

THURSDAY



A12 *AADMFOAY* #226
23/09/2021
COMPANIES HOUSE

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.

Highlights

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Operational and financial resilience alongside strategic progress

Financial

£54.0m **£5.2m**

Net fee income

Adjusted profit before tax

£13.6m **4.1p**

Adjusted net debt

Adjusted, diluted earnings per share

Operational

April 2020

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

July 2020

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

October 2020

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

November 2020

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

At a Glance


Who we are

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

Our expertise

Our expertise covers six key sectors:

Professional	IT
Healthcare	Property, Construction & Engineering
Commercial	Offshore Recruitment Services

 For more information:
See pages 20 to 25

Our values

Innovation

Creativity
Ingenuity

Collaboration

Communication
Teamwork

Accountability

Leadership
Commitment

Responsibility

Integrity
Honesty

Excellence

Results
Discipline

Our diversified model

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

We have operations across

6

sectors

located in

20

countries worldwide

Chair's Statement

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

2020 performance

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

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

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

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

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

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

People

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

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

Dividend

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

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

Outlook

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

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



Tony Martin
Chair
26 March 2021

Our COVID-19 response

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

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

>1,000
employees moved to home
working in India

Investment Case

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

Rhona Driggs
Chief Executive Officer

Focused strategy aligned with our shareholders

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

Operational initiatives continued despite COVID-19 impact

Ongoing implementation of common technology platform



For more information.
See page 15

Diversified operations

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

Permanent, temporary and contract, and offshore recruitment services

6
sectors

20
countries



For more information
See pages 20 to 26


Offshore Recruitment Services differentiator

Our Offshore Recruitment Services sector is unique among our peers.

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

Offshore Recruitment Services sector

11%
of Group net fee income

 For more information:
See page 25

Resilient financing structure


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

Adjusted net debt

£13.6m
(2019: £19.1m)

Working capital inflow

£5.1m
(2019: outflow of £1.7m)


 For more information:
See pages 27 to 31

Experienced Board and management team

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

Total staffing industry experience across our Board

>100
years

 For more information:
See pages 40 to 41

Current Market Conditions

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

Rhona Driggs
Chief Executive Officer

COVID-19 recovery

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

Staffing market forecasts

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

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

Digital transformation

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

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

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

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

Legislative and regulatory changes

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

Current legislative activity includes:

- UK – IR35 is being extended to apply to the private sector. This was originally planned for April 2020, but was deferred to April 2021 just as it was due to take effect. This will change the way in which temporary and contract workers are engaged by our clients, bringing more into the PAYE system. With our global footprint, our exposure to the UK temporary and contract market is less than 10% of our net fee income. We are well prepared and have maintained the active engagement we put in place with

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

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

Our Business Model

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

Our resources

People

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

Clients

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

Financial strength

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

Brand reputation

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

Global network

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

Technology

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

Our approach

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

**MULTI-BRANDED WITH FOCUSED
SECTOR-DRIVEN APPROACH**

**DIVERSIFIED BY
GEOGRAPHY AND SECTOR**

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

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.

**EMPOWERED AND
SUPPORTED LEADERSHIP**

**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, which is generally more stable throughout the economic cycle.

Delivering long-term value

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

Our people

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

Our clients

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


Our communities

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


Our investors

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

Delivered through our strategy

 For more information: See page 15

Stakeholder engagement

 For more information: See pages 36 to 37

Chief Executive's Q&A

Q&A with CEO Rhona Driggs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chief Executive's Q&A continued

Q&A with CEO Rhona Driggs

Q

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

A

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

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

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

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

Q

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

A

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

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

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

Q

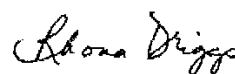
How do you see 2021 developing for the Group?

A

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

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

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



Rhona Driggs
Chief Executive Officer
26 March 2021

Strategic Objectives

2020 progress

2021 priorities

1. Build scale in key markets and sectors

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

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

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

2. Materially increase and diversify profits

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

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

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

3. Invest in technology to drive revenue and productivity

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

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

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

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

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

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

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

***Stronger Together* Initiative** Case studies

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

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

Rhona Driggs
Chief Executive Officer

...through collaboration

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

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

...through investing in technology

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

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

...through sharing best practice

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

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

Key Performance Indicators

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

Key to strategy

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

Net fee income

123

£54.0m

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

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

Adjusted profit before tax

2

£5.2m

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

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

Adjusted, diluted earnings per share

2

4.1p

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

How we have performed
Adjusted EPS has fallen by 52% in 2020, reflecting the fall in profits along with a change in the mix, with those businesses where there is a higher non-controlling interest contributing more of the Group's profit.

Free cash flow

4

£8.5m

Why and how we measure

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

How we have performed

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

Key:

- Post-tax
- Pre-tax

Debt to debtors ratio

4

37%

Why and how we measure

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

How we have performed

The Group's debt to debtors ratio has fallen during the year, reflecting the decrease in net debt partly offset by a reduction in trade receivables. We continue to focus on reducing the overall level of debt with the aim of reducing the debt to debtors ratio to 25%.

Conversion ratio

3

11.5%

Why and how we measure

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

How we have performed

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

Staff productivity

3

1.67x

Why and how we measure

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

How we have performed

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

Operating Review

Professional

28%

of Group net fee income

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

Financials

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

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

The greatest impact on net fee income was in our business supplying pilots to the aviation industry. This industry has been badly affected, and the ongoing impact of travel restrictions and passenger attitudes to flying mean that we do not expect this to recover in the short term. As a result, an impairment charge has been booked against the goodwill and other intangible assets related to this business (see notes 14 and 15 for details). The business has been restructured in order to rightsize its cost base and ensure it is well placed to take advantage when the market recovers. Although we are cautious on short-term recovery, this sector has a strong track record of bouncing back after significant adverse events and we believe there is good growth potential in the medium and long term.

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

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

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

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

IT

23%

of Group net fee income

Countries

Japan
UK
USA

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

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

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

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

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

Financials

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

Operating Review continued

Healthcare

5%

of Group net fee income

Countries

Finland
USA

Financials

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

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

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

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

Property, Construction & Engineering

1%

of Group net fee income

Countries
UK

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

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

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

Financials

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

Operating Review continued

Commercial

32%

of Group net fee income

Countries

Chile
Germany
Japan
Peru

Financials

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

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

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

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

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

Offshore Recruitment Services

11%

of Group net fee income

Countries

India
UAE

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

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

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

Financials

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

Operating Review continued

Regional summary

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

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

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

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

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

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

Finance Review

Financial resilience demonstrated in the face of COVID-19.

Overview

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

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

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

Revenue

£256.5m

2019: £358.0m

Net fee income

£54.0m

2019: £74.5m

Adjusted profit before tax

£5.2m

2019: £9.3m

Finance Review continued

Income statement

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

1 Adjusted to exclude amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, exceptional items, fair value charges on acquisition of non-controlling shares and, in the case of earnings, any related tax. 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 2019 results at the 2020 exchange rates.

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

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

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

Adjusted operating profit bridge

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

The impairment charges arose in our Professional sector where our operation providing pilots to the aviation industry has seen a very significant impact on its operations due to COVID-19. Although actions have been taken to rightsize the cost base, the aviation industry is not expected to recover as quickly as other areas and in the short term this business is expected to make substantially lower profits than in the past. As a result, an impairment charge has been booked on both goodwill and other intangible assets related to this operation. Further details are provided in notes 14 and 15.

Exceptional costs of £0.2m have been recognised in the year with costs of £0.3m in respect of the restructuring of senior management positions across the Group and £0.2m incurred in closing our operation in Mexico, offset by credits of £0.3m in respect of exceptional items booked in prior years. Some additional one-off costs have been incurred as a result of cost-cutting exercises undertaken in response to COVID-19. The Group has not disclosed these as exceptional costs as they do not meet our definition of exceptional items and so they are included as a cost within our adjusted profit measures. Further details on exceptional items are provided in note 5.

A £0.3m fair value charge on acquisition of non-controlling shares (2019: £nil) has been recognised on the acquisition of shareholdings from management shareholders on their exit from the Group (see note 6 for more details).

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

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

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

Balance sheet

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

1 See note 1

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

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

Cash and borrowings are discussed in the financing section below.

Cash flow

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

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

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

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

In 2020 the Group utilised its free cash flow as follows

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

The purchase of shares in existing subsidiaries mainly relates to the acquisition of further shares in ConSol Partners in May 2020. Following further smaller purchases later in the year the Group now owns 100% of this business. A number of smaller purchases of shares in other subsidiaries were made primarily as a result of the departure of management shareholders (see note 6).

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

Finance Review continued

Financing

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

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

Adjusted net debt at 31 December 2020 decreased to £13.6m (2019: £19.1m) reflecting the cash flows discussed above. Adjusted net debt excludes cash of £1.0m (2019: £1.5m) held to match pilot bonds within our aviation business. Where required by the client, pilot bonds are taken at the start of the pilot's contract and are repayable to the pilot or the client during the course of the contract or if it ends early. There is no legal restriction over this cash, but given the requirement to repay it over a three-year period, and that to hold these is a client requirement, we exclude cash equal to the amount of the bonds when calculating our adjusted net debt measure. The level of bonds held has continued to reduce during the year, reflecting the drop in the level of activity in that business. These movements have no impact on our adjusted net debt measure.

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

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

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

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

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

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

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

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

Subsequent to the reporting date, in March 2021, the revolving credit facility was refinanced. The facility continues to be for £15.0m and has a 2.5 year term to September 2023. For more details see note 19

Management equity

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

Based on results for the year ended 31 December 2020, and using applicable valuation mechanisms in shareholders' agreements but ignoring any holding period requirements, the payment to acquire all those shares not held by Empresaria would be approximately £9.0m were the maximum valuation multiples to apply. Of this, approximately 98% relates to first generation shares accounted for as non-controlling interests in the consolidated financial statements. There is no legal obligation on the Group to acquire the shares held by management at any time. Further information on the management equity scheme is provided in note 27.

During the year the Group acquired the remaining shares in ConSol Partners for consideration of £1.7m taking our ownership to 100%. Other shares were acquired from management across a number of subsidiaries for total consideration of £0.4m. Further details are provided in note 6.

Dividend

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

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

Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities, which included consideration of the potential ongoing impact of COVID-19. Given the business forecasts and early trading performance, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements. Further details on going concern are found in note 1.



Tim Anderson
Chief Financial Officer
26 March 2021

Risks and Uncertainties

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

Risk appetite

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

Risk register

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

Group control environment

Group companies operate under a system of internal controls which include, but are not limited to: a clear delegated authority to operational management; formal risk appraisals through the annual budget process, a comprehensive financial reporting system; investment and capital expenditure approval processes, and self-certification by operating company management of compliance with controls and Group policies and procedures. Day-to-day risk management is the responsibility of operating company management.

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

Impact of COVID-19

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

Risk matrix chart

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

Likelihood	High		6 5	2 3
	Medium	8 9	4	1
	Low		7	10
		Low	Medium	High
		Impact		

Risk

Change in risk profile

How we mitigate the risk

1. Political and social change

The Group's businesses are subject to legislation, regulation and changes in political sentiment in their markets. This particularly impacts temporary recruitment, which is regulated to protect the rights of workers, and developing staffing markets where new regulations are introduced as the market develops. Any changes to labour regulations, tax laws or political views on the staffing industry could have an impact on how we operate and on the financial performance of the Group. If local laws and regulations are not followed it could lead to sanctions being taken against the business, including penalties, fines and licences being revoked.

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

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

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

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



The Group closely monitors the legal and regulatory environment in all our markets. The Group has membership of many local industry associations and we use professional advisers with local knowledge and understanding of the relevant laws and labour regulations to ensure we are compliant. These skillsets and resources also helped us to manage the compliance requirements of government support schemes that we accessed in 2020.

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

- Diversification across sectors and regions helps to reduce the potential impact in any one area
- Focus on key economic centres means we are targeting the main centres where candidates want to work.

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

2. Economic environment

The performance of staffing businesses has historically shown a strong correlation with the performance of the economies in which they operate. An economic slowdown will impact on the demand for recruitment services and could reduce the Group's profits.

