22 August 2017

Empresaria Group plc ("Empresaria" or "Group")

Unaudited Interim Results for the six months ended 30 June 2017

Empresaria Group plc (AIM: EMR), the international specialist staffing group, announces its unaudited interim results for the six month period ended 30 June 2017.

Empresaria continues to deliver on its strategy with a record first half performance, showing strong growth in profit over the prior first half of the year with adjusted earnings per share up 33% on 2016.

Financial Highlights

	2017	2016	% change	% change (constant currency)**
Revenue	£173.4m	£106.1m	63%	50%
Net fee income (gross profit)	£34.4m	£27.2m	26%	17%
Operating profit	£3.8m	£3.4m	12%	0%
Adjusted operating profit*	£4.9m	£4.0m	23%	9%
Profit before tax	£3.5m	£3.1m	13%	3%
Adjusted profit before tax*	£4.6m	£3.7m	24%	12%
Diluted earnings per share	4.0p	3.4p	18%	
Diluted adjusted earnings per share*	5.7p	4.3p	33%	

- Sixteen consecutive quarters of net fee income growth
- Diversified business model delivering strong growth in profit
- Adjusted profit before tax up 24% (constant currency up 12%)
- Conversion ratio (adjusted operating profit divided by net fee income) of 14.2% (2016: 14.8%)
- Net debt increased as expected to £15.9m (2016: £10.2m) following investments made last year
- Successful integration of Rishworth Aviation and ConSol Partners

* Adjusted to exclude amortisation of intangible assets, exceptional items, gain or loss on disposal of business and fair value charges on acquisition of non-controlling interests.

** The constant currency movement is calculated by translating the 2016 results at the 2017 exchange rates.

Chief Executive Officer, Joost Kreulen said:

"Empresaria has delivered a record first half result with a strong growth in adjusted earnings per share, demonstrating the strength of our diversified business model. We are focused on delivering our strategy: strengthening a multi-branded group, with an emphasis on developing leading brands that are diversified and balanced by geography and sector.

We are pleased with how both Rishworth Aviation and ConSol Partners have integrated into the Group and we see good opportunities for them to grow their businesses as part of Empresaria. In line with the Group's strategy to invest in its leading brands, Empresaria has invested £0.5m in new staff, bringing together certain brands and opening a new office in Vietnam. The benefits of these actions are expected to be demonstrated over the coming periods.

We see good growth opportunities across our brands and from further potential investments. We remain confident in our ability to meet current market expectations for the full year."

- Ends –

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

Notes for editors:

- Empresaria Group plc is an international specialist staffing group with 21 brands operating in 20 countries across the globe in the UK, Germany, Japan, India, UAE, Indonesia, China, Chile, Australia, Thailand, Vietnam, Singapore, Finland, USA, New Zealand, Austria, Mexico, Malaysia, Hong Kong and the Philippines.

- Empresaria offers Temporary/Contract and Permanent staffing solutions as well as Offshore Recruitment Services in seven key sectors including Technical & Industrial, Aviation services, IT & Design, Professional services, Healthcare, Executive search and Retail.

- Empresaria applies a multi brand, management equity philosophy and business model, with Group company management teams holding significant equity in their own business.

- Empresaria is listed on AIM under ticker EMR. For more information:empresaria.com

Board statement

Performance overview

Empresaria has delivered a record first half result, with growth in profit before tax of 13%. We also look at the adjusted profit measure, which increased by 24%, up 12% on a constant currency basis. This measure excludes the impact of amortisation, exceptional items, profit or loss on business disposals and fair value charges on equity investments, to provide a better understanding of underlying trading performance.

Our strategy is to develop leading brands within our sector expertise, with diversification and balance across geographies and sectors. In line with this, during the last financial year we made two significant investments, and in this first half year we recognised a full contribution from both brands. Rishworth Aviation, an investment made in July 2016, has performed well and in line with our expectations. We have invested in additional management resource for the sales office as well as incurring legal and tax advice on setting up new bases of operation for key clients, the benefit of which we expect to see in the next financial year. ConSol Partners, an investment made in October 2016, has also performed well, with the larger UK office trading in line with expectations. The US office has seen a lower contribution due to investments made in building a contract team, in line with our strategy to have an overall temp bias, as well as investing in more experienced staff to drive long-term growth. We expect the consolidation of offices and resources to drive better returns over the near term. Pharmaceutical Strategies, an investment made in 2015, has made further progress in diversifying its business away from the largest client, which has reduced its overall agency spend. We are pleased with how this is developing but it will take time to recover fully the sales position.

