

12 August 2020

Empresaria Group plc (“Empresaria” or “Group”)

Unaudited Interim Results for the six months ended 30 June 2020

Profitability, financial strength and operational progress in face of COVID-19

Empresaria Group plc (AIM: EMR), the global specialist staffing group, announces its unaudited interim results for the six months ended 30 June 2020.

Overview of the half year

	2020	2019	% change	% change (constant currency) ²
Revenue	£136.1m	£175.5m	-22%	-20%
Net fee income	£28.2m	£36.3m	-22%	-21%
Adjusted operating profit ¹	£3.0m	£4.3m	-30%	-26%
Operating (loss)/profit	£(0.6)m	£2.9m	-121%	
Adjusted profit before tax ¹	£2.4m	£3.7m	-35%	
(Loss)/profit before tax	£(1.2)m	£2.3m	-152%	
Adjusted, diluted earnings per share ¹	1.9p	3.3p	-42%	
Diluted (loss)/earnings per share	(2.7)p	1.4p	-293%	

- Profitable in both the first and second quarters of 2020 despite impact of COVID-19 (adjusted profit before tax)
- Year on year profit growth in the first quarter of 2020
 - Benefitting from operational initiatives put in place last year
 - More efficient cost base in place for first quarter
- Profitable in the second quarter of 2020 (adjusted profit before tax)
 - Net fee income in the second quarter 39% lower than 2019
 - Swift and decisive action taken on costs – second quarter costs 30% lower than 2019 and 23% lower than the first quarter of 2020
 - Diversification continues to prove beneficial during extreme global circumstances
- Net debt significantly reduced to £8.9m (31 December 2019: £19.1m) and headroom increased to £18.1m (31 December 2019: £11.5m)
 - Strong focus on cash management
 - Significant working capital inflows reflecting reduction in activity levels
 - Headroom increased due to cash flows and increased facility levels
- Operational investments and initiatives continue to position the Group for long-term growth
 - Investment in Bullhorn as the Group’s preferred front office technology
 - Operating model evolution accelerated in key brands to enable them to be more effective in temporary recruitment

1 Adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, exceptional items (2020: £2.6m impairment charge on our aviation business), fair value charge on acquisition of non-controlling shares and, in the case of earnings, any related tax.

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

Chief Executive Officer, Rhona Driggs, commented:

“I would like to thank our employees around the globe for their solidarity and perseverance during these challenging times. Our main focus over the past few months has been to protect our teams and ensure business continuity. While the COVID-19 pandemic has had a material impact, the first half results demonstrate the resilience of our businesses and the fundamental strength of Empresaria. Our *Stronger Together* initiatives – aimed at improving collaboration, synergies and efficiency across the Group – are now embedded and have proved invaluable in effectively navigating the crisis in the period.

We achieved year on year profit growth in the first quarter and despite a large impact on net fee income remained profitable in the second quarter.

Given the ongoing uncertainty and risks from COVID-19 we are cautious on the speed of recovery but remain confident in the Group's ability to fulfil its longer-term growth ambitions. A great deal of progress has been made in incorporating new ways of working since the outbreak. We are confident that by maintaining a steadfast focus on our strategic priorities of operational excellence and productivity while ensuring we continue to manage our costs, we will emerge in a strong position to take advantage as and when demand returns."

A video interview with management covering the first half performance is available here: https://bit.ly/EMR_H1_20

Investor presentation

In line with Empresaria's commitment to ensuring appropriate communication structures are in place for all sections of its shareholder base, management will deliver an online results presentation open to all existing and potential investors via the Investor Meet Company platform on Wednesday 12 August 2020 at 4pm UK time.

Questions can be submitted pre-event through the platform or at any time during the live presentation. Management may not be in a position to answer every question it receives but will address those it can while remaining within the confines of information already disclosed to the market.

Q&A responses will be published at the earliest opportunity on the Investor Meet Company platform.

Investors can sign up for free via: <https://www.investormeetcompany.com/empresaria-group-plc/register-investor>.

Those who have already registered and requested to meet the Company will be automatically invited.

- Ends -

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The investor presentation of these results will be made available during the course of today on Empresaria's website: empresaria.com

Notes for editors:

- Empresaria Group plc is a global specialist staffing group offering temporary and contract recruitment, permanent recruitment and offshore recruitment services across 6 sectors: Professional, IT, Healthcare, Property, Construction & Engineering, Commercial and Offshore Recruitment Services.

- Empresaria operates from locations across the world including the 4 largest staffing markets of the US, Japan, UK and Germany along with a strong presence elsewhere in Asia Pacific and Latin America.
- Empresaria is listed on AIM under ticker EMR. For more information visit empresaria.com.

Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as “will”, “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “should”, “may”, “assume” and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. Empresaria undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

Finance and operating review

With COVID-19 becoming the dominant factor in the global economy during the first half of 2020, the results of the Group are best analysed as two quarters - the first, which was substantially unimpacted by COVID-19, and the second which was fully impacted.

The Group had a strong start to 2020. While net fee income was down 5%, with the majority of this decrease coming in March when COVID-19 started to have an effect, the Group delivered year on year growth in profits in each month from January to March as the operational initiatives put in place last year started to bear fruit.