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

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



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

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

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

Risks and Uncertainties *continued*

Risk	Change in risk profile	How we mitigate the risk
<p>3. Loss of key staff</p> <p>The Group's success relies on recruiting and retaining key staff.</p> <p>The loss of a key staff member without a suitable successor in place could impact trading and profitability. The choice of the wrong manager for a business could lead to sub-optimal decision-making and losing ground to competitors or failing to operate procedures properly and so being at risk of reputational damage or penalties.</p>	<p>There have been limited changes to key operational management during the year and have been mainly driven by the Group in order to address operational issues</p> <p>—</p>	<p>New long-term incentive plans are in place for new senior hires, replacing the Group's second generation equity scheme. The new scheme is designed to retain and appropriately reward key management and drive a pay for performance culture. The second generation management scheme remains in place for existing holders</p> <p>In 2021 the Group is implementing a regional management structure with the appointment of regional leads for APAC and UK and Europe. Greater regional cooperation will help us deliver increased levels of cross-selling and drive regional scale, and will also reduce the risk from the loss of key staff.</p>
<p>4. Investments poorly executed</p> <p>There is a risk of losing value from poorly executed external investments. If an investment is overvalued the Group will pay too much for it and risk a lower return on investment in the future. A poorly executed integration into the Group could lead to lost value or lost opportunities.</p> <p>Investment in existing operations whether in new offices, changes in processes, or in technology could, if poorly implemented, have an adverse impact with the potential to harm existing business.</p>	<p>The Group has undertaken no significant external investments in 2020</p> <p>In 2020 we reviewed some of our smaller operations, consolidating loss-making offices in Chile and New Zealand, and closing our loss-making office in Mexico.</p> <p>We are investing in implementing Bullhorn and associated technology as a common platform across our Group. This will help improve the Group's competitiveness and is expected to deliver significant benefits.</p> <p>—</p>	<p>All material external investments must have Board approval with a clearly defined integration plan. Due diligence findings need to be acted upon to minimise risks identified pre-acquisition. Funding requirements must be taken into account to ensure sufficient and appropriate funding is in place. With our people-focused business model, the fit of the people is the most important factor and is the first criteria that must be met before any investment is pursued</p> <p>Any internal investments which require significant outlay or commitment are subject to Board review and authorisation either as part of the annual budgeting process or separately as appropriate. Our ongoing Bullhorn implementation is a significant investment for the Group and is being undertaken in a phased way, brand by brand, but with a single Group-wide approach, to reduce implementation risks</p>

Risk

Change in risk profile

How we mitigate the risk

5. Financial

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

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

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

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

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

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

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



The Group finances its operations through its operating cash flows, bank borrowings and issuing new equity. Treasury management is led by the Group finance team, who manage and monitor funding requirements and maintain the Group's key banking relationships.

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

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

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

6. Cyber security and data protection

The risk of cyber-attacks is an ever present one. A successful breach could lead to the loss of sensitive data on clients or candidates, damage to our reputation, business disruption or the loss of commercially sensitive information.

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

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

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



We have policies in place to safeguard assets and data within the Group. We have placed an increased emphasis on cyber security with greater oversight and training to ensure we meet a minimum standard of security. As we invest further in technology, we will also invest in ensuring our cyber security measures and policies keep pace and reflect the changes in the Group.

Engaging With Our Stakeholders

S172 statement

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

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

- the likely consequences of any decision in the long term: See Strategic Objectives on page 15, Our Business Model on pages 10 and 11 and Risks and Uncertainties on pages 32 to 35;

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

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

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

Environmental impact

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

Contributing to our communities

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

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

Stakeholder engagement

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

Stakeholder

How we engage

Our employees

Increasing engagement with our teams across the globe has been a core focus in 2020, and has been vital during a global pandemic when our top priority was to ensure that our employees were safe. At the end of 2019 we launched a new internal communications tool which has enabled communication between individuals and teams across the Group for the first time and helped us to develop a shared culture and embed our ICARE values.

This has helped us improve communication through

- sharing of best practices,
- networking and training events,
- cross-selling and client leads; and
- sharing of cultural events.

As a global business we are proud of the diversity of our Group. At the end 2020 we launched our first ever Group-wide diversity and inclusion initiative starting with a Group survey. We are currently consolidating the results and assembling a Group-wide task force to review these and to identify and implement actions across the Group.

Our candidates

Engagement with our candidates is critical to our success and we engage with candidates in a number of ways: through direct contact from our consultants; through our brand websites; through community engagement, and through our technology portals. A strong relationship will mean that we will not just place a candidate once, but multiple times throughout their career. We gain great value from referrals so candidate experience is always top of mind. Throughout the pandemic the safety of our candidates has been a priority and we have worked closely with our candidates and clients to ensure this.

Our clients

Developing long-standing and deep relationships with clients is critical for our long-term success. Our aim is to continue to ensure we are driving value to our clients as trusted partners. As we develop and broaden our sales offering, building relationships with clients spanning multiple sectors and regions will help drive our growth and enable us to deliver on our strategic objectives. Our high level of engagement has never been more important than in 2020 as we have worked with our clients to identify and deliver to their requirements and work with them to ensure the safety of our candidates.

Our communities

The Group encourages its operations and staff to work with their local communities and charities. Each business works with organisations that reflect the needs of those communities. Further details are provided on page 36.

Our shareholders

We seek to engage with shareholders to maintain a mutual understanding of objectives and manage expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors, who are contactable both directly and via Financial PR.

The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss and obtain their views, present at externally run investor events and communicate regularly during the year.

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.

Introduction to Corporate Governance

Strong governance has underpinned the Group's global response to the pandemic.

The main focus for the Board during 2020 was concentrated on our response to the challenges and uncertainties presented by the COVID-19 pandemic in all our locations across the globe. Due to the serious and unpredictable nature of the pandemic and its duration, the activities and frequency of meetings and other communications of the Board increased, to ensure appropriate governance and oversight was maintained throughout. The Board worked to deliver strong and consistent communications throughout the Group, including clear direction that the safety and well-being of our employees, clients and contractors was paramount, and anchoring our actions to the Group's strategic objectives and values. The increased intensity and pace of Board activity during this period demonstrates our governance framework in action, and our commitment to safeguarding and promoting the long-term success of the business for all stakeholders.

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 Company Secretary assists and reports directly to the Chair on corporate governance matters. The Chair ensures that the Board as a whole plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives. The Board ensures that the Group adopts policies and procedures that the Directors consider 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 Company'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 Company 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 <ol style="list-style-type: none"> 1. Establish a strategy and business model which promote long-term value for shareholders. 2. Seek to understand and meet shareholder needs and expectations. 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success. 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation. 	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>	<div>  For more information: See pages 10-11 and 13 </div> <div>  For more information: See pages 37 and 43 </div> <div>  For more information: See pages 36 to 37 and 43 </div> <div>  For more information: See pages 32-35 </div>
Maintain a dynamic management framework <ol style="list-style-type: none"> 5. Maintain the board as a well-functioning, balanced team led by the chair. 6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities. 7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement. 8. Promote a corporate culture that is based on ethical values and behaviours. 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board. 	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>	<div>  For more information: See pages 38 to 45 </div> <div>  For more information: See pages 38 to 45 </div> <div>  For more information: See pages 44 </div> <div>  For more information: See pages 2, 11, 13, 36, 37 and 44 </div> <div>  For more information: See pages 32 to 34 and 36 </div>
Build trust <ol style="list-style-type: none"> 10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. 	<div>✓</div>	<div>  For more information: See pages 37 and 43 </div>

Board of Directors and Secretary

Tony Martin
Chair

Zach Miles
Non-Executive Director



Penny Freer
Non-Executive Director



Appointed: July 2004

Skills and experience:

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

Tony is a former Chair of the Federation of Recruitment and Employment Services, now known as the Recruitment and Employment Confederation (REC), the recognised representative of the staffing services industry. He is also a Founder Member of the Recruitment International Hall of Fame and was recipient of the Staffing Industry Analysts Leadership Award 2014, and Hall of Fame 2020.

Other key external appointments:
None

Appointed: October 2008

Skills and experience:

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

Other key external appointments:
Chair of Bright Network (UK) Limited.

Appointed: December 2005

Skills and experience:

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

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

Rhona Driggs
Chief Executive Officer

Appointed: November 2018

Skills and experience:

Rhona was appointed as Chief Executive Officer in June 2019 having previously served as Chief Operating Officer since November 2018. Rhona has over 30 years' experience working in international companies within the staffing sector and has a proven record of delivering growth and driving innovation. She has been recognised for the past five consecutive years as one of the Staffing Industry Analysts' 'Global Power 150, a list of the Most Influential Women in Staffing' and was recognised in 2020 as one of Europe's Top 100 most influential leaders in staffing. Rhona's most recent role, before joining Empresaria, was President of Volt Global Solutions, with responsibility for the Managed Services division. Prior to that, Rhona was Executive Vice President for the commercial and technical staffing operations in North America where she ran a \$1.2 billion staffing business. She has an in-depth knowledge of the latest trends and operating models in the sector. Rhona joined the Women Business Collaborative (WBC) Advisory Council in January 2021.

Other key external appointments:
None

Tim Anderson
Chief Financial Officer

Appointed: March 2018

Skills and experience:

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

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

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

Other key external appointments:
None

James Chapman
General Counsel and
Company Secretary

Appointed: June 2015

Skills and experience:

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

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

Other key external appointments:
None

Committee membership

- Committee Chair
- 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 and business model 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 37 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 updates considered. The amended terms of reference were adopted by the Board in October 2020 and 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 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 both the schedule of reserved matters and 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 2021 AGM:

	Board ¹	Audit Committee	Remuneration Committee	Nomination Committee	Tenure
Tony Martin (Chair)	8/8	–	–	–	16 years
Rhona Driggs (Chief Executive Officer)	8/8	–	–	–	2 years
Tim Anderson (Chief Financial Officer)	8/8	–	–	–	3 years
Penny Freer (Non-Executive Director)	8/8	5/5	3/3	1/1	15 years
Zach Miles (Non-Executive Director)	8/8	5/5	3/3	1/1	12 years

¹ The Board held eight scheduled meetings in the year which were attended by all Directors. In addition, there were a number of unscheduled Board meetings held throughout the year, each of which was attended by all Directors primarily to consider items relating to the COVID-19 pandemic.

Prior to the beginning of each year, Board and Committee meetings are scheduled in line with the key financial reporting dates. A Board 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 objectives of the Company.

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 manner. 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 manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors. Further to COVID-19, the 2021 AGM will again be held as a closed physical meeting, meaning that shareholders will not be permitted to attend the meeting in person in line with government guidance.

However, there will be a facility available for shareholders to ask questions remotely and questions can be asked at any time by emailing companysec@empresaria.com or via the Company's Financial PR. 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 announce our interim results on 12 August 2020 and our preliminary results presentation on 18 March 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 around 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 Facebook ('Workplace'). The events of the past year 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 32 to 35. 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 40 to 41. 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

Increasing engagement with our teams across the globe has been a core focus in 2020, and has been vital during a global pandemic when our top priority was to ensure that our employees were safe. At the end of 2019 we launched a new internal communications tool which has enabled communication between individuals and teams across the Group for the first time and helped us to develop a shared culture and embed our ICARE values.

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.