We continue to invest in the Group and have taken actions to strengthen our brands. Within the Technical & Industrial sector in the UK, the Reflex brand has been merged into FastTrack. In Professional services we have brought Mansion House and LMA closer together and simplified the reporting structure. We have launched a new Monroe Consulting office in Vietnam, a new geography for the Group, which started trading in the second quarter. We have made further investments in staff, both bringing in new headcount and replacing leavers. We are rationalising office costs, exiting surplus property leases, which incurs costs in the current year but will be a benefit in following years. The cost of these actions has been approximately £0.5m in the first half of the year.

We are focused on helping our brands to deliver the best return they can and this continues into the second half of the year. The main areas of focus are to improve staff productivity, rationalise non-core assets, increase control over costs and to identify more opportunities for brands to work together. Additionally, we are building a pipeline of external investment opportunities, to identify suitable assets to further enhance the diversity, balance and quality of the Group.

We are pleased with the Group’s first half performance. Revenue grew by 63%, boosted by the contribution from the investments made last year. Permanent revenue was up 19% (10% in constant currency). This is primarily from ConSol Partners, complemented with organic growth across Japan, Thailand, India and Singapore. The Middle East continued to experience a weak market, exacerbated by Ramadan falling earlier this year. Temporary and contract revenue grew by 70%. This includes a large impact from Rishworth Aviation, which has a high revenue and relatively low margin percentage. However, excluding this, the rest of the Group was up 20% (10% in constant currency), primarily from ConSol Partners, Professional services in the UK, Headway, Japan and Chile. There were lower sales in the Creative sub-sector of IT and in Pharmaceutical Strategies. The temporary margin dropped to 12.7% (2016: 16.4%) due to the impact of the low percentage margin in Rishworth Aviation and also a lower margin in Headway.

Net fee income grew by 26% (17% in constant currency) during the period, primarily as a result of the investments made in 2016. Organic growth was 1% although this included a positive currency impact meaning that underlying organic contribution was negative. The conversion ratio was 14.2% (2016: 14.8%). We are still working towards our target rate of 20% for 2018 and expect an improved ratio in the second half of the year, but the first half was impacted by investment costs and a couple of brands not performing as well as expected.

The Group has now delivered 16 consecutive quarters of net fee income growth over the prior year, helped by our diversification by geography and region. The Group generated 65% of net fee income from outside the UK (2016: 66%), with 70% from the four largest staffing markets of USA, Japan, UK and Germany. Permanent sales represented 42% of net fee income (2016: 44%), in line with our strategy to move the business mix more towards temporary or contract sales. The share of net fee income from professional & specialist levels increased to 89% (2016: 88%).

The average number of staff grew to 1,372, up 13% on the prior year, mostly from Rishworth Aviation and ConSol Partners joining the Group.

	Average number of employees 2017	Average number of employees 2016	Increase/ (decrease)
UK	302	239	63
Continental Europe	123	126	(3)
Asia Pacific	815	759	56
Americas	132	91	41
Total	1,372	1,215	157

Operating profit of £3.8m was up 12% on 2016 (£3.4m), flat in constant currency. This includes amortisation of £0.8m (2016: £0.4m) which has increased due to the investments made last year. The adjusted operating profit, which excludes amortisation and other items, was £4.9m, up 23% on the prior year (2016: £4.0m), and up 9% in constant currency.

Interest costs were higher in the period at £0.4m (2016: £0.3m), although with the benefit of interest income of £0.1m (2016: Nil) the net finance cost was the same. The average net debt was £15.3m, up 46% on the prior year. We monitor the ratio of adjusted net debt to trade receivables, which adds back the cash held for pilot bonds to the reported net debt. At 30 June 2017 this ratio was 52%, up on 28% in 2016 as the debt increased to help fund the investments made last year. It also includes the impact of £5.6m of deferred consideration paid for ConSol Partners in the first half of 2017. There is nothing remaining to be paid. We expect the ratio and overall debt level to reduce by year end. Debtor days at the end of June were 39, down on 51 for the prior period, helped by low debtor days in Rishworth Aviation. The debt to EBITDA ratio (using the adjusted debt figure and a 12 month period for EBITDA) was 1.9, an increase on 1.0 at 30 June 2016.

Profit before tax was £3.5m, up 13% on 2016 of £3.1m (up 3% in constant currency). On an adjusted basis it was up 24% to £4.6m (2016: £3.7m), up 12% in constant currency.

The tax charge in the period was £1.4m (2016: £1.3m) representing an effective rate of 33% (on an adjusted basis), against 37% in the prior year. This reflects the mix of profits across the Group and lower levels of prior year charges.

Diluted earnings per share in the period was 4.0p (2016: 3.4p). On an adjusted basis the growth was 33% to 5.7p (2016: 4.3p).