The second quarter results were dominated by the impact of COVID-19 and the Group's response to this. COVID-19 has had a very significant impact on the staffing industry as clients look to manage the impact on their own businesses through reductions in external staffing spend and hiring freezes. As a result, the Group's net fee income fell by 39% in the quarter compared to 2019. However, as a result of the swift and decisive cost actions taken across the Group, combined with our diversity both by sector and geography, the Group remained profitable in the quarter at an adjusted profit before tax level.

The overall results for the first half of 2020 reflect the above. Net fee income was £28.2m, 22% lower than 2019 while adjusted operating profit of £3.0m was 30% lower than 2019. Adjusted profit before tax was £2.4m (2019: £3.7m).

Operational success that stands the Group in good stead for the future

The Group's *Stronger Together* initiative, launched in May 2019, has proved invaluable in the current pandemic. With a more unified Group there has been greater collaboration and support between businesses, and this culture has helped the Group respond more quickly and more effectively than it might have been able to in the past.

Our move to a more performance based culture has improved focus on the bottom line and on the actions needed to drive this forwards, or, as has had to be case over the last few months, driven action to protect our profit from falls in net fee income. We are pleased with how this culture has been adopted and begun to be embedded within our businesses.

The current situation has also stress tested our ability to deliver services under adverse circumstances. The results of this were positive: we managed the move to remote working without any significant technology issues or any adverse impact to our delivery, including in our Offshore Recruitment Services sector where we moved hundreds of staff in India from office to home working over a very short space of time. This will stand us in good stead for the future and gives us flexibility in managing the return to offices.

Targeted cost actions while protecting key investments

The Group took swift and decisive action on costs as the likely impact of COVID-19 became clear. Costs in the second quarter of 2020 were 30% lower than the comparable period in 2019 and 23% lower than in the first quarter of 2020.

Our cost base was already lower as we started the year, reflecting the benefits of the operational initiatives and changes put in place in 2019. Further action on costs was taken in response to the impact of COVID-19 on demand from our clients. As a people business a large part of our cost base is employee related so difficult decisions had to be taken across the Group. Where available the Group has participated in schemes such as the UK's furlough scheme in order to protect as many jobs as possible and defer any potential redundancy exercises for as long as possible as we look for demand to return. If demand starts to return in the third quarter, we expect to see some increases in the cost base as employees return from furlough or as government support for jobs is removed. We will continue to monitor the situation closely and ensure that our cost base reflects the ongoing demand.

Although significant cost cutting measures were put in place, we have protected key investments, such as in core technologies, as these are critical for the Group in maximising our ability to successfully recover and deliver on our strategic objectives. Cost cutting was targeted to ensure that not only did businesses protect their bottom line in the short term, but also retained the skills and expertise needed to drive the business forward as our markets recover.

While some additional one-off costs have been incurred as a result of cost cutting exercises undertaken in response to COVID-19, the Group has chosen not to disclose these as exceptional costs and they are included as a deduction within our adjusted profit measures. These costs are relatively limited in the first half but will likely increase during the second half of the year as government support schemes are removed and as we continue to execute on our strategic plan. We will keep the position under review and if these costs become significant we will highlight the impact of these on the Group's results.

Clear benefits from being a diversified Group

While nearly all our businesses have been impacted by COVID-19, the impact has varied by geography and sector and the diversity of the Group has continued to provide significant benefits.

Positive year on year performances were limited in the second quarter of 2020 but our logistics business in Germany saw a benefit from the spike in consumer demand as the country went into lockdown and delivered operating profit 30% ahead of the same period in 2019.

Our IT sector proved resilient in the first half delivering net fee income in line with 2020, with a particularly strong performance in the US.

Our Offshore Recruitment Services business was significantly impacted by COVID-19 as its clients looked to pass on the impact on their own businesses. However, net fee income in the first half of 2020 remained ahead of 2019, reflecting the significant growth of this business through 2019 and the start of 2020 before COVID-19 started to impact.

Elsewhere we saw more severe impact, particularly in our businesses supporting the aviation and new home sales industries, which saw very significant percentage falls in net fee income. Permanent placement net fee income has been impacted more than our temporary and contract business, with our Professional sector, which accounts for over half of our permanent placement net fee income, seeing particularly large drops.

Outlook

We remain cautious on the speed of recovery as the COVID-19 pandemic continues to impact the global economy, making it difficult to provide meaningful guidance at this time. Although we see signs of increases in economic activity in those markets where cases are falling and local restrictions are being eased, it is too early to assess the quality or pace of this and the impact that it will have on the staffing sector.

The diversity of the Group across geographies and sectors will continue to be beneficial as we move through the rest of 2020. Different markets and sectors will recover at different paces, and with the ongoing risk of second waves and localised responses across the globe, this diversity helps reduce the risk and impact of localised issues on the wider Group.

We started our *Stronger Together* initiative last year and along with actions taken during the pandemic we now have a more efficient and more unified organisation that is well placed to take advantage as and when demand returns.

We are executing a clear strategy to ensure Empresaria emerges a stronger, more focused, growth oriented business. While there remains much work to be done and we are wary of the risk of a second wave of COVID-19 in key markets, we are cautiously optimistic as we move into the second half of the year.

Sector Performance

Adjusted operating profit by sector

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Professional	0.5	1.7	-71%	-69%	3.5
IT	1.2	1.3	-8%	-8%	3.2
Healthcare	0.1	0.2	-50%	-50%	0.5
Property, Construction & Engineering	(0.1)	(0.2)	n/a	n/a	(1.2)
Commercial	1.5	1.9	-21%	-17%	5.4
Offshore Recruitment Services	1.4	1.3	+8%	+11%	3.2
Central costs	(1.6)	(1.9)	+16%	+16%	(4.2)
Group	3.0	4.3			10.4

Performance in each of the sectors is analysed below. The reduction in central costs reflects cost actions taken to offset the impact of COVID-19.