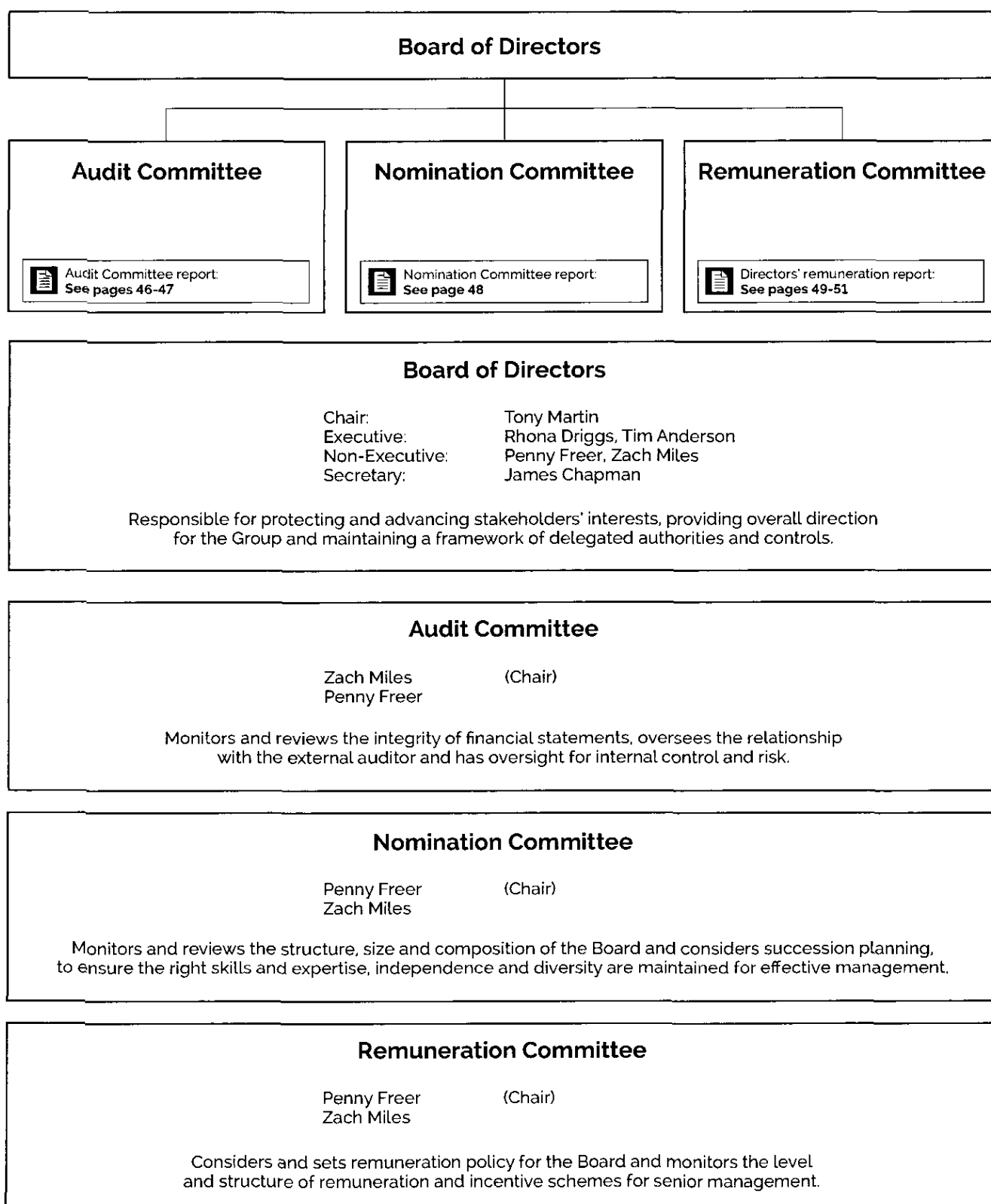
Further details on corporate social responsibility are set out on pages 36 to 37.

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 the number of Non-Executive Directors is appropriate and that Penny Freer and Zach Miles remain independent, notwithstanding their periods of tenure.

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.

Governance structure



Audit Committee Report

The Committee's primary focus this year was directed at the Group's response to the pandemic and the management of risk.

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, which were reviewed and updated during the year, 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. This year, the many challenges and uncertainties relating to the pandemic required additional expeditious involvement of the Committee, to consider and advise on proposed actions and scrutinise the decisions taken.

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 recent and 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.

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	-

Meetings

The Committee is required to meet formally twice per year. During 2020, 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 Response to COVID-19

The Committee was more active than in more 'normal' years due to the unexpected and serious nature of this pandemic. The most significant area of focus for the Committee during the year was around the impact of the COVID-19 pandemic on the trading, cash flows and liquidity of the Group and consideration of the Group's financial statements on a going concern basis. The Committee worked closely with the Chief Financial Officer to model various trading and cash flow scenarios as the pandemic and lockdowns started to affect our markets, which helped to guide the Board's financial understanding of the pandemic and identify the options available to the Group depending on which scenario prevailed.

Financial and business reporting

During the year, the Committee reviewed the 2019 financial statements, the 2020 interim statement (unaudited) and carried out a going concern review. 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 and the carrying value of goodwill and intangibles, 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 2 to 37. The Committee keeps under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

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 2020, 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. BDO LLP were appointed following the Company's last tender process which was conducted in 2018. Following the completion of the 2020 audit process, the Committee is satisfied with the performance of BDO LLP and has recommended to the Board that BDO LLP is reappointed as independent auditor of the Company for the next financial year.

Assessment of the Audit Committee

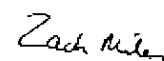
Following completion of the 2020 audit processes, the Committee conducted a self-assessment of its performance during the year. The evaluation process measured performance against its terms of reference including:

- 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
26 March 2021

Nomination Committee Report

Our wealth of experience, knowledge and strong effective leadership navigated the Group through the uncertainties of 2020.

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, which were reviewed and updated during the year, 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.

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 continues to consider the adequacy of the succession plan approved by the Board and keeps under review the Non-Executive Directors' time commitments.

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
26 March 2021

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 Company's Chair, Executive Directors, Company Secretary and other senior management. The terms of reference for the Committee, which were reviewed and updated during the year, 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 2020, the Committee held three formal meetings and maintained an active dialogue throughout the year as the Company worked on developing and rolling out new remuneration structures for the brand senior leadership teams and also to deal with issues related to the pandemic.

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 and expected time commitment of the individual concerned. The fees are reviewed each year as part of the annual budgeting process. The Non-Executive Directors do not receive any additional remuneration for chairing Committees.

During the year, the Committee continued to work with the executive management team to develop new remuneration structures for the brand senior leadership teams, including long-term incentive plans to replace the 'second generation' equity schemes which are being phased out. These new plans are being rolled out and the Committee believes they will better align the interests of the brand leaderships with those of the wider Group and the long-term interests of our shareholders and other stakeholders.

As the pandemic started to affect the Group, the Committee again worked closely with the executive management team to assist with the Group's response. The constantly evolving and unknown direction and consequences of the pandemic, and how our different markets would be affected by it, created acute challenges for the Group. This included dealing with the often competing requirements for the business to preserve cash whilst retaining and motivating employees to help ensure business continuity and safeguard future growth. Our businesses have worked together to keep our people safe and supported during these extraordinary times and our people have responded to all the challenges with great fortitude, determination, and above all, good humour.

We have had to make many difficult decisions along the way. Central to our response has been the quick and decisive actions taken to manage costs and this included the decision of the leadership throughout the Group to agree temporary reductions in pay, including a 20% reduction in all Directors' fees and salaries.

Whilst we are confident that the Group is in a strong position, in line with our decision to cancel the proposed 2020 dividend and with the future path of the pandemic remaining so uncertain, we have taken the prudent decision to implement a general, Group-wide, pay freeze for 2021. This will be kept under review as the year progresses.

Linking remuneration policy to business objectives

Executive remuneration packages must be competitive and are designed to attract, retain and motivate the executive management, whilst 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, with the aim of leading to an increase in share price and distributions to shareholders. The key performance measures chosen in 2020 to link 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. In light of the personal performances of the central team throughout the year in navigating the pandemic, the strong position of the Group at the end of the year and the delivery of strategic milestones for the long-term benefit of the Group, the Committee felt it was appropriate to award personal bonuses to the executive management team. The bonus for Rhona Driggs did not exceed the level of her guaranteed bonus.

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 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.

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
2011	2015	1,220,000	1,220,000	100%	-	0%
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%

A summary of outstanding Awards (yet to vest or lapse) as at 31 December 2020 is as follows:

Year of Award	Year of Vesting	Number of Awards
2018	2021	761,992
2019	2022	911,578
2020	2023	1,963,159

Aggregate Directors' remuneration (Audited information)

The total amounts for Directors' remuneration are as follows.

Name of Director	2021	2020					2019				
	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	312	329	-	97	-	426	289	-	136	-	425
Tim Anderson	165	157	5	15	17	194	149	5	11	15	180
Spencer Wreford ¹	-	-	-	-	-	-	209	7	38	21	275
Non-Executive											
Tony Martin	67	64	-	-	-	64	75	-	-	-	75
Penny Freer	43	41	-	-	-	41	56	-	-	-	56
Zach Miles	43	41	-	-	-	41	46	-	-	-	46
						766					1,057

1 2021 Fees for Non-Executive Directors are stated as their minimum time commitments only.

2 Chief Executive Officer until he resigned on 26 June 2019

Long-term incentives (Audited information)

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

Name of Officer	Year of Award	Maximum Awards as at 1 January 2020	Maximum Awards granted during 2020	Lapsed Awards	Vested Awards (Options granted)	Options Exercised
Rhona Driggs	2018	227,108	–	–	–	–
	2019	261,233	–	–	–	–
	2020	–	932,401	–	–	–
Tim Anderson	2018	168,605	–	–	–	–
	2019	205,000	–	–	–	–
	2020	–	500,000	–	–	–
James Chapman	2018	133,721	–	–	–	–
	2019	162,586	–	–	–	–
	2020	–	375,758	–	–	–

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 2020		31 December 2019	
	Number of Ordinary Shares	Percentage holding	Number of Ordinary Shares	Percentage holding
Rhona Driggs	45,000	0.09%	35,000	0.07%
Tim Anderson	74,000	0.15%	25,000	0.05%
Tony Martin	13,924,595	28.41%	13,924,595	28.41%
Penny Freer	15,000	0.03%	15,000	0.03%
Zach Miles	–	–	–	–
Total	14,058,595	28.68%	13,999,595	28.56%

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.

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 26 March 2021 and signed on its behalf by:



Penny Freer
Chair of the Remuneration Committee
26 March 2021

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 2020. The Strategic Report set out on pages 2 to 37 and the Corporate Governance Statement set out on pages 42 to 45 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 2020 the Directors recommend a final dividend of 1p per ordinary share of 5p in the Company to be paid on 4 June 2021 to shareholders on the register on 14 May 2021. No dividend was paid for the year ended 31 December 2019.

Share capital structure

As at 31 December 2020, the Company's issued share capital was 49,019,132 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 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 2020 AGM and at the 2021 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, 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 2020, the Company purchased 385,000 of its own shares, at a net cost of £156,148. On 22 December 2020, the Company transferred the 385,000 shares from treasury to the Empresaria Employee Benefit Trust, for nil consideration. Between 1 January 2021 and 25 March 2021, the Company purchased 55,000 shares under the Programme at a net cost of £27,143. As at the date of this Annual Report, the Company has 49,019,132 Ordinary Shares in issue, 55,000 of which are

held by the Company as treasury shares, and has an unexpired authority to purchase up to a further 2,010,900 shares. Details of the new authority being requested at the 2021 AGM will be contained in the circular to shareholders, which will be available on the Company's website. Details of the shares in the Company held by the Empresaria Employee Benefit Trust 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 2020, are set out in the Directors' remuneration report on page 51.

Directors' indemnities and insurance

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Officers.

The Group has made no qualifying third-party indemnity provisions for the benefit of its Directors during the year.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2019: £nil).

Substantial shareholdings

As at 31 December 2020, 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	28.41%
Close Brothers Asset Management	6,196,983	12.64%
H M van Heijst	5,860,000	11.95%
Hof Hoorneman	4,525,900	9.23%
Beleggingsclub 't Stockpaert	3,005,000	6.13%
The Ramsey Partnership Fund	2,441,000	4.98%
Allianz Global Investors	1,590,000	3.24%

During the period between 31 December 2020 and 25 March 2021, the Company received the following notifications under chapter 5 of the Disclosure and Transparency Rules.

Date of notification	Name of holder	No. of Ordinary Shares	Percentage of voting rights and issued share capital
22 February 2021	H M van Heijst	6,450,000	13.16%

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 37.

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
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself 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.

BDO LLP have expressed their willingness to continue as auditor for the 2021 financial year and a resolution will be proposed at the forthcoming AGM.