Operations

UK

£'m	30 June 2017	30 June 2016	30 June 2015
Revenue	43.9	32.0	31.9
Net fee income	12.1	9.2	9.3
Adjusted operating profit	0.9	0.6	1.0
% of Group net fee income	35%	34%	39%

The growth in revenue and net fee income is effectively coming from the investment in ConSol Partners made in October 2016. We are pleased with how this brand has integrated into the Group and we see potential opportunities for cross selling with other UK brands. They have invested in new systems to improve internal productivity and we hope to see the impact of this starting in the second half.

Growth in revenue was stronger in temporary sales, which now represent 48% of the region's net fee income (2016: 41%). This was largely seen in the IT sector and Professional services, where our LMA brand delivered good growth across its divisions, including Banking & Financial services. We incurred some restructuring costs in our insurance sub-sector, with this brand now reporting into the leading brand, LMA. Elsewhere we have seen strong results in the Other sector, with both the Domestic services brand, Greycoat, and New house sales brand, Teamsales, delivering growth over the prior year.

Within the Technical & Industrial sector we have brought our two UK based brands together under the FastTrack management. There will be some restructuring costs during the year for this but we expect the changes to deliver improved performances into next year.

Within the creative sub-sector of IT, Design & Digital we have moved our brands into the same office space and we are investing in building the sales teams, although growth in temporary sales remains slow.

The political uncertainty in the UK is starting to impact negatively on business confidence, with a noticeable slow down in the hiring process after the result of the general election in July. The ongoing uncertainty over Brexit also hangs over the country although at the moment we continue to see good levels of vacancies coming to the market and candidate shortages exist across our key sectors.

Continental Europe

£'m	30 June 2017	30 June 2016	30 June 2015
Revenue	46.5	43.2	36.0
Net fee income	7.8	8.1	6.6
Adjusted operating profit	1.9	1.9	1.1
% of Group net fee income	23%	30%	27%

The revenue growth is primarily from the Headway businesses operating in Germany and Austria. There was greater pressure on margins, partly due to the changes in minimum wage and also from client mix, with the temporary margin down 2.1 percentage points on the prior year. The economic conditions are generally positive but with high employment rates the biggest challenge is finding candidates. Both Headway divisions have been successful in growing their sales and client bases, but there is a corresponding initial set up cost to get operations up and running with a new client.

In our Finnish Healthcare business, results are broadly in line with prior year. The economic conditions are improving and we are investing in further sales resources to help grow the business.

Asia Pacific

£'m	30 June 2017	30 June 2016	30 June 2015
Revenue	64.2	16.2	15.0
Net fee income	11.1	7.9	7.3
Adjusted operating profit	1.8	1.1	0.8
% of Group net fee income	32%	29%	30%

The Asia Pacific region runs from the Middle East, up to the Far East and down to Australasia. Revenue increased to £64.2m (2016: £16.2m), with the majority of this from the investment in Rishworth Aviation made in July 2016, but we also saw good growth in Japan, Thailand and Malaysia.

Net fee income grew by 41% to £11.1m (2016: £7.9m), a lower rate than revenue as there is a relatively low net fee margin percentage for Rishworth Aviation. Temporary and contract margin represents 42% of net fee income, up from 22% in the prior year.

The investment in Rishworth Aviation has been positive and we are pleased with how it has integrated into the Group. We have made investments in the business with additional management resource in the Swedish sales office and building knowledge on new pilot bases for key clients. The benefits of these investments are expected to come through next year.

Our Executive search brand, Monroe Consulting, delivered good growth in Thailand and Malaysia, with improving market conditions in Indonesia moving into the second half. They have also opened a new office in Vietnam, which should contribute over the rest of the year.

The IT sector in Japan was positive despite ongoing candidate shortages. This makes their growth in temporary sales all the more impressive. In Professional services there was strong growth in Singapore, which acts as a hub for the South East Asia region.

However, in the Middle East there was a further decline in net fee income and losses in the first half. We have continued to reduce costs to right size the business for the current market and have a clear plan to turn the business back into profits. The results of the non-core training business in Indonesia have deteriorated against the prior year.

In India there was growth from UK clients, although the benefit of this has been offset by adverse currency movements.

Americas

£'m	30 June 2017	30 June 2016	30 June 2015
Revenue	18.8	14.8	9.5
Net fee income	3.4	2.0	0.9
Adjusted operating profit	0.3	0.4	0.1
% of Group net fee income	10%	7%	4%

Our business in Chile continues to perform well, with growth from both the traditional outsourcing business and the newer permanent and temporary recruitment divisions. Business development is generating new client opportunities across the business.

In the USA we have seen steady trading from Pharmaceutical Strategies. This business is making progress in diversifying and building up its client base to replace lower sales at their largest client, although we do not expect this to be fully covered this year.