Professional

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	35.3	62.0	-43%	-41%	125.0
Net fee income	8.8	13.7	-36%	-35%	27.3
Adjusted operating profit	0.5	1.7	-71%	-69%	3.5
% of Group net fee income	31%	38%			37%

Our Professional sector saw a significant adverse impact from COVID-19 across all businesses. The 36% fall in net fee income was largely offset by cost reductions which meant that the sector continued to generate a profit despite the prevailing trading conditions. The sector is more than 60% permanent placement which has been significantly impacted. We also saw a particularly adverse impact where we supply the aviation sector which has experienced substantial and sustained reduction in demand. We do not expect to see a recovery in this business to pre-COVID-19 levels in the short term, but believe that this industry offers good growth potential for the Group in the medium and long term. We have taken action to restructure this business, to right size its cost base and ensure it is well placed to rebuild as the market comes back.

This remains our largest sector and while it has been hit hard by COVID-19, we believe this sector will be a significant profit driver for the Group as we move forward and continue our focus on growing our temporary and contract business.

IT

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	22.1	21.4	+3%	+3%	45.2
Net fee income	6.7	6.8	-1%	-2%	14.4
Adjusted operating profit	1.2	1.3	-8%	-8%	3.2
% of Group net fee income	24%	19%			19%

Our IT sector has proven resilient, delivering net fee income in line with the prior year with operating profit slightly down year on year. The results are supported by a particularly strong performance in the US where the niche roles and sectors we recruit into such as technology and banking have sustained demand through the first half of the year. In the UK we have had a more challenging first half and more significant actions have been taken on costs.

Healthcare

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	5.9	5.1	+16%	+18%	11.3
Net fee income	1.2	1.4	-14%	-14%	2.8
Adjusted operating profit	0.1	0.2	-50%	-50%	0.5
% of Group net fee income	4%	4%			4%

Our Healthcare sector has been adversely impacted by COVID-19 with patients unable or unwilling to engage with healthcare services unless absolutely necessary resulting in lower demand for temporary staff. This reduction in demand has translated into a drop in net fee income and a smaller drop in profits with the sector remaining profitable.

Property, Construction & Engineering

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	1.8	13.0	-86%	-86%	22.4
Net fee income	0.4	2.3	-83%	-83%	3.8
Adjusted operating loss	(0.1)	(0.2)	n/a	n/a	(1.2)
% of Group net fee income	1%	6%			5%

Our Property, Construction & Engineering sector, which is based in the UK, was impacted by the enforced lockdown restrictions, particularly in our business supplying sales staff to the new home sector. Prior year net fee income includes the UK engineering business, a substantial part of which was closed in late 2019. Although the sector generated a loss, the cost base is low and when demand returns this sector is expected to quickly return to profitability.

Commercial

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	65.5	68.4	-4%	-1%	142.4
Net fee income	8.0	9.1	-12%	-10%	19.7
Adjusted operating profit	1.5	1.9	-21%	-17%	5.4
% of Group net fee income	28%	25%			26%

Our Commercial sector has seen a 12% fall in net fee income and a 21% reduction in adjusted operating profit with performances varying across geographies.

In Germany, our logistics business had a positive impact from COVID-19, with increased demand from its clients including supermarkets and further benefiting from the accelerated ongoing trend towards online deliveries for products rather than going to shops. Elsewhere in Germany this was offset by our businesses with major clients in the automotive sector which continues to face challenges. While factories are now reopening, consumer demand remains low suppressing the need for temporary workers.

The impact of COVID-19 was felt later in Peru and Chile and it looks as if they have not yet seen the peak impact. Our business in Chile has received some protection from the impact with supermarkets forming a large part of their client base.

Our operation in Japan provides sales staff to retailers and was significantly impacted as lockdown closed shops in Tokyo. With stores reopening in June this business is expected to have a positive second half to the year.

Offshore Recruitment Services

£'m	6 months ended 30 June 2020	6 months ended 30 June 2019	% change	% change (constant currency)	Year ended 31 December 2019
Revenue	5.8	5.8	-	+2%	12.2
Net fee income	3.4	3.2	+6%	+8%	7.0
Adjusted operating profit	1.4	1.3	+8%	+11%	3.2
% of Group net fee income	12%	9%			9%

Our Offshore Recruitment Services sector experienced a significant drop in demand from its recruitment industry clients, particularly in the US, as they have passed on the impact COVID-19 has had on their own businesses. The UK client base, which primarily operate in the healthcare sector, has been more resilient but still saw significant falls in demand. Despite this, the sector delivered year on year growth in both net fee income and adjusted operating profit in the first half reflecting the strong growth seen in 2019 and the start of 2020. Our operation in India responded extremely well to local lockdowns, successfully moving hundreds of staff to home working in a very short period of time while continuing to meet clients demands. Although net fee income has been impacted in the short term, the sector has continued to generate profits and we see increased opportunities as clients seek to make efficiency improvements in their operating models.