Annual General Meeting 2021 ('AGM')

The 2021 AGM will be held at 1:00 pm on Thursday 13 May 2021. Further to COVID-19, the 2021 AGM will be held as a closed physical meeting, meaning that shareholders will not be permitted to attend the meeting in person in line with government guidance. However, there will be a facility available for shareholders to ask questions remotely and questions can be asked at any time by emailing companysec@empresaria.com. Instructions are detailed in the Notice of AGM which is sent out at least 20 working days before the AGM and made available on our website.

How to vote

The Company provides electronic proxy voting for the AGM. As you cannot attend the 2021 AGM in person, we strongly encourage you to vote in advance by appointing the Chair of the Meeting as your proxy. Given the government restrictions currently in force, voting by appointing the Chair of the Meeting as your proxy in advance of the AGM is likely to be the only way that you will be able to exercise your vote at the 2021 AGM. You will not receive a Form of Proxy for the AGM in the post, instead, you can submit your proxy vote online at www.signalshares.com. Our registrar, Link Asset Services, must receive your online proxy appointment and voting instructions by 1:00 pm on Tuesday 11 May 2021 at the latest to ensure your vote is counted. Further instructions on how to vote your 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
26 March 2021

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. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union 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 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:

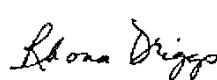
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union 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.

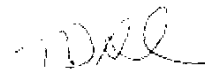
The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, 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 26 March 2021 and is signed on its behalf by:

By order of the Board



Rhona Driggs
Chief Executive Officer
26 March 2021



Tim Anderson
Chief Financial Officer

Independent Auditor's Report

to the members of Empresaria Group plc

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- 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.

We have audited the financial statements of Empresaria Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statements of Changes in Equity, Consolidated Cash Flow Statement, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the 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.

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 the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed management's assessment of going concern and consider the key assumptions used in the forecasts with regards to the speed of recovery and customer demands.
- We performed sensitivity analysis on key inputs to ascertain how robust the Group would be testing the key assumptions to determine the strength of the models prepared.
- We reviewed and tested compliance with covenants in place.
- We compared budgeted results against post year end management accounts to assess the accuracy of management's forecasts.
- We reviewed the adequacy of the disclosures on going concern in the Group financial statements.

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 ability to continue as a going concern for a period of at least twelve 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.

Overview

Coverage	88% (2019: 85%) of Group profit before tax 90% (2019: 85%) of Group revenue 94% (2019: 81%) of Group total assets
Key audit matters	1. Revenue recognition (2020 and 2019) 2. Recoverability of goodwill and intangible assets (2020 and 2019) 3. Judgement in lease terms in IFRS 16 lease accounting (2020). The judgement in lease terms in IFRS 16 lease accounting is an additional key audit matter this year as a result of the significance of the management judgement involved.
Materiality	£360,000 (2019: £579,000) based on 6.5% (2019: 6.5%) of profit before tax excluding items we assessed as non-recurring items because these were not reflective of ongoing operations of the Group.

Independent Auditor's Report *continued*

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We focused our Group audit scope on the Group's operations in the UK, Germany, New Zealand, Chile, Japan, India and Peru, where full scope audit procedures were performed. For the overseas components, the audit procedures were performed by component auditors, which in all locations apart from Peru were BDO network firms. Components that were subject to full and specific scope audit procedures, accounted for 91% (2019: 85%) of the Group's revenue, 88% (2019: 85%) of the Group's profit before taxation and 94% (2019: 81%) of the Group's total assets.

The audit of the UK and US components were audited by local UK teams, led by the Group Senior Statutory Auditor.

The remaining components of the Group, which also include non-significant holding companies, were principally subject to analytical review procedures performed by the Group audit team, with limited procedures on certain financial statement areas completed where necessary to obtain sufficient coverage of Group balances, for example cash.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Due to travel restrictions, the Senior Statutory Auditor 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 conference calls with local audit teams and reviewed component audit teams' reporting, addressing risks and specific procedures raised. We discussed local adjustments and improvement points raised by the component teams with component and Group management.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
<p>Revenue recognition (notes 2 and 4)</p> <p>As detailed in note 2, the Group's revenue predominantly relates to permanent, temporary and contract, offshore recruitment services with revenue from permanent placements recognised on the start date of a candidate and revenue from temporary and contract and offshore recruitment services placements recognised on the basis of work performed by reference to approved timecards and contracted rates.</p> <p>There is a significant risk associated with appropriate revenue recognition around the year end. We therefore determined the recognition of revenue to be a key audit matter.</p> <p>The risk of fraud in relation to revenue recognition is attributed to cut off, specifically incorrect or missing accruals for un-invoiced or late time cards for temporary and offshore recruitment services revenue, or delayed invoices/credit notes for placements impacting the completeness and existence of revenue and accrued revenue around year end.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We selected a sample of sales invoices either side of the year end date and agreed these to approved timecards for temporary and contract placements and offshore recruitment services or new starter forms for permanent revenue to confirm items relating to December were appropriately invoiced or accrued for. • We compared timecard data for work performed in December to check whether offshore recruitment services and temporary and contract invoices raised and accruals made for timecards submitted post year end were recognised in the correct period • Where appropriate we reviewed the calculated accrual for missing timecards and substantively tested a sample of entries to timecard data and confirmed the timecard had not been invoiced pre year end. • We tested a sample of post year-end credit notes to related invoices to check that revenue was recognised in the correct period. • We performed a review of credit notes raised during the year and subsequent to the year end to assess the accuracy of any provision made • We obtained a listing of journal entries to revenue and reviewed manual postings with values greater than predetermined thresholds. <p>Key observations:</p> <p>We did not identify any indicators to suggest revenue recognition was materially misstated.</p>

Key audit matter	How we addressed the key audit matter in the audit
<p>Impairment of goodwill and intangible assets (notes 2, 14 and 15)</p> <p>The Group's accounting policy in relation to impairment of goodwill and intangible assets is included within note 2 and further explained in notes 14 and 15. Consideration of this risk by the Audit Committee is included on page 47.</p> <p>The Group has acquired a number of businesses as part of its growth strategy. Any potential impairment would have a significant impact on the reported results of the Group.</p> <p>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.</p> <p>Management exercise significant judgement in determining the underlying assumptions used in the impairment review of groups of cash-generating units ('CGUs'). These assumptions include the discount rate, the operating margin and the growth rate. Due to the judgements involved we consider this to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • With the assistance of our internal valuation specialists we assessed management's impairment review: for a sample of CGUs, we recalculated the CGU's value in use using our independently calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards. • We challenged and assessed the reasonableness of the CGU level FY21 budgets and expected growth rate assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends. • We have performed sensitivity analysis over the key assumptions used by management and reviewed the disclosures in notes 14 and 15 against accounting standard requirements, including the impact of changes in key assumptions • We assessed management's determination of cash-generating units ('CGUs') against the requirements of applicable accounting standards. <p>Key observations: We consider the judgements made by management when assessing impairment to be appropriate.</p>
<p>Judgement in lease terms in IFRS 16 lease accounting</p> <p>As explained in Note 3, the lease term applied to the Group's lease portfolio is highlighted as a material judgement in the calculation of right of use assets and lease liabilities. This includes whether or not break clauses will be exercised, and an allocation of an expected end date for rolling leases where termination is within the control of the Group as lessee.</p> <p>As per Note 2, where the lease term is revised the carrying amount of the lease liability and right of use asset is updated using a revised discount rate.</p> <p>As explained in more detail within note 1, an error was identified in this judgement for the prior year, which has been restated in the current year financial statements.</p> <p>Due to the judgement involved and the prior year error identified, we consider this area a key audit matter.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • For a sample of additions and modifications to leases in the year, we verified the inputs into the lease calculation of net present value to supporting documentation, including lease agreements, third party communications and management rationale. Key inputs included rent amount and frequency, start and end dates and break/termination options and incremental borrowing rate. • We recalculated the value of the addition /modification based on these inputs. Where management had made a judgement regarding the lease end date, we confirmed that this was appropriate with reference to lease terms, obtained management's rationale for the lease end date used and the reason for any update made in the year. • For a sample of leases identified which related to the prior year error, we tested the corrected lease inputs and recalculated the error corrected by management. • We obtained management's calculation of the incremental borrowing rate used and verified inputs to source documentation or management rationale as appropriate. • We considered the completeness of lease accounting changes via a review of rental expense by component, review of minutes and enquiry of component management. <p>Key observations: We consider the judgements made by management when assessing lease end dates to be reasonable.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £m	2019 £m	2020 £m	2019 £m
Materiality	£360,000	£579,000	£216,000	£358,000
Basis for determining materiality	6.5% of profit before tax excluding items we assessed as non-recurring items¹	6.5% of profit before tax excluding items we assessed as non-recurring items²	60% of Group materiality	62% of Group materiality
Rationale for the benchmark applied	Profit is key performance measure for the Group	Profit is key performance measure for the Group	Linked to Group materiality for Group purposes	Linked to Group materiality for Group purposes
Performance materiality	£216,000	£347,000	£140,000	£226,000
Basis for determining performance materiality	60% of Group materiality	60% of Group materiality	65% of Parent Company materiality	65% of Parent Company materiality

1. Calculated on a 3 year normalised average profit before tax adjusted for exceptional items and goodwill impairment.

2. Adjusted for exceptional items, goodwill impairment, and losses made by the subsidiary that was restructured and partially closed in the year.

Component materiality

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels up to a maximum of 52% (2019: 60%) of Group materiality and ranged between 2% to 52% of Group materiality, £6,000 to £187,000.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2019: £12,000).

We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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 <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> 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 54, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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 gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of non-compliance or fraud by the Group.
- We designed audit procedures at both the Group and significant component levels to detect material misstatements due to fraud and error.
- We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, IFRS, Companies Act 2006 and certain requirements from UK and overseas tax legislation.
- Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisors, enquiries of management, review of Board minutes and review of significant component auditors' working papers.
- We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. To address the risk of fraud due to revenue recognition through our journals testing we obtained a list of journal entries to revenue and reviewed manual postings with values greater than predetermined thresholds.

There are inherent limitations in the audit procedures described above and the more removed from the audited financial transactions, the less likely we would become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

BDO LLP

Anna Draper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom
26 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Revenue	4	256.5	358.0
Cost of sales		(202.5)	(283.5)
Net fee income	4	54.0	74.5
Administrative costs (including £0.6m (2019: £0.6m) in respect of trade receivable impairment losses)		(47.8)	(64.1)
Adjusted operating profit	4	6.2	10.4
Exceptional items	5	(0.2)	(2.1)
Fair value charge on acquisition of non-controlling shares	6	(0.3)	-
Impairment of goodwill	14	(1.6)	(2.5)
Impairment of other intangible assets	15	(3.4)	-
Amortisation of intangible assets identified in business combinations	15	(1.7)	(1.8)
Operating (loss)/profit	4,7	(1.0)	4.0
Finance income	9	0.2	0.2
Finance costs	9	(1.2)	(1.3)
Net finance costs	9	(1.0)	(1.1)
(Loss)/profit before tax		(2.0)	2.9
Taxation	10	(1.2)	(2.4)
(Loss)/profit for the year		(3.2)	0.5
Attributable to:			
Owners of Empresaria Group plc		(3.1)	(0.8)
Non-controlling interests		(0.1)	1.3
		(3.2)	0.5
		Pence	Pence
(Loss)/earnings per share			
Basic	12	(6.2)	(1.6)
Diluted	12	(6.2)	(1.6)

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

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

Consolidated Balance Sheet

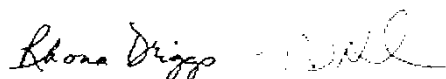
as at 31 December 2020

	Note	2020 £m	2019 Restated ¹ £m
Non-current assets			
Property, plant and equipment	13	1.6	2.3
Right-of-use assets	24	9.0	10.2
Goodwill	14	32.5	33.5
Other intangible assets	15	10.5	15.5
Deferred tax assets	21	2.8	2.4
		56.4	63.9
Current assets			
Trade and other receivables	17	44.9	55.2
Cash and cash equivalents		20.8	176
		65.7	72.8
Total assets		122.1	136.7
Current liabilities			
Trade and other payables	18	33.4	37.7
Current tax liabilities		1.1	1.4
Borrowings	19	32.2	25.2
Lease liabilities	24	5.3	5.6
		72.0	69.9
Non-current liabilities			
Borrowings	19	1.2	10.0
Lease liabilities	24	4.1	5.2
Deferred tax liabilities	21	2.4	3.6
		7.7	18.8
Total liabilities		79.7	88.7
Net assets		42.4	48.0
Equity			
Share capital	22	2.4	2.4
Share premium account		22.4	22.4
Merger reserve		0.9	0.9
Retranslation reserve		4.2	4.0
Equity reserve		(10.2)	(9.8)
Other reserves		(0.6)	(0.6)
Retained earnings		18.1	21.4
Equity attributable to owners of Empresaria Group plc		37.2	40.7
Non-controlling interests		5.2	7.3
Total equity		42.4	48.0

