Managing Director, Modis Australia. Prior to this, he held the position of CFO for the Asia Pacific region.

Garrick Cooper
President, North America – Appointed in August 2021
Garrick has more than 20 years' experience in the staffing solutions industry focused on providing exceptional contract and professional search solutions to clients. Prior to joining Empresaria, Garrick was Vice President, Technical at Volt Workforce Solutions in North America.

Current market conditions

Staffing market forecasts

In November 2021, Staffing Industry Analysts (SIA) projected the global staffing market would grow by 14% in 2021, following a decline of 11% in 2020 with the global market recovering to be 3% larger than 2019. They forecast that there will be more modest global growth of 9% in 2022, but with significant variances in growth from market to market. In our regions the UK is forecast for 11% growth, while in Continental Europe, Germany is forecast to grow 12%. In Asia Pacific, Japan is forecast to grow 8% and Australia by 12%. Growth in the Americas is forecast to be more modest with the US expecting only 4% growth.

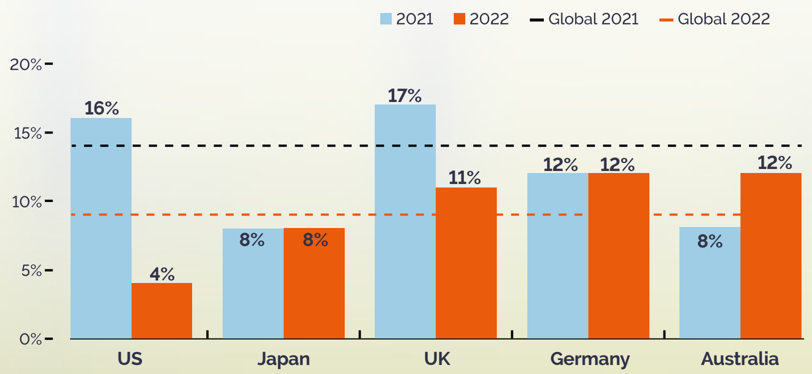
These forecasts were made on the assumption that the worst of COVID-19 is behind us. This is yet to be validated given the ongoing threat of potential new variants.

SIA identifies the top five staffing markets, which together make up 65% of the global staffing market, as UK, US, Germany, Japan and Australia, and we have a presence in all five of these.

"Our diversity by sector along with our global footprint, including the five largest staffing markets, means we are uniquely positioned to capitalise on opportunities for growth."

Rhona Driggs
Chief Executive Officer

SIA staffing market forecasts – five largest markets



Skill shortages

Skill shortages are once again becoming evident across the globe. While the impact of talent shortages within the hospitality, transport and logistics sectors have been highly visible with supply chain disruptions affecting product availability, data is also pointing to an increasing scarcity of talent within the professional and other sectors. Job vacancy numbers in many of our key markets (UK and US in particular) are rising well above pre-pandemic levels. While skill shortages were evident prior to the pandemic, stemming from longer-term issues with the lack of skills training for roles in technology, the pressure of reduced talent mobility and the exit of skilled staff from the labour market has exacerbated these issues for many countries and industries.

According to a recent global survey by the Job Board Monster, 93% of employers will be hiring in 2022, which is up from 82% in 2021. While some of this is attributed to be the backfill of existing roles, this is not true for all sectors, with automotive and engineering being cited in the survey as most likely to add new roles.

93%

of employers will be hiring in 2022

Impact of wage inflation

Skill shortages and employee movement have a knock-on effect on wages as employers attempt to retain existing staff and job seekers are presented with multiple offers, enabling them to name their price. While in the long term this is likely to have a positive impact on recruitment fees, this is yet to be widely felt throughout the Group. In addition, some of our contracts are not priced as a mark-up on cost and those would need to be renegotiated in order to reap any benefits and avoid margin erosion from wage inflation.

Vaccination or testing mandates

In 2022 employers in some countries and sectors will have the additional legislative burden of mandatory vaccinations or testing within the workplace. Many organisations are also putting in place their own vaccination or testing requirements for employees. This adds pressure and costs to temporary staffing providers to ensure they are providing workers that are compliant with company policies.

At Empresaria we are monitoring country policies on a regular basis to ensure we adhere to all government mandates. We are also working in close partnership with our clients, to provide workers who are compliant with both government and employer requirements.

The ongoing impact of the pandemic – a shift in expectations

The pandemic has created a pivotal shift in the attitudes and expectations of workers the world over. It is safe to say we will never return to the 'normal' we once knew, as the remote working arrangements mandated by the pandemic suited many people much better, often allowing for an improved work-life balance. Hybrid working is now the expectation of many workers, with more flexible hours also a priority.

In the US, employees quit their jobs in record numbers in 2021 (dubbed the 'great resignation') often in search of more flexible working arrangements. While such a significant trend has not been experienced across the globe, a June 2021 global survey from social media platform LinkedIn found that 'flexible working arrangements' was the fastest growing priority for job seekers, up 12.3% from 2020.

This change in employee expectations means our role as a trusted adviser to both clients and candidates is increasingly important. Matching on skillset alone cannot highlight the nuances in candidate requirements. Our expert approach ensures we take the time to understand each client's employee value propositions and match candidates on skills, cultural fit, and lifestyle aspirations.

Our business model

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 19 countries across the world and service many more from hub locations.

Technology
Our technology enables us 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 19 countries helps mitigate economic and political risks as well as provide opportunities to drive organic growth.

Our values

Innovation

Collaboration

Delivering long-term value

EMPOWERED AND SUPPORTED LEADERSHIP

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

RANGE OF STAFFING SERVICES

The Group has three main service lines: permanent recruitment; temporary and contract recruitment; and offshore recruitment services. We have a bias towards temporary and contract recruitment over permanent recruitment as it is generally more stable throughout the economic cycle.

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 dividends. 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 34 to 35

Accountability **Responsibility** **Excellence**

Chief Executive's Q&A

Q&A with CEO Rhona Driggs

In 2021, we shifted from recovery mode to growth mode while continuing to make significant investments in the future of the Group.

Q 2021 saw a return to growth across the Group, can you give some more insight into your 2021 performance?

A Three key themes characterised 2021 for the Group: firstly, we saw a shift from recovery mode to growth mode; secondly, we continued our focus on operational efficiency through our Stronger Together initiative aimed at making Empresaria a more joined-up, global business; and finally, we made significant investment in senior talent to lead Empresaria through its next phase of growth.

In 2021, all five of our key sectors returned to growth with Offshore Recruitment Services and Healthcare delivering particularly strong performances and record net fee income and profit levels. While some areas continued to experience challenging conditions, such as within Commercial (logistics) and Professional (aviation), these have been far outweighed by positives elsewhere, highlighting the benefits of being a diverse Group by geography and sector.

We also saw the continued benefits of the operational initiatives we put in place throughout 2019 and 2020. We have progressed well with our technology implementation with a further nine operations going live on our common front office system during the year. This rollout will continue in 2022 alongside parallel workstreams to maximise the benefits and realise a competitive advantage, including through implementation of partnership technology.

Rhona Driggs
Chief Executive Officer

We made significant investments throughout 2021 to drive the future growth of the Group. This included the appointment of three experienced senior regional leaders who, working with our existing leadership, will be instrumental in accelerating the delivery of the Group's strategy. We also welcomed a new Chief Marketing Officer who will drive the global brand and communications strategy for the Group.

Q How is the strategy evolving in 2022 and beyond?

A Throughout 2021 the Group maintained its strategic focus and continued to invest in future growth. Looking ahead to 2022, our core strategic priorities remain consistent, but how we will implement them has developed to reflect the evolution of our operations. Our new regional structure will help accelerate our strategy, but this change goes beyond just adding regional leaders. It is enabling us to share ideas and resources more readily across businesses, creating joined-up sales strategies and training plans. In short, it is making us much more effective and accelerating the changes needed for long-term growth.

Our Offshore Recruitment Services sector continues to be a key part of our strategy, both in delivering growth and scale through its external clients, but also in improving productivity and efficiency with increasing levels of internal delivery (see case study on page 25).

In 2020, we proved that our debt model works, with working capital inflows reducing net debt when sales and profits fell. This enabled us to maintain key investments in our future during a period of difficult trading. Continuing to make targeted and effective investments will be key to our future growth.

Case study

Delivering together

Technology: Driving value from our front office system

In 2021 the Group accelerated the rollout of its global front office system (Bullhorn) with an additional nine operations added to the platform.

Around half the Group is now on the platform, with a number more implementations planned. The benefits of Bullhorn are wide reaching, from its ease of use to its intuitive search functionality and tools, enabling increased productivity and reduced time to fill. An additional benefit of Bullhorn is its marketplace of partners that allows us to easily integrate new products to ensure we continue to utilise the best-in-class technology. In 2021, the Group started using Herefish in conjunction with Bullhorn, allowing us to complete 1.3m automated actions, saving our consultants an estimated 44,000 hours of manual work. These automations were focused initially on ensuring the data in our database is complete, GDPR compliant and relevant, allowing swifter matching of candidates to roles. This groundwork will see us be able to drive more targeted and personalised candidate engagement programmes throughout 2022.

1.3m
automated actions using Herefish in conjunction with Bullhorn, saving our consultants

44,000
hours of manual work

Chief Executive's Q&A continued

Q&A
with CEO Rhona Driggs

Q What are your investment priorities for 2022 and how will you maximise growth?

A We will increase headcount in our sales and recruitment teams as we continue to see a rebound in activity and where we see the best opportunities for growth. Our people are our most important asset, and we will focus on retention and development strategies, to ensure we have the right people in place to continue our growth trajectory. In 2021 we rolled out a new talent development programme in our Asia Pacific region, and we will look to replicate similar initiatives elsewhere.

Our clients are increasingly looking to us to support them in maximising their workforce strategies. We will continue to develop a wider mix of solutions, for example offering RPO (Recruitment Process Outsourcing) across more markets, to ensure we are delivering to these changing customer needs. We will invest in training and developing capabilities in these different buying models and integrate them into our regional sales offerings.

We will continue to invest in our Offshore Recruitment Services sector, including plans to add additional office space to allow for further expansion. The unprecedented demand in 2021 saw our headcount grow by 900 to a total of 2,000 employees. We will continue to increase our internal utilisation of these services to drive efficiency across the Group.

We have seen benefits from our technology rollout on our speed of delivery and productivity. As we continue to implement our core technology across the Group, we will also look to enhance this technology through partnership products. These additional tools will be focused on driving candidate reach and engagement to address the skill shortages our clients are experiencing.

Q How is the Group responding to changing market trends?

A The diversity of the Group by both geography and sector is a key differentiator, allowing us to adapt quickly to economic uncertainty and shifting market trends.

Digitisation continues to impact organisations the world over, and our operations have adjusted accordingly. We have been able to move quickly in our own digital transformation ensuring we remain effective in matching candidates with clients. Increased talent scarcity means we need to continue enhancing our digital capabilities to ensure wider candidate reach and community management. The flexibility of our front office system (now deployed in more than half of our operations) allows us to add additional tools quickly and effectively to support these actions.

Our customer relationships have never been more important. We've supported our customers through the pandemic and into the current environment of skill shortages and wage inflation. Our success is built on their success, and we can only achieve this by acting as a trusted partner and adviser.

As the world of work continues to evolve so too does our focus on building a sustainable business for the future. Like many organisations we are on our ESG (Environmental, Social and Governance) journey and in 2021 we made good progress in our Diversity, Equality and Inclusion (DE&I) initiatives. We completed our first DE&I survey to identify a benchmark for where we need to focus our DE&I activities. We also established our DE&I committee with representation from across the globe.

Q How do you see Empresaria developing in 2022 and beyond?

A We are seeing positive signs in many of our markets and are well positioned, with the right structure and leadership team, to take advantage of these. The COVID-19 pandemic remains a risk with ongoing potential for new waves and variants and restrictions imposed by governments in response. However, we have proven that we can navigate the pandemic, and operate successfully in these environments and remain confident in our ability to continue to do so.

It is too early to know how the developing situation in Ukraine and Russia will affect global economies. We are not experiencing any significant direct impact at present as we do not have operations in either country.

We look forward to the year ahead with optimism as our markets continue to rebound and client and candidate confidence increases. Our ambition is to create long-term sustainable profit growth for the Group and deliver adjusted operating profit of £20m in the medium term and we believe we are well positioned to achieve this.

Rhona Driggs

Rhona Driggs
Chief Executive Officer
16 March 2022

Strategic objectives

Strategic objective	2021 progress	2022 priorities
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, providing them with services across sectors, skillsets and regions, as well as developing new service offerings to drive additional revenue streams.	• Enhanced leadership team with appointment of three highly experienced industry professionals to regional leadership roles and a new Chief Marketing Officer. • Implemented regional sales strategy in UK and Europe with appointment of regional sales role. • Successful trial of Philippines base for our Offshore Recruitment Services operation. • Embedded improvements to operating models in key businesses to provide greater focus on sales and recruiting and deliver greater scalability. • Growth of Healthcare sector, particularly in the US, driven by vaccination programmes and expansion into nursing.	• Create and implement regional sales strategies in all regions. • Expand IT offering in Asia Pacific region. • Establish Philippines as a second country hub for Offshore Recruitment Services. • Targeted investment in sales and recruitment teams in operations where we see opportunity for growth. • Develop Group-wide brand strategy to support regional and global growth opportunities.
Increase diversity of profits by sector, market and service Diversifying our profit base across our business is key for us. We will do this through growing our high potential businesses and sectors, increasing our temp to perm ratio to 70:30 over time to create a more stable profit base and ensuring all businesses in the Group deliver a minimum profit threshold.	• Net fee income and profit recovery with all sectors ahead of or in line with 2020. • Temp to perm ratio reduced to 62:38 in 2021 (2020 65:35) with permanent revenues recovering more rapidly than temporary and contract. Permanent revenues may continue to grow at a faster rate in the short term but it remains the Group's strategy to invest in growing the proportion of its temporary and contract net fee income in the medium term.	• Develop expertise, material and training on different buying models, including SoW, VoP and RPO, and integrate into regional sales strategies. • Focus on growing temporary and contract IT in the US where the vast majority of net fee income is currently from permanent recruitment. • Align marketing and sales strategies.
Increase productivity and efficiency Increasing our productivity and efficiency through the use of technology and focused operating models will enable us to deliver to clients and candidates more quickly and effectively and to maintain our competitive edge.	• Ongoing investment in technology implementation with around half of our operations now on a common front office platform. • Operating model improvements with dedicated sales and recruitment teams improving efficiency and productivity. • Increased utilisation of our Offshore Recruitment Services offering within the Group, with notable success in scaling our US Healthcare business in the face of unprecedented demand.	• Continue implementation of front office technology. • Commence second phase of technology project focused on increasing productivity through use of partnership products. • Continue to drive internal utilisation of our Offshore Recruitment Services offering. • Leverage regional and Group expertise and best practices.
Targeted investment in growth We seek to maximise our return on investments, focusing these in areas where we believe they will deliver the most benefit. We seek to balance investment in growth with an aim to reduce the overall level of net debt relative to the size of the Group.	• Investment in regional senior leadership roles. • Investment in scaling Offshore Recruitment Services and equipping 900 new employees in the year. • Dividends restarted in 2021. • Adjusted net debt increased slightly year on year with recovery in trading but remains below pre-COVID levels, reflecting cash flow from profits and ongoing strong cash controls.	• Investment in organic growth in key markets with headcount growth to generate sales and deliver to high areas of demand and opportunity. • Investment in office space to enable further expansion of Offshore Recruitment Services. • Continued investment in technology road map. • Continue to identify and review M&A opportunities.

Key performance indicators

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

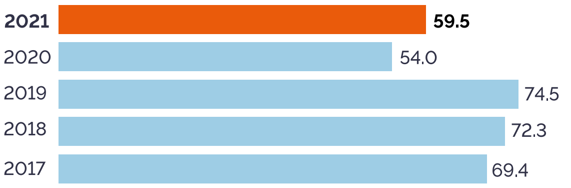
Strategic objectives

1. Build scale in key markets and sectors
2. Increase diversity of profits by sector, market and service
3. Increase productivity and efficiency
4. Targeted investment in growth

Net fee income

1 3 4

£59.5m



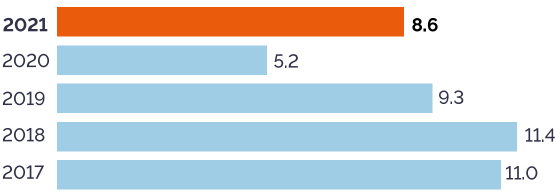
Why and how we measure
Net fee income is the Group's principal 'revenue' measure, incorporating both permanent fees and the gross margin earned on temporary and contract workers and offshore recruitment services.

How we have performed
Net fee income has increased by 10% in 2021, reflecting strong recovery across most of the Group.

Adjusted profit before tax

2 4

£8.6m



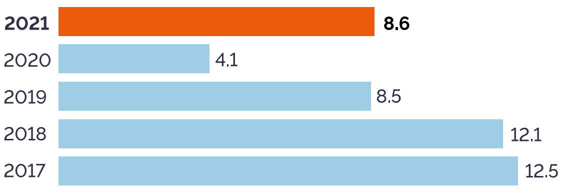
Why and how we measure
Adjusted profit before tax measures the Group's underlying profit performance and is stated before amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, exceptional items and fair value charges on acquisition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

How we have performed
Adjusted profit before tax has increased by 65% in 2021, reflecting the strong recovery in trading across the Group and the focus on improving productivity.

Adjusted, diluted earnings per share

2 4

8.6p

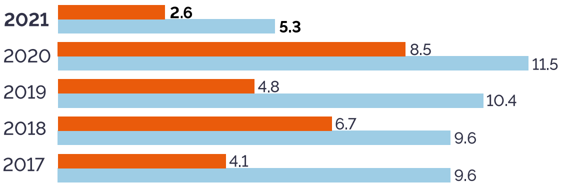


Why and how we measure
Adjusted, diluted earnings per share measures the underlying performance of the Group's earnings for its shareholders. Adjusted earnings is adjusted in the same manner as for adjusted profit before tax along with the related tax impacts.

How we have performed
Adjusted, diluted earnings per share has increased by 110% in 2021, reflecting the increase in profits along with a decrease in the proportion of those profits allocated to non-controlling interests.

Free cash flow 4

£2.6m



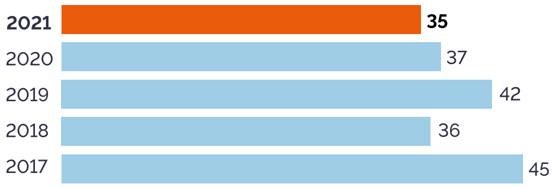
Why and how we measure
Free cash flow is the level of cash generated that is available for investment by the Group. It is calculated as net cash from operating activities per the cash flow statement, adjusted to exclude working capital movements related to cash held in respect of pilot bonds and after 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 2021 free cash flow has reduced, with the increase in profits more than offset by the outflow of working capital due to improved trading.

Key:
Post-tax
Pre-tax

Debt to debtors ratio 4

35%

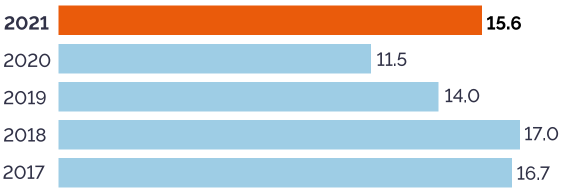


Why and how we measure
The majority of the Group's debt is short term and matched against working capital requirements. The Group's debt to debtors ratio is calculated as adjusted net debt as a percentage of trade debtors. Adjusted net debt excludes cash held in respect of pilot bonds.

How we have performed
The Group's debt to debtors ratio has reduced during the year, reflecting the increase in trade receivables as trading has improved offset by the small increase in adjusted net debt. We aim to reduce our debt to debtors ratio to 25% over time.

Conversion ratio 3

15.6%

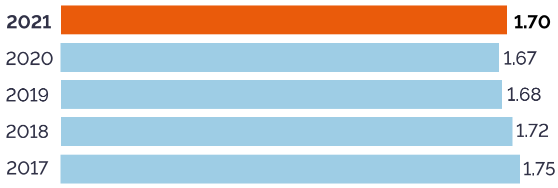


Why and how we measure
The conversion ratio measures how efficient we are at converting our net fee income to profit. It is calculated as adjusted operating profit as a percentage of net fee income.

How we have performed
The conversion ratio has increased significantly in the year, reflecting the improvement 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

1.70x



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

How we have performed
Staff productivity has improved from the prior year, reflecting the benefits of operational initiatives.

Operating review

Professional

29%

of Group net fee income

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

Net fee income by service

Financials

£m	2021	2020
Revenue	45.6	55.3
Net fee income	17.6	15.4
Adjusted operating profit	1.3	0.2
% of Group net fee income	29%	28%
Average number of staff	281	342

Our Professional sector saw strong recovery across almost all operations. Net fee income in the second half of the year was up by 42% on 2020, while the full year was up 14% year-on-year (up 16% in constant currency). This resulted in a strong profit performance with adjusted operating profit increasing by 550% to £1.3m. Revenue fell due to the ongoing COVID-19 related issues in aviation, outlined in more detail below, where we primarily supply temporary workers on high revenue, low margin contracts. This is also reflected in the sector's service mix with permanent recruitment increasing to 76% of net fee income (2020: 67%). Excluding aviation, sector net fee income grew by 27% year-on-year.

In the UK our domestic services and corporate hospitality business had a very strong year with net fee income up by almost 50% as demand returned across its client base. This business remains exposed to any ongoing COVID-19 impacts or restrictions, particularly where supplying to private households or events. Our digital and marketing operations have also seen very strong growth, particularly in the second half of the year as positive momentum increased. Our business supplying to clients in the financial services sector also ended the year well, with net fee income in the second half of the year up more than 40% on 2020 after a more challenging first half of the year.

In Asia, excluding aviation, we have seen a strong recovery with every operation delivering at least double-digit growth in net fee income. This is despite many of these countries continuing to operate with strict COVID-19 measures, particularly regarding international travel. The majority of our markets are permanent recruitment focused with restrictions on temporary and contract operations, however where possible we are looking to expand our temporary and contract offering to improve our net fee income mix.

Our business supplying to the aviation industry continues to experience very subdued demand with recovery delayed much longer than we had hoped, particularly in Asia where the majority of our clients operate. Revenues and net fee income fell during the year, primarily in the first half when the comparative included pre-COVID-19 performance. As a result, a further impairment charge has been recorded against the goodwill and other intangible assets related to this business (see notes 14 and 15 for details). Our main revenues are from placing pilots in temporary and contract roles but we continue to look to diversify our offering to maximise our opportunities and provide greater stability. We are cautious on short-term recovery but remain confident that this operation has good growth prospects in the medium and long term.

IT

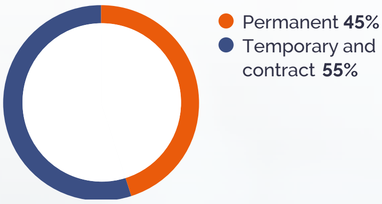
22%

of Group net fee income

Countries

Japan
UK
USA

Net fee income by service



Financials

£m	2021	2020
Revenue	**37.5**	41.8
Net fee income	**13.3**	12.7
Adjusted operating profit	**3.0**	1.8
% of Group net fee income	**22%**	23%
Average number of staff	**93**	105

Our IT sector delivered solid growth in net fee income which was up 5% on 2020 (10% in constant currency), with a 10% year-on-year fall in revenue, reflecting the challenges in the UK outlined below, more than offset by improvements in margins and growth in permanent revenues. Profit growth was particularly strong, with increases in all operations and sector adjusted operating profit increasing by two-thirds to £3.0m.

Our performance in Japan was very encouraging with net fee income up by more than 20% in constant currency and very strong growth in profits. We see good opportunities in this market and are investing in increasing our capacity to deliver future growth.

Our US operation has performed extremely strongly with net fee income up more than 30% in constant currency and profits more than doubling. We have been very successful in delivering to high demand from our key clients and towards the end of the year started to make some good progress on growing our temporary and contract revenues which will continue to be a key focus for 2022.