The investment in ConSol Partners has added revenue and net fee income to the region. Since making the investment we have consolidated operations in the Los Angeles office, to drive operating synergies from having all support services in one location. We have invested in building the contract recruitment service in line with our strategy to have an overall bias to temporary recruitment. We expect this to take some time to develop and contribute meaningfully but it is important for the long-term development of the office. We have also invested in adding experienced consultants to the team and additional management resource. All of these investments impacted on profitability in the first half year and reversed the positive net fee income impact. We expect to see an improved result in the second half and into 2018.

Management equity

In April 2017, we increased our interest in Monroe Consulting (Executive search in the Philippines) from 70% to 90%. The consideration was £0.1m, all paid in cash. This purchase is treated as a fair value charge in the income statement.

In May 2017, we increased our shareholding in Monroe Consulting (Executive search in Thailand) by 10%, taking our interest up to 80%. The consideration of £0.2m was paid in cash. This purchase is treated as a fair value charge in the income statement. At the same time we have sold 10% second generation equity (taking our interest back to 70%) to four local managers. In line with our equity model, the second generation shares only create value if the profits exceed historic levels.

Treasury

Cash generated from operations in the period was £4.5m, up from £4.1m in 2016, despite an investment in working capital of £0.7m (2016: £0.2m). The tax payment has increased to £3.0m (2016: £2.9m) but the biggest outflows were on the final deferred consideration payment on ConSol Partners of £5.6m (2016: £3.0m) and £0.3m on purchasing management shares (2016: £0.2m). The increased final dividend to shareholders of £0.6m was paid in May (2016: £0.5m).

During the period we have renewed a UK overdraft, increasing the facility from £5.0m to £7.5m. The invoice discounting facility has reduced back to £13.0m as the ConSol Partners facility with Lloyds has been closed and they have joined our Group facility with HSBC.

A breakdown of the facilities as at 30 June 2017 is below:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Overdrafts (UK)	**8.7**	6.1	6.2
Revolving credit facility (UK)	**10.0**	10.0	10.0
Term loan (UK)	**2.7**	4.5	3.5
Overdrafts and other loans (non-UK)	**15.5**	14.5	15.3
Invoice discounting facility (UK)	**13.0**	13.0	17.0
	49.9	48.1	52.0
Amount of facility undrawn at period end (excluding headroom under invoice discounting facility)	**14.7**	15.4	15.4

As part of the Revolving Credit Facility we need to meet bank covenant tests on a quarterly basis. The covenants and our latest results at 30 June 2017 are as follows:

Covenant	**Target**	**Actual**
Net debt:EBITDA*	< 2.75 times	0.9
Interest cover	> 5.0 times	17.8
Debt service cover	> 1.25 times	6.2
* target is 2.75 from the quarter ended 31 December 2016 and reduces to 2.5 from the quarter ended 31 December 2017		

The debt to debtors ratio has increased to 52% (2016: 28%). This uses adjusted net debt, after adding back the cash held as pilot bonds of £6.4m (2016: Nil). The seasonality of the business typically see debt levels increase in the first half of the year and this has been exacerbated by the deferred consideration payment of £5.6m.

Dividend

The Group traditionally only pays a final dividend. In line with prior years, the Board is not recommending the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

Outlook

Empresaria follows a clear multi-branded strategy, investing in our existing brands, to help develop them to build long-term sustainable profit streams, as well as selected external investments to strengthen our presence in sectors or regions where we feel we are under-represented. This approach helps us to develop leading brands within a group that is diversified and balanced by sector and geography.

We are continuing to invest in our existing brands and to look for suitable external investments. We follow a balanced growth programme to create a group that is not dependent on one sector or geography for growth.

We see growth opportunities across the Group and from further potential investments, giving us confidence in our continued profitable growth and prospects.

21 August 2017

Condensed consolidated income statement
Six months ended 30 June 2017

	Notes	**6 months to 30 June 2017**	6 months to 30 June 2016	Year to 31 December 2016
		Unaudited	Unaudited	
		£m	£m	£m
Continuing operations				
Revenue		**173.4**	106.1	270.4
Cost of sales		**(139.0)**	(78.9)	(211.4)
Net fee income		**34.4**	27.2	59.0
Administrative costs		**(29.5)**	(23.2)	(49.2)
Adjusted operating profit		**4.9**	4.0	9.8
Exceptional items		**-**	-	-
Fair value on acquisition of non-controlling shares		**(0.3)**	(0.2)	(0.2)
Intangible amortisation		**(0.8)**	(0.4)	(1.1)
Operating profit		**3.8**	3.4	8.5
Finance income	4	**0.1**	-	0.1
Finance cost	4	**(0.4)**	(0.3)	(0.7)
Profit before tax		**3.5**	3.1	7.9
Tax	7	**(1.4)**	(1.3)	(3.5)
Profit for the period		**2.1**	1.8	4.4
Attributable to:				
Equity holders of the parent		**2.1**	1.7	4.8
Non-controlling interest		**-**	0.1	(0.4)
		2.1	1.8	4.4
From continuing operations				
Earnings per share				
Basic (pence)	6	**4.1**	3.5	9.6
Diluted (pence)	6	**4.0**	3.4	9.3
Earnings per share (adjusted)				
Basic (pence)	6	**5.9**	4.4	11.7
Diluted (pence)	6	**5.7**	4.3	11.3

* Adjusted operating profit is stated before exceptional items, gains or loss on business disposal, intangible amortisation and fair value on acquisition of non-controlling shares.