¹ See note 1

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

Signed on behalf of the Board of Directors



Rhona Driggs
Chief Executive Officer

Tim Anderson
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Equity attributable to owners of Empresaria Group plc							Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium account £m	Merger reserve £m	Retranslation reserve £m	Equity reserve £m	Other reserves £m	Retained earnings £m		
At 31 December 2018	2.4	22.4	0.9	5.8	(7.7)	(0.7)	23.2	46.3	54.6
(Loss)/profit for the year	-	-	-	-	-	-	(0.8)	(0.8)	1.3
Exchange differences on translation of foreign operations	-	-	-	(1.8)	-	(0.1)	-	(1.9)	(0.3)
Total comprehensive (loss)/income for the year	-	-	-	(1.8)	-	(0.1)	(0.8)	(2.7)	1.0
Dividend paid to owners of Empresaria Group plc (see note 25)	-	-	-	-	-	-	(1.0)	(1.0)	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.6)
Acquisition of non-controlling shares (see note 6)	-	-	-	-	(2.1)	-	-	(2.1)	(1.4)
Share-based payments (see note 28)	-	-	-	-	-	0.2	-	0.2	-
At 31 December 2019	2.4	22.4	0.9	4.0	(9.8)	(0.6)	21.4	40.7	48.0
Loss for the year	-	-	-	-	-	-	(3.1)	(3.1)	(0.1)
Exchange differences on translation of foreign operations	-	-	-	0.2	-	0.2	-	0.4	(0.1)
Total comprehensive income/(loss) for the year	-	-	-	0.2	-	0.2	(3.1)	(2.7)	(0.2)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(0.5)
Acquisition of non-controlling shares (see note 6)	-	-	-	-	(0.4)	-	-	(0.4)	(1.4)
Purchase of own shares in Employee Benefit Trust	-	-	-	-	-	-	(0.2)	(0.2)	-
Share-based payments (see note 28)	-	-	-	-	-	(0.2)	-	(0.2)	-
At 31 December 2020	2.4	22.4	0.9	4.2	(10.2)	(0.6)	18.1	37.2	42.4

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
(Loss)/profit for the year		(3.2)	0.5
Adjustments for:			
Depreciation of property, plant and equipment and software amortisation	13.15	1.1	1.2
Depreciation of right-of-use assets	24	6.3	6.4
Fair value charge on acquisition of non-controlling shares	6	0.3	-
Impairment of goodwill	14	1.6	2.5
Impairment of other intangible assets	15	3.4	-
Amortisation of intangible assets identified in business combinations	15	1.7	1.8
Share-based payments		(0.2)	0.2
Net finance costs	9	1.0	1.1
Taxation	10	1.2	2.4
		13.2	16.1
Decrease in trade and other receivables		10.9	0.3
Decrease in trade and other payables (including pilot bonds outflow of £0.5m (2019: £3.8m))		(5.8)	(2.0)
Cash generated from operations		18.3	14.4
Interest paid		(1.1)	(1.3)
Income taxes paid		(3.0)	(5.6)
Net cash inflow from operating activities		14.2	7.5
Cash flows from investing activities			
Consideration paid for business acquisitions (net of cash acquired)		(0.1)	(0.2)
Purchase of property, plant and equipment, and software		(0.7)	(1.5)
Finance income		0.2	0.2
Net cash outflow from investing activities		(0.6)	(1.5)
Cash flows from financing activities			
Increase/(decrease) in overdrafts		3.8	(3.6)
Proceeds from bank loans		1.8	5.0
Repayment of bank loans		(5.7)	(0.2)
Decrease in invoice financing		(2.0)	(2.7)
Payment of obligations under leases		(6.2)	(6.5)
Purchase of shares in existing subsidiaries		(1.5)	(3.5)
Purchase of own shares in Employee Benefit Trust		(0.2)	-
Dividends paid to owners of Empresaria Group plc		-	(1.0)
Dividends paid to non-controlling interests		(0.5)	(0.6)
Net cash outflow from financing activities		(10.5)	(13.1)
Net increase/(decrease) in cash and cash equivalents		3.1	(7.1)
Foreign exchange movements		0.1	(0.7)
Cash and cash equivalents at beginning of the year		17.6	25.4
Cash and cash equivalents at end of the year		20.8	17.6
		2020 £m	2019 £m
Bank overdrafts at beginning of the year		(17.9)	(22.0)
(Increase)/decrease in the year		(3.8)	3.6
Foreign exchange movements		(0.4)	0.5
Bank overdrafts at end of the year	19	(22.1)	(17.9)
Cash, cash equivalents and bank overdrafts at end of the year		(1.3)	(0.3)

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 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore the Group financial statements comply with AIM rules. For 2021 the Group will be required to comply with UK-adopted IFRS. As at 1 January 2021 there were no differences between these sets of standards and there is no requirement to restate previously presented information.

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.

2019 financial information has been restated to reflect an error in the accounting for leases in 2019, the first year of transition to IFRS 16 Leases. This related to the identification and measurement of certain leases within the Commercial sector. This has resulted in adjustments to the 31 December 2019 balance sheet to reflect a £0.4m reduction in the net book value of right-of-use assets and a £0.4m reduction in the current lease liability. Right-of-use asset additions in the year ended 31 December 2019 are increased by £0.2m and right-of-use asset disposals are increased by £0.6m. The lease liability maturity analysis is also restated. There is no impact on net assets as at 31 December 2019, nor on profit for the year ended 31 December 2019. As the Group applied the modified retrospective approach to the adoption of IFRS 16, there is no impact on the 31 December 2018 balance sheet and no requirement to present a third balance sheet at that date.

Changes in accounting policies

Adoption of new and revised standards and interpretations

In the current year, the following new and revised standards and interpretations have been adopted. These resulted in changes to disclosure only.

Amendments to IFRS 3	Business Combinations – Definition of a Business
Amendments to IAS 1	Presentation of Financial Statements (Definition of Material)
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

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 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 16	Leases – COVID-19 related rent concessions
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.

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 there is a sustained significant adverse impact on the global economy and the Group from COVID-19 and includes an assumption that adjusted operating profit falls by 20% in 2021 against 2020. 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 2020 the Group had undrawn facilities (excluding invoice discounting) of £17.6m. 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 2022. 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 are 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 10 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
- 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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This includes the Group's trade and other receivables. They 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 statement of comprehensive income. 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 provides finance to an Employee Benefit Trust ('EBT') to purchase the Company's shares 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 over the vesting periods of the related share options or awards.

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 (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make 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 (2019: £0.8m) and exchange differences on intercompany long-term receivables amounting to £(1.2)m (2019: £(1.4)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.

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:

	2020			2019		
	Revenue £m	Net fee income £m	Adjusted operating profit £m	Revenue £m	Net fee income £m	Adjusted operating profit £m
Professional	55.3	15.4	0.2	125.0	27.3	3.5
IT	41.8	12.7	1.8	45.2	14.4	3.2
Healthcare	13.2	2.5	0.4	11.3	2.8	0.5
Property, Construction & Engineering	3.6	0.7	(0.2)	22.4	3.8	(1.2)
Commercial	132.3	17.2	4.6	142.4	19.7	5.4
Offshore Recruitment Services	10.9	6.1	2.6	12.2	7.0	3.2
Central costs	–	–	(3.2)	–	–	(4.2)
Intragroup eliminations	(0.6)	(0.6)	–	(0.5)	(0.5)	–
	256.5	54.0	6.2	358.0	74.5	10.4

All revenue shown is from transactions with external clients with the exception of Offshore Recruitment Services where £10.3m (2019: £11.7m) relates to external clients and £0.6m (2019: £0.5m) relates to transactions with other sectors.

Impairment of goodwill of £1.6m and impairment of other intangible assets of £3.4m was recognised in the Professional sector (2019: Impairment of goodwill of £2.5m in the Property, Construction & Engineering sector).

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

	Year ended 31 December 2020						Total £m
	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Central costs £m	Intragroup eliminations £m	
Revenue	46.4	91.1	63.9	55.7	–	(0.6)	256.5
Net fee income	13.4	14.0	19.4	7.8	–	(0.6)	54.0
Adjusted operating profit ¹	0.6	3.8	3.6	1.4	(3.2)	–	6.2

	Year ended 31 December 2019						Total £m
	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Central costs £m	Intragroup eliminations £m	
Revenue	77.6	93.1	126.4	61.4	–	(0.5)	358.0
Net fee income	22.6	14.7	27.7	10.0	–	(0.5)	74.5
Adjusted operating profit ¹	1.2	4.0	7.2	2.2	(4.2)	–	10.4

¹ Adjusted operating profit is stated before amortisation of intangible assets identified in business combinations, impairment of goodwill and other intangible assets, exceptional items and fair value charge on acquisition of non-controlling shares

Revenue of Continental Europe includes £76.8m (2019: £77.6m) from Germany and revenue of Asia Pacific includes £28.5m (£84.1m) from New Zealand.

In the current year and prior year there was no client that 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:

	UK £m	Continental Europe £m	Asia Pacific £m	Americas £m	Africa £m	Intragroup eliminations £m	Total £m
Year ended 31 December 2020							
Revenue	33.9	112.1	43.6	62.4	5.1	(0.6)	256.5
Net fee income	11.2	18.4	13.4	11.2	0.4	(0.6)	54.0
Year ended 31 December 2019							
Revenue	78.1	121.2	77.2	69.5	12.5	(0.5)	358.0
Net fee income	20.4	20.8	18.3	14.4	1.1	(0.5)	74.5

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

	2020				2019			
	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m
Revenue								
Professional	10.7	44.6	–	55.3	17.4	107.6	–	125.0
IT	5.5	36.3	–	41.8	6.7	38.5	–	45.2
Healthcare	0.2	13.0	–	13.2	0.4	10.9	–	11.3
Property, Construction & Engineering	0.1	3.5	–	3.6	1.2	21.2	–	22.4
Commercial	0.5	131.8	–	132.3	1.2	141.2	–	142.4
Offshore Recruitment Services	0.7	0.7	9.5	10.9	1.1	–	11.1	12.2
Intragroup eliminations	–	–	(0.6)	(0.6)	–	–	(0.5)	(0.5)
	17.7	229.9	8.9	256.5	28.0	319.4	10.6	358.0

	2020				2019			
	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m	Permanent £m	Temporary and contract £m	Offshore recruitment services £m	Total £m
Net fee income								
Professional	10.3	5.1	–	15.4	17.0	10.3	–	27.3
IT	5.5	7.2	–	12.7	6.7	7.7	–	14.4
Healthcare	0.2	2.3	–	2.5	0.4	2.4	–	2.8
Property, Construction & Engineering	0.1	0.6	–	0.7	1.2	2.6	–	3.8
Commercial	0.5	16.7	–	17.2	1.1	18.6	–	19.7
Offshore Recruitment Services	0.6	0.2	5.3	6.1	1.1	–	5.9	7.0
Intragroup eliminations	–	–	(0.6)	(0.6)	–	–	(0.5)	(0.5)
	17.2	32.1	4.7	54.0	27.5	41.6	5.4	74.5

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.

	2020 £m	2019 £m
Restructuring of UK engineering business	–	1.1
Restructuring of marketing and digital business	(0.1)	0.5
Change of Chief Executive Officer	(0.2)	0.5
Closure of Mexico operation	0.2	–
Restructure of senior management	0.3	–
	0.2	2.1

6 Shares acquired in existing subsidiaries

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 to be 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.