Our UK business has continued to experience challenges with temporary and contract numbers which continued to fall in the first half of the year and did not recover as much as expected in the second half. As a result, while margins have improved, net fee income is down 10% year-on-year. However, the restructuring actions undertaken in 2020 have proved effective and as a result profits have increased significantly in 2021 compared to the prior year. We are confident that further operational improvements made in the year, including the appointment of a new leader, leave this business well placed to deliver growth.

Operating review continued

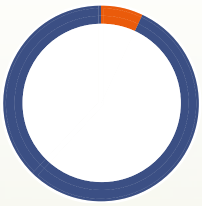
Healthcare

7%

of Group net fee income

Countries
Finland
USA

Net fee income by service



Financials

£m	2021	2020
Revenue	**26.9**	13.2
Net fee income	**4.2**	2.5
Adjusted operating profit	**1.4**	0.4
% of Group net fee income	**7%**	5%
Average number of staff	**17**	17

Our Healthcare sector was one of our star performers in 2021 delivering double the revenue of 2020, 68% growth in net fee income (75% in constant currency) and 250% growth in profit.

Our US operation performed particularly well, with net fee income almost doubling and profits quadrupling from 2020. Growth has been driven by the COVID-19 vaccination programmes which we were well placed to support. This demand for high volume, but lower margin, roles also demonstrated the effectiveness and flexibility of our operating model. In the US we have no recruiters in market, with all recruiting activity being undertaken by our Offshore Recruitment Services operations in India and the Philippines. This demand is expected to drop back in 2022, but we have built momentum in expanding into other areas, such as travel nursing, which will help offset this.

In Finland our operation has continued to develop, delivering double-digit growth in net fee income and strong growth in profits. This business has also benefited from the COVID-19 vaccination programmes as it expanded from its core doctors offering and into nursing.

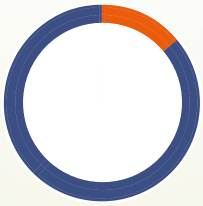
Property, Construction & Engineering

1%

of Group net fee income

Countries
UK

Net fee income by service



Financials

£m	2021	2020
Revenue	**3.4**	3.6
Net fee income	**0.7**	0.7
Adjusted operating loss	**(0.1)**	(0.2)
% of Group net fee income	**1%**	1%
Average number of staff	**15**	17

Our Property, Construction & Engineering sector is the Group's smallest sector and is wholly UK based. Our operation focuses on supplying sales staff to the new home sector alongside building management systems workers. We have not seen any significant recovery in this sector with net fee income flat year-on-year. Losses have been minimised, halving to £0.1m.

The majority of revenue is from the supply of sales staff to the new home sector. While that sector has itself largely recovered, it has continued to operate in new ways adopted during the pandemic. This has significantly reduced ongoing demand for temporary sales staff. We continue to look at ways to diversify our offering and adapt to the changes in the market.

Operating review continued

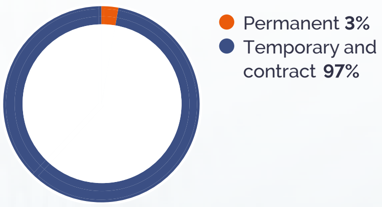
Commercial

29%

of Group net fee income

Countries
Austria
Chile
Germany
Japan
Peru

Net fee income by service



Financials

£m	2021	2020
Revenue	131.0	132.3
Net fee income	17.2	17.2
Adjusted operating profit	4.6	4.6
% of Group net fee income	29%	32%
Average number of staff	260	256

Our Commercial Sector has had a mixed year with results in line with 2020, and with a large variation in underlying performances.

In Germany, our logistics business benefitted strongly from COVID-19 in 2020 with increased demand from its clients and improved availability of candidates from within Germany as the wider economy suffered. In 2021, while demand has remained strong, candidate availability has weakened significantly as the German economy recovered and candidates were less willing to take lower paid roles. There have also been increased challenges in attracting candidates into Germany from Eastern Europe, with greater difficulty in crossing borders under ongoing COVID-19 restrictions. As a result, net fee income and profits in this business have fallen significantly in 2021 compared to the prior year.

Elsewhere in Germany our temporary staffing business has performed very well with net fee income up by more than 20% and very strong growth in profits, despite the ongoing supply chain challenges for our clients in the automotive industry which held back growth in the second half of the year. In Austria, where we have a similar client profile, net fee income grew by more than 30% and profits by more than 40% as we successfully maximised the benefits from the recovery in demand.

In South America our operation in Chile had a good year with double digit growth in net fee income and growth in profits. In Peru, where there was a more significant impact from COVID-19, our business has faced more significant challenges with net fee income and profits falling in the year.

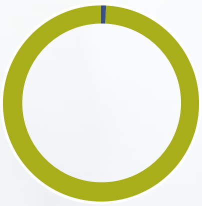
Offshore Recruitment Services

12%

of Group net fee income

Countries
India
Philippines

Net fee income by service



Financials

£m	2021	2020
Revenue	**15.3**	10.9
Net fee income	**7.7**	6.1
Adjusted operating profit	**4.1**	2.6
% of Group net fee income	**12%**	11%
Average number of staff	**1,579**	1,019

Our Offshore Recruitment Services sector performed very strongly in the year with net fee income increasing by 26% over 2020 (35% in constant currency) and adjusted operating profit increasing by 58% (71% in constant currency). At the start of the year we closed our operation in UAE after a number of years of losses. Excluding this business net fee income grew by 43% (54% in constant currency).

Our operations support the staffing sector, principally in the US and the UK, providing any aspect of the end-to-end recruitment process alongside compliance and back-office services. Clients are predominantly third parties but this sector also plays an important role in supporting our own businesses across the Group.

Our operations grew very rapidly during the year, increasing headcount by over 900 and closing the year with more than 2,000 employees. This was driven by strong demand as clients reviewed their operating models and cost bases as they recovered from the impact of COVID-19. Increased investment in our sales and delivery teams has enabled us to capitalise on this.

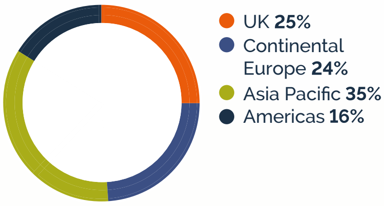
In 2021 we successful trialled a new delivery team in the Philippines in order to diversify our base and provide our clients with an alternative delivery option. This trial was successful, and we now have over 30 recruiters operating from the Philippines and we expect to expand this significantly in 2022.

A case study on this operation is presented on page 25.

Operating review continued

Regional summary

Net fee income by region



Financials
£m

	Revenue		Net fee income		Adjusted operating profit	
	2021	2020	**2021**	2020	**2021**	2020
UK	**44.0**	46.4	**14.8**	13.4	**1.8**	0.6
Continental Europe	**89.1**	91.1	**14.2**	14.0	**3.8**	3.8
Asia Pacific	**55.6**	63.9	**21.8**	19.4	**5.8**	3.6
Americas	**71.0**	55.7	**9.9**	7.8	**2.9**	1.4
Central and consolidation	**(1.3)**	(0.6)	**(1.2)**	(0.6)	**(5.0)**	(3.2)
Total	**258.4**	256.5	**59.5**	54.0	**9.3**	6.2

The UK recovered strongly in 2021 with year-on-year growth of 10% in net fee income and 200% growth in profits. Revenue was down 5% reflecting challenges with temporary and contract recruitment in our IT sector and a change in mix with permanent recruitment recovering at a faster rate. All our UK operations delivered improvements in profit compared to 2020.

Continental Europe delivered results in line with the prior year. The positive performances in our Commercial sector temporary staffing businesses in Germany and Austria along with our Healthcare business in Finland offset the challenges in our Commercial sector logistics business in Germany.

Asia Pacific grew strongly with a 12% increase in net fee income and a 61% increase in profit. The drop in revenue was due to the ongoing challenges in our Professional sector aviation operation which has high revenue, low margin temporary contracts. All other businesses in the region delivered growth in both net fee income and profits, with the most significant profit driver being our Offshore Recruitment Services operation in India.

In the Americas, both revenue and net fee income grew by 27% with profit more than doubling to £2.9m. Growth was driven by our US IT and Healthcare operations which delivered very strong growth. In our Commercial sector we saw good growth in Chile but this was offset by a weaker performance in Peru.

Case study

Growing together

Offshore Recruitment Services: IMS Group

The outsourcing of recruitment services has become increasingly attractive for recruitment organisations across the globe, as they look to maximise their profitability in this highly competitive sector.

Our Offshore Recruitment Services operation, IMS Group (IMS), is headquartered in Ahmedabad, India, servicing clients predominantly in the UK and US. IMS CEO, Amit Somaiya, co-founded the business in 2006 and under his leadership it has experienced continued growth over the past 15 years, delivering net fee income of £7.7m in 2021.

IMS offers an extensive range of tailored services including: full end-to-end recruitment services; compliance and administrative services; accounting support; and bespoke one-off creative solutions. They enable recruiting clients to gain a commercial advantage through innovative cost-effective expertise.

IMS allows organisations to rapidly scale up and down to meet shifting demand, allowing agility, sustainability and growth. Clients can optimise their internal workforces and quickly respond to fluctuations such as taking on new opportunities without the cost and risks of adding staff themselves.

The unique strength of the business lies in their investment in learning and development programmes. They have developed resources to quickly train new employees to be ready to match customer needs and creating a bench of talent ready for deployment. This allows for speed of implementation as they are less dependent on attracting experienced recruiters and resources in a highly competitive market.

IMS has the largest internal headcount within the Group, with 2,000 employees at 31 December 2021. In 2021 alone they welcomed 900 new colleagues to the business due to strong demand from new and existing clients. 110 new clients were onboarded throughout the year, and this momentum shows no sign of slowing.

IMS also offers a significant opportunity for the Group internally, allowing our businesses to scale their operations to meet customer demand. A proven success story is in our US Healthcare business, which, in 2021, received an unprecedented volume of orders to aid in the fight against COVID-19. They needed to rapidly provide healthcare workers to administer vaccinations, test for COVID-19 and monitor protocols on site at large events, as well as supporting an increase in non-COVID related orders. IMS was able to quickly ramp up the existing team, more than doubling headcount within eight weeks, to deliver high-volume sourcing, screening, and submission of talent. This allowed us to react quickly, filling more than 1,600 vacancies in 2021.

The utilisation of IMS services across the wider Group has steadily grown over the past five years. The level of support provided to other Empresaria companies at the end of 2021 is five times that of 2018 and this growth is expected to continue in 2022.

Net fee income

£7.7m

in 2021

Finance review

Strong growth in profits with reduced debt to debtors ratio.

Overview

The Group's results for 2021 reflect a strong performance as the market recovered from the impact of COVID-19. We were able to move from recovery mode to growth mode with net fee income in the second half of the year increasing by 26% in constant currency over the same period in 2020. This strong performance translated to profit growth with adjusted profit before tax up 65% year-on-year to £8.6m and adjusted, diluted earnings per share increasing by 110% to 8.6p.

The improvement in net fee income led to increased working capital outflows but these were largely offset by the improved profitability. As a result, our adjusted net debt position at 31 December 2021 was £14.0m, just £0.4m higher than at 31 December 2020 and substantially below the 31 December 2019, pre-COVID, balance of £19.1m. As a result our debt to debtors ratio reduced to 35% at 31 December 2021 (2020: 37%).

Income statement

Revenue increased by 1% (4% in constant currency) with net fee income increasing by 10% (14% in constant currency). The increase in revenue reflects strong growth in both permanent placement and offshore recruitment services revenues, offset by a reduction in temporary and contract revenues. The fall in temporary and contract revenues was primarily driven by the ongoing challenges in aviation (see operating review on page 18), which is mainly lower margin temporary and contract revenue. Improvements in average margins meant that temporary and contract net fee income grew by 2% alongside strong growth from permanent recruitment and offshore recruitment services. This growth in net fee income, combined with ongoing operational improvements, translated into a 50% year-on-year increase in adjusted operating profit.

A detailed analysis by sector is provided in the operating review on pages 18 to 23. Following the appointment of regional leaders during 2021, the Group is moving to a regional reporting structure and, as a result, with effect from 2022 the Group's operating segmental analysis will be reported by region. For 2021, the analysis continues to be presented by sector, reflecting the reporting of information during the year.

Central costs have increased to £5.0m (2020: £3.2m) reflecting the hiring of regional leaders, the reversal of short-term cost-saving measures put in place in 2020, along with increased costs for bonuses and share schemes. The cost of the new regional leaders was, for the most part, funded by the exit of sector and brand leadership in 2020 whose costs were reflected in individual sectors.

Tim Anderson
Chief Financial Officer

Revenue
£258.4m
2020: £256.5m

Net fee income
£59.5m
2020: £54.0m

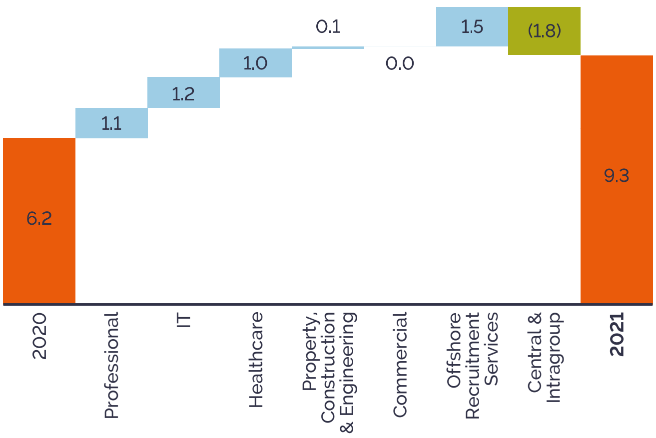
Adjusted profit before tax
£8.6m
2020: £5.2m

	2021 £m	2020 £m	% change	% change constant currency[2]
Revenue	**258.4**	256.5	+1%	+4%
Net fee income	**59.5**	54.0	+10%	+14%
Operating profit/(loss)	**6.7**	(1.0)	+770%	
Adjusted operating profit[1]	**9.3**	6.2	+50%	+60%
Profit/(loss) before tax	**6.0**	(2.0)	+400%	
Adjusted profit before tax[1]	**8.6**	5.2	+65%	
Diluted earnings/(loss) per share	**4.5p**	(6.2)p	+173%	
Adjusted, diluted earnings per share[1]	**8.6p**	4.1p	+110%	

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. See note 11 for a reconciliation between profit before tax and adjusted profit before tax.
2 The constant currency movement is calculated by translating the 2020 results at the 2021 exchange rates.

In 2021, the Group continued to utilise government support schemes introduced to help protect jobs and minimise redundancies. The usage of these schemes reduced significantly during the year as demand recovered and staff returned to work. Payments of £0.4m (2020: £1.9m) were received in respect of internal staff, primarily during the first half of the year, and these are offset in administrative costs in the income statement. We also continued to work with our clients to help protect the jobs of our temporary workers, with a further £0.5m (2020: £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 increased by 65% to £8.6m reflecting the increase in adjusted operating profit and lower net finance costs which in 2021 included interest credits following the settlement of tax audits. The reported profit before tax of £6.0m, increased significantly from a loss of £2.0m in 2020, reflects impairment charges on goodwill and other intangible assets of £1.2m (2020: £5.0m), and amortisation of intangible assets identified in business combinations of £1.4m (2020: £1.7m). 2020 also included exceptional costs of £0.2m and a fair value charge on acquisition of non-controlling shares of £0.3m for which there were no equivalent charges in 2021.

The impairment charges principally arose in our Professional sector where our operation providing pilots to the aviation industry has continued to be impacted by that industry's slow recovery from the pandemic. This is particularly the case in Asia where the majority of our clients are based. As a result, an impairment charge has been reflected for both goodwill and other intangible assets related to this operation. Further details are provided in notes 14 and 15.

The total tax charge for the year is £3.1m (2020: £1.2m), with the effective tax rate of 52% (2020: -60%) distorted by the mix of profits by jurisdiction and the non-deductible goodwill impairment charge. On an adjusted basis, the effective rate is 40% (2020: 46%). 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 (£0.4m);
- withholding taxes, dividend taxes, and deferred tax liabilities on unremitted earnings in respect of our overseas operations (£0.4m); and
- deferred tax assets not recognised for certain tax losses around the Group, net of prior year losses recognised in the period (£0.2m).

Adjusted, diluted earnings per share increased by 110% to 8.6p. This reflects the increase in adjusted profit before tax, along with a decrease in the proportion of profits allocated to non-controlling interests due to the performance in aviation, the acquisition of additional shares in our UK IT business in 2020, and the strong recovery in results seen across the Group. Reported diluted earnings per share was 4.5p (2020: loss per share 6.2p) reflecting the above and the reduction in the level of impairment charges compared to the prior year.

Finance review continued

Balance sheet

	2021 £m	2020 £m
Goodwill and other intangible assets	**39.8**	43.0
Trade and other receivables	**50.5**	44.9
Cash and cash equivalents	**21.1**	20.8
Right-of-use assets	**7.5**	9.0
Other assets	**5.0**	4.4
Total assets	**123.9**	122.1
Trade and other payables	**(34.8)**	(33.4)
Borrowings	**(34.4)**	(33.4)
Lease liabilities	**(7.9)**	(9.4)
Other liabilities	**(4.5)**	(3.5)
Total liabilities	**(81.6)**	(79.7)
Net assets	**42.3**	42.4

Goodwill and other intangible assets arise from the investments the Group has made. As at 31 December 2021 the balance was £39.8m (2020: £43.0m) with the movement from 2020 due to £1.6m of amortisation of intangible assets (2020: £1.8m), foreign exchange losses of £1.1m (2020: gains of £0.5m), impairment charges of £1.2m (2020: £5.0m) and additions of £0.7m (2020: £0.3m). The increase in additions reflects the acceleration of the Group's investment in moving to a single front-office system.

Trade and other receivables include trade receivables of £39.5m (2020: £37.0m) with the increase from 2020 reflecting the improvement in trading. Average debtor days for the Group in 2021 were in line with the prior year at 48 (2020: 47), with debtor days at 31 December 2021 of 47 (2020: 47). The income statement includes a charge of £0.3m (2020: £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 an 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.

	2021 £m	2020 £m
Net cash inflow from operating activities per cash flow statement	**7.6**	14.2
Cash flows related to pilot bonds	**0.3**	0.5
Payments under lease agreements	**(5.3)**	(6.2)
Free cash flow	**2.6**	8.5
Taxation	**2.7**	3.0
Free cash flow (pre-tax)	**5.3**	11.5

Free cash flow in 2021 is significantly lower than 2020 with the recovery in trading driving working capital outflows whereas 2020 reflected significant working capital inflows. These outflows were partially offset by the increase in profit. The cash flow also reflects settlement of £0.9m of liabilities deferred in 2020 under government deferral schemes. No further such amounts remain outstanding. The Group also presents a pre-tax free cash flow measure as tax payments in a global business can be volatile.

In 2021 the Group utilised its free cash flow as follows:

	2021 £m	2020 £m
Free cash flow	**2.6**	8.5
Acquisition of businesses (net of cash acquired)	**—**	(0.1)
Purchase of shares in existing subsidiaries	**(0.6)**	(1.5)
Purchase of property, plant and equipment, and software	**(1.7)**	(0.7)
Dividends paid to owners of Empresaria Group plc	**(0.5)**	—
Dividends paid to non-controlling interests	**(0.3)**	(0.5)
Purchase of own shares in Employee Benefit Trust	**(0.3)**	(0.2)
Other	**0.4**	—
(Increase)/decrease in adjusted net debt	**(0.4)**	5.5

The purchase of shares in existing subsidiaries mainly relates to the final payment in respect of the acquisition of shares in ConSol Partners in 2020 (see note 6).

Purchase of property, plant and equipment, and software of £1.7m reflects investments in the year including the provision of IT and other equipment to an additional 900 people in our Offshore Recruitment Services operations, the ongoing investment in a common front office system and the return to a more normalised level of capex in operations which cut back or delayed expenditure in 2020. Dividends paid to our shareholders were £0.5m (2020: nil) reflecting the reinstatement of the Group's dividend in 2021. The Group has continued to purchase Empresaria shares, transferring these into the Employee Benefit Trust to satisfy future share option exercises, and these purchases totalled £0.3m in 2021 (2020: £0.2m). Dividends paid to non-controlling interests were £0.3m (2020: £0.5m).

Financing

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

	2021 £m	2020 £m
Cash and cash equivalents	**21.1**	20.8
Pilot bonds	**(0.7)**	(1.0)
Adjusted cash	**20.4**	19.8
Overdraft facilities	**(18.2)**	(22.1)
Invoice financing	**(4.6)**	(4.9)
Bank loans	**(11.6)**	(6.4)
Total borrowings	**(34.4)**	(33.4)
Adjusted net debt	**(14.0)**	(13.6)

Adjusted net debt at 31 December 2021 increased slightly to £14.0m (2020: £13.6m) reflecting the cash flows discussed above. Adjusted net debt excludes cash of £0.7m (2020: £1.0m) 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. Movements in the level of bonds have no impact on our adjusted net debt measure.

During 2021, the month-end average adjusted net debt position was £14.8m (2020: £12.8m) with a high of £19.1m at 30 May (2020: £17.7m at 31 March) and a low of £11.1m at 30 September (2020: £8.9m at 30 June).

Our debt to debtors ratio (adjusted net debt as a percentage of trade receivables) has reduced to 35% (2020: 37%) with the small increase in net debt offset by an increase in trade receivables as a result of improved trading. We continue to be focused on managing our debt levels with the aim of lowering the debt to debtor ratio to 25%.

Total borrowings were £34.4m (2020: £33.4m) being bank overdrafts of £18.2m (2020: £22.1m), invoice financing of £4.6m (2020: £4.9m) and bank loans of £11.6m (2020: £6.4m). The Group's borrowings are principally held to fund working capital requirements and are mainly due within one year. As at 31 December 2021, £11.2m of borrowings are shown as non-current (2020: £1.2m) with the increase from 31 December 2020 reflecting the refinancing of the revolving credit facility during 2021.

The Group maintains a range of facilities to manage its working capital and financing requirements. At 31 December 2021 the Group had facilities totalling £55.5m (2020: £57.3m).

	2021 £m	2020 £m
UK facilities		
Overdrafts	**10.0**	10.0
Revolving credit facility	**15.0**	15.0
Invoice financing facility	**10.0**	10.0
Total UK facilities	**35.0**	35.0
Continental Europe facilities	**11.8**	12.9
Asia Pacific facilities	**2.4**	3.2
Americas facilities	**6.3**	6.2
	55.5	57.3
Undrawn facilities (excluding invoice financing)	**12.9**	17.6

In March 2021 the Group refinanced its £15m revolving credit facility at the same level for a term of 2.5 years expiring in September 2023. The renewal included an ongoing relaxation of covenants, first agreed during 2020, until March 2022. These covenants are tested on a quarterly basis and have been met throughout the period, even if measured against the covenants that will apply from March 2022. The covenants, and our performance against them as at 31 December 2021, are as follows:

Covenant	Target (31 Dec 2021)	Target (From 31 March 2022)	Actual
Net debt: EBITDA	<3.5 times	<3.0 times	1.3
Interest cover	>3.0 times	>4.0 times	15.7
Debtor coverage	>1.5 times	>1.75 times	3.5

Management equity

As highlighted in previous annual reports, 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 2021, and using applicable valuation mechanisms in shareholders' agreements but ignoring any holding period requirements, the payment to acquire all those second generation shares not held by the Group would be approximately £0.4m were the maximum valuation multiples to apply. First generation shares are accounted for as non-controlling interests in the consolidated financial statements. Based on results for the year ended 31 December 2021 and using applicable valuation mechanisms in shareholders' agreements where these exist, or equivalent valuation mechanisms where they do not, the payment to acquire all those first generation shares not held by the Group would be approximately £8.7m.

There is no legal obligation on the Group to acquire the shares held by management at any time. Further information on the management equity scheme is provided in note 27.

During the year the Group acquired shares from management for total consideration of less than £0.1m. Further details are provided in note 6.