Condensed consolidated statement of comprehensive income
Six months ended 30 June 2017

	6 months to 30 June 2017 Unaudited £m	6 months to 30 June 2016 Unaudited £m	Year to 31 December 2016 £m
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations	**(0.4)**	3.2	5.1
Items that will not be reclassified to income statement:			
Exchange differences on translation of foreign operations of non-controlling interest	**(0.1)**	0.4	0.5
Net (expense)/income recognised directly in equity	**(0.5)**	3.6	5.6
Profit for the period	**2.1**	1.8	4.4
Total comprehensive income for the period	**1.6**	5.4	10.0
Attributable to:			
Equity holders of the parent	**1.7**	4.9	9.9
Non-controlling interest	**(0.1)**	0.5	0.1
	1.6	5.4	10.0

Condensed consolidated balance sheet
As at 30 June 2017

	Notes	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 December 2016 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**1.4**	1.6	1.6
Goodwill		**36.1**	27.4	36.0
Other intangible assets		**19.7**	7.6	20.8
Deferred tax assets		**1.0**	1.0	1.0
		58.2	37.6	59.4
Current assets				
Trade and other receivables	9	**52.3**	42.3	50.2
Cash and cash equivalents		**15.0**	15.4	18.0
		67.3	57.7	68.2
Total assets		**125.5**	95.3	127.6
LIABILITIES				
Current liabilities				
Trade and other payables	10	**40.9**	26.6	44.9
Current tax liabilities		**1.6**	2.5	3.1
Borrowings	8	**23.9**	12.4	13.4
		66.4	41.5	61.4
Non-current liabilities				
Borrowings	8	**7.0**	13.2	15.1
Other creditors		**-**	1.0	-
Deferred tax liabilities		**4.3**	1.1	4.4
Total non-current liabilities		**11.3**	15.3	19.5
Total liabilities		**77.7**	56.8	80.9
Net assets		**47.8**	38.5	46.7
EQUITY				
Share capital		**2.4**	2.4	2.4
Share premium account		**22.4**	22.4	22.4
Merger reserve		**0.9**	0.9	0.9
Retranslation reserve		**5.7**	4.2	6.1
Equity reserve		**(7.3)**	(7.2)	(7.3)
Other reserves		**(0.3)**	(0.5)	(0.4)
Retained earnings		**17.7**	13.1	16.2
Equity attributable to owners of the company		**41.5**	35.3	40.3
Non-controlling interest		**6.3**	3.2	6.4
Total equity		**47.8**	38.5	46.7

Condensed consolidated statement of changes in equity
Six months ended 30 June 2017

	Share capital	Share premium account	Merger reserve	Retranslation reserve	Equity reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 December 2015	2.4	22.4	0.9	1.0	(7.2)	(0.6)	11.9	2.9	33.7
Profit for the period	-	-	-	-	-	-	1.7	0.1	1.8
Dividend	-	-	-	-	-	-	(0.5)	-	(0.5)
Currency translation differences	-	-	-	3.2	-	-	-	0.4	3.6
Non-controlling interest acquired during the period	-	-	-	-	-	-	-	(0.2)	(0.2)
Share based payment	-	-	-	-	-	0.1	-	-	0.1
Balance at 30 June 2016 (Unaudited)	2.4	22.4	0.9	4.2	(7.2)	(0.5)	13.1	3.2	38.5
Balance at 31 December 2015	2.4	22.4	0.9	1.0	(7.2)	(0.6)	11.9	2.9	33.7
Profit for the year	-	-	-	-	-	-	4.8	(0.4)	4.4
Dividend	-	-	-	-	-	-	(0.5)	-	(0.5)
Currency translation differences	-	-	-	5.1	-	-	-	0.5	5.6
Share of non-controlling interest in intangibles related balances on business acquisition	-	-	-	-	-	-	-	2.6	2.6
Share of non-controlling interest in other net assets on business combination	-	-	-	-	-	-	-	1.0	1.0
Non-controlling interest acquired and other movements during the year	-	-	-	-	(0.1)	-	-	(0.2)	(0.3)
Shared based payment	-	-	-	-	-	0.2	-	-	0.2
Balance at 31 December 2016	2.4	22.4	0.9	6.1	(7.3)	(0.4)	16.2	6.4	46.7
Profit for the period	-	-	-	-	-	-	2.1	-	2.1
Dividend	-	-	-	-	-	-	(0.6)	-	(0.6)
Currency translation differences	-	-	-	(0.4)	-	-	-	(0.1)	(0.5)
Share based payment	-	-	-	-	-	0.1	-	-	0.1
Balance at 30 June 2017 (Unaudited)	**2.4**	**22.4**	**0.9**	**5.7**	**(7.3)**	**(0.3)**	**17.7**	**6.3**	**47.8**

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 £0.9m (30 June 2016: £0.7m) and exchange differences on intercompany long-term receivables amounting to (£1.2m) (30 June 2016: £(1.2m)), 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.