2019

In July 2019, the Group acquired a further 17.5% interest in ConSol, an existing subsidiary, taking its total interest to 82.5%. The shares were acquired for cash consideration of £3.5m on terms in line with the original acquisition in 2016.

This transaction was recorded within equity as a movement in non-controlling interests of £1.4m and the remaining £2.1m was recorded in the equity reserve.

Other acquisitions of shares in existing subsidiaries totalled less than £0.1m.

7 Operating (loss)/profit

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

	2020 £m	2019 £m
Depreciation of property, plant and equipment	1.0	1.1
Depreciation of right-of-use assets	6.3	6.4
Amortisation of intangible assets identified in business combinations	1.7	1.8
Amortisation of software	0.1	0.1
Impairment of goodwill and other intangible assets	5.0	2.5
Net foreign exchange gain	(0.1)	–
Share-based payments	(0.2)	0.2
Impairment of trade receivables	0.6	0.6
Auditor's remuneration	0.4	0.4

The analysis of auditor's remuneration is as follows:

	2020 £000	2019 £000
Fee payable to the Company's auditor for the audit of the Group annual accounts	403	370

Auditor's remuneration includes fees payable of £262,000 (2019: £235,000) for the audit of the Company's subsidiaries pursuant to legislation. No non-audit fees were incurred in the year (2019: £nil)

8 Directors and employees

	2020 £m	2019 £m
Staff costs		
Wages and salaries	31.9	43.0
Social security costs	3.2	3.8
Pension costs	1.0	1.0
Share-based payments	(0.2)	0.2
	35.9	48.0

Staff costs include internal employee costs included within cost of sales amounting to £3.5m (2019: £3.7m).

In 2020, the Group utilised government support schemes introduced to help protect jobs and minimise redundancies as discussed in more detail in the Finance Review on page 28. Staff costs are presented net of £1.9m received in respect of internal staff. The Group also worked with its clients to help protect the jobs of temporary workers and a further £3.6m of support is deducted from cost of sales in the income statement.

Details of Directors' remuneration are given on pages 49 to 51.

	2020 No.	2019 No.
Average monthly number of persons employed – sales and administration	1,775	1,955
Number of persons employed as at 31 December – sales and administration	1,764	1,999

9 Finance income and costs

	2020 £m	2019 £m
Finance income		
Bank interest receivable	0.2	0.2
	0.2	0.2
Finance costs		
Invoice financing	(0.1)	(0.2)
Bank loans and overdrafts	(0.5)	(0.6)
Interest on lease obligations	(0.4)	(0.4)
Interest on tax payments	(0.2)	(0.1)
	(1.2)	(1.3)
Net finance costs	(1.0)	(1.1)

Notes to the Consolidated Financial Statements continued

10 Taxation

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

	2020 £m	2019 £m
Current tax		
Current year income tax expense	2.9	3.8
Adjustments in respect of prior years	(0.1)	0.2
Total current tax expense	2.8	4.0
Deferred tax		
Deferred tax credit – on origination and reversal of temporary differences	(1.6)	(1.6)
Total income tax expense in the income statement	1.2	2.4

(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.

	2020 £m	2019 £m
(Loss)/profit before taxation	(2.0)	2.9
Tax at the relevant local rates	(0.3)	1.5
Effects of		
Expenses not deductible for tax purposes	0.5	0.4
Impairment of goodwill not deductible for tax purposes	0.5	0.3
Restatement of deferred tax liability on intangible assets for change in tax rate	0.1	(0.2)
Current year losses not recognised for tax purposes	0.3	0.3
Prior year losses recognised for tax purposes	–	(0.2)
Overseas withholding tax suffered	0.2	0.1
Adjustments in respect of prior years	(0.1)	0.2
Tax expense	1.2	2.4

The movement in deferred tax is explained in note 21.

No tax was recognised in other comprehensive income (2019: £nil).

11 Reconciliation of adjusted profit before tax to profit before tax

	2020 £m	2019 £m
(Loss)/profit before tax	(2.0)	2.9
Exceptional items	0.2	2.1
Fair value charge on acquisition of non-controlling shares	0.3	–
Impairment of goodwill	1.6	2.5
Impairment of other intangible assets	3.4	–
Amortisation of intangible assets identified in business combinations	1.7	1.8
Adjusted profit before tax	5.2	9.3

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 2020 and 2019 these are all related to share options and further details can be found in note 28 and the Directors' Remuneration Report on pages 49 to 51. 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.

	2020 £m	2019 £m
Earnings attributable to owners of Empresaria Group plc	(3.1)	(0.8)
Adjustments:		
Exceptional items	0.2	2.1
Fair value charge on acquisition of non-controlling shares	0.3	–
Impairment of goodwill	1.6	2.5
Impairment of other intangible assets	3.4	–
Amortisation of intangible assets identified in business combinations	1.7	1.8
Tax on the above	(1.2)	(1.0)
Non-controlling interests in respect of the above	(0.8)	(0.2)
Adjusted earnings	2.1	4.4
Number of shares	Millions	Millions
Weighted average number of shares – basic	50.3	50.4
Dilution effect of share options	1.3	1.0
Weighted average number of shares – diluted	51.6	51.4
Earnings per share	Pence	Pence
Basic	(6.2)	(1.6)
Dilution effect of share options	–	–
Diluted	(6.2)	(1.6)
Adjusted earnings per share	Pence	Pence
Basic	4.2	8.6
Dilution effect of share options	(0.1)	(0.1)
Diluted	4.1	8.5

All share options are anti-dilutive 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 are equal. As these options are nil-cost options these have been 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

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

2019	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 January	1.1	6.2	0.2	7.5
Additions	0.4	1.0	-	1.4
Disposals	-	(0.6)	-	(0.6)
Foreign exchange movements	-	(0.4)	-	(0.4)
At 31 December	1.5	6.2	0.2	7.9
Accumulated depreciation				
At 1 January	0.4	4.9	0.1	5.4
Charge for the year	0.2	0.9	-	1.1
Disposals	-	(0.5)	-	(0.5)
Foreign exchange movements	-	(0.4)	-	(0.4)
At 31 December	0.6	4.9	0.1	5.6
Net book value				
At 31 December 2018	0.7	1.3	0.1	2.1
At 31 December 2019	0.9	1.3	0.1	2.3

14 Goodwill

	2020 £m	2019 £m
At 1 January	33.5	37.1
Impairment charge	(1.6)	(2.5)
Foreign exchange movements	0.6	(1.1)
At 31 December	32.5	33.5

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 amounts of the CGUs are considered to be their 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 2021 budgets approved by the Group's Board. The budgets were reviewed in light of the ongoing impact of COVID-19 and adjusted as required. These adjusted budgets are extrapolated using short-term industry growth rate forecasts 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 9.2% to 16.9% (2019: 9.0% to 16.1%) 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:	10.0% to 16.9% (2019: 9.0% to 16.1%)
IT:	9.5% to 11.3% (2019: 9.6% to 11.7%)
Healthcare:	9.8% to 12.3% (2019: 10.5% to 10.6%)
Property, Construction & Engineering:	11.0% (2019: 10.5%)
Commercial:	9.2% to 16.0% (2019: 9.0% to 13.7%)
Offshore Recruitment Services:	16.6% (2019: 15.4%)

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 2022 and the IMF longer-term expectation for global growth of 2.6% which is then adjusted to reflect the specific markets we are in. Longer-term growth rates used range from 1.0% to 3.0%. 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:	2.0% to 3.0% (2019: 1.5% to 5.7%)
IT:	1.0% to 2.0% (2019: 0.5% to 3.8%)
Healthcare:	2.0% (2019: 1.4% to 1.5%)
Property, Construction & Engineering:	2.0% (2019: 1.5%)
Commercial:	1.0% to 2.0% (2019: 0.5% to 3.9%)
Offshore Recruitment Services:	2.0% (2019: 6.0%)

In 2020, an impairment charge of £1.6m has been recognised in respect of a business in the Professional sector which has 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.

In 2019, an impairment charge of £2.5m was recognised in respect of a business in the Property, Construction & Engineering sector following the decision to close a substantial part of it, reducing the carrying amount of goodwill in respect of that business to nil.

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 (2019: £nil), while if the discount rate were to increase by 2% an impairment charge of £0.5m would be recorded in respect of one business in our Professional sector (2019: £nil).

Notes to the Consolidated Financial Statements continued

14 Goodwill continued

The carrying amount of goodwill by sector is as follows:

	2020 £m	2019 £m
Professional	7.4	8.8
IT	4.7	4.7
Healthcare	4.0	4.0
Property, Construction & Engineering	0.9	0.9
Commercial	15.0	14.5
Offshore Recruitment Services	0.5	0.6
	32.5	33.5

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:

	2020			2019		
	Goodwill £m	Discount rate %	Growth rate %	Goodwill £m	Discount rate %	Growth rate %
Headway	13.1	9.2	2.0	12.4	9.4	1.3
ConSol Partners	4.2	9.5	2.0	4.2	9.6	3.8
Rishworth Aviation	2.1	12.6	2.0	3.6	10.2	3.5

15 Other intangible assets

	Intangible assets identified in business combinations				
	Customer relationships £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
2020					
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 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 these intangible assets, an impairment review has been carried out.

As a result of those impairment reviews, an impairment charge of £3.4m has been booked in respect of an operation in our Professional sector which supplies the aviation industry. This industry has been hit hard by COVID-19 and we do 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, is the prime driver of this impairment.

2019	Intangible assets identified in business combinations				
	Customer relationships £m	Trade name & marks £m	Sub total £m	Software £m	Total £m
Cost					
At 1 January	14.5	9.5	24.0	0.9	24.9
Additions	–	–	–	0.1	0.1
Foreign exchange movements	(0.3)	(0.4)	(0.7)	–	(0.7)
At 31 December	14.2	9.1	23.3	1.0	24.3
Accumulated amortisation					
At 1 January	4.4	2.1	6.5	0.7	7.2
Charge for the year	1.2	0.6	1.8	0.1	1.9
Foreign exchange movements	(0.1)	(0.2)	(0.3)	–	(0.3)
At 31 December	5.5	2.5	8.0	0.8	8.8
Net book value					
At 31 December 2018	10.1	7.4	17.5	0.2	17.7
At 31 December 2019	8.7	6.6	15.3	0.2	15.5

16 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest with comparatives 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 for which 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 2020 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
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 (formerly Reflex HR Limited)	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 Malaysia Holdings Limited	08701593	Holding Non-Trading
Empresaria NZ Finco Limited	10804049	Holding Non-Trading
Empresaria NZ Limited	10164295	Holding Non-Trading
Empresaria Limited (formerly Empresaria Services Limited)	09946765	Active 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) Ltd	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

Notes to the Consolidated Financial Statements continued

17 Trade and other receivables

	2020 £m	2019 £m
Current		
Gross trade receivables	37.9	46.3
Less provision for impairment of trade receivables	(0.9)	(0.7)
Trade receivables	37.0	45.6
Prepayments	1.5	1.7
Accrued income	3.6	4.6
Corporation tax receivable	1.0	1.0
Other receivables	1.8	2.3
	44.9	55.2

Trade receivables include £22.5m (2019: £31.8m) on which security has been given as part of 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

	2020 £m	2019 £m
Current		
Trade payables	1.6	2.1
Other tax and social security	8.0	7.4
Pilot bonds	1.0	1.5
Client deposits	0.4	0.6
Temporary recruitment worker wages	4.3	4.0
Other payables	1.3	1.6
Accruals	16.2	20.5
Deferred consideration	0.6	-
	33.4	37.7

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 2020, if the bonds were to be repaid in line with existing contracts, £0.6m (2019: £1.1m) would be repayable in more than one year.