Dividend

During the year, the Group paid a dividend of 1.0p per share in respect of the year ended 31 December 2020. For the year ended 31 December 2021, the Board is proposing a dividend of 1.2p per share, an increase of 20%. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 8 June 2022 to shareholders on the register on 13 May 2022.

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. Further details on going concern are found in note 1.

Tim Anderson
Chief Financial Officer
16 March 2022

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 that 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.

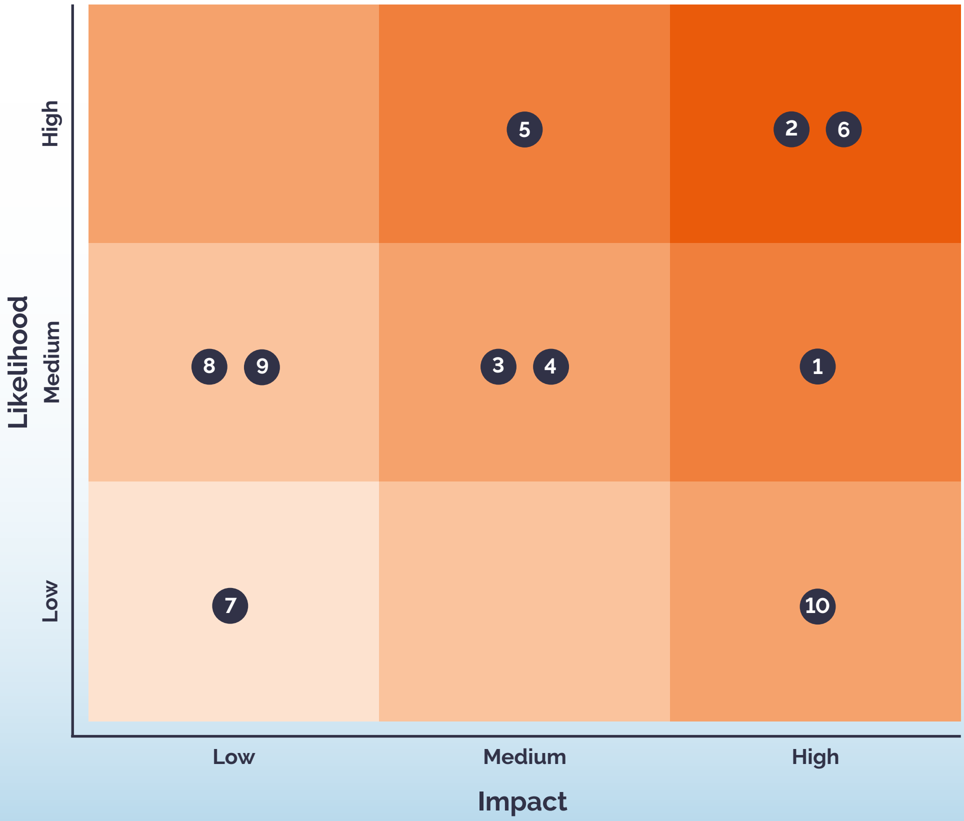
The risk management process identified a number of risks across the Group, as detailed in the chart below. The principal risks that are most likely to affect business operations, and hence the financial results and delivery of strategy, are explained in more detail in the following pages.

Impact of COVID-19

COVID-19 has continued to have a significant influence on the Group in 2021 as discussed in more detail in the strategic report. In managing risks the Group has continued to follow 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. In 2021, we have been successful in operating effectively despite ongoing restrictions, lockdowns and waves of COVID-19 which has lessened the adverse impact on the Group, particularly from an economic perspective. The impact on the Group's 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.	In the UK, IR35 became applicable to the private sector in April 2021 having been delayed from April 2020. The long lead time meant that our teams, candidates and clients were well prepared for the change. IR35 did result in some disruption and adverse impact, but we were able to limit this while also creating opportunities for us to benefit. IR35 is now fully embedded in our business-as-usual processes with no significant ongoing impact expected. The fallout from Brexit continues to create some uncertainty and potential impacts on some of our UK operations, particularly those making placements cross-border into Europe or where we have clients in the financial services sector. Any impact is currently limited but risks remain as the ongoing relationship with the European Union continues to develop. In Germany, a new coalition government is in place. The coalition agreement acknowledges the significance of temporary work to the German economy and does not indicate a significant increase in risk for staffing businesses. The coalition does plan to significantly increase the minimum wage and we are working with clients to manage the impact of this. It is too early to know how the developing situation in Ukraine and Russia will affect global economies. The Group is not experiencing any significant direct impact at present as we do not have operations in either country. –	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. We are experts in our markets, which helps us to respond effectively to changes in legislation, as well as making it easier to attract candidates because of our reputation and knowledge. Our business model, with diversification across sectors and geographies, helps us to mitigate the negative impacts from political and social changes.
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.	Following a significant downturn in global economies in 2020, 2021 has seen significant recovery with GDP in many economies now back at pre-COVID levels. Global GDP forecasts for 2022 are positive although longer term expectations are more muted. Inflation is rising in many of our key markets, and economies may be impacted as spending patterns change and disposable income reduces. Skills and candidate shortages, combined with rising inflation, are driving wage inflation and are now key factors in many of our markets. These create both challenges and opportunities which we are well placed to address. –	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 geographies. • 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.

Risks and uncertainties continued

Risk	Change in risk profile	How we mitigate the risk
3 **Loss of key staff** The Group's success relies on recruiting and retaining key staff. 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.	The appointment of regional leaders during 2021 has created greater stability and a more agile and stronger structure. It improves the opportunity for career growth and reduces the risks when an individual operational leader leaves the Group. There have been limited changes to key operational management during the year and we have seen some success in promoting from within the Group.	Regional management structure creates career paths within the Group, improving retention and giving us greater ability to adapt if operational leaders leave. Incentive plans are aligned with the Group's objectives with long-term incentives in place for senior leadership.
4 **Investments poorly executed** 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. 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.	The Group has undertaken no significant external investments in 2021. We are investing in implementing Bullhorn and associated technology as a common front-office platform across our Group. This will help improve the Group's competitiveness and is expected to deliver significant benefits. A further nine locations went live in 2021, and we now have around half the operations in the Group on Bullhorn and we are starting to see the benefits in those businesses.	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. 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, operation by operation, but with a single Group-wide approach, to reduce implementation risks.

Risk	Change in risk profile	How we mitigate the risk
5 **Financial** The Group uses debt to fund the working capital requirements of the business. If the Group was unable to secure funding at required levels it could be unable to take advantage of opportunities for growth or in the worst case could be forced to dispose of parts of the business to repay debt. Any increase in interest rates will increase costs and so reduce the profit in the business. Operating from 19 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 Group successfully refinanced its revolving credit facility in March 2021 for a further 2.5 year period. A relaxation of covenants was agreed with our bankers in 2020 although the Group has remained compliant with the original covenants throughout. As the economy and trading recovered, bank covenants have started to return to normal levels and the Group continues to show significant levels of headroom against these. Although base rates remain low, these are forecast to increase through 2022, which, combined with the increases in lending margins in 2021, raises the cost of the Group's facilities for 2022. Sterling exchange rates remain volatile and foreign currency movements have had an adverse impact on the Group's reported revenue, profits and net assets 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 almost all 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 move to a single front-office system increases the potential impact from a cyber security or data breach, but increases the Group's ability to reduce the likelihood. The Group has engaged with a third-party data protection advisory service, including creation of a formal data protection officer role, which will help us to improve the identification and reduction of any exposures. ^	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 continue to invest in ensuring our cyber security measures and policies keep pace and reflect the changes in the Group. The Group operates in, or places candidates in, a large number of jurisdictions, each with their own data protection requirements. Group data protection policies create a high minimum level of compliance with individual operations required to enhance these for any specific local requirements. The Group engages with a third party data protection officer service to help ensure and monitor compliance.

Engaging with our stakeholders

Stakeholder	How we engage
Our employees	Retaining, upskilling and engaging our talent is key to the success of our business. In 2021 we launched training and talent development programmes aimed at nurturing the future leaders across the business. Ensuring the health, safety, and wellbeing of our employees remains our number one priority. As the pandemic continued to disrupt working patterns for a second year, it was increasingly important for us to foster meaningful engagement across our teams. We drove global collaboration, via our internal communications tool through: • networking, health and wellbeing events • training events • sharing of cultural events Diverse teams drive successful business results, and we are proud of the diversity we have at Empresaria. In 2021 we launched our DE&I Committee following the results of our first DE&I survey. Further details are provided on page 35.
Our candidates	We understand that changing jobs can be a daunting experience, so our aim is to create a positive experience for those who trust us with their job search. Regular communication and engagement are critical and we engage with our candidates in a number of ways: through direct contact from our consultants; through our brand websites; through community engagement; and through our technology portals. By building strong relationships we go beyond a transactional relationship to become a long-term career partner.
Our clients	We have worked in partnership with our clients throughout 2021 to identify and deliver to their requirements and work with them to ensure the safety of our candidates. By putting the client at the heart of everything we do, we strive to build deep, long-term relationships. Our success is built on the success of our clients, and we can only achieve this by acting as a partner and trusted adviser. With our new regional structure, we have been able to further develop our service offering to meet our clients' shifting demands, as they come to terms with the requirements of the future of work.
Our communities	Across the Group our operations and their teams work with a number of local communities and charities to positively impact the lives of those who need support. Each business targets specific organisations that reflect the needs of those communities. Further details are provided on page 35.
Our shareholders	We 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 our financial PR adviser. The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss and obtain their views, present to the wider investor community using the Investor Meet Company platform and communicate regularly during the year. The annual and interim presentations made to investors and interviews with the Executive Directors are all made available on the Company's website. 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.

Environmental impact

Our industry typically has a low environmental impact, however the Group is committed to minimising this as much as possible. Our 2021 initiatives included: 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 as far as is practical.

In addition we had a number of locally based activities in 2021:

- **In the UK** we were pleased to become corporate members of the Royal Botanic Gardens, Kew whose mission is to understand and protect plants and fungi for the well-being of people and the future of all life on Earth.
- **In China** our teams participated in a tree-planting event contributing to the social responsibility of environmental protection.

Contributing to communities

Our purpose of positively impacting the lives of people extends beyond our recruitment activity and we are committed to having a positive impact on the communities in which we operate. Our teams are regularly involved in activities that provide help, support or money to good causes in their local communities. Examples of activity across the Group in 2021 include:

- **In the UK** we took part in a walking challenge in January and February and held a bake sale to raise funds for Cancer Research UK.
- **In Finland** we contributed to the wellbeing of hospital and clinic workers by hosting free coaching sessions for healthcare professionals nationwide.
- **In Germany** we made donations to youth sports and sports institutions.
- **In India** we supported a number of causes through our People Possible Foundation, including:
  - *Child Education:* Supporting the education of children in need through the NGO Making The Difference.
  - *Widow Empowerment:* An initiative along with The Loomba Foundation to skill and empower widows to earn a livelihood.
  - *Health and Wellness:* Covid Relief Support during the second wave of COVID-19. Ten oxygen cylinders, 100 ration kits, 400 immunity booster kits and 9,000 meals donated.
- **In Thailand** we supported the Gift of Happiness Foundation which promotes equal access to education, entertainment, resources, and opportunities for all children in Thailand.

Diversity, Equality and Inclusion

At Empresaria we strive for an inclusive culture, where all employees are treated equally and offered the same, fair opportunities. We believe that global diversity is the key to realising our purpose of positively impacting the lives of people, while delivering exceptional talent to our clients.

Like many organisations we are on a journey to bring this to life, and in 2021 we laid the foundations to make it happen. Our first DE&I survey was completed in 2021 with good participation of 75% across the Group. This survey will now be repeated on an annual basis to identify year-on-year trends and to track the impact of our actions on the results.

We have established a DE&I committee with participation from across the globe. The initial focus for the committee is to establish a common vision and policy for the Group. They are also responsible for proposing solutions and actions to address concerns highlighted in the survey and identifying and sharing best practice from across the Group.

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 30 to 33;
- the interests of the Group's employees: See engaging with our stakeholders on page 34;
- the need to foster the Company's business relationships with suppliers, customers and others: See engaging with our stakeholders on page 34;
- the impact of the Company's operations on the community and environment: See engaging with our stakeholders on pages 34 and 35;
- the desirability of the Company maintaining a reputation for high standards of business conduct: See engaging with our stakeholders on page 34 and corporate governance statement on page 42; and
- the need to act fairly between members of the Company: See engaging with our stakeholders on page 34 and the corporate governance statement on page 41.

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

- implementation of a regional management structure and hiring three regional leaders: See Chief Executive's Q&A on page 12;
- establishment of a diversity, equality and inclusion (DE&I) committee following the results of the Group's first DE&I survey: See Chief Executives Q&A on page 14 and engaging with our stakeholders on page 35;
- returning to hiring and growth plans: See Chief Executive's Q&A on page 14; and
- continuation of and level of the Group's share buy-back programme: See Directors' remuneration report on page 48.

Introduction to corporate governance

"The Board is responsible for setting the values and culture across the Group, where the interests of all stakeholders are central to the Board's decisions."

Tony Martin
Chair

I am pleased to present an update on Corporate Governance for the year ended 31 December 2021. The Board has continued to review and adapt the strategic goals for the Group in response to changing conditions. While the impacts of the pandemic persisted through the year, most notably with the return of lockdowns towards the end of the year, the Group successfully pivoted from recovery mode into growth mode. Our recovery and growth was achieved through the dedicated efforts of all our staff around the globe. They have once again responded magnificently throughout the year, ensuring that the Group makes the most of the return in confidence in many of our markets. The Board remain exceptionally grateful for their dedication and achievements. It remains a key priority that our staff are able to work safely and that we support them in achieving their goals. Our continued strategic investment in both technology and in key people will help support not only our staff, but also our candidates and clients, and which in turn will help us deliver on our strategic goals. It is also important that we support our staff by reflecting on the Group's purpose, values and culture and ensuring that the Board sets the example to drive best practices.

Introduction

The primary responsibility of the Chair is to lead the Board effectively and this includes overseeing the adoption, delivery and communication of the Company's corporate governance model. The Board as a whole develops and determines the Group's purpose, strategy and overall commercial objectives. The Board ensures that the Group adopts policies and procedures that it considers appropriate with regard to the Group's size and activities.

The Board is committed to ensuring that a strong governance framework operates throughout the Group, recognising that good corporate governance is a vital component to support management in their delivery of the Group's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The Board recognises that the process of identifying, developing and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Group and its business, the composition of the Board and developments in corporate governance.

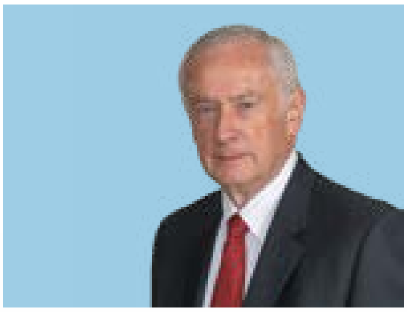
The QCA Code

The Board considers that the QCA Corporate Governance Code 2018 is most appropriate to the size of the Company, the regulatory framework that applies to AIM companies and is best aligned to the expectations of the Company's stakeholders. The Board considers that the Company does not depart from any of the principles of the QCA Code and the relevant disclosures and explanations are set out in this corporate governance statement.

The QCA's ten principles of corporate governance

QCA principles	Compliant	Further reading
Deliver growth		
1. Establish a strategy and business model which promote long-term value for shareholders.	✓	For more information: **See pages 10 to 11 and 15**
2. Seek to understand and meet shareholder needs and expectations.	✓	For more information: **See pages 34 and 41**
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	✓	For more information: **See pages 34 to 35 and 41**
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	✓	For more information: **See pages 30 to 33**
Maintain a dynamic management framework		
5. Maintain the board as a well-functioning, balanced team led by the chair.	✓	For more information: **See pages 36 to 43**
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	✓	For more information: **See pages 36 to 43**
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	✓	For more information: **See page 42**
8. Promote a corporate culture that is based on ethical values and behaviours.	✓	For more information: **See pages 2, 10, 11, 34, 35 and 42**
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	✓	For more information: **See pages 30 to 33 and 35**
Build trust		
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	✓	For more information: **See pages 34 and 41**

Board of Directors and Secretary



Tony Martin
Chair

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 in 2020 was recognised in the Staffing 100 Europe Hall of Fame. In 2021, Tony was appointed as an Honorary Associate of the Royal College of Veterinary Surgeons, for services to Animal Welfare.

Other key external appointments:
None

Zach Miles
Non-Executive Director
A R N

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. until his retirement in September 2008. 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

Penny Freer
Non-Executive Director
A R N

Appointed: December 2005

Skills and experience:
Penny has worked in investment banking for over 25 years. 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. Penny is Chairman of APV Ventures LLP and holds various other board appointments.

Other key external appointments:
Senior Independent Director of Advanced Medical Solutions Group plc, Chairman of Crown Place VCT plc and Chairman 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 six 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 and 2021 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 20 years' post qualified experience working for listed and private equity backed businesses across a number of sectors. Tim joined Empresaria in 2018 from 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 over 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
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee

Corporate governance statement

The role and functioning of the Board

The Board is comprised of a Non-Executive Chair, two Executive Directors and two Non-Executive Directors. The Directors have a balance and depth of skills and experience, together with long-standing knowledge of the Group, which enables them to discharge their respective duties and responsibilities effectively.

The Board is collectively responsible for the long-term success of the Company. The Group's strategy, business model and annual budget are developed by the Chief Executive Officer and the senior management team, and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level. This strategy and business model, designed to promote long-term value for shareholders, is described in the strategic report on pages 2 to 35 and on the Company's website.

The Company is controlled through the Board, which has established Committees for Audit, Remuneration and Nominations, to which it delegates clearly defined powers. The terms of reference for the Committees are reviewed annually. During the year, the terms of reference for all the Committees were reviewed and the Board was satisfied they remain fit for purpose. Each Committee's terms of reference can be found on the Company's website.

There is a formal schedule of matters reserved for consideration by the Board, which includes responsibility for the following:

- approval of overall strategy and objectives;
- approval of the annual budget and monitoring progress towards its achievement;
- changes to capital structure;
- changes to principal activities;
- review and approval of annual financial statements;
- changes to the senior management structure;
- approval of related party transactions;
- approval of financing arrangements and treasury policy;
- approval of material investments and disposals; and
- approval of material unbudgeted expenditure.

These reserved matters are reviewed by the Board, at least annually, to ensure they remain appropriate and complete. In tandem, the Board also reviews an approved schedule of operational matters, which are delegated to management of the operating subsidiaries. During the year, the Board considered and adopted updates to the delegated authority.

The annual minimum time commitment is 25 days for the Chair and 20 days for other Non-Executive Directors. The Executive Directors are full-time employees.

During the year, there was 100% eligible attendance at all meetings of the Board and Committees. The following table shows the number of meetings held during the year, the attendance of each Director and their full years in office as at the forthcoming 2022 AGM:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Tenure
Tony Martin (Chair)	9/9	–	–	–	17 years
Rhona Driggs (Chief Executive Officer)	9/9	–	–	–	3 years
Tim Anderson (Chief Financial Officer)	9/9	–	–	–	4 years
Penny Freer (Non-Executive Director)	9/9	5/5	3/3	1/1	16 years
Zach Miles (Non-Executive Director)	9/9	5/5	3/3	1/1	13 years

Prior to the beginning of each year, Board and Committee meetings are scheduled in line with the key financial reporting dates. A document pack, comprising a full agenda and documents to be tabled, is distributed to all relevant Directors a week prior to each meeting. Any specific actions arising during meetings are agreed by the Board or Committee and a follow-up procedure monitors their completion. Monthly financial and operational reviews are distributed to the Board, irrespective of whether a scheduled meeting is to take place. This assists the Board to keep informed of developments on a regular basis.

All Directors are invited to submit items for discussion for each meeting agenda and time is also allocated at each meeting to discuss any other business, which all Directors are invited by the Chair to raise. All Non-Executive Directors participate in strategy development and decisions required to implement actions to progress towards meeting the Group's objectives.

The Chair is responsible for the effective running of the Board and for ensuring that all Directors play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer's primary role is to deal with the running of the Group's business and executive management of the Group. There is a clear division of responsibilities between the Chair and Chief Executive Officer, with no one individual having unfettered powers of decision. The Company Secretary, a solicitor since 2001, advises the Board and reports directly to the Chair on Corporate Governance matters, supports the Chair in the effective functioning of the Board and its Committees and facilitates the receipt by the Board of quality information in a timely matter. He also heads up the Group's in-house legal team and advises the Board on legal and governance matters, helping to make sure that Board procedures and applicable rules and regulations are observed.

The Directors are also able to take independent professional advice in the furtherance of their duties as necessary.

Engagement with shareholders

The Board seeks to engage with shareholders to maintain a mutual understanding of objectives between them and the Company and to manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors. We will again be holding our AGM digitally, providing all shareholders with a facility to attend, vote and submit questions regardless of any then prevailing travel or meeting restrictions. Shareholders and potential investors are invited to ask questions at any time by emailing companysec@empresaria.com or via the Company's financial PR by emailing empresaria@almapr.co.uk. In line with our commitment to maintaining effective communication structures for all sections of our shareholder base, the Executive Directors delivered online presentations to investors (both existing and potential shareholders), via the Investor Meet Company platform to deliver our preliminary results presentation in March 2021 and our interim results presentation in August 2021. This platform allows for questions to be submitted both before and during the live presentation. The annual and interim presentations made to investors, interviews with the Executive Directors and a description of the Company's investment case, strategic objectives and business model are all made available on the Company's website. 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.

Stakeholders and social responsibilities

The Group's business model relies on developing and maintaining strong relationships with our employees, candidates/temporary workers, clients and regulatory authorities. The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business. Stakeholder engagement and feedback is taken seriously throughout the Group. Regular communication is made with all the Group companies and employees. The Group places considerable value on the involvement of our employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, information available on the Company's website and Workplace from Meta ('Workplace'). The events of the past two years highlighted how critical alternative methods of communications are, with employees and other stakeholders working from home and the cessation of business travel bringing an immediate and lengthy halt to physical meetings. The Group uses social media to engage directly with stakeholders through various channels, including Facebook, Workplace, Twitter and LinkedIn. The Group also engages with regulators and government agencies, for example in response to consultations or proposals, both directly and through membership of worldwide trade associations.

Risk management

Risk management remains the responsibility of the Board. The Audit Committee has delegated responsibility to keep under review the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management system. Risk management is reviewed at Board meetings as part of the formal Board process. The Board has identified and evaluated the significant risks faced by the Group for the delivery of the Group's strategy. The Board has agreed how each risk is to be addressed and the necessary actions to be taken. Details of the principal risks identified are set out on pages 30 to 33. The Audit Committee meets specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and progress of actions taken to manage the risks. Following the review, progress and actions are reported to the Board.

Experience, skills and capabilities

Biographical details of each of the Company's officers, detailing relevant experience, skills and capabilities, can be found on pages 38 to 39. The Nomination Committee meets at least once a year to monitor and review the structure, size and composition of the Board. It considers succession planning and makes recommendations to the Board for any appointments, to ensure that the right skills and expertise are maintained by the Company for effective management. All members of the Board participate in the recruitment of members to the Board. The Directors determine the training requirements appropriate to their role and the needs of the Group. Directors attend relevant industry conferences and workshops throughout the year. The members of the Committees refresh their skills and knowledge by attending briefings and seminars and reviewing publications provided by various professional services firms and by audit and other regulatory bodies.

Corporate governance statement continued

Board performance

Formal Executive Director performance evaluations are conducted annually in preparation for the review and approval of annual remuneration packages. Each Non-Executive Director's performance is evaluated as an outcome of the formal performance evaluations of the Committee(s) of which they are a member. Performance evaluations identify and record achievements, training requirements and areas for improvement in relation to annual objectives and performance of their respective roles, in order to consider effectiveness. Objectives for the forthcoming year are defined along with identification of how achievements will be met, target dates and details of resource constraints or issues to ensure that actions are planned and taken as a result of the evaluation process.