Condensed consolidated cash flow statement
Six months ended 30 June 2017

	6 months to 30 June 2017 Unaudited	6 months to 30 June 2016 Unaudited	Year to 31 December 2016
	£m	£m	£m
Profit for the period	**2.1**	1.8	4.4
Adjustments for:			
Depreciation and software amortisation	**0.5**	0.4	0.9
Intangible amortisation (identified as per IFRS 3 ‘Business Combinations’)	**0.8**	0.4	1.1
Taxation expense recognised in income statement	**1.4**	1.3	3.5
Share based payments	**0.1**	0.1	0.2
Net finance charge	**0.3**	0.3	0.6
	5.2	4.3	10.7
Increase in trade receivables	**(2.4)**	(3.2)	(1.2)
Increase in trade payables	**1.7**	3.0	1.6
Cash generated from operations	**4.5**	4.1	11.1
Interest paid	**(0.4)**	(0.3)	(0.8)
Income taxes paid	**(3.0)**	(2.9)	(4.7)
Net cash from operating activities	**1.1**	0.9	5.6
Cash flows from investing activities			
Cash acquired with business acquisition	**-**	-	7.9
Consideration paid for business acquisition	**(5.6)**	(3.0)	(14.3)
Consideration received for business disposals	**-**	0.1	0.1
Purchase of property, plant and equipment and software	**(0.3)**	(0.4)	(0.8)
Finance income	**0.1**	-	0.1
Net cash used in investing activities	**(5.8)**	(3.3)	(7.0)
Cash flows from financing activities			
Further non-restricted shares acquired in existing subsidiaries	**-**	(0.2)	(0.2)
Increase in borrowings	**6.6**	1.9	0.1
Proceeds from bank loan	**-**	8.9	11.3
Repayment of bank and other loan	**(3.9)**	(0.3)	(1.2)
(Decrease)/increase in invoice discounting	**(0.3)**	(0.7)	0.8
Dividends paid to shareholders	**(0.6)**	(0.5)	(0.5)
Dividends paid to non-controlling interest in subsidiaries	**-**	-	(0.2)
Net cash from financing activities	**1.8**	9.1	10.1
Net (decrease)/increase in cash and cash equivalents	**(2.9)**	6.7	8.7
Effect of foreign exchange rate changes	**(0.1)**	1.0	1.6
Cash and cash equivalents at beginning of the period	**18.0**	7.7	7.7
Cash and cash equivalents at end of the period	**15.0**	15.4	18.0

Notes to the interim financial statements
Six months ended 30 June 2017

1 General information

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

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The Group does not anticipate any change in these accounting policies for the year ended 31 December 2017. While the financial figures included in this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

The information for the year ended 31 December 2016 has been derived from audited statutory accounts for the year ended 31 December 2016. The information for the year ended 31 December 2016 included herein does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The interim financial information for 2017 and 2016 has been neither audited nor reviewed.

These interim financial statements were approved for issue by the Board of Directors on 21 August 2017.

2 Accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 December 2016.

Notes to the interim financial statements
Six months ended 30 June 2017

3 Segment analysis

Information reported to the Group's Chief Executive Officer, who is considered to be Chief Operating Decision Maker of the Group, for the purpose of resource allocation and assessment of segment performance is based on geographic region. The Group's business is segmented into four regions, UK, Continental Europe, Asia Pacific and the Americas.

The Group has one principal activity, the provision of staffing and recruitment services. Each unit is managed separately with local management responsible for implementing local strategy.

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

Six months to 30 June 2017	UK	Continental Europe	Asia Pacific	Americas	**Total**
	£m	£m	£m	£m	**£m**
Revenue	43.9	46.5	64.2	18.8	**173.4**
Net fee income	12.1	7.8	11.1	3.4	**34.4**
Adjusted operating profit*	0.9	1.9	1.8	0.3	**4.9**
Operating profit	0.7	1.8	1.3	-	**3.8**

Revenue of Continental Europe includes £39.4m from Germany and Revenue of Asia Pacific includes £46.2m from New Zealand.