Regional summary

£'m	Revenue		Net fee income		Adjusted operating profit	
	6 months ended 30 June 2020	6 months ended 30 June 2019	6 months ended 30 June 2020	6 months ended 30 June 2019	6 months ended 30 June 2020	6 months ended 30 June 2019
UK	24.9	40.2	7.2	11.8	0.5	0.9
Continental Europe	44.4	44.5	6.3	6.7	1.2	1.2
Asia Pacific	39.0	62.0	10.6	13.5	2.1	3.3
Americas	28.1	29.0	4.4	4.5	0.8	0.8
Central costs/intragroup	(0.3)	(0.2)	(0.3)	(0.2)	(1.6)	(1.9)
Total	136.1	175.5	28.2	36.3	3.0	4.3

The UK saw the largest year on year fall in net fee income but strong cost controls reduced the impact on adjusted operating profit with the region remaining profitable. The biggest falls were in our Professional sector and 2019 includes our UK engineering business a substantial part of which was closed in late 2019.

In Continental Europe 2020 performance is in line with 2019 with the strong performance from our logistics business in Germany offsetting the challenges we have seen elsewhere in Germany and with our Healthcare business in Finland.

In Asia Pacific the majority of the year on year reduction in net fee income and adjusted operating profit was driven by our Professional sector, in particular our aviation business based in New Zealand.

In the Americas, the strength of the US IT business has offset the impact of COVID-19 in Latin America and the underperformance of our office in Mexico which was closed in the second quarter. As a result, both net fee income and adjusted operating profit are in line with the prior year.

Financing

Net finance costs remain low at £0.6m (2019: £0.6m) reflecting the current low levels of variable interest payable on the Group's debt. Interest includes £0.2m in respect of leases (2019: £0.2m).

Net cash inflow from operating activities was £15.4m (2019: £nil). Free cash flow, which excludes movements related to pilot bonds and adds in cash outflows on leases, was an inflow of £11.8m (2019: £1.1m). The increase reflects the Group's focus on cash flows along with significant working capital inflows as a result of lower activity levels in the second quarter. The Group also deferred certain tax payments under schemes available to the Group in the UK and other countries which at 30 June totalled £3.5m. These deferrals will start to be repaid during the second half of the year.

Capex was limited in the period with office expansion projects put on hold. As part of measures to preserve cash the Group cancelled its 2019 dividend that would normally have been due to be paid in May. As described in more detail below the Group acquired shares from non-controlling interests resulting in a cash outflow of £1.0m in the period.

Reflecting the above, adjusted net debt (which excludes £1.5m cash held in respect of pilot bonds and does not include Lease liabilities recognised under IFRS 16 leases) was £8.9m as at 30 June 2020, significantly lower than the £18.1m as at 30 June 2019 and £19.1m at 31 December 2019.

A breakdown of the Group's facilities as at 30 June 2020 is given below:

	30 June 2020	30 June 2019	31 December 2019
	£m	£m	£m
UK facilities			
- Overdrafts	10.0	7.5	7.5
- Revolving credit facility	15.0	10.0	14.0
- Invoice financing facility	10.0	13.0	13.0
Total UK facilities	35.0	30.5	34.5
Continental Europe facilities	13.1	12.9	12.2
Asia Pacific facilities	2.7	2.4	2.4
Americas facilities	6.6	4.6	6.0
	57.4	50.4	55.1
Undrawn facilities (excluding invoice financing)	18.1	12.0	11.5

During the period the Group agreed an increase of £2.5m in its main UK overdraft facility in order to provide additional financial flexibility in an uncertain economic environment. Additionally, the Group activated the remaining £1m of its RCF facility in order to fund an increase in its ownership in ConSol Partners as described in more detail below.

The level of undrawn facilities has increased during the period reflecting the strong cash inflows and the increase in the core financing arrangements.

The Revolving Credit Facility covenants are tested on a quarterly basis. The Group has agreed a relaxation of its covenants in order to provide increased financial flexibility and headroom. As can be seen in the table below the Group continues to have significant headroom against both the original and revised covenants as at 30 June 2020:

Measure	Original covenant	Revised covenant	Actual
Net debt:EBITDA	< 2.5 times	< 4.5 times	0.1 times
Interest cover	> 5.0 times	> 3.0 times	13.6 times
Debt service cover	> 1.25 times	> 1.25 times	18.7 times

The Group is in the early stages of refinancing its £15m RCF facility which expires in June 2021 and expects to complete this exercise before the end of 2020.

Management equity

During the period the Group increased its investment in ConSol Partners from 82.5% to 98.7% for total consideration of £1.6m, of which £0.9m was paid in the period, £0.1m is due to be paid before the end of 2020 and a further £0.6m payable in April 2021. An additional £0.1m is payable in 2022 contingent upon the 2021 financial performance of ConSol.

This investment was done on substantially reduced terms compared to the original acquisition in 2016 reflecting both the founders' desire to sell their remaining shares now they are no longer directly involved in the business and all parties' appreciation of the situation. Other management shareholders who continue to work in the business were given the opportunity to sell their shares on substantially similar terms.

Based on the Group's results for the year ended 31 December 2019 and ignoring holding period requirements, the potential payment to acquire non-controlling interests in full would be in the range of £7.1m to £11.7m, with the lower end of the range based on Empresaria's current share price and the upper end assessed using the maximum multiple that could be applied. There is no legal obligation on the Group to acquire the shares held by management at any time.

Dividend

In line with prior years, the Board is not recommending the payment of an interim dividend for 2020 (2019: nil).