Promotion of corporate culture

The Company actively promotes integrity in its dealings with our employees, candidates/temporary workers, shareholders, clients and suppliers, and the authorities of the countries in which our subsidiaries operate. The Board recognises that the reputations of our Group companies are valuable assets gained over a long period and must be protected. The Group has a number of policies, including those for dealing with bribery, gifts, hospitality, corruption, fraud, tax evasion, modern slavery and inside information. The Board requires that all Group companies and employees adhere to the Empresaria Code of Conduct.

All employees must comply with the laws and regulations of the countries in which they operate and those responsible for the management of each operating subsidiary confirm to the Board annually their compliance with these and with the Group's policies and Code of Conduct. The Group's whistleblowing policy is publicised to all employees and an established anonymous whistleblowing system is in place. There are a number of methods by which employees may ask questions of and provide feedback directly to members of the Company's senior management and the Board.

Our operating subsidiaries are required to ensure that advertising and public communications avoid untruths or overstatements. They are also expected to build relationships with suppliers based on mutual trust and endeavour to pay suppliers on time and in accordance with agreed terms of business.

We have launched a diversity, equality and inclusion initiative for the Group, including the appointment of a DE&I committee with a wide remit to help us shape the Group's approach to this critical area and we look forward to providing further updates on this in due course.

Independence

The independence of all Non-Executive Directors is reviewed annually, with reference to their independence of character and judgement and whether any circumstances or relationships exist that could affect their judgement. As a significant shareholder in the Company, the Chair is not considered to be independent. The independence of Penny Freer and Zach Miles is considered frequently by the Board, in particular having regard to their periods of tenure. The Board assesses what would be the most desirable number of Non-Executive Directors for the Board, having regard to the size of the Group, the scope of its operations and the efficient functioning of the Board. The Board looks at the manner in which the component parts of the Board function together, the skills and external experiences of the Non-Executive Directors, their involvement and insight in Board and Committee meetings and their ability to objectively challenge management. Having regard to all such considerations, the Board is of the view that Penny Freer and Zach Miles remain independent, notwithstanding their periods of tenure. The Board believes the Company would benefit from the additional experience and capacity of a further Non-Executive Director and a search has commenced to identify a suitable appointee.

In accordance with the Companies Act 2006 and the Company's Articles of Association, each of the Directors has a duty to avoid a situation where they have, or might have, a direct or indirect interest that conflicts, or potentially may conflict, with the Company's interests. The Company has established procedures for the disclosure by Directors of any such conflicts for the Board to consider and, if appropriate, authorise. If such a conflict exists, the relevant Director is excused from consideration of the relevant matter. All additional external responsibilities taken on by Directors during the year were considered by the Board for any actual or potential conflicts that may arise. The Board is satisfied that the independence of the Directors who have additional external responsibilities is not compromised.

Section 172 statement:
See page 35

Governance structure

Board of Directors

Audit Committee	Nomination Committee	Remuneration Committee
Audit Committee report: **See pages 44 to 45**	Nomination Committee report: **See page 46**	Directors' remuneration report: **See pages 47 to 49**

Board of Directors

Chair:	Tony Martin
Executive:	Rhona Driggs, Tim Anderson
Non-Executive:	Penny Freer, Zach Miles
Secretary:	James Chapman

Responsible for protecting and advancing stakeholders' interests, providing overall direction for the Group and maintaining a framework of delegated authorities and controls.

Audit Committee

Zach Miles	(Chair)
Penny Freer	

Monitors and reviews the integrity of financial statements, oversees the relationship with the external auditor and has oversight for internal control and risk.

Nomination Committee

Penny Freer	(Chair)
Zach Miles	

Monitors and reviews the structure, size and composition of the Board and considers succession planning, to ensure the right skills and expertise, independence and diversity are maintained for effective management.

Remuneration Committee

Penny Freer	(Chair)
Zach Miles	

Considers and sets remuneration policy for the Board and monitors the level and structure of remuneration and incentive schemes for senior management.

Audit Committee report

"Our key focus areas during the year included internal controls, cyber security and the operational impact of COVID-19."

The independent Non-Executive Directors who served on the Committee during the year are:

	Date of appointment to the Committee	Qualification
Zach Miles (Chair)	1 October 2008	Chartered accountant
Penny Freer	2 November 2010	–

Role and composition of the Audit Committee

The Audit Committee has responsibility, on behalf of the Board, to monitor the integrity of the financial statements of the Company, review the adequacy of internal control and risk management systems and oversee the relationship with the external auditor. The Committee makes recommendations to the Board that it deems appropriate, on any area within its remit, including where action or improvement is needed. The terms of reference for the Committee can be found on the Company's website.

The Committee's activities are primarily scheduled around the key events in the Company's annual financial reporting cycle. In addition to financial reporting, the Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across the Group's non-financial reporting and internal control procedures. While the Committee's core duties were unchanged during the year, there was particular focus on improving internal controls and accountability across the Group.

The Committee is appointed by the Board from the independent Non-Executive Directors of the Company, with a minimum requirement of two such Directors, one of whom should be a financially qualified member. Zach Miles is a qualified accountant, and the Board considers him to have relevant financial experience that befits his role as Chair of the Committee. Appointments are for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee. The Board considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

Meetings

The Committee is required to meet formally twice per year. During 2021, the Committee held five formal meetings, which were scheduled around the Company's financial reporting timetable. The Committee invites the Chief Financial Officer and senior representatives of the external auditor to attend all of its meetings, although it reserves the right to request any of these individuals to withdraw from the meeting. A meeting is scheduled annually for the external auditor to meet with the Committee without management present, and the external auditor and the Committee can request additional such meetings at any other time.

Audit Committee activity

Financial and business reporting

During the year, the Committee reviewed the 2020 financial statements, the 2021 interim statement (unaudited), carried out a going concern review and conducted a competitive audit tender process resulting in the successful change of Group auditor.

Reviews of the financial statements included the accounting policies, significant financial reporting issues and key judgements and estimates underpinning the financial statements, including:

- going concern;
- carrying value of goodwill and other intangible assets;
- appropriateness of provision balances;
- tax accounting, including deferred tax; and
- IFRS 16 Leases.

For the going concern review, the Committee examined the assumptions supporting the Group's profit and cash flow forecasts and the sensitivities applied to those forecasts, the banking facilities available and the assessment of the Group's covenant compliance based on the forecasts. Details of the matters reviewed are included in notes 1, 3, 14 and 15 to the consolidated financial statements.

For the areas discussed, the Committee was satisfied with the assumptions made and the accounting treatments adopted.

Risk management and internal control

Risk management is the responsibility of the Board. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the strategic report on pages 30 to 33. The Committee keeps under review the adequacy and effectiveness of the Company's internal controls and risk management systems. During the year, the Committee's focus on risk control included COVID related issues as the brands pivoted towards a return to growth, and on cyber security and data protection issues as the rollout of technology around the Group gathered pace and increased scale.

Due to the size of the Group, and the costs involved, the Committee continues to recommend to the Board that there is no requirement for a separate internal audit function. A summary of the internal controls for Group companies is presented to the Committee, including updates on the resolution of any control weaknesses identified. The internal controls are reviewed by the Group finance function.

Every year the Committee reviews the Group's risk framework reports, to be presented to and discussed by the Board.

The Group's whistleblowing policy contains arrangements for the Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters.

All employees have access via Workplace to the Group's mandatory Code of Conduct, which sets out the minimum expected behaviours for all employees, and the specific Group policies which are applicable throughout the Group. The Code of Conduct and Group policies are under continual review and several were updated or introduced during the year.

External audit

The Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The terms of reference assign responsibility to the Committee for overseeing the relationship with the external auditor. During 2021, the Committee managed the relationship with the external auditor, oversaw the negotiation and agreement of their fees and reviewed and monitored their independence and objectivity and the effectiveness of the audit process. The Group's policy on non-audit related services prescribes the types of engagements for which the external auditor can be used and those engagements which are prohibited. For engagement for services which are non-recurring in nature, prior approval must be sought from the Committee. Note 7 includes disclosure of the auditor's remuneration for the year, including an analysis of audit services and audit related services under those headings prescribed by law. During 2021 the Committee conducted a competitive tender process, as a result of which, on the Committee's recommendation, Nexia Smith & Williamson Audit Limited were appointed as the Company's auditor for the 2021 financial year. A resolution to reappoint Nexia Smith & Williamson Audit Limited will be proposed at the forthcoming AGM.

Assessment of the Audit Committee

Following completion of the 2021 audit processes, the Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its terms of reference, including:

- presentation of risk register by the Chief Financial Officer;
- review and implementation of risk management processes by subsidiaries;
- ongoing, regular reviews of internal controls; and
- monitoring developments in corporate governance and compliance.

The Board concluded that the Committee has acted in accordance with its terms of reference and had ensured the independence and objectivity of the external auditor.

If there are any questions about the work of the Committee, you are welcome to send them to companysec@empresaria.com.

On behalf of the Audit Committee

Zach Miles
Chair of the Audit Committee
16 March 2022

Nomination Committee report

"The Group is already seeing benefits from the significant investment in its senior leadership team."

The independent Non-Executive Directors who served on the Committee during the year are:

	Date of appointment to the Committee
Penny Freer (Chair)	5 November 2013
Zach Miles	5 November 2013

Role and composition of the Nomination Committee

The Nomination Committee has responsibility, on behalf of the Board, to keep under review the structure, size and composition of the Board and the leadership needs of the Group. The terms of reference for the Committee can be found on the Company's website. The Committee is required to report to the Board on its proceedings and make recommendations it deems appropriate, on any area within its remit, including where action or improvement is needed.

The Committee is appointed by the Board from the Non-Executive Directors, with a minimum requirement of two such Directors. Appointments to the Committee are made by the Board and are for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

Activities of the Nomination Committee

The Committee is required to meet formally once per year. During 2021, the Committee was involved in several changes to the composition of the senior leadership team, overseeing three new senior regional appointments.

The Committee reviewed the composition of the Board and the Committees during the year. In making recommendations to the Board, the Committee gives due regard to the benefits of diversity in the boardroom. Different ideas, perspectives and backgrounds create a stronger and more effective work environment, which in turn delivers competitive advantage and better results. 40% of the Board and 50% of its Committees are female. Diversity of skills, backgrounds, knowledge and gender are taken into consideration when making new appointments to the Board and its Committees. The Committee was delighted to note the launch of the Group's diversity, equality and inclusion initiative during the year. We look forward to reviewing the results and recommendations of our new DE&I committee and providing any support needed to help shape the Group's approach to this critical area.

The Committee continues to consider the adequacy of the succession plan approved by the Board and keeps under review the minimum time commitments of the Chair of the Board and the Non-Executive Directors. The Committee is overseeing the Company's search for an additional Non-Executive Director (see page 42) and will update on this appointment in course.

If there are any questions about the work of the Committee, you are welcome to send them to companysec@empresaria.com.

On behalf of the Nomination Committee

Penny Freer
Chair of the Nomination Committee
16 March 2022

Directors' remuneration report

The information provided in this part of the Directors' remuneration report is not subject to audit.

Role and composition of the Remuneration Committee
The Remuneration Committee has responsibility, on behalf of the Board, for determining the policy for Directors' remuneration and setting the remuneration for the Chair of the Board, Non-Executive Directors, Executive Directors, Company Secretary and other senior management. The terms of reference for the Committee can be found on the Company's website.

The Committee is required to report to the Board on its proceedings and all matters within its duties and responsibilities.

The Committee is appointed by the Board from the independent Non-Executive Directors, with a minimum requirement of two such Directors. No Director is involved in any decisions as to their own remuneration.

The independent Non-Executive Directors who served on the Committee during the year were:

	Date of appointment to the Committee
Penny Freer (Chair)	13 December 2005
Zach Miles	1 October 2008

Meetings
The Committee is required to meet at such times as the Chair of the Committee shall require. During 2021, the Committee held three formal meetings and maintained an active dialogue throughout the year as the Company worked on embedding a new regional senior leadership structure and ensuring management incentive plans are aligned with the Group's objectives with long-term incentives in place for senior leadership. The Chair of the Board and Chief Financial Officer have been invited to attend meetings where appropriate.

Remuneration practices
The Committee recommended and monitored the level and structure of remuneration for senior management as well as monitoring remuneration trends across the Group. A review was carried out on the ongoing appropriateness and relevance of the remuneration policy.

The basic annual salary of the executive management team is reviewed annually by the Committee. The remuneration for the Non-Executive Directors is determined by the Board within the limits set by the Articles and is based on information on fees paid in similar companies and the skills, the expected time commitment of the individual concerned and their Board Committee activities, taking into account memberships and chairing the Committees. The fees are reviewed each year as part of the annual budgeting process.

During the year, the Committee continued to work with the executive management team to embed the new remuneration structures for the Group's brand leaders. These structures better align the interests of the brand leaders with those of the Group as a whole and with the long-term interests of our shareholders and other stakeholders.

The Committee engaged with an external remuneration adviser to help benchmark the remuneration of the Board. As a result of this work, with effect from 2022, the fees for the Chair of the Board and Non-Executive Directors are set according to their roles and duties as Chair of the Board and members and Chairs of the Committees, with no additional fees payable for work carried out in excess of their minimum time commitments. The remuneration of the Executive Directors was also benchmarked for 2022.

Linking remuneration policy to business objectives
Executive remuneration packages must be competitive and are designed to attract, retain and motivate the executive management, while aligning rewards with the business objectives and performance of the Group and the long-term interests of shareholders.

It is the Company's policy for the largest proportion of the performance-related pay of the executive management team to be linked to key performance indicators of the Company. The Company's key objectives include developing sustainable growth in earnings and profits, through a combination of organic growth and investments, which should lead to an increase in distributions to shareholders and in the share price. In 2021, the key performance measures chosen linking executive remuneration to the achievement of these objectives were profits and earnings per share. The remainder of the executive performance-related pay is linked to the achievement of personal objectives, which are aligned with the Board's strategy to restructure our businesses into a more cohesive Group and the delivery of other initiatives aimed at raising productivity and delivering organic growth.

Directors' remuneration report continued

Directors' contracts and letters of appointment

It is the Company's policy that Executive Directors should have contracts with indefinite terms providing for a maximum of 12 months' notice. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of the basic remuneration package for the notice period.

The details of the Executive Directors' contracts are summarised as follows:

Director	Effective date of contract	Notice period
Rhona Driggs	8 November 2018	12 months
Tim Anderson	21 March 2018	6 months

Non-Executive Directors serve under letters of appointment, which either party can terminate on three months' written notice.

The Non-Executive Directors have no right to compensation on the termination of their appointments.

Long Term Incentive Plan ('LTIP')

The Committee has responsibility for supervising the Company's LTIP and making awards ('Awards') under its terms. Awards are made in the form of nil-cost options over Ordinary Shares, primarily to the Company's executive management team. The maximum value of Ordinary Shares that could be awarded in a year is 175% of basic salary. The current policy is to review the final audited results of the Company prior to agreeing if Awards are to be made. Non-Executive Directors do not participate in the LTIP.

Performance targets are primarily growth in profitability, earnings per share and share price over the relevant (typically three-year) performance period. The Awards that were due to vest in March 2021 lapsed in full.

A summary of the vesting and lapsing of Awards over the past ten years is as follows:

Year of Award	Year of vesting	Awards	Awards vested	Percentage vested	Awards lapsed	Percentage lapsed
2013	2017	957,746	676,539	71%	281,207	29%
2014	2018	657,408	86,194	13%	571,214	87%
2016	2019	437,855	–	0%	437,855	100%
2017	2020	363,178	–	0%	363,178	100%
2018	2021	761,992	–	0%	761,992	100%
2020	2023	155,000	–	0%	155,000	100%

A summary of outstanding Awards (yet to vest or lapse) as at 31 December 2021 is as follows:

Year of Award	Year of vesting	Awards
2019	2022	911,578
2020	2023	1,808,159
2021	2024	1,088,889

In 2011 and 2013, the Company granted Awards to the then executive management team, which vested in respect of options over approximately 1.9 million Ordinary Shares. The Company commenced a share purchase plan in 2020 where the Company transfers purchased Ordinary Shares to the Company's Employee Benefit Trust with the intention that they be used to satisfy the exercise of options vested under the LTIP. The Board adopted a policy of satisfying the exercise of options during 2021 equally through the allotment of new Ordinary Shares and by transfer of Ordinary Shares from the Employee Benefit Trust. During 2021, the Committee worked with the Company Secretary to manage the exercise of these options, keeping the size of the Company's share purchases under review and helping to manage the sale of the Ordinary Shares by the former option-holders.

Aggregate Directors' remuneration (audited information)

The total amounts for Directors' remuneration are as follows:

	2022	2021					2020				
Name of Director	Salary & fees £000	**Salary & fees £000**	**Benefits -in-kind £000**	**Annual bonuses £000**	**Money purchase pension contributions £000**	**Total £000**	Salary & fees £000	Benefits -in-kind £000	Annual bonuses £000	Money purchase pension contributions £000	Total £000
Executive											
Rhona Driggs[1]	347	**304**	**18**	**91**	**–**	**413**	329	–	97	–	426
Tim Anderson	200	**165**	**5**	**51**	**17**	**238**	157	5	15	17	194
Non-Executive											
Tony Martin	75	**67**	**–**	**–**	**–**	**67**	64	–	–	–	64
Penny Freer	55	**43**	**–**	**–**	**–**	**43**	41	–	–	–	41
Zach Miles	55	**43**	**–**	**–**	**–**	**43**	41	–	–	–	41
						804					**766**

Notes:

1 2020 figures translated from USD to GBP at the rate of GBP 1 : USD 1.2837. 2021 and 2022 figures translated from USD to GBP at the rate of GBP 1 : USD 1.3757.

Long-term incentives (audited information)

Details of the Awards for the executive management team who served during the year are as follows:

Name of Officer	Year of Award	Awards as at 1 January 2021	Awards granted during 2021	Awards lapsed during 2021	Vested Awards (options granted)	Options exercised
Rhona Driggs	2018	227,108	–	227,108	–	–
	2019	261,233	–	–	–	–
	2020	932,401	–	–	–	–
	2021		**505,051**			
Tim Anderson	2018	168,605	–	168,605	–	–
	2019	205,000	–	–	–	–
	2020	500,000	–	–	–	–
	2021		**333,333**			
James Chapman	2018	133,721	–	133,721	–	–
	2019	162,586	–	–	–	–
	2020	375,758	–	–	–	–
	2021		**250,505**			

Shareholding guidelines

There are no requirements for Executive Directors or senior executives to hold shares in the Company.

Details of the shareholdings of Directors who served during the year are as follows:

	31 December 2021		**31 December 2020**	
	Number of Ordinary Shares	**Percentage holding**	Number of Ordinary Shares	Percentage holding
Rhona Driggs	**45,000**	**0.09%**	45,000	0.09%
Tim Anderson	**100,000**	**0.20%**	74,000	0.15%
Tony Martin	**13,924,595**	**27.93%**	13,924,595	28.41%
Penny Freer	**15,000**	**0.03%**	15,000	0.03%
Zach Miles	**–**	**–**	–	–
Total	**14,084,595**	**28.25%**	14,058,595	28.68%

No Director had any beneficial interest(s) in the share capital of any other Group company.

Assessment of the Remuneration Committee

The Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its terms of reference, including:

- engaging with external remuneration adviser to benchmark Board remuneration
- executive short and long term incentive plans reviewed and assessed considering current best practice, performance measures and the long-term strategic goals of the Group

If there are any questions about the work of the Committee, you are welcome to send them to companysec@empresaria.com.
This report was approved by the Board of Directors on 16 March 2022 and signed on its behalf by:

Penny Freer
Chair of the Remuneration Committee
16 March 2022

Directors' report

The Directors present their annual report on the affairs of Empresaria Group plc, together with the financial statements and auditor's report, for the year ended 31 December 2021. The strategic report set out on pages 2 to 35 and the corporate governance statement set out on pages 40 to 43 form part of this report.

Future developments

An indication of likely future developments in the business of the Group is included in the strategic report. There have not been any significant events since the balance sheet date.

Financial risk management

Information regarding financial risk management can be found in note 23 to the consolidated financial statements.

Dividends

For the year ended 31 December 2021 the Directors recommend a final dividend of 1.2p per Ordinary Share of 5p in the Company to be paid on 8 June 2022 to shareholders on the register on 13 May 2022. A dividend of 1p was paid for the year ended 31 December 2020.

Share capital structure

As at 31 December 2021, the Company's issued share capital was 49,853,001 Ordinary Shares with a nominal value of 5p per share; all of the issued share capital was in free issue and all issued shares are fully paid. The Company's Ordinary Shares are listed and admitted to trading on the AIM market operated by the London Stock Exchange plc. The holders of Ordinary Shares are entitled to receive the Company's Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. None of the Ordinary Shares carry any special rights with regards to control of the Company or distributions made by the Company. There are no known agreements relating to, or restrictions on, voting rights attached to the Ordinary Shares (other than the 48 hour cut-off for casting proxy votes prior to a general meeting). There are no restrictions on the transfer of shares, and there is no requirement to obtain approval for a share transfer. There are no known arrangements under which financial rights are held by a person other than the holder of the Ordinary Shares. There are no known limitations on the holding of Ordinary Shares.

Power of Directors

The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2021 AGM and at the 2022 AGM it will be proposed that the Directors be granted new authorities to allot and buy back shares.

Repurchase of shares

On 17 June 2020, the Company announced a share buyback programme to purchase up to £25,000 per month of its own shares ('Programme'). All of the shares purchased under the Programme are held as treasury shares until they are transferred to the Empresaria Employee Benefit Trust ('EBT'), with the intention that they will be used to satisfy the exercise of options vested under the Company's Long Term Incentive Plan.

During the year ended 31 December 2021, the Company purchased 432,438 of its own Ordinary Shares, at a net cost of £316,712, and transferred the 432,438 Ordinary Shares from treasury to the EBT, for nil consideration. As at 31 December 2021 the Company held no Ordinary Shares in treasury.

As at the date of this annual report, the Company has 49,853,001 Ordinary Shares in issue, none of which are held by the Company as treasury shares, and has an unexpired authority to purchase up to a further 2,198,462 shares. Details of the new authority being requested at the 2022 AGM will be contained in the circular to shareholders, which will be available on the Company's website. Details of the Ordinary Shares held by the EBT are set out in note 22 to the consolidated financial statements.

Directors and their shareholdings

Details of the Directors who held office during the year, and their shareholdings as at 31 December 2021, are set out in the Directors' remuneration report on page 49.

Directors' indemnities and insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Officers. The Company has also granted indemnities to each of its executive management team, being the Executive Directors and the Company Secretary, to the extent permitted by law. The qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006, were in force from 2 May 2021 and remain in force in relation to certain losses and liabilities which the relevant individual may incur to third parties in the course of acting as officers or employees of the Company or of any associated company. Neither the insurance nor the indemnities provide cover where the relevant individual has acted fraudulently or dishonestly.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2020: £nil).

Substantial shareholdings

As at 31 December 2021, the following interests in 3% or more of the issued Ordinary Share capital of the Company in the register maintained under section 113 of the Companies Act 2006 were identified:

Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
A V Martin (Director)	13,924,595	27.93%
H M van Heijst	6,450,000	12.94%
Close Brothers Asset Management	5,744,637	11.52%
Hof Hoorneman	4,835,511	9.70%
Beleggingsclub't Stockpaert	3,645,000	7.31%
The Ramsey Partnership Fund	2,441,000	4.90%
Allianz Global Investors	1,590,000	3.19%
Ophorst van Marwijk Kooy	1,550,000	3.11%

Disabled employees

Applications for employment by disabled persons are always fully considered, having regard to the particular aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. The Group supports disabled employees in all aspects of their training, career development and promotion.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is described further in the corporate governance statement (stakeholders and social responsibilities) and in the engaging with our stakeholders section on page 34.