Six months to 30 June 2016	UK	Continental Europe	Asia Pacific	Americas	Total
	£m	£m	£m	£m	£m
Revenue	32.0	43.2	16.2	14.8	106.1
Net fee income	9.2	8.1	7.9	2.0	27.2
Adjusted operating profit*	0.6	1.9	1.1	0.4	4.0
Operating profit	0.5	1.8	0.9	0.2	3.4

Revenue of Continental Europe includes £36.9m from Germany.

Year to 31 December 2016	UK	Continental Europe	Asia Pacific	Americas	Total
	£m	£m	£m	£m	£m
Revenue	70.1	92.0	77.3	31.0	270.4
Net fee income	19.0	16.8	18.6	4.6	59.0
Adjusted operating profit*	1.5	4.9	2.7	0.7	9.8
Operating profit	1.3	4.7	1.7	0.8	8.5

* Adjusted operating profit is stated before exceptional items, gain or loss on business disposal, intangible amortisation and fair value on the acquisition of non-controlling shares.

Revenue of Continental Europe includes £78.2m from Germany and Revenue of Asia Pacific includes £43.3m from New Zealand.

Notes to the interim financial statements
Six months ended 30 June 2017

4 Finance income and cost

	6 months to 30 June 2017 Unaudited £m	6 months to 30 June 2016 Unaudited £m	Year to 31 December 2016 £m
Finance income			
Bank interest receivable	**0.1**	-	0.1
	0.1	-	0.1
Finance cost			
On amounts payable to invoice discounters	**(0.1)**	(0.1)	(0.2)
Bank loans and overdrafts	**(0.3)**	(0.1)	(0.4)
Interest on tax payments	**-**	(0.1)	(0.1)
	(0.4)	(0.3)	(0.7)
Net finance cost	**(0.3)**	(0.3)	(0.6)

5 Reconciliation of Profit before tax to Adjusted profit before tax

	6 months to 30 June 2017 Unaudited £m	6 months to 30 June 2016 Unaudited £m	Year to 31 December 2016 £m
Profit before tax	**3.5**	3.1	7.9
Amortisation of intangibles	**0.8**	0.4	1.1
Fair value charge on acquisition of non-controlling shares	**0.3**	0.2	0.2
Exceptional items	**-**	-	-
Loss on business disposal	**-**	-	-
Adjusted profit before tax	**4.6**	3.7	9.2

Notes to the interim financial statements
Six months ended 30 June 2017

6 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the average number of shares in issue during the period. A reconciliation of the earnings and weighted average number of shares used in the calculations are set out below.

The calculation of the basic and diluted earnings per share is based on the following data:

	6 months to 30 June 2017 Unaudited £m	6 months to 30 June 2016 Unaudited £m	Year to 31 December 2016 £m
Earnings			
Earnings attributable to equity holders of the parent	**2.1**	1.7	4.8
Adjustments :			
Exceptional items	**-**	-	-
Loss on business disposal	**-**	-	-
Fair value charge on acquisition of non-controlling shares	**0.3**	0.2	0.2
Intangible amortisation	**0.8**	0.4	1.1
Tax on intangible amortisation	**(0.2)**	(0.1)	(0.2)
Earnings for the purpose of adjusted earnings per share	**3.0**	2.2	5.9
Number of shares			
Weighted average number of shares- basic	**50.6**	50.2	50.2
Dilution effect of share options	**1.4**	1.5	1.7
Weighted average number of shares- diluted	**52.0**	51.7	51.9
Earnings per share	**Pence**	Pence	Pence
Basic	**4.1**	3.5	9.6
Dilution effect of share options	**(0.1)**	(0.1)	(0.3)
Diluted	**4.0**	3.4	9.3
Earnings per share (adjusted)	**Pence**	Pence	Pence
Basic	**5.9**	4.4	11.7
Dilution effect of share options	**(0.2)**	(0.1)	(0.4)
Diluted	**5.7**	4.3	11.3

The dilution on the number of shares is from share options granted to the Executive directors and senior executives.

7 Taxation

The tax charge for the six month period is £1.4m, representing an effective tax rate of 39% (2016: 41%), due to the impact of amortisation and fair value on acquisition of non-controlling shares. On an adjusted basis, excluding adjusting items and their tax effect, the effective tax rate is 33% (2016: 37%). For the six months ended 30 June 2016 there was a tax charge of £1.3m and for the year ended 31 December 2016 there was a tax charge of £3.5m. The tax charge for the period represents the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