12 August 2020

Condensed consolidated income statement
Six months ended 30 June 2020

	Notes	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
Revenue	3	136.1	175.5	358.0
Cost of sales		(107.9)	(139.2)	(283.5)
Net fee income	3	28.2	36.3	74.5
Administrative costs		(25.2)	(32.0)	(64.1)
Adjusted operating profit	3	3.0	4.3	10.4
Exceptional items	5	-	(0.5)	(2.1)
Impairment of goodwill and other intangible assets	9,10	(2.6)	-	(2.5)
Fair value charge on acquisition of non-controlling shares		(0.1)	-	-
Amortisation of intangible assets identified in business combinations		(0.9)	(0.9)	(1.8)
Operating (loss)/profit		(0.6)	2.9	4.0
Finance income	4	0.1	0.1	0.2
Finance costs	4	(0.7)	(0.7)	(1.3)
Net finance costs	4	(0.6)	(0.6)	(1.1)
(Loss)/profit before tax		(1.2)	2.3	2.9
Taxation	7	(0.2)	(1.0)	(2.4)
(Loss)/profit for the period		(1.4)	1.3	0.5
Attributable to:				
Owners of Empresaria Group plc		(1.4)	0.7	(0.8)
Non-controlling interests		-	0.6	1.3
		(1.4)	1.3	0.5
		Pence Unaudited	Pence Unaudited	Pence
(Loss)/earnings per share				
Basic	8	(2.8)	1.4	(1.6)
Diluted	8	(2.7)	1.4	(1.6)

Details of adjusted earnings per share are shown in note 8.

Condensed consolidated statement of comprehensive income
Six months ended 30 June 2020

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
(Loss)/profit for the period	(1.4)	1.3	0.5
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	2.1	0.3	(1.9)
Items that will not be reclassified to the income statement:			
Exchange differences on translation of non-controlling interests in foreign operations	-	-	(0.3)
Other comprehensive income/(loss) for the period	2.1	0.3	(2.2)
Total comprehensive income/(loss) for the period	0.7	1.6	(1.7)
Attributable to:			
Owners of Empresaria Group plc	0.7	1.0	(2.7)
Non-controlling interests	-	0.6	1.0
	0.7	1.6	(1.7)

Condensed consolidated balance sheet
As at 30 June 2020

		30 June 2020	30 June 2019	31 December 2019
	Notes	Unaudited £m	Unaudited £m	£m
Non-current assets				
Property, plant and equipment		2.1	2.5	2.3
Right-of-use assets		8.8	13.5	10.6
Goodwill	9	34.9	37.2	33.5
Other intangible assets	10	12.3	16.8	15.5
Deferred tax assets		2.8	1.6	2.4
		60.9	71.6	64.3
Current assets				
Trade and other receivables	13	44.6	58.5	55.2
Cash and cash equivalents	12	25.0	21.2	17.6
		69.6	79.7	72.8
Total assets		130.5	151.3	137.1
Current liabilities				
Trade and other payables	14	38.3	39.1	37.7
Current tax liabilities		1.5	1.4	1.4
Borrowings	11	31.9	28.9	25.2
Lease liabilities		5.7	6.1	6.0
		77.4	75.5	70.3
Non-current liabilities				
Borrowings	11	0.5	9.2	10.0
Lease liabilities		3.3	7.5	5.2
Deferred tax liabilities		2.7	3.9	3.6
		6.5	20.6	18.8
Total liabilities		83.9	96.1	89.1
Net assets		46.6	55.2	48.0
Equity				
Share capital		2.4	2.4	2.4
Share premium account		22.4	22.4	22.4
Merger reserve		0.9	0.9	0.9
Retranslation reserve		6.1	6.2	4.0
Equity reserve		(10.2)	(7.7)	(9.8)
Other reserves		(0.7)	(0.6)	(0.6)
Retained earnings		20.0	22.9	21.4
Equity attributable to owners of Empresaria Group plc		40.9	46.5	40.7
Non-controlling interests		5.7	8.7	7.3
Total equity		46.6	55.2	48.0

Condensed consolidated statement of changes in equity
Six months ended 30 June 2020

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 2018	2.4	22.4	0.9	5.8	(7.7)	(0.7)	23.2	46.3	8.3	54.6
Profit for the period	-	-	-	-	-	-	0.7	0.7	0.6	1.3
Exchange differences on translation of foreign operations	-	-	-	0.4	-	(0.1)	-	0.3	-	0.3
Total comprehensive income for the period	-	-	-	0.4	-	(0.1)	0.7	1.0	0.6	1.6
Dividend paid to owners of Empresaria Group plc	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	-	-	0.2	-	0.2	-	0.2
At 30 June 2019 (Unaudited)	2.4	22.4	0.9	6.2	(7.7)	(0.6)	22.9	46.5	8.7	55.2
At 31 December 2018	2.4	22.4	0.9	5.8	(7.7)	(0.7)	23.2	46.3	8.3	54.6
(Loss)/profit for the year	-	-	-	-	-	-	(0.8)	(0.8)	1.3	0.5
Exchange differences on translation of foreign operations	-	-	-	(1.8)	-	(0.1)	-	(1.9)	(0.3)	(2.2)
Total comprehensive income for the year	-	-	-	(1.8)	-	(0.1)	(0.8)	(2.7)	1.0	(1.7)
Dividend paid to owners of Empresaria Group plc	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Acquisition of non-controlling shares	-	-	-	-	(2.1)	-	-	(2.1)	(1.4)	(3.5)
Share-based payments	-	-	-	-	-	0.2	-	0.2	-	0.2
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 period	-	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Exchange differences on translation of foreign operations	-	-	-	2.1	-	-	-	2.1	-	2.1
Total comprehensive income for the period	-	-	-	2.1	-	-	(1.4)	0.7	-	0.7
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Acquisition of non-controlling shares	-	-	-	-	(0.4)	-	-	(0.4)	(1.3)	(1.7)
Share-based payments	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
At 30 June 2020 (Unaudited)	2.4	22.4	0.9	6.1	(10.2)	(0.7)	20.0	40.9	5.7	46.6