Cautionary statement

The sole purpose and use of this annual report is to provide information to the shareholders of the Company, as a body, to assist them in exercising their governance rights. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This annual report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and nothing in this annual report should be construed as a profit forecast.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Following a competitive tender process, Nexia Smith & Williamson Audit Limited were appointed as the Company's independent auditor for the 2021 financial year. Nexia Smith & Williamson Audit Limited have expressed their willingness to continue as auditor for the 2022 financial year and a resolution will be proposed at the forthcoming AGM.

Annual General Meeting 2022 ('AGM')

The 2022 AGM will be held at 3:00 pm on Thursday 12 May 2022. The AGM will again be hosted on a digital platform, providing all shareholders with a facility to attend, vote and submit questions regardless of any then prevailing travel or meeting restrictions. Should any shareholders wish to attend the AGM in person, they should contact companysec@empresaria.com. Instructions are detailed in the Notice of AGM which is sent out at least 20 working days before the AGM and is also made available on our website.

How to vote

Voting via proxy will be the only method available for voting at the AGM. You are encouraged to submit your proxy vote online at www.signalshares.com as early as possible. Our registrar, Link Asset Services, must receive your online proxy appointment and voting instructions by 3:00 pm on Tuesday 10 May 2022 at the latest to ensure your vote is counted. Further instructions on how to vote shares are set out in the Notice of AGM.

Approved by the Board and signed on its behalf by:

James Chapman
General Counsel and Company Secretary
16 March 2022

Registered office:	Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex RH10 4HS
Registered number:	03743194

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and the AIM rules, and have chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 102 ('FRS 102'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group's financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement was approved by the Board on 16 March 2022 and is signed on its behalf by:

By order of the Board

Rhona Driggs
Chief Executive Officer
16 March 2022

Tim Anderson
Chief Financial Officer

Independent auditor's report
to the members of Empresaria Group plc

Opinion
We have audited the financial statements of Empresaria Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, Parent Company balance sheet, Parent Company statement of changes in equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit
Of the Group's 30 material reporting components, we subjected 17 to audits for Group reporting purposes and 2 to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The latter were not individually significant enough to require an audit for Group reporting purposes but were still material to the Group.

The components within the scope of our work covered 91.7% of Group revenue, 93.0% of Group profit before tax, and 89.5% of Group net assets.

For the remaining 11 material components and the remaining immaterial components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Due to travel restrictions, the Group audit team was unable to visit any of the significant international component teams in person. However, at both the planning and the completion stage, senior members of the Group audit team, including the Senior Statutory Auditor, participated in video and telephone conference meetings with local audit teams. At these calls and meetings, the Group audit team discussed the component auditors' risk assessments and planned audit approach. Once the audit work was completed, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. In addition to these planned calls and meetings, the Group audit team sent detailed instructions to the component audit teams and reviewed their audit working papers.

Key audit matters
We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Independent auditor’s report continued

Key audit matter	Description of risk	How the matter was addressed in the audit
Revenue recognition (Group)	As detailed in note 2, the Group’s revenue relates to permanent placement, temporary and contract placement, and offshore recruitment services with revenue from permanent placements recognised on the start date of the candidate placement and revenue from temporary and contract and offshore recruitment recognised on the basis of work performed by reference to approved timesheets and contracted rates. The key risk of fraud in relation to revenue recognition is attributed to cut off, specifically incorrect or missing accruals for un-invoiced or late timesheets for temporary and contract, and offshore recruitment services revenue, or delayed invoices/ credit notes for placements. This impacts whether all revenue and accrued revenue that should have been accounted for, and only such revenue, has in fact been accounted for in the year.	Our audit work included, but was not restricted to the following: • We reviewed the Group’s accounting policy for revenue recognition and assessed whether it was in line with International Financial Reporting Standards (‘IFRS’). • walkthrough design and implementation of controls over revenue recognition which have been designed by the Group to help prevent and detect fraud and errors in revenue recognition; • review of whether accounting for revenue is compliant with the financial reporting standards with regards to principal versus agent; • detailed testing of a sample of revenue transactions to contract terms, to ensure that revenue had been recognised in accordance with the Group’s accounting policies; • substantive cut-off testing to determine if revenue is recognised in the correct period, including reviewing credit notes issued post year end; and • completeness of clawback provisions, if necessary, around permanent placements.
Impairment of goodwill and other intangible assets (Group) and impairment of investments (Parent Company)	The Group has significant goodwill and other intangible asset balances and the Parent Company has significant investments in subsidiaries. Accounting standards require management to perform an impairment review annually to consider possible impairment in goodwill and consider whether there are any indicators of impairment impacting other intangible assets or investments. Management’s assessment of the carrying value requires judgement in assessing forecast future cash flows, growth rates and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these estimates.	Our audit work included, but was not restricted to, the following: • we challenged the assumptions used in the impairment model for goodwill, other intangible assets, investments in subsidiaries and amounts owed by Group undertakings; • assessed the appropriateness of the impairment review methodology, assumptions concerning growth rates and inputs to the discount rate against available market data with the assistance of experts; • compared previously forecast revenue growth rates and gross profit margins with those achieved in previous years; • compared current forecast revenue growth rates and gross profit margins with those achieved in previous years; and • review sensitivity analysis to calculate the minimum growth rates needed to avoid an asset impairment and compare them to those achieved in previous years.

Our application of materiality

The materiality for the Group financial statements as a whole ('Group FS materiality') was set at £559k. This has been determined with reference to the benchmark of the Group's profit before tax, which we consider to be one of the principal considerations for members of the Company in assessing the Group's performance. Group FS materiality represents 9% of the Group's profit before tax and 6.5% of the Group's adjusted profit before tax.

The materiality for the Parent Company financial statements as a whole ('Parent FS materiality') was set at £364k. This has been capped at performance materiality for the Group financial statements, calculated as explained below.

Performance materiality for the Group financial statements was set at £364k, being 65% of Group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds Group FS materiality. We judged this level to be appropriate based on our understanding of the Group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. The level of 65% was set to reflect that there are some areas of judgement and estimation in the financial statements.

Performance materiality for the Parent Company financial statements was set at £236k, being 65% of Parent FS materiality. The level of 65% was set to reflect that there are some areas of judgement and estimation in the financial statements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial years ending 2022 and 2023;
- considering historical trading performance by comparing recent growth rates of both revenue and operating profit across the Group's geographical and market segments;
- assessing the appropriateness of the assumptions concerning growth rates and macro-economic assumptions;
- comparing the forecast results to those actually achieved in the 2022 financial period so far;
- reviewing bank statements to monitor the cash position of the Group post year end, and obtaining an understanding of significant expected cash outflows (such as capital expenditure) in the forthcoming 12-month period;
- considering the Group's funding position and requirements;
- reviewing and challenging management's calculations suggesting the Group is able to comply with all loan facility covenants in the 12 months from approval of the financial statements; and
- considering the sensitivity of the assumptions and reassessing headroom after sensitivity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report and accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations; the Group's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Group's industry and regulations. We obtained this understanding for significant components through discussions with Group management, component management and component auditors.

We understand that the Group complies with the framework through:

- promoting corporate culture through the use of the Group's Code of Conduct, which all Group companies must adhere to;
- updating operating procedures, manuals and internal controls as legal and regulatory requirements change; and
- for significant components, the Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Group:

- The Companies Act 2006, IFRS (Group) and FRS 102 (Parent Company) in respect of preparation and presentation of the financial statements.
- AIM regulations and Market Abuse Regulations.
- Requirements from UK and overseas tax legislation (including IR35 and minimum wage).

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were the risk of manipulation of the financial statements through manual journal entries, incorrect recognition of revenue and accounting estimates such as impairment, expected credit loss and lease assumptions under IFRS 16. These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- testing a sample of revenue transactions to underlying documentation;
- testing a sample of manual journal entries, selected through applying specific risk assessments based on the Group's processes and controls surrounding manual journal entries; and
- challenging management regarding the assumptions used in the estimates identified above, and comparison to market data and post-year-end data as appropriate.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Nicholas Jacques
Senior Statutory Auditor,
for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY
United Kingdom
16 March 2022

Consolidated income statement
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Revenue	4	**258.4**	256.5
Cost of sales		**(198.9)**	(202.5)
Net fee income	4	**59.5**	54.0
Administrative costs (including £0.3m (2020: £0.6m) in respect of trade receivable impairment losses)		**(50.2)**	(47.8)
Adjusted operating profit	4	**9.3**	6.2
Exceptional items	5	**–**	(0.2)
Fair value charge on acquisition of non-controlling shares	6	**–**	(0.3)
Impairment of goodwill	14	**(0.9)**	(1.6)
Impairment of other intangible assets	15	**(0.3)**	(3.4)
Amortisation of intangible assets identified in business combinations	15	**(1.4)**	(1.7)
Operating profit/(loss)	4,7	**6.7**	(1.0)
Finance income	9	**0.3**	0.2
Finance costs	9	**(1.0)**	(1.2)
Net finance costs	9	**(0.7)**	(1.0)
Profit/(loss) before tax		**6.0**	(2.0)
Taxation	10	**(3.1)**	(1.2)
Profit/(loss) for the year		**2.9**	(3.2)
Attributable to:			
Owners of Empresaria Group plc		**2.3**	(3.1)
Non-controlling interests		**0.6**	(0.1)
		2.9	(3.2)

	Note	Pence	Pence
Earnings/(loss) per share			
Basic	12	**4.6**	(6.2)
Diluted	12	**4.5**	(6.2)

Details of adjusted earnings per share are shown in note 12.

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	2021 £m	2020 £m
Profit/(loss) for the year	**2.9**	(3.2)
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(1.7)**	0.4
Items that will not be reclassified to the income statement:		
Exchange differences on translation of non-controlling interests in foreign operations	**(0.6)**	(0.1)
Other comprehensive (loss)/income for the year	**(2.3)**	0.3
Total comprehensive income/(loss) for the year	**0.6**	(2.9)
Attributable to:		
Owners of Empresaria Group plc	**0.6**	(2.7)
Non-controlling interests	**–**	(0.2)
	0.6	(2.9)

Consolidated balance sheet
as at 31 December 2021

	Note	2021 £m	2020 £m
Non-current assets			
Property, plant and equipment	13	**1.6**	1.6
Right-of-use assets	24	**7.5**	9.0
Goodwill	14	**30.5**	32.5
Other intangible assets	15	**9.3**	10.5
Deferred tax assets	21	**3.4**	2.8
		52.3	56.4
Current assets			
Trade and other receivables	17	**50.5**	44.9
Cash and cash equivalents		**21.1**	20.8
		71.6	65.7
Total assets		**123.9**	122.1
Current liabilities			
Trade and other payables	18	**34.8**	33.4
Current tax liabilities		**1.9**	1.1
Borrowings	19	**23.2**	32.2
Lease liabilities	24	**4.6**	5.3
		64.5	72.0
Non-current liabilities			
Borrowings	19	**11.2**	1.2
Lease liabilities	24	**3.3**	4.1
Deferred tax liabilities	21	**2.6**	2.4
		17.1	7.7
Total liabilities		**81.6**	79.7
Net assets		**42.3**	42.4
Equity			
Share capital	22	**2.5**	2.4
Share premium account		**22.4**	22.4
Merger reserve		**0.9**	0.9
Retranslation reserve		**2.5**	4.2
Equity reserve		**(10.2)**	(10.2)
Other reserves		**(0.6)**	(0.6)
Retained earnings		**19.9**	18.1
Equity attributable to owners of Empresaria Group plc		**37.4**	37.2
Non-controlling interests		**4.9**	5.2
Total equity		**42.3**	42.4

These consolidated financial statements of Empresaria Group plc, registered number 03743194, were approved by the Board of Directors and authorised for issue on 16 March 2022.

Signed on behalf of the Board of Directors

Rhona Driggs Tim Anderson

Rhona Driggs
Chief Executive Officer

Tim Anderson
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Equity attributable to owners of Empresaria Group plc									
	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
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 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 (see note 6)	–	–	–	–	(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 (see note 28)	–	–	–	–	–	(0.2)	–	(0.2)	–	(0.2)
At 31 December 2020	2.4	22.4	0.9	4.2	(10.2)	(0.6)	18.1	37.2	5.2	42.4
Profit for the year	–	–	–	–	–	–	2.3	2.3	0.6	2.9
Exchange differences on translation of foreign operations	–	–	–	(1.7)	–	–	–	(1.7)	(0.6)	(2.3)
Total comprehensive income for the year	–	–	–	(1.7)	–	–	2.3	0.6	–	0.6
Dividend paid to owners of Empresaria Group plc (see note 25)	–	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Purchase of own shares in Employee Benefit Trust	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Exercise of share options	0.1	–	–	–	–	(0.3)	0.3	0.1	–	0.1
Share-based payments (see note 28)	–	–	–	–	–	0.3	–	0.3	–	0.3
At 31 December 2021	**2.5**	**22.4**	**0.9**	**2.5**	**(10.2)**	**(0.6)**	**19.9**	**37.4**	**4.9**	**42.3**

Consolidated cash flow statement

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year		**2.9**	(3.2)
Adjustments for:			
Depreciation of property, plant and equipment, and software amortisation	13,15	**1.0**	1.1
Depreciation of right-of-use assets	24	**5.3**	6.3
Fair value charge on acquisition of non-controlling shares	6	**–**	0.3
Impairment of goodwill	14	**0.9**	1.6
Impairment of other intangible assets	15	**0.3**	3.4
Amortisation of intangible assets identified in business combinations	15	**1.4**	1.7
Share-based payments		**0.3**	(0.2)
Net finance costs	9	**0.7**	1.0
Taxation	10	**3.1**	1.2
		15.9	13.2
(Increase)/decrease in trade and other receivables		**(8.2)**	10.9
Increase/(decrease) in trade and other payables (including pilot bonds outflow of £0.3m (2020: outflow of £0.5m))		**3.5**	(5.8)
Cash generated from operations		**11.2**	18.3
Interest paid		**(0.9)**	(1.1)
Income taxes paid		**(2.7)**	(3.0)
Net cash inflow from operating activities		**7.6**	14.2
Cash flows from investing activities			
Consideration paid for business acquisitions (net of cash acquired)		**–**	(0.1)
Purchase of property, plant and equipment, and software		**(1.7)**	(0.7)
Finance income		**0.3**	0.2
Net cash outflow from investing activities		**(1.4)**	(0.6)
Cash flows from financing activities			
(Decrease)/increase in overdrafts		**(3.3)**	3.8
Proceeds from bank loans		**5.5**	1.8
Repayment of bank loans		**(0.2)**	(5.7)
Decrease in invoice financing		**–**	(2.0)
Payment of obligations under leases		**(5.3)**	(6.2)
Purchase of shares in existing subsidiaries		**(0.6)**	(1.5)
Purchase of own shares in Employee Benefit Trust		**(0.3)**	(0.2)
Dividends paid to owners of Empresaria Group plc		**(0.5)**	–
Dividends paid to non-controlling interests		**(0.3)**	(0.5)
Net cash outflow from financing activities		**(5.0)**	(10.5)
Net increase in cash and cash equivalents		**1.2**	3.1
Foreign exchange movements		**(0.9)**	0.1
Cash and cash equivalents at beginning of the year		**20.8**	17.6
Cash and cash equivalents at end of the year		**21.1**	20.8

		2021 £m	2020 £m
Bank overdrafts at beginning of the year		**(22.1)**	(17.9)
Decrease/(increase) in the year		**3.3**	(3.8)
Foreign exchange movements		**0.6**	(0.4)
Bank overdrafts at end of the year	19	**(18.2)**	(22.1)
Cash, cash equivalents and bank overdrafts at end of the year		**2.9**	(1.3)

Notes to the consolidated financial statements

1 Basis of preparation and general information

Empresaria Group plc (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex, RH10 4HS. Its company registration number is 03743194.

The consolidated financial statements are for the year ended 31 December 2021. The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, and therefore the Group financial statements comply with AIM rules.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value. The measurement bases and principal accounting policies of the Group are set out below.

These consolidated financial statements are presented in Pounds Sterling (£), rounded to £0.1m, because that is the presentational currency of the Group. Foreign operations are included in accordance with the policies set out in note 2.

Changes in accounting policies

Adoption of new and revised standards and interpretations

In the current year, the following new and revised standard has been adopted.

Amendments to IFRS 16	Leases – COVID-19 Related Rent Concessions

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases

The Group does not expect these to have a significant impact on the consolidated financial statements. This list excludes any standards or amendments which are expected to have no relevance to the Group.

Going concern

The Group's activities are funded by a combination of long-term equity capital and bank facilities, primarily a revolving credit facility, invoice financing and overdrafts. The Board has reviewed the Group's profit and cash flow projections and applied a significant downside scenario to the underlying assumptions, including around the potential ongoing impact of COVID-19 on the Group, in order to stress-test the Group's financial position. This scenario assumes that adjusted operating profit falls back to 2020 levels from April 2022 and for the remainder of the year, a fall of more than one-third from 2021. While the Directors consider this scenario to be possible, they believe it is more pessimistic than a reasonable worst-case scenario, given current market forecasts and current trading.

These projections demonstrate that the Group expects to meet its obligations as they fall due through the use of existing facilities and to continue to meet its covenant requirements. At 31 December 2021 the Group had undrawn facilities (excluding invoice financing) of £12.9m. The revolving credit facility was refinanced in March 2021 and the new facility has a term until September 2023. The Group's main overdraft facilities are with our primary banker and the regular annual renewals are next due in January and February 2023. Based on informal discussions the Board has had with its lenders, we have no reason to believe that these or equivalent facilities will not continue to be available to the Group for the foreseeable future.

As a result, the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries, including the Empresaria Employee Benefit Trust ('EBT'), from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer has control.

Control is achieved when the Group has all of the following:
- power over the investee;
- exposure, or has rights, to variable return from its involvement with the investee; and
- the ability to use its power to affect its returns.

Intra-group transactions and profits are eliminated fully on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination, taking into account any restrictions on non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is a maximum of one year. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the income statement. Consideration linked to post-combination employee services is identified separately from the business combination. Payment for these services is accounted for as post-acquisition remuneration separately from the acquisition accounting.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except for deferred tax assets and liabilities or assets related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively.

Any non-controlling interest at acquisition is assessed as the proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Management equity

In applying the Group's management equity philosophy, subsidiary management may be offered the opportunity to acquire shares in the subsidiary that they are responsible for, at market value. There are no services supplied by any employee in relation to this purchase of the shares in the subsidiary. After an agreed period, management may offer to sell the shares back to the Company. The Company does not have any obligation to acquire these shares.

If amounts are paid for non-controlling interests in a subsidiary that exceed the fair value of the equity acquired, this excess amount is charged to the income statement.

Goodwill
Goodwill arising on a business combination is recognised as an asset at the date that control is acquired and is stated after separating out identifiable intangible assets.

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill is not amortised but is tested at least annually for impairment. Goodwill is allocated to groups of cash-generating units as appropriate. If the recoverable amount of the cash-generating units is less than the carrying amount of the units, the impairment loss is first allocated against goodwill and then to the other assets of the units on a pro rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable goodwill is included in the calculation of profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2006) has been retained at the previous UK GAAP carrying amount.

Intangible assets
An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably.

Intangible assets acquired separately
Intangible assets that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with any changes being accounted for on a prospective basis.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (regarded as their cost). They are subsequently reported at cost less accumulated amortisation and accumulated impairment on the same basis as intangible assets acquired separately.

Amortisation is charged to the income statement and calculated using the straight-line method over its estimated useful life as follows:

Customer relations	up to 15 years
Trademarks	up to 15 years
Software	up to five years

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence. Adjusted operating profit, adjusted profit before tax and adjusted earnings are considered to be key measures in understanding the Group's financial performance and exclude exceptional items.

Property, plant and equipment
Property, plant and equipment is stated at historical cost, net of accumulated depreciation and any recognised impairment loss.

Depreciation is calculated using the straight-line method to write off the cost or valuation of the assets less their residual values over their useful lives as follows:

Leasehold property	over the term of the lease up to a maximum of ten years
Fixtures, fittings and equipment	up to five years
Motor vehicles	up to five years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with any changes accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in administrative costs in the income statement.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

Impairment (excluding goodwill)

The carrying amounts of the Group's tangible and intangible assets are reviewed at the end of each reporting period for any indication of impairment. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that it does not exceed the carrying amount that would have existed had no impairment loss been recognised. The reversal of the impairment loss is recognised in profit or loss.

In respect of financial assets, other than those at fair value through profit or loss, a loss allowance for expected credit losses is determined at the end of each reporting period. Details of the expected credit loss model can be found in note 23.

Borrowing costs

Interest costs are recognised as an expense in the period in which they are incurred. Facility arrangement fees incurred in respect of borrowings are amortised over the term of the agreement.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within the balance sheet in current liabilities as borrowings except where there is a right of offset in which case they are netted against the relevant cash balances.

Invoice financing

The Group's operating activities in the UK are part-funded by invoice financing facilities. The debt provider has full recourse to the Group for any irrecoverable debt; these debts are presented within current borrowings and the asset due from the client in current assets in the Group's balance sheet. Movements in the invoice finance balance are shown within financing activities in the Group's cash flow statement.

Interest charges on invoice finance are included in finance costs and service charges are included in administrative costs in the Group's income statement.

Financial assets

Financial assets are divided into the following categories:

- financial assets at fair value through profit or loss; and
- amortised cost.

The Group does not have material derivative financial instruments.

Fair value through profit or loss

Forward currency contracts and contingent consideration are held in the balance sheet at fair value with changes in the fair value being recorded through the income statement and are classified as financial instruments at fair value through profit or loss.

Amortised cost

Assets accounted for at amortised cost are initially recorded at fair value and subsequently measured at amortised cost. For trade receivables, amortised cost includes an allowance for expected credit losses. This is assessed by grouping assets into categories with similar risk profiles and applying a provision matrix to each of these which is assessed by reference to past default experience and various other sources of actual and forecast economic information. Trade receivables are only written off once the potential of collection is considered to be nil and any local requirements such as around sales taxes are met.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables (including finance lease liabilities). They are recognised initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in the instrument's fair value that are reported in the profit or loss are included in the income statement line items finance costs or finance income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

Revenue
Revenue comprises the fair value of the consideration received or receivable for the sale of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax, trade discounts, rebates and other sales-related taxes.

Permanent placement revenue is recognised at the point when the candidate commences employment. Temporary and contract revenue is recognised over time on the basis of actual work performed in the relevant period based on timesheets submitted. Revenue from offshore recruitment services is recognised over time as the services are delivered.

In situations where the Group is the principal in the transaction, the transactions are recorded gross in the income statement. When the Group acts as an agent revenues are reported on a net basis.

In certain circumstances a client may be entitled to a replacement hire or refund if a candidate that has been placed leaves the role within a certain time period. Revenue is recognised based on the most likely amount of revenue to be received, taking account of all available information including historical, current and forecast.

Net fee income
Net fee income represents revenue less the remuneration cost of temporary workers. For permanent placements, net fees are equal to revenue. For offshore recruitment services, net fee income represents revenue less costs of staff directly providing those services.

Employee benefits
Retirement benefit costs
Payments made to defined contribution retirement benefit schemes are charged to the income statement as they fall due.

Share-based payments
The Group issues equity-settled share-based payments to senior management, which are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The fair value of the options granted is measured using a Monte Carlo simulation model and Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The Group acquires shares and transfers these to an Employee Benefit Trust ('EBT') to partly meet the obligation to provide shares when employees exercise their options or awards. Costs of running the EBT are charged to the income statement. Shares held by the EBT are deducted from other reserves. A transfer is made between other reserves and retained earnings when the share options are exercised.

Leases
All leases are accounted for by recognising a right-of-use asset and a lease liability except for short-term leases for office equipment (lease term of 12 months or less) and leases of low value assets (less than £5,000). For those leases the Group has opted to recognise a lease expense on a straight-line basis.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease (for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the revised remaining lease term.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

Government grants

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised net against the costs that they are intended to compensate.

Forward contract for foreign currencies

Forward currency contracts are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss.

Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised on an undiscounted basis for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

(i) Functional and presentational currency

Items included in the individual financial statements of each Group company are measured using the individual currency of the primary economic environment in which that subsidiary operates (its 'functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised initially in other comprehensive income. These exchange differences are reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(iii) Group companies

The results and financial position of Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity within the retranslation reserve.