19 Borrowings

	2020 £m	2019 £m
Current		
Bank overdrafts	22.1	17.9
Invoice financing	4.9	6.9
Bank loans	5.2	0.4
	32.2	25.2
Non-current		
Bank loans	1.2	10.0
	1.2	10.0
Borrowings	33.4	35.2

The following key bank facilities are in place at 31 December 2020:

A revolving credit facility of £15.0m, expiring in June 2021. As at 31 December 2020 the amount outstanding is £5.0m (2019: £10.0m). Interest is payable at 1.5% plus LIBOR or EURIBOR. During the year, the remaining £1.0m of the £5.0m extension to the revolving credit facility was activated, increasing the facility to £15.0m. The revolving credit facility is subject to financial covenants and these are disclosed in the Finance Review on page 30. In March 2021 the revolving credit facility was refinanced. The new facility of £15.0m expires in September 2023. LIBOR is currently in the process of being phased out and therefore this new facility will be based on the SONIA (Sterling Over Night Index Average) interest rate. The margin on the facility will vary based on the Group's net debt to EBITDA ratio and will range from 2.0% to 3.0%. Term loan facilities are in place in Japan totalling £1.1m (2019: £0.3m). During the year the loans were refinanced with an average interest rate of 0.5% (2019: 1.1%).

Overdraft facilities are in place in the UK with a limit of £10.0m, which was increased from £7.5m in the first half of 2020. The balance on this facility as at 31 December 2020 was £7.4m (2019: £5.9m). The interest rate was fixed at 1% above applicable currency base rates. A \$2.0m overdraft facility to provide working capital funding in the United States had a balance as at 31 December 2020 of \$2.0m (2019: \$1.5m). Interest on this USD facility is payable at 2% over LIBOR. A €13.0m (2019: €13.0m) overdraft facility is in place in Germany. The balance at 31 December 2020 was €11.6m (2019: €10.9m). 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. Bank overdrafts in the table reflects the requirement under IFRS to gross up certain cash and overdraft balances which are netted for banking facility purposes. This amount is £6.5m in 2020 (2019: £1.7m).

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 (2019: £13.0m). As at 31 December 2020 the amount outstanding was £3.3m (2019: £6.0m). Interest is payable at 1.47% over UK base rate. Following the Group's decision to close a substantial part of the UK engineering business, the invoice financing facility was reduced to £10.0m in March 2020. There are also invoice financing facilities in Chile of £4.0m (2019: £4.0m). As at 31 December 2020 the amount outstanding was £1.6m (2019: £0.8m). Interest is payable at approximately 5.5%.

20 Net debt

a) Net debt

	2020 £m	2019 £m
Borrowings	(33.4)	(35.2)
Cash and cash equivalents	20.8	17.6
Net debt	(12.6)	(17.6)

Cash and cash equivalents at 31 December 2020 includes cash of £0.5m (2019: £0.3m) held by a subsidiary in China which is subject to currency exchange restrictions

Notes to the Consolidated Financial Statements continued

20 Net debt continued

b) Adjusted net debt

	2020 £m	2019 £m
Cash and cash equivalents	20.8	17.6
Less cash held in respect of pilot bonds	(1.0)	(1.5)
Adjusted cash	19.8	16.1
Borrowings	(33.4)	(35.2)
Adjusted net debt	(13.6)	(19.1)

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

	2020 £m	2019 £m
At 1 January	(19.1)	(17.1)
Net increase/(decrease) in cash and cash equivalents per consolidated cash flow statement	3.1	(7.1)
Decrease/(increase) in overdrafts and loans	0.1	(1.2)
Decrease in invoice financing	2.0	2.7
Foreign exchange movements	(0.2)	(0.2)
Adjusted for decrease in cash held in respect of pilot bonds	0.5	3.8
At 31 December	(13.6)	(19.1)

d) Reconciliation of borrowing arising from finance activity

	2020 £m	2019 £m
Borrowings at 1 January	(35.2)	(37.2)
Cash flow movements:		
(Increase)/decrease in overdrafts	(3.8)	3.6
Proceeds from bank loans	(1.8)	(5.0)
Repayment of bank loans	5.7	0.2
Decrease in invoice financing	2.0	2.7
Non-cash movements:		
Foreign exchange movements	(0.3)	0.5
Borrowings at 31 December	(33.4)	(35.2)

21 Deferred tax

	Holiday pay £m	Retirement provision £m	Tax losses £m	Other temporary differences £m	Total 2020 £m	Total 2019 £m
Deferred tax assets						
At 1 January	0.4	0.2	0.7	1.1	2.4	1.5
Credit to income statement	(0.1)	–	0.4	0.2	0.5	0.9
Foreign exchange movements	–	–	–	(0.1)	(0.1)	–
At 31 December	0.3	0.2	1.1	1.2	2.8	2.4
Deferred tax liabilities						
		Intangible assets £m	Unremitted overseas earnings £m	Other temporary differences £m	Total 2020 £m	Total 2019 £m
At 1 January		(3.2)	(0.3)	(0.1)	(3.6)	(4.2)
Credit to income statement		1.1	–	–	1.1	0.7
Foreign exchange movements		0.1	–	–	0.1	(0.1)
At 31 December		(2.0)	(0.3)	(0.1)	(2.4)	(3.6)

At the balance sheet date, the Group has unused tax losses of £9.3m (2019: £8.0m) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of £5.5m (2019: £3.8m) of such losses. No deferred tax asset has been recognised in respect of the remaining £3.8m (2019: £4.2m) as it is not considered probable that there will be future taxable profits available. Of these £2.6m have no expiry date, £1.0m expires in 2026 and 2027, while £0.2m expires in 2022 to 2025.

No deferred tax liability is recognised on temporary differences of £8.8m (2019: £7.9m) 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 £0.9m (2019: £1.0m) assuming all unremitted earnings were remitted in full in the year.

A deferred tax liability of £0.3m (2019: £0.3m) has been recognised in respect of the unremitted earnings of overseas subsidiaries amounting to £2.5m (2019: £2.7m) and it is probable that these earnings will be remitted and the tax cost incurred in 2021.

22 Share capital and shares held by Employee Benefit Trust

Share capital

	2020		2019	
	Number of shares	£m	Number of shares	£m
Issued, allotted and fully paid				
Ordinary Shares of 5p each	49,019,132	2.4	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

	2020 Number of shares	2019 Number of shares
Allotted and fully paid		
Ordinary Shares of 5p each	961,204	576,204

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

23 Financial risk management

The Group is exposed to a variety of financial risks arising from the Group's 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

	2020 £m	2019 £m
Cash and cash equivalents	20.8	17.6
Trade and other receivables ¹	42.4	52.5

¹ Trade and other receivables are held at amortised cost and exclude prepayments, tax and social security amounting to £2.5m (2019: £2.7m) 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 (2019: £0.7m) 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, including the impact of COVID-19.

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 at 31 December 2020 was a specific loss provision of £0.2m in respect of certain debtor balances with specific credit risk profiles.

At 31 December 2019 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 (%)	0.5%	2.0%	3.0%	4.0%	5.0%	
Gross carrying amount (£m)	34.4	7.3	1.8	1.4	1.4	46.3
Loss provision (£m)	0.2	0.1	0.1	0.1	0.2	0.7

Included within the loss provision on current debts due at 31 December 2019 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:

	2020 £m	2019 £m
Balance at 1 January	0.7	1.1
Impairment loss recognised	0.6	0.6
Impairment loss utilised	(0.4)	(1.0)
Balance at 31 December	0.9	0.7

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. The majority of 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 2020 there were a small number of forward currency contracts in place. The amount covered by these at 31 December 2020 was £0.6m (2019: 1.5m). These are recorded in the balance sheet at fair value, which at 31 December 2020 was £nil (2019: £nil).

During the year the Group has recognised a net foreign exchange gain of £0.1m (2019: £nil) 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		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2020					
US Dollars	4.5	(2.7)	US Dollars (10%)	(0.2)	(0.2)
Euro	3.7	(2.2)	Euro (10%)	(0.2)	(0.2)
	Foreign currency monetary items		Sensitivity analysis impact of non-functional currency foreign exchange exposure		
	Assets £m	Liabilities £m	Sensitivity	Profit and loss £m	Equity £m
2019					
US Dollars	7.9	(6.6)	US Dollars (10%)	(0.1)	(0.1)
Euro	4.9	(3.6)	Euro (10%)	(0.1)	(0.1)

Notes to the Consolidated Financial Statements continued

23 Financial risk management continued

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 gain recognised in equity was £0.4m (2019: loss of £1.9m).

(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 2020, 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.

	2020	2019
Effective interest rate on borrowings in the year	2.5%	2.6%

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.

Interest rate

	2020 £m	2019 £m
Net result for the year	(0.3)	(0.4)
Equity	(0.3)	(0.4)

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 2020, the Group's financial liabilities have contractual maturities as follows

	Current		Non-current				Total	
	within 6 months		6 to 12 months		1 to 5 years			
	2020 £m	2019 Restated £m	2020 £m	2019 Restated £m	2020 £m	2019 £m	2020 £m	2019 Restated £m
Borrowings	32.0	25.1	0.2	0.1	1.2	10.0	33.4	35.2
Trade and other payables ¹	25.4	30.3	-	-	-	-	25.4	30.3
Forward currency contracts payments	0.5	1.5	0.1	-	-	-	0.6	1.5
Forward currency contracts receipts	(0.5)	(1.5)	(0.1)	-	-	-	(0.6)	(1.5)
Lease liabilities	2.7	3.0	2.7	2.8	4.3	5.8	9.7	11.6
Total	60.1	58.4	2.9	2.9	5.5	15.8	68.5	77.1

1 Trade and other payables exclude other tax and social security of £9.0m (2019: £7.4m). 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 to the carrying value at the balance sheet date. All bank loans are on floating interest rates.

At the year end the Group had £17.6m (2019: £11.5m) 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 whilst 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 parent, 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 30.

Debt to debtors ratio

	2020 £m	2019 £m
Adjusted net debt (see note 20)	13.6	19.1
Trade receivables	37.0	45.6
Debt to debtors ratio	37%	42%

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.

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

Notes to the Consolidated Financial Statements continued

24 Leases continued

2019 – Restated	Property £m	Other £m	Total £m
Cost			
At 1 January	11.0	0.9	11.9
Additions and modifications	5.1	0.8	5.9
Disposals	(1.3)	–	(1.3)
Foreign exchange movements	(0.3)	–	(0.3)
At 31 December	14.5	1.7	16.2
Accumulated depreciation			
At 1 January	–	–	–
Depreciation	5.8	0.6	6.4
Disposals	(0.7)	–	(0.7)
Impairment	0.3	–	0.3
At 31 December	5.4	0.6	6.0
Net book value			
At 31 December 2019	9.1	1.1	10.2

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

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

	2020 £m	2019 Restated £m
Depreciation of right-of-use assets	6.3	6.4
Interest on lease obligations	0.4	0.4
Cash outflow for leases	6.6	6.5
Additions to right-of-use assets	5.1	5.9

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 significant 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 lease.

25 Dividends

	2020 £m	2019 £m
Amount recognised as distribution to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of nil (2018: 2.0p) per share	–	1.0
Proposed final dividend for the year ended 31 December 2020 of 1.0p (2019: nil) per share	0.5	–

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

The proposed final dividend for the year ended 31 December 2020 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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 £3.8m (2019: loss £2.3m).

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 £2.2m (2019: £3.2m), £1.1m (2019: £0.8m) and £0.7m (2019: £0.5m), 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. No amounts are outstanding as at 31 December 2020.

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 sits 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 49 to 51.

	2020 £m	2019 £m
Short-term employee benefits	0.8	0.9
Post-employment benefits (contributions to defined contribution pension schemes)	–	0.1
Share-based payments	(0.2)	0.2
Payments on termination	–	0.1

Directors' transactions

Dividends totalling £nil (2019: £279,092) were paid in the year in respect of Ordinary Shares held by the Company's Directors.