Condensed consolidated cash flow statement

Six months ended 30 June 2020

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
(Loss)/profit for the period	(1.4)	1.3	0.5
Adjustments for:			
Depreciation and software amortisation	0.5	0.6	1.2
Depreciation of right-of-use assets	3.5	3.1	6.4
Impairment of goodwill and other intangible assets	2.6	-	2.5
Amortisation of intangible assets identified in business combinations	0.9	0.9	1.8
Share-based payments	-	0.2	0.2
Net finance costs	0.6	0.6	1.1
Taxation charge	0.2	1.0	2.4
	6.9	7.7	16.1
Decrease/(increase) in trade and other receivables	11.9	(0.8)	0.3
Decrease in trade and other payables (including pilot bonds outflow of nil (30 June 2019: £4.1m, 31 December 2019: £3.8m))	(1.5)	(3.1)	(2.0)
Cash generated from operations	17.3	3.8	14.4
Interest paid	(0.6)	(0.6)	(1.3)
Income taxes paid	(1.3)	(3.2)	(5.6)
Net cash inflow from operating activities	15.4	-	7.5
Cash flows from investing activities			
Consideration paid for business acquisitions (net of cash acquired)	(0.1)	(0.2)	(0.2)
Purchase of property, plant and equipment, and software	(0.4)	(1.0)	(1.5)
Finance income	0.1	0.1	0.2
Net cash outflow from investing activities	(0.4)	(1.1)	(1.5)
Cash flows from financing activities			
Increase/(decrease) in overdrafts	1.0	(2.3)	(3.6)
Proceeds from bank loans	1.0	4.0	5.0
Repayment of bank loans	(2.0)	(0.2)	(0.2)
Decrease in invoice financing	(3.4)	(0.6)	(2.7)
Payment of obligations under leases	(3.6)	(3.0)	(6.5)
Purchase of shares in existing subsidiaries	(1.0)	-	(3.5)
Dividends paid to owners of Empresaria Group plc	-	(1.0)	(1.0)
Dividends paid to non-controlling interests	(0.3)	(0.2)	(0.6)
Net cash outflow from financing activities	(8.3)	(3.3)	(13.1)
Net increase/(decrease) in cash and cash equivalents	6.7	(4.4)	(7.1)
Foreign exchange movements	0.7	0.2	(0.7)
Cash and cash equivalents at beginning of the period	17.6	25.4	25.4
Cash and cash equivalents at end of the period	25.0	21.2	17.6
Bank overdrafts at beginning of the period	(17.9)	(22.0)	(22.0)
(Increase)/decrease in the period	(1.0)	2.3	3.6
Foreign exchange movements	(0.7)	-	0.5
Bank overdrafts at end of the period	(19.6)	(19.7)	(17.9)
Cash, cash equivalents and bank overdrafts at period end	5.4	1.5	(0.3)

Notes to the interim financial statements

Six months ended 30 June 2020

1 Basis of preparation and general information

Empresaria Group plc is the Group's ultimate parent company. It is incorporated and domiciled in England and its registered office address is Old Church House, Sandy Lane, Crawley Down, Crawley, West Sussex, RH10 4HS, United Kingdom, its company registration number is 03743194 and its shares are listed on AIM, a market of London Stock Exchange plc.

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2020. While the financial information included in these interim financial statements have been prepared in accordance with IFRSs applicable to interim periods, these interim financial statements do not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

The information for the year ended 31 December 2019 has been derived from audited statutory accounts for the year ended 31 December 2019. The information for the year ended 31 December 2019 included herein does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The interim financial information for 2020 and 2019 has been neither audited nor reviewed.

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 projections for the Group's profit and cash flow including the application of sensitivities and scenarios to reflect the current uncertain global economic environment. 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. As at 30 June 2020 the Group had undrawn facilities (excluding invoice discounting) of £18.1m. The majority of the Group's overdraft facilities fall due for renewal at the end of January each year and the revolving credit facility has a term until June 2021. The Group is in the early stages of refinancing the revolving credit facility and expects to do so before the end of 2020. 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.

2 Accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2019.

Notes to the interim financial statements

Six months ended 30 June 2020

3 Segment 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. Changes to these sectors were made in the second half of 2019 and the comparative information for the 6 months ended 30 June 2019 has been re-presented to reflect these changes.