(iv) Net investments in foreign operations

Any gain or loss on retranslation of intercompany amounts considered to be part of a net investment, is recognised in equity in the foreign currency translation reserve.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Merger reserve relates to premiums arising on shares issued subject to the provisions of section 612 Merger relief of the Companies Act 2006.
- Retranslation reserve represents the exchange differences arising from the translation of the financial statements of foreign subsidiaries.
- Equity reserve represents movement in equity due to acquisition of non-controlling interests under IFRS 3 Business Combinations.
- Other reserves represents the share-based payment reserve of £0.6m (2020: £0.6m) and exchange differences on intercompany long-term receivables amounting to £(1.2)m (2020: £(1.2)m) which are treated as a net investment in foreign operations.
- Retained earnings represents accumulated profits less distributions and income/expense recognised in equity from incorporation.
- Non-controlling interest represents equity in a subsidiary not attributable, directly or indirectly, to the Group.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Critical judgements in applying the Group's policies

The following are the critical judgements that the Directors have made in applying the Group's accounting policies:

Business combinations

Accounting for a business combination involves a number of fair value estimations and, depending on the size of the investment, these can be a material area of judgement. The main judgements are in the recognition and valuation of intangible assets acquired and include the assessment of the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. No business combinations occurred in the year.

Leases

Under IFRS 16 Leases the key area of judgement is lease length, including whether or not break clauses are expected to be exercised, and the identification of the appropriate discount rate. Disclosures related to leases are provided in note 24.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the reporting date are discussed below:

Impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount is determined based on value-in-use calculations. This method requires the estimation of future cash flows and the assessment of a suitable discount rate in order to calculate their present value. Details of the impairment review calculation and sensitivities are set out in note 14.

Notes to the consolidated financial statements continued

4 Segment and revenue analysis

Information reported to the Group's Executive Committee, considered to be the chief operating decision maker of the Group for the purpose of resource allocation and assessment of segment performance, is based on the Group's six operating sectors. Following the appointment of regional leaders during 2021, the Group is moving to a regional reporting structure. As a result, with effect from 2022 the Group's operating segmental analysis will be reported by region. For 2021, the analysis continues to be by sector, reflecting the reporting of information during the year.

The Group has one principal activity, the provision of staffing and recruitment services, delivered across a number of service lines, being permanent placement, temporary and contract placement, and offshore recruitment services.

The analysis of the Group's results by sector is set out below:

	2021			2020		
	Revenue £m	**Net fee income £m**	**Adjusted operating profit £m**	Revenue £m	Net fee income £m	Adjusted operating profit £m
Professional	**45.6**	**17.6**	**1.3**	55.3	15.4	0.2
IT	**37.5**	**13.3**	**3.0**	41.8	12.7	1.8
Healthcare	**26.9**	**4.2**	**1.4**	13.2	2.5	0.4
Property, Construction & Engineering	**3.4**	**0.7**	**(0.1)**	3.6	0.7	(0.2)
Commercial	**131.0**	**17.2**	**4.6**	132.3	17.2	4.6
Offshore Recruitment Services	**15.3**	**7.7**	**4.1**	10.9	6.1	2.6
Central costs	**–**	**–**	**(5.0)**	–	–	(3.2)
Intragroup eliminations	**(1.3)**	**(1.2)**	**–**	(0.6)	(0.6)	–
	258.4	**59.5**	**9.3**	256.5	54.0	6.2

All revenue is from transactions with external clients with the exception of Offshore Recruitment Services where £14.2m (2020: £10.3m) relates to external clients and £1.1m (2020: £0.6m) relates to transactions with other sectors, and Professional, where £45.4m (2020: £55.3m) relates to external clients and £0.2m (2020: £nil) relates to transactions with other sectors.

Impairment of goodwill of £0.6m and impairment of other intangible assets of £0.3m was recognised in the Professional sector and impairment of goodwill of £0.3m was recognised in the Commercial sector (2020: Impairment of goodwill of £1.6m and impairment of other intangible assets of £3.4m was recognised in the Professional sector).

The analysis of the Group's business by geographical origin is set out below:

	2021			2020		
	Revenue £m	**Net fee income £m**	**Adjusted operating profit £m**	Revenue £m	Net fee income £m	Adjusted operating profit £m
UK	**44.0**	**14.8**	**1.8**	46.4	13.4	0.6
Continental Europe	**89.1**	**14.2**	**3.8**	91.1	14.0	3.8
Asia Pacific	**55.6**	**21.8**	**5.8**	63.9	19.4	3.6
Americas	**71.0**	**9.9**	**2.9**	55.7	7.8	1.4
Central costs	**–**	**–**	**(5.0)**	–	–	(3.2)
Intragroup eliminations	**(1.3)**	**(1.2)**	**–**	(0.6)	(0.6)	–
	258.4	**59.5**	**9.3**	256.5	54.0	6.2

Revenue of Continental Europe includes £70.9m (2020: £76.8m) from Germany.

In the current year and prior year no individual client exceeded 10% of the Group's revenue.

The analysis of the Group's revenue and net fee income by client destination is set out below:

	2021 Revenue £m	2021 Net fee income £m	2020 Revenue £m	2020 Net fee income £m
UK	**33.0**	**12.8**	33.9	11.2
Continental Europe	**107.0**	**17.9**	112.1	18.4
Asia Pacific	**35.2**	**13.9**	43.6	13.4
Americas	**81.7**	**15.9**	62.4	11.2
Africa	**2.8**	**0.2**	5.1	0.4
Intragroup eliminations	**(1.3)**	**(1.2)**	(0.6)	(0.6)
	258.4	**59.5**	256.5	54.0

The following segmental analysis by sector and service type has been provided in line with the requirements of IFRS 15:

Revenue	2021 Permanent £m	2021 Temporary and contract £m	2021 Offshore recruitment services £m	2021 Total £m	2020 Permanent £m	2020 Temporary and contract £m	2020 Offshore recruitment services £m	2020 Total £m
Professional	**13.8**	**31.8**	**–**	**45.6**	10.7	44.6	–	55.3
IT	**6.0**	**31.5**	**–**	**37.5**	5.5	36.3	–	41.8
Healthcare	**0.3**	**26.6**	**–**	**26.9**	0.2	13.0	–	13.2
Property, Construction & Engineering	**0.1**	**3.3**	**–**	**3.4**	0.1	3.5	–	3.6
Commercial	**0.6**	**130.4**	**–**	**131.0**	0.5	131.8	–	132.3
Offshore Recruitment Services	**–**	**0.4**	**14.9**	**15.3**	0.7	0.7	9.5	10.9
Intragroup eliminations	**(0.1)**	**(0.1)**	**(1.1)**	**(1.3)**	–	–	(0.6)	(0.6)
	20.7	**223.9**	**13.8**	**258.4**	17.7	229.9	8.9	256.5

Net fee income	2021 Permanent £m	2021 Temporary and contract £m	2021 Offshore recruitment services £m	2021 Total £m	2020 Permanent £m	2020 Temporary and contract £m	2020 Offshore recruitment services £m	2020 Total £m
Professional	**13.3**	**4.3**	**–**	**17.6**	10.3	5.1	–	15.4
IT	**6.0**	**7.3**	**–**	**13.3**	5.5	7.2	–	12.7
Healthcare	**0.3**	**3.9**	**–**	**4.2**	0.2	2.3	–	2.5
Property, Construction & Engineering	**0.1**	**0.6**	**–**	**0.7**	0.1	0.6	–	0.7
Commercial	**0.6**	**16.6**	**–**	**17.2**	0.5	16.7	–	17.2
Offshore Recruitment Services	**–**	**0.1**	**7.6**	**7.7**	0.6	0.2	5.3	6.1
Intragroup eliminations	**(0.1)**	**–**	**(1.1)**	**(1.2)**	–	–	(0.6)	(0.6)
	20.2	**32.8**	**6.5**	**59.5**	17.2	32.1	4.7	54.0

Notes to the consolidated financial statements continued

5 Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence. Adjusted operating profit, adjusted profit before tax and adjusted earnings are considered to be key measures in understanding the Group's financial performance and exclude exceptional items. No exceptional items were recorded in 2021.

	2021 £m	2020 £m
Restructuring of marketing and digital business	–	(0.1)
Change of Chief Executive Officer	–	(0.2)
Closure of Mexico operation	–	0.2
Restructure of senior management	–	0.3
	–	0.2

6 Shares acquired and sold in existing subsidiaries

2021

A shareholding was acquired from management during the year for £18,000. This shareholding was not accounted for as a non-controlling interest and the £18,000 cost has been recognised in the income statement as fair value charge on acquisition of non-controlling shares in line with the accounting policy set out in note 2.

On 1 January 2021, the Group disposed of its 100% investment in BWP Holdco Limited for a consideration equal to its net book value of £33,000. No gain or loss has been recorded during the year. The company did not contribute to the Group's profit during the year or to its net operating cash flows.

2020

In 2020, the Group acquired a further 17.5% interest in ConSol Partners (Holdings) Limited ('ConSol'), an existing subsidiary, taking its total interest to 100%. The shares were acquired for consideration of £1.7m, with £1.1m paid in 2020 and the balance paid in April 2021. The terms were substantially reduced from the acquisition of shares in 2016 and 2019, reflecting both the founders' desire to sell their remaining shares now they were no longer directly involved in the business and all parties' appreciation of the impact of COVID-19. ConSol is a specialist recruitment business in the IT sector with a focus on niche sectors across communications, cloud and digital.

Combined with other minor acquisitions of shareholdings accounted for as non-controlling interest, these transactions were recorded within equity as a movement in non-controlling interests of £1.4m and the remaining £0.4m was recorded in the equity reserve.

A number of smaller shareholdings were acquired from management during the year, principally on their exit from the Group, for consideration totalling £0.3m. These shareholdings were not accounted for as non-controlling interests and the £0.3m cost has been recognised in the income statement as fair value charge on acquisition of non-controlling shares in line with the accounting policy set out in note 2.

7 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2021 £m	2020 £m
Depreciation of property, plant and equipment	0.8	1.0
Depreciation of right-of-use assets	5.3	6.3
Amortisation of intangible assets identified in business combinations	1.4	1.7
Amortisation of software	0.2	0.1
Impairment of goodwill and other intangible assets	1.2	5.0
Net foreign exchange loss/(gain)	0.2	(0.1)
Share-based payments	0.3	(0.2)
Impairment of trade receivables	0.3	0.6
Auditor's remuneration	0.4	0.4

The analysis of auditor's remuneration is as follows:

	2021 £000	2020 £000
Fee payable to the Company's auditor and its associates for the audit of the Group's annual accounts	**407**	403

Auditor's remuneration includes fees payable of £249,000 (2020: £262,000) for the audit of the Company's subsidiaries pursuant to legislation. No non-audit fees were incurred in the year (2020: £nil).

8 Directors and employees

	2021 £m	2020 £m
Staff costs		
Wages and salaries	**36.7**	31.9
Social security costs	**3.3**	3.2
Pension costs	**0.9**	1.0
Share-based payments	**0.3**	(0.2)
	41.2	35.9

Staff costs include amounts included within cost of sales of £6.1m (2020: £3.5m).

In 2021, the Group continued to utilise government support schemes introduced to help protect jobs and minimise redundancies as discussed in more detail in the finance review on page 27. Staff costs are presented net of £0.4m received in respect of internal staff. The Group also worked with its clients to help protect the jobs of temporary workers and a further £0.5m of support is deducted from cost of sales in the income statement.

Details of Directors' remuneration are given on pages 47 to 49.

	2021 No.	2020 No.
Average monthly number of persons employed – sales and administration	**2,268**	1,775
Number of persons employed as at 31 December – sales and administration	**2,725**	1,764

9 Finance income and costs

	2021 £m	2020 £m
Finance income		
Bank interest receivable	**0.3**	0.2
	0.3	0.2
Finance costs		
Invoice financing	**(0.1)**	(0.1)
Bank loans and overdrafts	**(0.7)**	(0.5)
Interest on lease liabilities	**(0.3)**	(0.4)
Interest on tax payments	**0.1**	(0.2)
	(1.0)	(1.2)
Net finance costs	**(0.7)**	(1.0)

Notes to the consolidated financial statements continued

10 Taxation

(a) The tax expense for the year is as follows:

	2021 £m	2020 £m
Current tax		
Current year income tax expense	**3.7**	2.9
Adjustments in respect of prior years	**(0.1)**	(0.1)
Total current tax expense	**3.6**	2.8
Deferred tax		
Deferred tax credit – on origination and reversal of temporary differences	**(0.5)**	(1.6)
Total income tax expense in the income statement	**3.1**	1.2

(b) Factors affecting the income tax expense for the year

The table below explains the differences between the expected income tax expense and the Group's actual income tax expense for the year. The expected income tax expense is assessed by applying the local tax rates to the profits in each business and aggregating these amounts.

	2021 £m	2020 £m
Profit/(loss) before taxation	**6.0**	(2.0)
Tax at the relevant local rates	**1.8**	(0.3)
Effects of:		
Expenses not deductible for tax purposes	**0.4**	0.5
Impairment of goodwill not deductible for tax purposes	**0.3**	0.5
Impact of change in tax rate on deferred tax liabilities	**0.2**	0.1
Impact of change in tax rate on deferred tax assets	**(0.1)**	–
Current year losses not recognised for tax purposes	**0.4**	0.3
Prior year losses recognised for tax purposes	**(0.2)**	–
Overseas withholding tax suffered	**0.2**	0.2
Deferred tax on unremitted overseas earnings	**0.2**	–
Adjustments in respect of prior years	**(0.1)**	(0.1)
Tax expense	**3.1**	1.2

The movements in deferred tax are explained in note 21.

No tax was recognised in other comprehensive income (2020: £nil).

11 Reconciliation of adjusted profit before tax to profit before tax

	2021 £m	2020 £m
Profit/(loss) before tax	**6.0**	(2.0)
Exceptional items	**–**	0.2
Fair value charge on acquisition of non-controlling shares	**–**	0.3
Impairment of goodwill	**0.9**	1.6
Impairment of other intangible assets	**0.3**	3.4
Amortisation of intangible assets identified in business combinations	**1.4**	1.7
Adjusted profit before tax	**8.6**	5.2

12 Earnings per share

Basic earnings per share is assessed by dividing the earnings attributable to the owners of Empresaria Group plc by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated as for basic earnings per share but adjusting the weighted average number of shares for the diluting impact of shares that could potentially be issued. For 2021 and 2020 these are all related to share options and further details can be found in note 28 and the Directors' remuneration report on pages 47 to 49. Reconciliations between basic and diluted measures are given below.

The Group also presents adjusted earnings per share which it considers to be a key measure of the Group's performance. A reconciliation of earnings to adjusted earnings is provided below.

	2021 £m	2020 £m
Earnings attributable to owners of Empresaria Group plc	**2.3**	(3.1)
Adjustments:		
Exceptional items	**–**	0.2
Fair value charge on acquisition of non-controlling shares	**–**	0.3
Impairment of goodwill	**0.9**	1.6
Impairment of other intangible assets	**0.3**	3.4
Amortisation of intangible assets identified in business combinations	**1.4**	1.7
Tax on the above	**(0.3)**	(1.2)
Non-controlling interests in respect of the above	**(0.2)**	(0.8)
Adjusted earnings	**4.4**	2.1

Number of shares	Millions	Millions
Weighted average number of shares – basic	**49.8**	50.3
Dilution effect of share options	**1.6**	1.3
Weighted average number of shares – diluted	**51.4**	51.6

Earnings per share	Pence	Pence
Basic	**4.6**	(6.2)
Dilution effect of share options	**(0.1)**	–
Diluted	**4.5**	(6.2)

Adjusted earnings per share	Pence	Pence
Basic	**8.8**	4.2
Dilution effect of share options	**(0.2)**	(0.1)
Diluted	**8.6**	4.1

In 2020, all share options were antidilutive for the purpose of assessing diluted earnings per share in accordance with IAS 33 Earnings Per Share. As such, diluted earnings per share and basic earnings per share were equal. As these options are nil-cost options these were reflected as dilutive in assessing adjusted, diluted earnings per share presented above.

The weighted average number of shares (basic) has been calculated as the weighted average number of shares in issue during the year plus the number of share options already vested less the weighted average number of shares held by the Empresaria Employee Benefit Trust. The Trustees have waived their rights to dividends on the shares held by the Empresaria Employee Benefit Trust.

Notes to the consolidated financial statements continued

13 Property, plant and equipment

2021	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January	1.6	5.5	0.2	**7.3**
Additions	–	1.1	–	**1.1**
Disposals	(0.1)	–	–	**(0.1)**
Foreign exchange movements	(0.1)	(0.1)	–	**(0.2)**
At 31 December	1.4	6.5	0.2	**8.1**
Accumulated depreciation				
At 1 January	0.8	4.8	0.1	**5.7**
Charge for the year	0.3	0.5	–	**0.8**
Disposals	(0.1)	–	–	**(0.1)**
Foreign exchange movements	–	–	0.1	**0.1**
At 31 December	1.0	5.3	0.2	**6.5**
Net book value				
At 31 December 2020	0.8	0.7	0.1	**1.6**
At 31 December 2021	0.4	1.2	–	**1.6**

2020	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January	1.5	6.2	0.2	7.9
Additions	0.2	0.3	–	0.5
Disposals	(0.1)	(1.0)	–	(1.1)
At 31 December	1.6	5.5	0.2	7.3
Accumulated depreciation				
At 1 January	0.6	4.9	0.1	5.6
Charge for the year	0.3	0.7	–	1.0
Disposals	(0.1)	(0.8)	–	(0.9)
At 31 December	0.8	4.8	0.1	5.7
Net book value				
At 31 December 2019	0.9	1.3	0.1	2.3
At 31 December 2020	0.8	0.7	0.1	1.6

14 Goodwill

	2021 £m	2020 £m
At 1 January	**32.5**	33.5
Impairment charge	**(0.9)**	(1.6)
Foreign exchange movements	**(1.1)**	0.6
At 31 December	**30.5**	32.5

Goodwill is reviewed and tested for impairment on an annual basis or more frequently if there is an indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of the group of cash-generating units ('CGUs') the goodwill has been allocated to, with the recoverable amount of those CGUs. The recoverable amount of each group of CGUs is considered to be its value in use. The key assumptions in assessing value in use are as follows:

Operating profit and pre-tax cash flows

The operating profit and pre-tax cash flows are based on the 2022 budgets approved by the Group's Board. These budgets are extrapolated using short-term growth rate forecasts over four years and long-term growth rates and margins that are consistent with the business plans approved by the Group's Board. These cash flows are discounted to present value to assess the value in use.

Discount rates

The pre-tax, country-specific rates used to discount the forecast cash flows range from 10.4% to 18.4% (2020: 9.2% to 16.9%) reflecting current local market assessments of the time value of money and the risks specific to the relevant business. These discount rates reflect the estimated industry weighted average cost of capital in each market and are based on the Group's weighted average cost of capital adjusted for local factors.

Pre-tax discount rates used by sector are as follows:

Professional:	11.2% to 17.6% (2020: 10.0% to 16.9%)
IT:	11.2% to 11.6% (2020: 9.5% to 11.3%)
Healthcare:	11.0% to 12.9% (2020: 9.8% to 12.3%)
Property, Construction & Engineering:	12.2% (2020: 11.0%)
Commercial:	10.4% to 18.4% (2020: 9.2% to 16.0%)
Offshore Recruitment Services:	17.3% (2020: 16.6%)

Growth rates

The growth rates used to extrapolate beyond the most recent budgets and forecasts and to determine terminal values are based upon IMF GDP growth forecasts for the specific market. Longer-term growth rates ranged from 0.5% to 6.0%. GDP growth is a key driver of our business and is therefore an appropriate assumption in developing long-term forecasts.

Long-term growth rates used by sector are as follows:

Professional:	1.5% to 5.2% (2020: 2.0% to 3.0%)
IT:	0.5% to 1.5% (2020: 1.0% to 2.0%)
Healthcare:	1.3% to 1.7% (2020: 2.0%)
Property, Construction & Engineering:	1.5% (2020: 2.0%)
Commercial:	0.5% to 1.0% (2020: 1.0% to 2.0%)
Offshore Recruitment Services:	6.0% (2020: 2.0%)

In 2021, an impairment charge of £0.6m has been recognised in respect of a business in the Professional sector. This business supplies the aviation industry which has not recovered from the severe impact of COVID-19 as quickly as was previously anticipated. As a result, an impairment review was carried out at 30 June 2021 and an impairment charge booked. Before the impairment charge was recognised, the carrying value of the goodwill was £2.0m and the recoverable amount, based on value in use, was assessed as £1.4m. A further impairment review was carried out on this operation at 31 December 2021 and no additional impairment was identified. An impairment charge of £0.3m has also been recognised in respect of a business in the Commercial sector.

In 2020, an impairment charge of £1.6m was recognised in respect of a business in the Professional sector which was been heavily impacted by the decline in the aviation industry due to the impact of COVID-19. Before the impairment charge was recognised the carrying value of the goodwill was £3.7m and the recoverable amount, based on value in use, was assessed as £2.1m.

As part of the impairment review, reasonably possible changes in the growth rate and discount rate assumptions have been considered to assess the impact on the recoverable amount of each business. Were the long-term growth rate to reduce to nil no impairment charge would be recorded (2020: £nil), while if the discount rate were to increase by 2% no impairment charge would be recorded (2020: £0.5m impairment charge in respect of one business in the Professional sector).

Notes to the consolidated financial statements continued

14 Goodwill continued

The carrying amount of goodwill by sector is as follows:

	2021 £m	2020 £m
Professional	**6.6**	7.4
IT	**4.7**	4.7
Healthcare	**3.9**	4.0
Property, Construction & Engineering	**0.9**	0.9
Commercial	**13.9**	15.0
Offshore Recruitment Services	**0.5**	0.5
	30.5	32.5

Included within the above are significant goodwill balances as set out in the table below along with the relevant discount rate and growth rate assumptions:

	2021			2020		
	Goodwill £m	Discount rate %	Growth rate %	Goodwill £m	Discount rate %	Growth rate %
Headway	**12.3**	**10.4**	**1.1**	13.1	9.2	2.0
ConSol Partners	**4.2**	**11.2**	**1.5**	4.2	9.5	2.0

15 Other intangible assets

	Intangible assets identified in business combinations				
2021	Customer relationships £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
Cost					
At 1 January	14.4	9.0	**23.4**	1.2	**24.6**
Additions	–	–	**–**	0.7	**0.7**
Foreign exchange movements	(0.5)	(0.2)	**(0.7)**	(0.1)	**(0.8)**
At 31 December	13.9	8.8	**22.7**	1.8	**24.5**
Accumulated amortisation					
At 1 January	9.7	3.5	**13.2**	0.9	**14.1**
Charge for the year	0.9	0.5	**1.4**	0.2	**1.6**
Impairment	0.1	0.2	**0.3**	–	**0.3**
Foreign exchange movements	(0.5)	(0.3)	**(0.8)**	–	**(0.8)**
At 31 December	10.2	3.9	**14.1**	1.1	**15.2**
Net book value					
At 31 December 2020	4.7	5.5	**10.2**	0.3	**10.5**
At 31 December 2021	3.7	4.9	**8.6**	0.7	**9.3**

At 30 June 2021 a full impairment review was carried out on an operation in our Professional sector which supplies the aviation industry. This industry has been hit hard by COVID-19 and the recovery has been slower than we previously anticipated. As a result, an impairment charge of £0.3m has been recorded.

As required under IFRS, the Group reviewed its assets for indications of impairment as at 31 December 2021. No further impairments were identified.