Notes to the Consolidated Financial Statements continued

27 Related party transactions continued

Transactions with subsidiary directors

The Group was built on a management equity philosophy, with key management holding a meaningful stake in the business they are 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 2020 the Group has had the following transactions in subsidiary shares with directors of subsidiaries:

Purchased by the Group

Company	% of shares	Aggregate consideration £000	Seller
LMA Recruitment Limited	24.9%	53	R Thompson
LMA Recruitment Singapore Pte. Ltd	12.5%	34	R Thompson
Empresaria Malaysia Holdings Limited	20.0%	76	M Medina
Empresaria Malaysia Holdings Limited	10.0%	24	A Hairs
Empresaria Thailand Holdings Limited	10.0%	77	A Hairs
Empresaria China Holdings Limited	10.0%	22	A Hairs
Empresaria Philippines Holdings Limited	10.0%	12	A Hairs
ConSol Partners (Holdings) Limited	6.3%	676	G Hubert
ConSol Partners (Holdings) Limited	6.3%	676	M Cohen
ConSol Partners (Holdings) Limited	1.3%	126	J Whittall
ConSol Partners (Holdings) Limited	3.5%	235	Other non-director employee shareholders
Empresaria Mexico Holdings Limited	24.5%	-	A Blanco
Empresaria Mexico Holdings Limited	24.5%	-	J Garcia de Leon
FastTrack Management Services Limited	10.0%	-	S Toussaint

28 Share-based payments

The Group operated 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 2020 a credit to the income statement of £0.2m (2019: charge of £0.2m) was recognised. Movements in the number of options outstanding are as follows:

	2020 Number of share options thousands	2019 Number of share options thousands
Outstanding as at 1 January	4,020	3,546
Lapsed during the year (weighted average exercise price was nil (2019: nil))	(363)	(437)
Granted during the year	1,963	912
Outstanding as at 31 December	5,620	4,020
Vested and exercisable as at 31 December	1,982	1,982

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 49 to 51.

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

	Award in 2020	Award in 2019
Share price at date of grant	33.5p	72.5p
Weighted average exercise price	nil	nil
Expected volatility	34.5%	32.5%
Expected life	3 years	3 years
Risk-free rate	0.12%	0.64%
Expected dividend yields	5.97%	2.76%
Vesting dates	March 2023	March 2022
Fair value assessed per share	22.3p	54.2p

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.

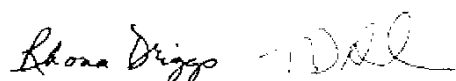
Parent Company Balance Sheet

	Note	2020 £m	2019 £m
Non-current assets			
Tangible assets	5	–	–
Investments in subsidiaries	6	50.2	50.8
		50.2	50.8
Current assets			
Debtors	7	7.8	5.7
Creditors: amounts falling due within one year	8	(24.9)	(16.8)
Net current assets		(17.1)	(11.1)
Total assets less current liabilities		33.1	39.7
Creditors: amounts falling due after more than one year	9	–	(10.0)
Net assets		33.1	29.7
Capital and reserves			
Called-up share capital	10	2.4	2.4
Share premium account		22.4	22.4
Merger reserve		0.9	0.9
Other reserves		0.7	0.9
Equity reserve		(0.2)	(0.2)
Profit and loss account		6.9	3.3
Shareholders' funds		33.1	29.7

The profit for the financial year ended 31 December 2020 was £3.8m (2019: loss of £2.3m).

These financial statements of Empresaria Group plc (Company registration number 03743194) were approved by the Board of Directors and authorised for issue on 26 March 2021.

Signed on behalf of the Board of Directors



Rhona Driggs
Chief Executive Officer

Tim Anderson
Chief Financial Officer

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 2019	2.4	22.4	0.9	0.7	(0.2)	6.6	32.8
Loss for the financial year and total comprehensive loss	-	-	-	-	-	(2.3)	(2.3)
Dividend paid on equity shares	-	-	-	-	-	(1.0)	(1.0)
Movement in share options	-	-	-	0.2	-	-	0.2
At 31 December 2019	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

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 2020. 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 2020 of £3.8m (2019: loss of £2.3m).

3 Directors and employees

Year ended 31 December	2020 £m	2019 £m
Staff costs		
Wages and salaries	1.7	2.0
Social security costs	0.1	0.2
Other pension costs	0.2	0.2
Share-based payments	(0.2)	0.2
	1.8	2.6

	2020 Number	2019 Number
Average monthly number of persons employed (including Directors)	20	20

Details of Directors' remuneration are given on pages 49 to 51

4 Dividends

During 2020 Empresaria Group plc paid a dividend of nil per Ordinary Share (2019: 2.00p). This amounted to £nil to its equity shareholders (2019: £1.0m).

Please see note 25 of the Group accounts for information on proposed dividends for the year ended 31 December 2020.

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 2020 and 31 December 2020	0.5
Accumulated depreciation	
At 1 January 2020	0.5
Charge for the year	-
At 31 December 2020	0.5
Net book value	
At 31 December 2019	-
At 31 December 2020	-

Notes to the Parent Company Financial Statements continued

6 Investments in subsidiaries

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2020	61.5
Additions	-
At 31 December 2020	61.5
Impairment	
At 1 January 2020	10.7
Impairment charge	0.6
At 31 December 2020	11.3
Net book value	
At 31 December 2019	50.8
As 31 December 2020	50.2

During the year an impairment charge of £0.6m 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 2020.

Investments comprise of the following subsidiary companies:

Company	Class of share held	2020 Effective % holding	2019 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
Beresford Wilson and Partners Limited	Ordinary	100	99
BWP Holdco Limited	Ordinary	100	99
ConSol Partners (Holdings) Limited	Ordinary	100	83
ConSol Partners Limited	Ordinary	100	83
Empresaria Limited (formerly Empresaria Services Limited) ¹	Ordinary	100	100
Empresaria Americas Finco Limited	Ordinary	100	100
Empresaria Americas Limited ²	Ordinary	100	100
Empresaria Asia Limited ²	Ordinary	100	100
Empresaria China Holdings Limited (formerly Reflex HR Limited)	'A' and 'C' Ordinary	80	70
Empresaria GIT Holdings Limited ²	Ordinary	100	100
Empresaria GIT Limited	Ordinary	100	100
Empresaria Indonesia Holdings Limited	Ordinary	100	100
Empresaria Malaysia Holdings Limited	Ordinary	100	70
Empresaria Mexico Holdings Limited	'A' Ordinary	100	51
Empresaria North America Limited	'A' Ordinary	88	88
Empresaria NZ Finco Limited	Ordinary	100	100
Empresaria NZ Limited ²	Ordinary	100	100
Empresaria Peru Holdings Limited	Ordinary	100	100
Empresaria Philippines Holdings Limited	Ordinary	100	90
Empresaria T&I Limited	Ordinary	100	100
Empresaria T&I Holdings Limited ²	Ordinary	100	100
Empresaria Technology (Holdings) Limited ²	Ordinary	100	100
Empresaria Thailand Holdings Limited	'A' Ordinary	80	70
Empresaria Vietnam Holdings Limited	Ordinary	100	100
EMR1000 Limited ²	Ordinary	100	100
FastTrack Management Services Limited ²	Ordinary	100	90
Global Crew UK Limited	Ordinary	83	83
Greycoat Placements Limited ²	'A' Ordinary	90	90
Interim Management International Limited ²	Ordinary	100	100

Company	Class of share held	2020 Effective % holding	2019 Effective % holding
LMA Recruitment Limited ¹	'A' and 'C' Ordinary	94	69
Mansion House Recruitment Limited ¹	Ordinary	94	69
McCall Limited ¹	'A' Ordinary	82	82
Oval (888) Limited ¹	Ordinary	100	100
Teamsales Recruitment Limited (formerly 4ward Talent Limited) ¹	'A' and 'B' 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
Alternativa 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 China Group (formerly named Empresaria Intelligence HR Consultants)	Ordinary	80	70
Registered office: Hämeenkatu 30 C 32 20700 Turku, Finland			
Medikumppani Oy ¹	Ordinary	100	96
Registered office: Ebertstraße 15, 10117 Berlin, Germany			
ConSol Partners GmbH	Ordinary	100	83
Registered office: Dekan-Wagner-Str. 4a, 84032, Altdorf, Germany			
Empresaria Holding Deutschland GmbH ¹	Ordinary	100	100
headwaypersonal GmbH	Series A and Series B	90	90
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: 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
Registered office: Ground Floor, 001 Raghupati Niketan, Opp. Ishita Apartments, Navrangpura, Ahmedabad, Gujarat, 380 009, India			
Interactive Manpower Solutions Private Limited ¹	Ordinary	72	71
IMS Workforce Solutions Private Limited	Ordinary	72	–
IMS Oneworld Private Limited	Ordinary	72	–
IMS Payroll Solutions Private Limited	Ordinary	72	–

Notes to the Parent Company Financial Statements continued

6 Investments in subsidiaries continued

Company	Class of share held	2020 Effective % holding	2019 Effective % holding
Registered office: Gedung Sovereign Plaza, Lt 16 Unit A-B, Jl. TB Simatupang Kav. 36, 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	70
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	51
Registered office: De Cuserstraat 93, tweede en derde verdieping, 1081 CN, Amsterdam, Netherlands Global Crew Netherlands B.V.	Ordinary	83	83
Registered office: GVV 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 (formerly Rishworth Personnel Limited)	Ordinary	83	83
Rishworth Solutions Limited	Ordinary	83	83
Registered office: MinterEllisonRuddWatts, Level 20, 88 Shortland Street, Auckland, Central 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	90
Registered office: High Street South Corporate Plaza, Tower 1, Unit 906 – 908, Bonifacio Global City, Manila, 1634, Philippines Monroe Consulting Philippines, Inc.	Ordinary	100	90
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
Registered office: Level 28 Clifford Centre, 24 Raffles Place, Singapore 048621 Singapore LMA Recruitment Singapore Pte. Limited	Ordinary	70	58

Company	Class of share held	2020 Effective % holding	2019 Effective % holding
Registered office: Postova 3, 811 06, Bratislava, Slovakia Gate1234 s.r.o	Ordinary	100	100
Registered office: Norrtullsgatan 6, 4th Floor, 11329 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	70
Monroe Recruitment Consulting Group Company Limited	Ordinary	80	70
Registered office: Office 17 E, Silver Tower, Jumeriah Lake Towers, PO Box 487039, United Arab Emirates Beresford Wilson and Partners FZ-LLC	Ordinary	100	99
Registered office: 615 South Dunpont Highway, Dover, Kent County, DE 19903, United States ConSol Partners LLC	Ordinary	100	83
Registered office: 2711 Centreville Road, Suite 400 City of Wilmington, County of New Castle, DE 19808, United States Empresaria USA Inc.	Common Stock	88	88
Registered office: 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808-1674 DE USA Empresaria Americas Services Inc	Common Stock	100	100
Registered office: 919 North Market Street, Suite 950, Wilmington, New Castle 19801, United States IMS Oneworld Inc.	Common Stock	72	–
Registered office: 200 Nathan Lane, North #166, Plymouth WY MN 55441, United States IMS Payroll Solutions Inc.	Common Stock	72	–
Registered office: 477 Main Street, Stoneham, MA 02180, United States 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	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	2020 £m	2019 £m
Amounts owed by subsidiary undertakings	5.8	3.9
Other debtors	1.7	1.4
Prepayments and accrued income	0.3	0.4
	7.8	5.7

No amounts are due after more than one year (2019: £nil).

8 Creditors: amounts falling due within one year

As at 31 December	2020 £m	2019 £m
Bank overdraft and loans due within one year	12.9	4.4
Trade creditors	0.2	0.1
Amounts owed to subsidiary undertakings	10.8	10.9
Other creditors	0.1	0.1
Accruals	0.9	1.3
	24.9	16.8

9 Creditors: amounts falling due after more than one year

As at 31 December	2020 £m	2019 £m
Bank loans	–	10.0
	–	10.0

At 31 December 2020, the UK multi-currency revolving credit facility of £15.0m (2019: £14.0m), expiring in 2021, had a balance of £5.0m (2019: £10.0m). Interest is payable at 1.5% plus LIBOR or EURIBOR. During the year, £1.0m of a remaining extension to the revolving credit facility was activated, increasing the revolving facility to £15.0m.

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	2020 £m	2019 £m
Bank loans		
Repayable within one year	5.0	–
Repayable between one and two years	–	10.0
	5.0	10.0

10 Called up share capital

As at 31 December	Number of shares	2020 £m	Number of shares	2019 £m
Issued, allotted and fully paid				
Ordinary Shares of 5p each	49,019,132	2.4	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 2020 was £7.4m (2019: £4.9m).

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

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Solicitors

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

Bankers

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

Independent auditor

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

Registrars

Link 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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Stronger together Empresaria

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

T +44 (0)1342 711430
www.empresaria.com/contact
www.empresaria.com