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 business by sector is set out below:

Six months to 30 June 2020

	Revenue	Net fee income	Adjusted operating profit/(loss)
	£m	£m	£m
Professional	35.3	8.8	0.5
IT	22.1	6.7	1.2
Healthcare	5.9	1.2	0.1
Property, Construction & Engineering	1.8	0.4	(0.1)
Commercial	65.5	8.0	1.5
Offshore Recruitment Services	5.8	3.4	1.4
Central costs	-	-	(1.6)
Intragroup eliminations	(0.3)	(0.3)	-
	<u>136.1</u>	<u>28.2</u>	<u>3.0</u>

Six months to 30 June 2019

	Revenue	Net fee income	Adjusted operating profit/(loss)
	£m	£m	£m
Professional	62.0	13.7	1.7
IT	21.4	6.8	1.3
Healthcare	5.1	1.4	0.2
Property, Construction & Engineering	13.0	2.3	(0.2)
Commercial	68.4	9.1	1.9
Offshore Recruitment Services	5.8	3.2	1.3
Central costs	-	-	(1.9)
Intragroup eliminations	(0.2)	(0.2)	-
	<u>175.5</u>	<u>36.3</u>	<u>4.3</u>

Notes to the interim financial statements
Six months ended 30 June 2020

3 Segment analysis (continued)

Year ended 31 December 2019

	Revenue	Net fee income	Adjusted operating profit/(loss)
	£m	£m	£m
Professional	125.0	27.3	3.5
IT	45.2	14.4	3.2
Healthcare	11.3	2.8	0.5
Property, Construction & Engineering	22.4	3.8	(1.2)
Commercial	142.4	19.7	5.4
Offshore Recruitment Services	12.2	7.0	3.2
Central costs	-	-	(4.2)
Intragroup eliminations	(0.5)	(0.5)	-
Total	358.0	74.5	10.4

4 Finance income and costs

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
Finance income			
Bank interest receivable	0.1	0.1	0.2
	0.1	0.1	0.2
Finance costs			
Invoice financing	(0.1)	(0.1)	(0.2)
Bank loans and overdrafts	(0.3)	(0.3)	(0.6)
Interest on lease obligations	(0.2)	(0.2)	(0.4)
Interest on tax liabilities	(0.1)	(0.1)	(0.1)
	(0.7)	(0.7)	(1.3)
Net finance costs	(0.6)	(0.6)	(1.1)

Notes to the interim financial statements

Six months ended 30 June 2020

5 Exceptional items

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
Restructuring of UK engineering business	-	-	1.1
Restructuring of marketing and digital business	(0.1)	-	0.5
Change of Chief Executive Officer	(0.1)	0.5	0.5
Closure of Mexico operation	0.2	-	-
	-	0.5	2.1

6 Reconciliation of (loss)/profit before tax to adjusted profit before tax

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
(Loss)/profit before tax	(1.2)	2.3	2.9
Exceptional items	-	0.5	2.1
Impairment of goodwill and other intangible assets	2.6	-	2.5
Fair value charge on acquisition of non-controlling shares	0.1	-	-
Amortisation of intangible assets identified in business combinations	0.9	0.9	1.8
Adjusted profit before tax	2.4	3.7	9.3

7 Taxation

The tax charge for the six month period is £0.2m (6 months ended 30 June 2019: £1.0m, year ended 31 December 2019: £2.4m). On an adjusted basis (excluding adjusting items as set out in note 6 and their tax effect), the effective tax rate is 42% (6 months ended 30 June 2019: 36%). The tax charge for the period is assessed using the best estimate of the effective tax rates expected to be applicable for the full year, applied to the pre-tax income of the six month period.

Notes to the interim financial statements

Six months ended 30 June 2020

8 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 2020 and 2019 these are all related to share options. 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.

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
Earnings			
Earnings attributable to owners of Empresaria Group plc	(1.4)	0.7	(0.8)
Adjustments:			
Exceptional items	-	0.5	2.1
Impairment of goodwill and other intangible assets	2.6	-	2.5
Fair value charge on acquisition of non-controlling shares	0.1	-	-
Amortisation of intangible assets identified in business combinations	0.9	0.9	1.8
Tax on the above	(0.8)	(0.3)	(1.0)
Non-controlling interests in respect of the above	(0.4)	(0.1)	(0.2)
Earnings for the purpose of adjusted earnings per share	1.0	1.7	4.4
Number of shares	Millions	Millions	Millions
Weighted average number of shares - basic	50.4	50.4	50.4
Dilution effect of share options	0.9	0.7	1.0
Weighted average number of shares - diluted	51.3	51.1	51.4
Earnings per share	Pence	Pence	Pence
Basic	(2.8)	1.4	(1.6)
Dilution effect of share options	0.1	-	-
Diluted	(2.7)	1.4	(1.6)
Adjusted earnings per share	Pence	Pence	Pence
Basic	2.0	3.4	8.6
Dilution effect of share options	(0.1)	(0.1)	(0.1)
Diluted	1.9	3.3	8.5

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 interim financial statements

Six months ended 30 June 2020

9 Goodwill

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	
	£m	£m	£m
At 1 January	33.5	37.1	37.1
Business combinations	0.1	-	-
Impairment charge	-	-	(2.5)
Foreign exchange movements	1.3	0.1	(1.1)
	34.9	37.2	33.5

In line with IFRS the Group reviewed its assets for indications of impairment as at 30 June 2020. The current global economic environment has had 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 have been adversely impacted and this is significant enough to be considered an indication of impairment a goodwill impairment review has been carried out. As a result of these impairment reviews no impairment of goodwill has been required at this time.