2020	Intangible assets identified in business combinations Customer relationships £m	 Trade name & marks £m	 Sub total £m	Software £m	Total £m
Cost					
At 1 January	14.2	9.1	23.3	1.0	24.3
Additions	0.1	–	0.1	0.2	0.3
Foreign exchange movements	0.1	(0.1)	–	–	—
At 31 December	14.4	9.0	23.4	1.2	24.6
Accumulated amortisation					
At 1 January	5.5	2.5	8.0	0.8	8.8
Charge for the year	1.3	0.4	1.7	0.1	1.8
Impairment	2.8	0.6	3.4	–	3.4
Foreign exchange movements	0.1	–	0.1	–	0.1
At 31 December	9.7	3.5	13.2	0.9	14.1
Net book value					
At 31 December 2019	8.7	6.6	15.3	0.2	15.5
At 31 December 2020	4.7	5.5	10.2	0.3	10.5

As required under IFRS, the Group reviewed its assets for indications of impairment as at 31 December 2020. The global economic environment at the time was having a significant impact on the Group, reducing revenues and profits in the short term to varying degrees in many businesses across the Group. Where businesses had been adversely impacted and this was significant enough to be considered an indication of impairment of these intangible assets, an impairment review was carried out.

As a result of those impairment reviews, an impairment charge of £3.4m was booked in respect of an operation in our Professional sector which supplies the aviation industry. This industry had been hit hard by COVID-19 and we did not expect a short-term recovery to pre-COVID levels. The decline in net fee income, particularly with those customers present on acquisition and included in the customer relationship intangible asset, was the prime driver of this impairment.

Notes to the consolidated financial statements continued

16 Subsidiaries

A list of the Group's subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 6 to the Company's financial statements.

The following consolidated UK subsidiary companies are exempt from an annual audit under section 479A of the Companies Act 2006 and the Company has provided a guarantee under section 479C of the Companies Act 2006. This guarantees all outstanding liabilities to which the subsidiary is subject to as at 31 December 2021 until they are settled in full. The guarantee is enforceable against the Company by any person to whom the subsidiary is liable in respect of those liabilities.

Name of subsidiary	Company number	Type of subsidiary
Empresaria 2021 Limited (formerly Beresford Wilson & Partners Limited)	09995863	Active Non-Trading
Empresaria Americas Finco Limited	09917053	Holding Non-Trading
Empresaria Americas Limited	08926961	Holding Non-Trading
Empresaria Asia Limited	07384224	Holding Non-Trading
Empresaria China Holdings	05150663	Holding Non-Trading
Empresaria GIT Holdings Limited	05669458	Holding Non-Trading
Empresaria GIT Limited	05669176	Holding Non-Trading
Empresaria Indonesia Holdings Limited	10362003	Holding Non-Trading
Empresaria Limited (formerly Empresaria Services Limited)	09946765	Active Trading
Empresaria Malaysia Holdings Limited	08701593	Holding Non-Trading
Empresaria NZ Finco Limited	10804049	Holding Non-Trading
Empresaria NZ Limited	10164295	Holding Non-Trading
Empresaria Peru Holdings Limited	09949926	Active Non-Trading
Empresaria T&I Holdings Limited	08772122	Holding Non-Trading
Empresaria T&I Limited	10432476	Holding Non-Trading
Empresaria Technology (Holdings) Limited	10322758	Holding Non-Trading
Empresaria Vietnam Holdings Limited	10485853	Holding Non-Trading
EMR1000 Limited	04154134	Active Non-Trading
Interim Management International Limited	04067140	Holding Non-Trading
Mansion House Recruitment Limited	03276279	Active Non-Trading
Oval (888) Limited	04819545	Active Non-Trading

17 Trade and other receivables

	2021 £m	2020 £m
Current		
Gross trade receivables	**40.4**	37.9
Less provision for impairment of trade receivables	**(0.9)**	(0.9)
Trade receivables	**39.5**	37.0
Prepayments	**1.7**	1.5
Accrued income	**5.0**	3.6
Corporation tax receivable	**0.9**	1.0
Other receivables	**3.4**	1.8
	50.5	44.9

Trade receivables include £21.6m (2020: £22.5m) on which security has been given under bank facilities.

All amounts are due within one year. The carrying value of trade and other receivables is considered to be their fair value.

Further analysis on trade receivables is set out in note 23.

18 Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	**2.0**	1.6
Other tax and social security	**7.1**	8.0
Pilot bonds	**0.7**	1.0
Client deposits	**0.5**	0.4
Temporary recruitment worker wages	**3.3**	4.3
Other payables	**1.2**	1.3
Accruals	**20.0**	16.2
Deferred consideration	**–**	0.6
	34.8	33.4

All amounts are payable within one year with the exception of pilot bonds as discussed below. The carrying value of trade and other payables is considered to be their fair value.

Pilot bonds represent unrestricted funds held by our aviation business at the request of clients that are repayable to the pilot over the course of a contract, typically between three and five years. If the pilot terminates their contract early, the outstanding bond is payable to the client. For this reason the bonds are shown as a current liability. As at 31 December 2021, if the bonds were to be repaid in line with existing contracts, £0.3m (2020: £0.6m) would be repayable in more than one year.

19 Borrowings

	2021 £m	2020 £m
Current		
Bank overdrafts	**18.2**	22.1
Invoice financing	**4.6**	4.9
Bank loans	**0.4**	5.2
	23.2	32.2
Non-current		
Bank loans	**11.2**	1.2
	11.2	1.2
Borrowings	**34.4**	33.4

Notes to the consolidated financial statements continued

19 Borrowings continued

The following key bank facilities are in place at 31 December 2021:

				Facility limit		Outstanding	
	Currency	Maturity	Interest rate	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Bank overdrafts							
UK[1]	GBP[2]	On demand with annual review	1% above applicable currency base rates	**10.0**	10.0	**6.9**	7.4
Germany	EUR	On demand with annual review	EURIBOR + 3.0% (2020: EURIBOR + 2.3%)	**10.9**	11.6	**8.4**	10.4
USA	USD	On demand with annual review	LIBOR + 2%	**1.5**	1.5	**1.5**	1.5
New Zealand	NZD	On demand with annual review	New Zealand Base Lending Rate + 2%	**0.5**	1.1	**–**	–
Invoice financing							
UK	GBP	On demand with annual review	UK base rate + 1.82% (2020: UK base rate + 1.47%)	**10.0**	10.0	**3.0**	3.3
Chile	CLP	On demand with annual review	Weighted average rate 5.5% (2020: 5.5%)	**4.2**	4.0	**1.6**	1.6
Bank loans							
UK – Revolving Credit Facility	GBP	2023	SONIA + 2% to 3%	**15.0**	–	**10.5**	–
UK – Revolving Credit Facility	GBP	2021	LIBOR + 1.5%	**–**	15.0	**–**	5.0
Japan	JPY	2025-2028	Weighted average rate 0.5% (2020: 0.5%)	**0.9**	1.1	**0.9**	1.1

1 The UK overdraft is a net overdraft arrangement across a number of UK entities. For facility utilisation purposes these amounts are presented net in the table above, but for accounting purposes cash and overdrawn balances are presented gross in the balance sheet. The utilisation amount in the table is net of £1.2m of cash shown within cash and cash equivalents in the balance sheet (2020: £2.5m).
2 The UK overdraft can be drawn in a number of different currencies with the overall facility limit expressed in GBP.

The UK revolving credit facility was refinanced in March 2021 with the new facility of £15.0m expiring in September 2023. The interest rate margin varies based on the Group's net debt to EBITDA ratio and ranges from 2.0% to 3.0%. The New Zealand overdraft limit was reduced to NZD 1.0m from NZD 2.0m in the year reflecting the reduced working capital requirements of our business supplying the aviation industry.

The UK revolving credit facility is secured by a first fixed charge over all book and other debts given by the Company and certain of its UK, German and New Zealand subsidiaries. It is also subject to financial covenants and these are disclosed in the finance review on page 29. The UK invoice financing facility is also secured by a fixed and floating charge over trade receivables.

20 Net debt

a) Net debt

	2021 £m	2020 £m
Cash and cash equivalents	**21.1**	20.8
Borrowings	**(34.4)**	(33.4)
Net debt	**(13.3)**	(12.6)

b) Adjusted net debt

	2021 £m	2020 £m
Cash and cash equivalents	**21.1**	20.8
Less cash held in respect of pilot bonds	**(0.7)**	(1.0)
Adjusted cash	**20.4**	19.8
Borrowings	**(34.4)**	(33.4)
Adjusted net debt	**(14.0)**	(13.6)

The Group presents adjusted net debt as its principal debt measure. Adjusted net debt is equal to net debt excluding cash held in respect of 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, cash equal to the amount of the bonds is excluded in calculating adjusted net debt.

c) Movement in adjusted net debt

	2021 £m	2020 £m
At 1 January	**(13.6)**	(19.1)
Net increase in cash and cash equivalents per consolidated cash flow statement	**1.2**	3.1
(Increase)/decrease in overdrafts and loans	**(2.0)**	0.1
Decrease in invoice financing	**–**	2.0
Foreign exchange movements	**0.1**	(0.2)
Adjusted for decrease in cash held in respect of pilot bonds	**0.3**	0.5
At 31 December	**(14.0)**	(13.6)

d) Reconciliation of borrowing arising from finance activity

	2021 £m	2020 £m
Borrowings at 1 January	**(33.4)**	(35.2)
Cash flow movements:		
Decrease/(increase) in overdrafts	**3.3**	(3.8)
Proceeds from bank loans	**(5.5)**	(1.8)
Repayment of bank loans	**0.2**	5.7
Decrease in invoice financing	**–**	2.0
Non-cash movements:		
Foreign exchange movements	**1.0**	(0.3)
Borrowings at 31 December	**(34.4)**	(33.4)

21 Deferred tax

Deferred tax assets	Holiday pay £m	Retirement provision £m	Tax losses £m	Other temporary differences £m	Total 2021 £m	Total 2020 £m
At 1 January	0.3	0.2	1.1	1.2	**2.8**	2.4
Recognised in the income statement	–	(0.1)	0.3	0.4	**0.6**	0.5
Foreign exchange movements	–	–	–	–	**–**	(0.1)
At 31 December	0.3	0.1	1.4	1.6	**3.4**	2.8

Deferred tax liabilities	Intangible assets £m	Unremitted overseas earnings £m	Other temporary differences £m	Total 2021 £m	Total 2020 £m
At 1 January	(2.0)	(0.3)	(0.1)	**(2.4)**	(3.6)
Recognised in the income statement	0.1	(0.2)	–	**(0.1)**	1.1
Foreign exchange movements	(0.1)	–	–	**(0.1)**	0.1
At 31 December	(2.0)	(0.5)	(0.1)	**(2.6)**	(2.4)

At the balance sheet date, the Group has unused tax losses of £12.4m (2020: £9.3m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £6.8m (2020: £5.5m) of such losses. No deferred tax asset has been recognised in respect of the remaining £5.6m (2020: £3.8m) as it is not considered probable that there will be future taxable profits available against which these losses could be offset. Of these, £4.4m have no expiry date, £1.0m expires in 2026 and 2027, while £0.2m expires in 2029 and 2030.

Notes to the consolidated financial statements continued

21 Deferred tax continued

No deferred tax liability is recognised on temporary differences of £13.1m (2020: £8.8m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is considered probable that they will not reverse in the foreseeable future. The potential tax impact of these temporary differences is £1.2m (2020: £0.9m) assuming all unremitted earnings were remitted in full in the year.

A deferred tax liability of £0.5m (2020: £0.3m) has been recognised in respect of the unremitted earnings of overseas subsidiaries amounting to £6.4m (2020: £2.5m) as it is probable that these earnings will be remitted and the tax cost incurred.

22 Share capital and shares held by Employee Benefit Trust

Share capital

	2021		2020	
	Number of shares	£m	Number of shares	£m
Issued, allotted and fully paid				
Ordinary Shares of 5p each	49,853,001	2.5	49,019,132	2.4

The Company has one class of Ordinary Share which carries no rights to fixed income. All Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Shares held by Employee Benefit Trust

	2021 Number of shares	2020 Number of shares
Allotted and fully paid		
Ordinary Shares of 5p each	559,773	961,204

The Trustees have waived their rights to dividends on the shares held by the Empresaria Employee Benefit Trust.

23 Financial risk management

The Group is exposed to a variety of financial risks arising from the its operations, being principally credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk.

The Group's treasury function is managed centrally and the policies for managing each of these risks and their impact on the results of the year are summarised below.

The principal financial assets of the Group are cash and cash equivalents, and trade and other receivables. The principal financial liabilities are borrowings, and trade and other payables that arise directly from operations.

Fair value

The carrying value of all financial instruments equates to fair value.

Credit risk

Credit risk is the risk of financial loss if a client or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from the Group's other financial assets including cash deposits.

Classes of financial assets – carrying amounts

	2021 £m	2020 £m
Cash and cash equivalents	21.1	20.8
Trade and other receivables[1]	47.9	42.4

1 Trade and other receivables are held at amortised cost and exclude prepayments, tax and social security amounting to £2.6m (2020: £2.5m) and presents the maximum exposure to credit risk for trade and other receivables.

The Group's credit risk on its cash balances is managed by limiting exposure to banks with a credit rating lower than BBB and through adhering to authorised limits for all counterparties.

The Group manages its exposure to trade receivables through its credit policy. New clients are assessed through a review process including obtaining credit ratings and reviewing available financial and other information. Ongoing risk exposure is mitigated through the credit control process, setting credit limits and regular review of clients and trade receivable balances.

The amounts presented in the balance sheet are net of allowances for impairment. An allowance for impairment is made based on the expected credit loss. The Group has no significant concentration of risk, with exposure spread over a large number of third parties and clients. A provision of £0.9m (2020: £0.9m) has been recorded.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar ageing and credit risk assessed by giving regard to factors such as market and sector. The Group also considers forward-looking factors, including known credit issues and changes in market risks, and reflects these as necessary.

The expected loss rates are based on the Group's historical credit losses experienced over the five-year period prior to the balance sheet date and adjusted as appropriate for current and forward-looking information on macroeconomic factors affecting the Group's clients in the countries where the Group operates.

At 31 December 2021 the lifetime expected loss provision for trade receivables was as follows:

	Current	**Overdue by up to 30 days**	**Overdue by up to 60 days**	**Overdue by up to 90 days**	**Overdue by more than 90 days**	**Total**
Average expected loss rate (%)	**1.0%**	**3.9%**	**5.8%**	**7.8%**	**9.7%**	
Gross carrying amount (£m)	**31.4**	**5.2**	**1.4**	**0.7**	**1.7**	**40.4**
Loss provision (£m)	**0.3**	**0.2**	**0.1**	**0.1**	**0.2**	**0.9**

Included within the loss provision at 31 December 2021 was a specific loss provision of £0.1m in respect of certain debtor balances with specific credit risk profiles.

At 31 December 2020 the lifetime expected loss provision for trade receivables was as follows:

	Current	Overdue by up to 30 days	Overdue by up to 60 days	Overdue by up to 90 days	Overdue by more than 90 days	Total
Average expected loss rate (%)	1.0%	4.0%	6.0%	8.0%	10.0%	
Gross carrying amount (£m)	31.1	4.2	0.9	0.4	1.3	37.9
Loss provision (£m)	0.3	0.2	0.1	0.1	0.2	0.9

Included within the loss provision on current debts due at 31 December 2020 was a specific loss provision of £0.2m in respect of certain debtor balances with specific credit risk profiles.

The movement in the provision for impairment of trade receivables during the year was as follows:

	2021 £m	2020 £m
Balance at 1 January	**0.9**	0.7
Impairment loss recognised	**0.3**	0.6
Impairment loss utilised	**(0.3)**	(0.4)
Balance at 31 December	**0.9**	0.9

Notes to the consolidated financial statements continued

23 Financial risk management continued

Market risk

(a) Foreign exchange risk

The majority of the Group's transactions are carried out in the local currency of the respective country the business is operating in. However, the Group does undertake transactions denominated in foreign currencies and consequently exposures to exchange rate fluctuation arise. In many cases this exposure is mitigated by incurring costs in the same currency.

To mitigate the Group's exposure to foreign currency risk, non-local currency cash flows are monitored and, if applicable, forward exchange contracts are entered into in accordance with the Group's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

As at 31 December 2021 there were a small number of forward currency contracts in place. The amount covered by these at 31 December 2021 was £0.6m (2020: 0.6m). These are recorded in the balance sheet at fair value, which at 31 December 2021 was £nil (2020: £nil).

During the year the Group has recognised a net foreign exchange loss of £0.2m (2020: gain of £0.1m) in the consolidated income statement.

The carrying amounts of the Group's significant monetary assets and liabilities held in currencies other than a business's functional currency at 31 December are set out in the table below along with sensitivity analysis showing the approximate impact of a 10% weakening of the foreign currency against the relevant functional currency as at 31 December. The analysis assumes that all other variables remain constant.

	Foreign currency monetary items			Sensitivity analysis impact of non-functional currency foreign exchange exposure	
2021	**Assets £m**	**Liabilities £m**	**Sensitivity**	**Profit and loss £m**	**Equity £m**
US Dollars	**5.5**	**(4.4)**	US Dollars (10%)	**(0.1)**	**(0.1)**
Euro	**2.7**	**(1.6)**	Euro (10%)	**(0.1)**	**(0.1)**

	Foreign currency monetary items			Sensitivity analysis impact of non-functional currency foreign exchange exposure	
2020	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
US Dollars	4.5	(2.7)	US Dollars (10%)	(0.2)	(0.2)
Euro	3.7	(2.2)	Euro (10%)	(0.2)	(0.2)

A 10% strengthening of the above currencies against relevant functional currency at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

In management's opinion, the sensitivity analysis presented does not completely represent the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

The Group also has currency exposure on the translation of overseas subsidiaries' results into Pounds Sterling. The Group does not actively hedge this exposure although there is an element of natural hedge by having operations in different countries. The amount of currency retranslation loss recognised in equity was £1.7m (2020: gain of £0.4m).

(b) Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in interest rates. The Group is not exposed to fair value risks as it has no financial instruments that are revalued to fair value at the balance sheet date. Cash flow risk arises on the future cash flows of a financial instrument. The Group is exposed to cash flow risk on its variable rate borrowings. The Group manages its interest rate risk through a combination of cash pooling, shareholder funding and borrowing, and management monitors movements in interest rates to determine the most advantageous debt profile for the Group. The Group's policy is for the majority of its debt to be at variable rates as this is expected to better match interest costs with the economic cycle as staffing is typically a cyclical business.

At 31 December 2021, the Group is exposed to changes in market interest rates through its borrowings, which are subject to variable interest rates. For further information see note 19.

	2021	2020
Effective interest rate on borrowings in the year	**2.6%**	2.5%

An increase of 100 basis points in interest rates would have decreased equity and the income statement by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2021 £m	2020 £m
Net result for the year	**(0.3)**	(0.3)
Equity	**(0.3)**	(0.3)

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet its payment obligations as they fall due. The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis with regular cash flow forecasts. In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient undrawn committed borrowing facilities. Details of the Group's borrowings are provided in note 19.

As at 31 December 2021, the Group's financial liabilities have contractual maturities as follows:

	Current				Non-current			
	within 6 months		6 to 12 months		1 to 5 years		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Borrowings	**23.0**	32.0	**0.2**	0.2	**11.2**	1.2	**34.4**	33.4
Trade and other payables[1]	**27.7**	25.4	**–**	–	**–**	–	**27.7**	25.4
Forward currency contracts payments	**0.6**	0.5	**–**	0.1	**–**	–	**0.6**	0.6
Forward currency contracts receipts	**(0.6)**	(0.5)	**–**	(0.1)	**–**	–	**(0.6)**	(0.6)
Lease liabilities	**2.6**	2.7	**2.4**	2.7	**3.4**	4.3	**8.4**	9.7
Total	**53.3**	60.1	**2.6**	2.9	**14.6**	5.5	**70.5**	68.5

1 Trade and other payables exclude other tax and social security of £7.1m (2020: £8.0m). Pilot bonds have been included as due within six months in line with the disclosure in note 18.

Lease liabilities in the table reflect the gross cash flows, which differ from the carrying value at the balance sheet date. All bank loans are on floating interest rates.

At the year end the Group had £12.9m (2020: £17.6m) of undrawn bank facilities (excluding invoice financing).

Capital structure

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the balance between debt and equity. The capital structure of the Group consists of net debt, which includes borrowings and cash and cash equivalents (see note 20) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 22 and in the consolidated statement of changes in equity.

The Board reviews the capital structure of the Group on an ongoing basis, considering the cost of capital and the risks associated with each class of capital. The Board closely monitors the level of borrowings, its debt to debtors ratio and compliance with any covenants on its borrowings. Further details on covenants are given in the finance review on page 29.

Notes to the consolidated financial statements continued

23 Financial risk management continued

Debt to debtors ratio

	2021 £m	2020 £m
Adjusted net debt (see note 20)	**14.0**	13.6
Trade receivables	**39.5**	37.0
Debt to debtors ratio	**35%**	37%

24 Leases

The Group's leases are predominantly property leases. These include leases for the offices from which the businesses across the Group operate and these have terms of typically one to five years. Additionally, in Germany, accommodation is provided to temporary workers with lease lengths typically estimated at between zero and two years.

The movements in the carrying value of right-of-use assets is provided below.

2021	Property £m	Other £m	Total £m
Cost			
At 1 January	17.0	2.2	**19.2**
Additions and modifications	4.3	0.5	**4.8**
Disposals	(3.5)	(0.5)	**(4.0)**
Foreign exchange movements	(0.8)	–	**(0.8)**
At 31 December 2021	17.0	2.2	**19.2**
Accumulated depreciation			
At 1 January	9.1	1.1	**10.2**
Depreciation	4.6	0.7	**5.3**
Disposals	(2.8)	(0.5)	**(3.3)**
Foreign exchange movements	(0.4)	(0.1)	**(0.5)**
At 31 December 2021	10.5	1.2	**11.7**
Net book value			
At 31 December 2020	7.9	1.1	**9.0**
At 31 December 2021	6.5	1.0	**7.5**

2020	Property £m	Other £m	Total £m
Cost			
At 1 January	14.5	1.7	16.2
Additions and modifications	4.4	0.7	5.1
Disposals	(2.2)	(0.2)	(2.4)
Foreign exchange movements	0.3	–	0.3
At 31 December 2020	17.0	2.2	19.2
Accumulated depreciation			
At 1 January	5.4	0.6	6.0
Depreciation	5.6	0.7	6.3
Disposals	(2.1)	(0.2)	(2.3)
Foreign exchange movements	0.2	–	0.2
At 31 December 2020	9.1	1.1	10.2
Net book value			
At 31 December 2019	9.1	1.1	10.2
At 31 December 2020	7.9	1.1	9.0

The maturity analysis of lease liabilities is provided in note 23.

Additional disclosures required under IFRS 16 Leases are provided in the table below:

	2021 £m	2020 £m
Depreciation of right-of-use assets	**5.3**	6.3
Interest on lease obligations	**0.3**	0.4
Cash outflow for leases	**5.6**	6.6
Additions to right-of-use assets	**4.8**	5.1

In 2020, the Group received short-term rent concessions on a number of leases, typically taking the form of a reduction of rent, as a result of discussions with landlords during periods when the office could not be used and the significance of the ongoing impact of COVID-19 was uncertain. The Group has elected to apply the practical expediency introduced by amendments to IFRS 16 Leases to all leases that satisfy the criteria, which was the substantial majority of these leases, but this did not have a significant impact on these financial statements.

25 Dividends

	2021 £m	2020 £m
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 1.0p (2019: nil) per share	**0.5**	–
Proposed final dividend for the year ended 31 December 2021 of 1.2p (2020: 1.0p) per share	**0.6**	0.5

The proposed final dividend for the year ended 31 December 2021 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Notes to the consolidated financial statements continued

26 Profit of the Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's profit for the financial year was £2.9m (2020: £3.8m).

27 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. These transactions include franchise fees, interest charges and revenue, which amounted to £3.4m (2020: £2.2m), £1.3m (2020: £1.1m) and £1.3m (2020: £0.7m), respectively.

In 2020 the Company transacted with Cobweb Cyber Limited for the provision of cyber security services. Penny Freer, Non-Executive Director, holds a minority interest shareholding and is a Director in this company. In total, the services charged were for £16,200. There were no transactions in 2021 and no amounts are outstanding as at 31 December 2021.