Notes to the interim financial statements
Six months ended 30 June 2017

8 Financial liabilities

a) Borrowings	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 December 2016 £m
Current			
Bank overdrafts	**9.2**	4.5	2.8
Amounts related to invoice financing	**8.6**	6.2	8.9
Current portion of bank loans	**6.1**	1.7	1.7
	23.9	12.4	13.4
Non-current			
Bank loans	**7.0**	13.2	15.1
Total financial liabilities	**30.9**	25.6	28.5

b) Movement in net borrowings	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 December 2016 £m
As at 1 January	**(10.5)**	(7.3)	(7.3)
Net (decrease)/increase in cash and cash equivalents before cash/overdraft acquired with business acquisition	**(2.9)**	6.7	0.8
Net cash acquired with business acquisition	**-**	-	7.9
Amounts related to invoice financing acquired with business acquisition	**-**	-	(1.2)
Increase in overdrafts and loans	**(2.6)**	(10.5)	(10.2)
Decrease/(increase) in invoice financing	**0.3**	0.7	(0.8)
Currency translation differences	**(0.2)**	0.2	0.3
	(15.9)	(10.2)	(10.5)

c) Analysis of net borrowings	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	31 December 2016 £m
Financial liabilities – borrowings	**(30.9)**	(25.6)	(28.5)
Cash and cash equivalents	**15.0**	15.4	18.0
	(15.9)	(10.2)	(10.5)

The cash and cash equivalents above includes £6.4m (2016: £Nil) of pilot bonds held by Rishworth Aviation. See note 10 for more details.

The following key bank facilities are in place at 30 June 2017:

A revolving credit facility of £10.0 million, expiring in June 2021. As at 30 June 2017 the amount outstanding is £5.5 million (30 June 2016: £6.0 million). Interest is payable at 1.5% plus LIBOR or EURIBOR.

A UK term loan of £2.7 million (30 June 2016: £4.5 million), expiring in October 2018. Interest is payable at 1.5% above UK base rate.

A German term loan of €5.0 million (30 June 2016: €5.0 million) expiring in February 2018. Interest is payable at 3% above EURIBOR.

Overdraft facilities are in place in the UK with a limit of £7.5 million. The balance as at 30 June 2017 was £4.7 million (30 June 2016: £Nil on a facility of £5.0 million). The interest rate was fixed at 1% above applicable currency base rates. A $1.5 million overdraft facility to provide working capital funding to Pharmaceutical Strategies had a balance of $0.7 million (30 June 2016: $1.2 million). Interest on this USD facility is payable at 2% over currency base rates. A €8.0 million overdraft facility is also in place in Germany. The balance at 30 June 2017 was €4.4 million (30 June 2016: €4.2 million). Interest is payable at EURIBOR plus 2.3%.

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 subsidiaries, Headway in Germany and Rishworth Aviation in New Zealand.

Other overseas overdraft and loans had interest rates of between 1.0% and 7.4%.

9 Trade and other receivables

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 December 2016 £m
Trade receivables	**43.3**	36.8	42.1
Less provision for impairment of trade receivables	**(0.7)**	(0.5)	(1.0)
Net trade receivables	**42.6**	36.3	41.1
Prepayments	**2.3**	1.7	2.0
Accrued income	**3.0**	1.4	2.5
Deferred and contingent consideration	**0.2**	0.3	0.3
Other receivables	**4.2**	2.6	4.3
	52.3	42.3	50.2

Notes to the interim financial statements
Six months ended 30 June 2017

10 Trade and other payables

	30 June 2017 Unaudited £m	30 June 2016 Unaudited £m	31 December 2016 £m
Current			
Trade payables	**2.1**	0.9	1.5
Other tax and social security	**7.9**	6.6	8.8
Pilot bonds*	**6.4**	-	5.2
Client deposits	**0.8**	-	0.8
Temporary recruitment worker wages	**4.2**	4.5	4.3
Other payables	**1.5**	0.6	1.5
Accruals	**18.0**	13.8	17.2
Deferred and contingent consideration	**-**	0.2	5.6
	40.9	26.6	44.9
Non-current			
Contingent consideration	**-**	0.4	-
Other payables	**-**	0.6	-
	-	1.0	-

* The pilot bonds represent unrestricted funds held by Rishworth Aviation that are repayable to the pilot over the course of the contract, which typically last between three and five years. If the pilot terminates their contract early, the outstanding bond is payable to the client. For this reason the full bond value is shown as a current liability. If the bonds are repaid in line with existing contracts, £4.0 million would be repayable in more than one year (30 June 2016: Nil).

11 Going concern

The Group's activities are funded by a combination of long-term equity capital, revolving credit facilities, term loans, short-term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading, invoice discounting and overdraft facilities. The Board has reviewed the Group's profit and cash flow projections and applied sensitivities to the underlying assumptions. These projections suggest that the Group will meet its obligations as they fall due with the use of existing facilities.

The majority of the Group's overdraft facilities fall due for renewal at the end of January each year and, based on informal discussions the Board has had with its lenders, has no reason to believe that these facilities will not continue to be available to the Group for the foreseeable future. As a result, the going concern basis continues to be appropriate in preparing the financial statements.

<u>Cautionary statement regarding forward-looking statements</u>

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