10 Other intangible assets

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	
	£m	£m	£m
Cost			
At 1 January	24.3	24.9	24.9
Additions	-	-	0.1
Impairment charge	(2.6)	-	-
Foreign exchange movements	0.6	-	(0.7)
	22.3	24.9	24.3
Accumulated amortisation			
At 1 January	8.8	7.2	7.2
Charge for the year	0.9	0.9	1.9
Foreign exchange movements	0.3	-	(0.3)
	10.0	8.1	8.8
Net book value	12.3	16.8	15.5

In line with IFRS the Group reviewed its assets for indications of impairment as at 30 June 2020. The current global economic environment has had 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 have been adversely impacted and this is significant enough to be considered an indication of impairment of other intangible assets an impairment review has been carried out.

As a result of these impairment reviews, an impairment charge of £2.6m has been booked in respect of our aviation business. The aviation sector has been hit hard by COVID-19 and we do not expect a short-term recovery to pre-COVID revenues. The decline in net fee income, particularly with those customers present on acquisition and included in the customer relationship intangible asset, is the prime driver of this impairment.

Notes to the interim financial statements

Six months ended 30 June 2020

11 Borrowings

	30 June 2020 Unaudited £m	30 June 2019 Unaudited £m	31 December 2019 £m
Current			
Bank overdrafts	19.6	19.7	17.9
Invoice financing	3.4	9.1	6.9
Bank loans	8.9	0.1	0.4
	31.9	28.9	25.2
Non-current			
Bank loans	0.5	9.2	10.0
	0.5	9.2	10.0
Borrowings	32.4	38.1	35.2

The following key bank facilities are in place at 30 June 2020:

A revolving credit facility of £15.0 million, expiring in June 2021. As at 30 June 2020 the amount outstanding is £8.0 million (30 June 2019: £9.0 million). Interest is payable at 1.5% plus LIBOR or EURIBOR. In 2020, the remaining £1.0m of the £5.0m extension to the revolving credit facility was activated, increasing the revolving facility to £15.0m. The Group is in the early stages of refinancing this facility and expects to do so before the end of 2020.

Overdraft facilities are in place in the UK with a limit of £10.0m which was increased from £7.5m during 2020. The balance on this facility as at 30 June 2020 was £6.4m (30 June 2019: £5.1m). The interest rate was fixed at 1% above applicable currency base rates. A \$2.0m overdraft facility to provide working capital funding in the US had a balance as at 30 June 2020 of \$1.5m (30 June 2019: \$1.0m). Interest on this USD facility is payable at 2% over LIBOR. A €13m overdraft facility is also in place in Germany. The balance at 30 June 2020 was €9.2m (30 June 2019: €8.5m) and interest is payable at EURIBOR plus 2.3%. A NZ\$2.0m overdraft facility is in place in New Zealand. The overdraft has not been utilised and attracts interest at 2% over the base lending rate.

The UK facilities are 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.

There is an invoice financing facility in the UK of £10.0m (30 June 2019: £13.0m). The facility was reduced during 2020 following the closure of a substantial part of the Group's UK engineering business towards the end of 2019. As at 30 June 2020 the amount outstanding was £3.4m (30 June 2019: £8.8m). Interest is payable at 1.47% over UK base rate. There are also invoice financing facilities in Chile of £3.8m (30 June 2019: £2.6m). As at 30 June 2020 the amount outstanding was £nil (30 June 2019: £0.4m). Interest is payable at approximately 5%.

Notes to the interim financial statements
Six months ended 30 June 2020

12 Adjusted net debt

	30 June 2020 Unaudited £m	30 June 2019 Unaudited £m	31 December 2019 £m
a) Adjusted net debt			
Cash and cash equivalents	25.0	21.2	17.6
Less cash held in respect of pilot bonds	(1.5)	(1.2)	(1.5)
Adjusted cash	23.5	20.0	16.1
Borrowings	(32.4)	(38.1)	(35.2)
Adjusted net debt	(8.9)	(18.1)	(19.1)

The Group presents adjusted net debt as its principle debt measure. Adjusted net debt excludes 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.

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m	Year ended 31 December 2019 £m
b) Movement in adjusted net debt			
At 1 January	(19.1)	(17.1)	(17.1)
Net increase/(decrease) in cash and cash equivalents per consolidated cash flow statement	6.7	(4.4)	(7.1)
Net increase in overdrafts and loans	-	(1.5)	(1.2)
Decrease in invoice financing	3.4	0.6	2.7
Foreign exchange movements	0.1	0.2	(0.2)
Adjusted for decrease in cash held in respect of pilot bonds	-	4.1	3.8
	(8.9)	(18.1)	(19.1)

Notes to the interim financial statements
Six months ended 30 June 2020

13 Trade and other receivables

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	
	£m	£m	£m
Gross trade receivables	35.3	48.7	46.3
Less provision for impairment of trade receivables	(0.9)	(0.6)	(0.7)
Trade receivables	34.4	48.1	45.6
Prepayments	2.0	2.4	1.7
Accrued income	4.4	3.5	4.6
Corporation tax receivable	0.9	1.3	1.0
Other receivables	2.9	3.2	2.3
	44.6	58.5	55.2

14 Trade and other payables

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	
	£m	£m	£m
Current			
Trade payables	1.9	2.2	2.1
Other tax and social security	11.0	7.6	7.4
Pilot bonds	1.5	1.2	1.5
Client deposits	0.6	0.9	0.6
Other payables	1.2	1.4	1.6
Accruals	21.4	25.8	24.5
Deferred consideration	0.7	-	-
	38.3	39.1	37.7

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.