Remuneration of key management personnel

The Group delegates operational decision-making and day-to-day running of the operating companies to the subsidiary management, however, key strategic decisions must be approved by the Company. Therefore, overall authority and responsibility for planning, directing and controlling the entities of the Group sit with the Company's Board of Directors, who are considered the key management personnel.

The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on pages 47 to 49.

	2021 £m	2020 £m
Short-term employee benefits	0.8	0.8
Post-employment benefits (contributions to defined contribution pension schemes)	–	–
Share-based payments	0.3	(0.2)
	1.1	0.6

Directors' transactions

Dividends totalling £140,846 (2020: £nil) were paid in the year in respect of Ordinary Shares held by the Company's Directors.

Transactions with subsidiary directors

The Group was originally built on a management equity philosophy, with key management holding a meaningful stake in the business they were responsible for. Although the Group has moved away from offering this to new management, existing shareholdings remain in place and continue to be reflected in these accounts. The model typically operated as follows:

Acquisition of shares

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

Holding period

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

Valuation

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

In 2021 the Group has had the following transactions in subsidiary shares with directors of subsidiaries:

Company	% of shares	Aggregate consideration £000	Seller
BWP Holdco Limited (sale)	100%	33	N Kingston
Empresaria China Holdings Limited (purchase)	10.0%	18	K Liu

28 Share-based payments

The Group operates a Long Term Incentive Plan ('LTIP') for Directors and senior executives. The scheme is equity settled with the granting of nil cost options and is subject to performance conditions. Further details of the LTIP are provided in the Directors' remuneration report. The expense is recognised in the income statement based on the fair value of the equity instrument awarded as determined at the grant date. The expense is recognised on a straight-line basis over the vesting period based on estimates of the number of shares that are expected to vest.

In 2021 a charge to the income statement of £0.3m (2020: credit of £0.2m) was recognised. Movements in the number of options outstanding are as follows:

	2021 Number of share options thousands	2020 Number of share options thousands
Outstanding as at 1 January	**5,620**	4,020
Lapsed during the year	**(917)**	(363)
Granted during the year	**1,089**	1,963
Exercised during the year	**(1,668)**	–
Outstanding as at 31 December	**4,124**	5,620
Vested and exercisable as at 31 December	**315**	1,982

The options outstanding as at 31 December 2021 had a weighted average remaining contractual life of 5.0 years (2020: 4.3 years).

The fair value of options granted during the year is estimated using a Black-Scholes model for the element with an earnings per share performance condition and a Monte Carlo model for the element with a total shareholder return performance condition. Details of the performance conditions can be found in the Directors' remuneration report on pages 47 to 49.

The inputs into these models for the principal awards made in the year were as follows:

	Award in 2021	Award in 2020
Share price at date of grant	81.0p	33.5p
Exercise price	nil	nil
Expected volatility	39.5%	34.5%
Expected life	2.6 years	3 years
Risk-free rate	0.21%	0.12%
Expected dividend yields	1.77%	5.97%
Vesting dates	March 2024	March 2023
Fair value assessed per share	69.0p	22.3p

The expected volatility is determined from the daily log normal distributions of the Company share price over a period equal to the expected holding period calculated back from the date of grant. The risk-free rate was the zero coupon bond yield derived from UK government bonds at the date of grant, with a life equal to the expected holding period.

Parent Company balance sheet

	Note	**2021 £m**	2020 £m
Non-current assets			
Tangible assets	5	**–**	–
Investments in subsidiaries	6	**49.3**	50.2
		49.3	50.2
Current assets and liabilities			
Debtors	7	**12.3**	7.8
Creditors: amounts falling due within one year	8	**(15.5)**	(24.9)
Net current liabilities		**(3.2)**	(17.1)
Total assets less current liabilities		**46.1**	33.1
Creditors: amounts falling due after more than one year	9	**(10.5)**	–
Net assets		**35.6**	33.1
Capital and reserves			
Called-up share capital	10	**2.5**	2.4
Share premium account		**22.4**	22.4
Merger reserve		**0.9**	0.9
Other reserves		**0.7**	0.7
Equity reserve		**(0.2)**	(0.2)
Profit and loss account		**9.3**	6.9
Shareholders' funds		**35.6**	33.1

The profit for the financial year ended 31 December 2021 was £2.9m (2020: £3.8m).

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 16 March 2022.

Signed on behalf of the Board of Directors

Rhona Driggs

Rhona Driggs
Chief Executive Officer

Tim Anderson
Chief Financial Officer

Parent Company statement of changes in equity

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Other reserves £m	Equity reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 1 January 2020	2.4	22.4	0.9	0.9	(0.2)	3.3	29.7
Profit for the financial year and total comprehensive income	–	–	–	–	–	3.8	3.8
Movement in share options	–	–	–	(0.2)	–	–	(0.2)
Purchases of own shares by Employee Benefit Trust	–	–	–	–	–	(0.2)	(0.2)
At 31 December 2020	2.4	22.4	0.9	0.7	(0.2)	6.9	33.1
Profit for the financial year and total comprehensive income	–	–	–	–	–	2.9	2.9
Dividends paid on equity shares	–	–	–	–	–	(0.5)	(0.5)
Movement in share options	–	–	–	0.3	–	–	0.3
Purchases of own shares by Employee Benefit Trust	–	–	–	–	–	(0.3)	(0.3)
Exercise of share options	0.1	–	–	(0.3)	–	0.3	0.1
At 31 December 2021	**2.5**	**22.4**	**0.9**	**0.7**	**(0.2)**	**9.3**	**35.6**

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium account represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Merger reserve relates to premiums arising on shares issued subject to the provisions of section 612 Merger relief of the Companies Act 2006.
- Equity reserve represents amounts recognised in relation to historic expired options over a subsidiary company.
- Other reserves primarily represents movements in relation to share-based payments.
- Retained earnings represents accumulated profits less distributions and income/expense recognised in equity from incorporation.

Notes to the Parent Company financial statements

1 Basis of preparation, general information and summary of significant accounting policies

(a) Basis of preparation and general information

The financial statements are for the year ended 31 December 2021. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council.

These financial statements are presented in Pounds Sterling (£) as the functional and presentational currency.

The accounting policies have been applied consistently throughout the period for the purposes of preparation of these financial statements.

The Company has taken advantage of a disclosure exemption and has elected not to present a cash flow statement.

(b) Summary of significant accounting policies

Going concern

These accounts are prepared on the going concern basis. Details of the assessment of going concern are given in note 1 to the Group accounts.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is calculated using the straight-line method to write off the cost of the assets over their useful lives as follows:

Fixtures, fittings and equipment: between one and five years.

Investments in subsidiaries

Investments are stated at cost less provision for any impairment in value.

Leases

Leases that result in the Company receiving substantially all of the risks and rewards of ownership of an asset are treated as finance leases. An asset held under a finance lease is recorded in the balance sheet as a tangible fixed asset and depreciated over the shorter of its estimated useful life and the lease term. Future instalments net of interest charges are included within liabilities. Minimum lease payments are apportioned between the interest charge element, which is allocated to each period to produce a constant periodic rate of interest on the remaining liability and charged to the profit and loss account, and the principal element which reduces the outstanding liability.

Rental costs arising from operating leases are charged on a straight-line basis over the period of the lease. Where an incentive is received to enter into an operating lease, such incentive is treated as a liability and recognised as a reduction to the rental expense on a straight-line basis over the period of the lease.

Financial instruments

Short-term debtors and creditors are measured at transaction price, less any impairment. Loans receivable and other financial liabilities, including amounts due from and to subsidiary undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Pension costs

Payments made to defined contribution retirement benefit schemes are charged to the profit and loss account as they fall due.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit after tax for the financial year ended 31 December 2021 of £2.9m (2020: £3.8m).

3 Directors and employees

Year ended 31 December	**2021 £m**	2020 £m
Staff costs		
Wages and salaries	**2.4**	1.7
Social security costs	**0.3**	0.1
Other pension costs	**0.2**	0.2
Share-based payments	**0.3**	(0.2)
	3.2	1.8

	2021 Number	2020 Number
Average monthly number of persons employed (including Directors)	**19**	20

Details of Directors' remuneration are given on pages 47 to 49.

4 Dividends

During 2021 Empresaria Group plc paid a dividend of 1.0p per Ordinary Share (2020: nil). This amounted to £0.5m to its equity shareholders (2020: £nil). See note 25 of the Group accounts for information on proposed dividends for the year ended 31 December 2021.

5 Tangible assets

The following table shows the significant additions and disposals of property, plant and equipment.

	Fixtures, fittings and equipment £m
Cost	
As at 1 January 2021	0.5
Additions	–
31 December 2021	0.5
Accumulated depreciation	
At 1 January 2021	(0.5)
Charge for the year	–
At 31 December 2021	(0.5)
Net book value	
At 31 December 2020	–
At 31 December 2021	–

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2021	61.5
Additions	–
At 31 December 2021	61.5
Impairment	
At 1 January 2021	11.3
Impairment charge	0.9
At 31 December 2021	12.2
Net book value	
At 31 December 2020	50.2
As 31 December 2021	49.3

During the year an impairment charge of £0.9m was recognised in relation to the investment in Empresaria NZ Limited following an assessment of the recoverable amount at the year end. This is due to the impact of COVID-19 on its subsidiary Rishworth Aviation during 2021.

Investments comprise the following subsidiary companies:

Company	Class of share held	**2021 Effective % holding**	2020 Effective % holding
Registered office: Old Church House, Sandy Lane, Crawley Down, West Sussex, RH10 4HS UK			
Ball and Hoolahan Limited	Ordinary	**100**	100
Become Recruitment Limited	Ordinary	**100**	100
BWP Holdco Limited	Ordinary	**–**	100
ConSol Partners (Holdings) Limited	Ordinary	**100**	100
ConSol Partners Europe Limited	Ordinary	**100**	–
ConSol Partners Limited	Ordinary	**100**	100
CP101 Limited	Ordinary	**100**	–
Empresaria 2021 Limited (formerly Beresford Wilson and Partners Limited)	Ordinary	**100**	100
Empresaria Americas Finco Limited	Ordinary	**100**	100
Empresaria Americas Limited[1]	Ordinary	**100**	100
Empresaria Asia Limited[1]	Ordinary	**100**	100
Empresaria China Holdings Limited	'A' Ordinary	**90**	80
Empresaria GIT Holdings Limited[1]	Ordinary	**100**	100
Empresaria GIT Limited	Ordinary	**100**	100
Empresaria Healthcare Europe Limited[1]	Ordinary	**100**	–
Empresaria Healthcare Holdings Limited[1]	Ordinary	**100**	–
Empresaria Indonesia Holdings Limited	Ordinary	**100**	100
Empresaria Limited (formerly Empresaria Services Limited)[1]	Ordinary	**100**	100
Empresaria Malaysia Holdings Limited	Ordinary	**100**	100
Empresaria Mexico Holdings Limited	'A' Ordinary	**100**	100
Empresaria North America Limited	'A' Ordinary	**88**	88
Empresaria NZ Finco Limited	Ordinary	**100**	100
Empresaria NZ Limited[1]	Ordinary	**100**	100
Empresaria Peru Holdings Limited	Ordinary	**100**	100
Empresaria Philippines Holdings Limited	Ordinary	**100**	100
Empresaria T&I Holdings Limited[1]	Ordinary	**100**	100
Empresaria T&I Limited	Ordinary	**100**	100
Empresaria Technology (Holdings) Limited[1]	Ordinary	**100**	100
Empresaria Thailand Holdings Limited	'A' Ordinary	**80**	80
Empresaria Vietnam Holdings Limited	Ordinary	**100**	100
EMR1000 Limited[1]	Ordinary	**100**	100
FastTrack Management Services Limited[1]	Ordinary	**100**	100

Company	Class of share held	2021 Effective % holding	2020 Effective % holding
Global Crew UK Limited	Ordinary	**83**	83
Greycoat Placements Limited[1]	'A' Ordinary	**90**	90
Interim Management International Limited[1]	Ordinary	**100**	100
LMA Recruitment Limited[1]	'A' and 'C' Ordinary	**94**	94
Mansion House Recruitment Limited	Ordinary	**94**	94
McCall Limited[1]	'A' Ordinary	**82**	82
Oval (888) Limited[1]	Ordinary	**100**	100
Teamsales Recruitment Limited (formerly 4ward Talent Limited)	Ordinary	**100**	100
Team Resourcing Limited (formerly Teamsales Limited)[1]	'A' Ordinary	**97**	97
The Recruitment Business Holdings Limited[1]	Ordinary	**100**	100
The Recruitment Business Limited	Ordinary	**100**	100
Registered office: Stanley & Williamson, Level 1 34 Burton Street, Kirribilli NSW 2061, Australia			
The Recruitment Business Pty Limited	Ordinary	**100**	100
Registered office: Durisolstraße 1/WDZ II, 4600 Wels, Austria			
headwayaustria GesmbH	Ordinary	**100**	100
Registered office: Ave. Isidora Goyenechea 3250, 13th Floor, Santiago, District of Las Condes, Chile			
Empresaria Group Chile Limitada[1]	Ordinary	**100**	100
Registered office: Alcade Jorge Monckeberg 77, Santiago, Chile			
A–Consulting Limitada	Ordinary	**56**	56
Alternattiva Empresa De Servicios Transitorios Limitada	Ordinary	**56**	56
Instituto De Capacitacion Complementaria De La Empresa Limitada	Ordinary	**56**	56
Marketing y Promociones S.A.	Ordinary	**56**	56
Registered office: Cerro El Plomo #5420, Oficina 703, 7th Floor, Las Condes, Santiago, 7560742			
Monroe Chile S.A.	Ordinary	**55**	55
Registered office: Room 16F02, No. 828-838, Zhangyang Road, Pudong New Area, Shanghai, China			
Monroe Consulting Group China	Ordinary	**90**	80
Registered office: Hämeenkatu 30 C 32 20700 Turku, Finland			
Medikumppani Oy[1]	Ordinary	**100**	100
Registered office: Ebertstraße 15, 10117 Berlin, Germany			
ConSol Partners GmbH	Ordinary	**100**	100
Registered office: Dekan-Wagner-Str. 4a, 84032 Altdorf, Germany			
headwaylogistic administration GmbH	Series A and Series B	**84**	84
headwayindustrie GmbH	Ordinary	**84**	84
Registered office: Herner Strasse 35, D-45657 Recklinghausen, Germany			
headwaylogistic GmbH	Ordinary	**84**	84
Registered office: Mendelstrasse 4, 84030 Ergolding, Germany			
Empresaria Holding Deutschland GmbH[1]	Ordinary	**100**	100
headwaypersonal GmbH	Series A and Series B	**90**	90
Registered office: Rooms 2702-3, 27th Floor Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong			
The Recruitment Business Limited	Ordinary	**100**	100

Notes to the Parent Company financial statements continued

6 Investments in subsidiaries continued

Company	Class of share held	2021 Effective % holding	2020 Effective % holding
Registered office: Ground Floor, 001 Raghupati Niketan, Opp. Ishita Appartments, Navrangpura, Ahmedabad, Gujarat, 380 009, India			
Interactive Manpower Solutions Private Limited[1]	Ordinary	**72**	72
IMS Workforce Solutions Private Limited	Ordinary	**72**	72
IMS Oneworld Private Limited	Ordinary	**72**	72
IMS Payroll Solutions Private Limited	Ordinary	**72**	72
Registered office: South Quarter Building, Tower C, Level 10, Jl. RA. Kartini, Kav. 8, Cilandak, Jakarta, SELATAN 12430, Indonesia			
PT. Monroe Consulting Group	'A' Ordinary	**100**	100
Registered office: Daiwa Daikanyama Building, 8–7 Daikanyamacho, Shibuya-ku, Tokyo, Japan			
FINES K.K.	Ordinary	**51**	51
FINES Tokyo K.K.	Ordinary	**51**	51
FINES Osaka K.K.	Ordinary	**51**	51
Registered office: 8-27 Toranomon 3-chome, Minato-ku, Tokyo, Japan			
Skillhouse Staffing Solutions K.K.	Ordinary	**90**	90
Registered office: 14A Jalan Tun Mohd Fuad, Taman Tun Dr Ismail, 60000, Kuala Lumpur, Wilayah Persektuan, Malaysia			
Agensi Pekerjaan Monroe Consulting Group Malaysia Sdn. Bhd.	Ordinary	**100**	100
Registered office: Insurgentes 1796 4to Piso, Colonia Florida, DF 01030, Mexico			
Monroe Consulting Mexico, S.A. de C.V.	Class I and Class II Ordinary	**100**	100
Registered office: De Cuserstraat 93, tweede en derde verdieping, 1081 CN, Amsterdam, Netherlands			
Global Crew Netherlands B.V.	Ordinary	**83**	83
Registered office: GVW Accountants Limited, Level 1, 109 Carlton Gore Road, Newmarket, 1023 New Zealand			
Global Resources Asia Limited	Ordinary	**83**	83
Rishworth Holdco Limited	Ordinary	**83**	83
Rishworth Aviation Asia Limited	Ordinary	**83**	83
Rishworth Aviation Asia Pacific Limited	Ordinary	**83**	83
Rishworth Aviation Europe Limited	Ordinary	**83**	83
Rishworth Aviation Limited	Ordinary	**83**	83
Rishworth Aviation International Limited	Ordinary	**83**	83
Rishworth Aviation Services Limited	Ordinary	**83**	83
Rishworth Solutions Limited	Ordinary	**83**	83
Registered office: Gilligan Sheppard Limited, Level 4 Smith & Caughey Building, 253 Queen Street, Auckland, 1010 New Zealand			
The Recruitment Business Limited	Ordinary	**100**	100
Registered office: Unit 605 Richville Corporate Tower, 1107 Alabang-Zapote Road, Madrigal Business Park, Alabang, Muntinlupa C, 1780, Philippines			
HR Philippines Holdings, Inc.	Ordinary	**100**	100
Registered office: High Street South Corporate Plaza, Tower 1, Unit 906 – 908, Bonifacio Global City, Manila, 1634, Philippines			
Monroe Consulting Philippines, Inc.	Ordinary	**100**	100
Registered office: 10 Anson Road #35-06A, International Plaza, 079903, Singapore			
Global Crew Asia Pte Ltd	Ordinary	**83**	83
Global Resources Aviation Singapore PTE Ltd	Ordinary	**83**	83

Company	Class of share held	2021 Effective % holding	2020 Effective % holding
Registered office: Level 28 Clifford Centre, 24 Raffles Place, Singapore 048621, Singapore			
LMA Recruitment Singapore Pte. Limited	'A' and 'B' Ordinary	**70**	70
Registered office: Postova 3, 811 06, Bratislava, Slovakia			
Gate1234 s.r.o.	Ordinary	**100**	100
Registered office: Global Redovisning, Rehnsgatan 5, 11357, Stockholm, Sweden			
Rishworth Aviation AB	Ordinary	**83**	83
Registered office: 28th Floor, Lake Rajada Office Complex Bldg, 193/119 Ratchadapisek Rd, Klongtoey, Bangkok, 10110, Thailand			
Monroe Holdings (Thailand) Company Limited	Ordinary	**80**	80
Monroe Recruitment Consulting Group Company Limited	Ordinary	**80**	80
Registered office: Office 17 E, Silver Tower, Jumeriah Lake Towers, PO Box 487039, United Arab Emirates			
Beresford Wilson and Partners FZ-LLC	Ordinary	**–**	100
Registered office: 1409 3rd Street Promenade, Suite A, Santa Monica, CA 90401, USA			
ConSol Partners LLC	Ordinary	**100**	100
Registered office: 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808-1674, USA			
Empresaria Americas Services Inc	Common Stock	**100**	100
Empresaria USA Inc.	Common Stock	**88**	88
Registered office: 8 The Green Ste B, Dover, Kent, DE 19901, USA			
IMS Oneworld Inc.	Ordinary	**72**	72
Registered office: 8500 Normandale Lake Blvd. Suite 350, Bloomington, MN 55437-3805, USA			
IMS Payroll Solutions Inc.	Ordinary	**72**	72
Registered office: 477 Main Street, Stoneham, MA 02180, USA			
Medical Recruitment Strategies, LLC	'A' and 'B' Ordinary	**88**	88
Pharmaceutical Strategies, LLC	'A' and 'B' Ordinary	**88**	88
Recruitment Strategies Group, LLC	'A' and 'B' Ordinary	**88**	88
Recruitment Strategies, LLC	'A' and 'B' Ordinary	**–**	88
Registered office: Floor 6, HD Tower, No 25 Bis, Nguyen Thi Minh Khai Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam			
Monroe Consulting Group Vietnam Limited Liability Company	Ordinary	**100**	100
Registered office: Av. Alfredo Benavides No 1551, Office No 901, District of Miraflores, province and dept of Lima, Peru			
Grupo Solimano S.A.C.	Ordinary	**60**	60
People Intermediacion S.A.C.	Ordinary	**60**	60
People Outsourcing S.A.C.	Ordinary	**60**	60
Solimano Asociados S.A.C.	Ordinary	**60**	60
Talentos, Servicios & Ingenieria S.A.C.	Ordinary	**60**	60

1 These companies are directly held by Empresaria Group plc. The remaining investments are indirectly held. The percentage shown is as at 31 December.

The nature of each investment is the provision of staffing services and each entity operates in its country of incorporation.

Notes to the Parent Company financial statements continued

7 Debtors

As at 31 December	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	**9.3**	5.8
Other debtors	**0.3**	0.1
Corporation tax	**0.6**	0.9
Deferred tax asset	**1.2**	0.7
Prepayments and accrued income	**0.9**	0.3
	12.3	7.8

£0.7m (2020: £0.4m) of the deferred tax asset is expected to be recoverable after more than one year.

8 Creditors: amounts falling due within one year

As at 31 December	2021 £m	2020 £m
Bank overdraft and loans due within one year	**5.0**	12.9
Trade creditors	**0.2**	0.2
Amounts owed to subsidiary undertakings	**8.1**	10.8
Other creditors	**0.5**	0.1
Accruals	**1.7**	0.9
	15.5	24.9

9 Creditors: amounts falling due after more than one year

As at 31 December	2021 £m	2020 £m
Bank loans	**10.5**	–
	10.5	–

At 31 December 2021, the UK revolving credit facility of £15.0m (2020: £15.0m), expiring in September 2023, had a balance of £10.5m (2020: £5.0m). In March 2021 the revolving credit facility was refinanced. This facility is based on the SONIA (Sterling Over Night Index Average) interest rate. The margin on the facility is based on the Group's net debt to EBITDA ratio and ranges from 2.0% to 3.0%.

The interest rate on the UK bank overdraft was fixed during the year at 1.0% above applicable currency base rates.

As at 31 December	2021 £m	2020 £m
Bank loans		
Repayable within one year	**–**	5.0
Repayable between one and two years	**10.5**	–
	10.5	5.0

10 Called up share capital

As at 31 December	**Number of shares**	**2021 £m**	Number of shares	2020 £m
Issued, allotted and fully paid				
Ordinary Shares of 5p each	**49,853,001**	**2.5**	49,019,132	2.4

Please see note 22 of the Group accounts for details on the share capital.

11 Contingent liabilities

The Company is part of a bank overdraft arrangement that operates across a number of subsidiaries of the Company. This facility gives the Company greater access to readily available cash resources. Cross guarantees exist between the companies within this facility. The total amount owed by the Group under this arrangement as at 31 December 2021 was £6.9m (2020: £7.4m).

12 Related party transactions

Please see note 27 of the Group accounts for details on related party transactions.

Officers and professional advisers

Directors
Tony Martin
Rhona Driggs
Tim Anderson
Penny Freer
Zach Miles

Secretary
James Chapman

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

Company registration number
03743194

Nominated Adviser & Broker
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BS1 6EG

Bankers
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West & Wales Corporate Banking
3 Rivergate
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BS1 6ER

Independent auditor
Nexia Smith & Williamson Audit Limited
25 Moorgate
London
EC2R 6AY

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.

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