Empresaria Group plc

Condensed consolidated interim report for the six months ended 30 June 2011

Contents

RNS...

8th September 2011

EMPRESARIA GROUP PLC

Results for the six months ended 30 June 2011

Empresaria Group plc ("Empresaria" or the "Group") has experienced a challenging first half of the year, particularly in Germany, the Group's largest market, where new labour agreements had a material impact on gross margins. The Group continued to make progress in other regions, particularly in Asia where it experienced strong growth.

Highlights

- Revenue increased 1% to £105.2m (June 2010: £104.4m)
- Permanent revenue increased 26% and temporary staffing revenues decreased 1% year on year
- Net fee income/gross profit level with prior year at £22.4m
- International diversification with 65% of net fee income from outside the UK (June 2010: 67%)
- Adjusted profit before tax* of £1.2m (June 2010: £2.6m)
- Exceptional provision of £3.0m has been made for potential retrospective claims that may arise as a result of court rulings in Germany
- Loss before tax of £1.9m (June 2010: profit of £2.3m)
- Adjusted earnings per share# of 0.9p (June 2010: 1.9p)
- Net debt at period end of £8.5m (June 2010: £7.6m)

  * adjusted to exclude amortisation of intangible assets, exceptional items and movements in the fair values of put and call options.
  # earnings per share is from continuing and discontinued operations

Chief Executive Miles Hunt said:

"Overall, Group performance in the period did not meet our expectations. Although we grew Revenue slightly, Net fee income was flat during the period, albeit with strong performances from individual companies, particularly within the Asia region. Investments in new start ups and office openings in Asia and Australia did impact on profitability during the period, as planned, but are all developing positively. The Group faced unexpected challenges in the period, particularly the impact of the earthquake and tsunami in Japan and, of greater short term financial consequence, the adoption of new collective labour agreements in Germany following court rulings which required us to increase pay rates to temporary workers as well as incur substantial one-off legal costs.

The resultant gross margin reduction experienced in Germany over the period, caused by the need to move to new collective labour agreements, is being partially reversed through price increases and further compensated for by cost reductions, although it is taking longer to fix than initially anticipated. Whilst we are expecting a stronger trading performance from our German operations in the second half, the Group's full year profits before exceptional provision are expected to be lower than current market forecasts.

The trading environment remains stable, with strong demand in certain overseas markets offset by softer market conditions in the UK. Our focus in the second half remains on driving improved performance in our German operations as well as continuing to strengthen our other businesses both in terms of management and service capability and to identify areas for further expansion."

- Ends –

Enquiries;

Empresaria Group plc	01342 711 430
Miles Hunt (Chief Executive)	
Spencer Wreford (Group Finance Director)	
Altium (Nominated Adviser)	0207 484 4040
Tim Richardson	
Melanie Szalkiewicz	

Full results announcement attached. A presentation of these results will be made to analysts and investors at 9.00am on 8 September 2011, and a copy of this will be available later that morning on the Empresaria website: www.empresaria.com

Notes for editors:

- Empresaria Group plc (AIM: EMR; Sector: Support Services, Staffing) operates in 18 countries with over 850 internal staff.
- Empresaria Group plc applies a management equity philosophy and business model with each group company management team holding significant equity in their own business.

Board statement

Results

The Group generated Revenue in the period of £105.2m, an increase of 1% on the prior year and Net fee income (gross profit) of £22.4m, level with 2010.

Adjusted operating profit, before exceptional items and amortisation of intangible assets, was £1.7m, down from £3.1m in the previous year. Adjusted profit before tax of £1.2m was achieved, against £2.6m in the prior year.

These results are disappointing, reflecting the material financial impact on Group profits of new labour agreements in Germany, our largest market, during the first half of the year. The financial performance in Germany also masks the positive progress being made elsewhere, particularly in Asia where we continue to increase Net fee income as well as build capacity for further growth.

Strategic progress

Empresaria's strategy is to develop a leading international specialist staffing group, balanced in terms of sector, geography and operational coverage, with a focus on emerging markets. The Group operates in 18 countries with 65% of Net fee income derived from markets outside of the UK (2010: 67%).

We continue to invest both in existing businesses and new operations. In the first half of the year we introduced five sector specialist brands into the Singapore market as well as investing in new branches and infrastructure in China, Australia and Finland.

As well as expanding into new geographies and markets, we continue to review our portfolio of operations with a view to increasing our exposure to professional and white collar recruitment and improving both conversion ratios and working capital efficiencies. In the first half the Group sold its interest in a primarily blue collar UK logistics operation to management and, early in the second half of the year we sold our Indonesian payroll outsourcing operation to an Australian trade buyer. The impact of both transactions is to remove low margin, low profit businesses from the Group, generate cash proceeds of over £1m and reduce exposure, in the case of the UK, to the fragile retail sector. Although we will continue to review operations, there are no further disposals currently planned.

Market overview

Market conditions vary across the different regions within which we operate. Whilst much improved from the trading environment of 2009, the UK and European markets remain challenging. In Germany, the relatively strong economic performance has led to acute shortages of certain skills and, although barriers to immigration from EU accession states were lifted in May 2011, there are still significant obstacles to placing foreign workers in German companies. The Asian economies continue to perform strongly with the exception of Japan which is still suffering the consequences of the recent earthquake and tsunami. Our Chilean operations continue to develop in line with growing economies and have now fully recovered from the effects of the earthquake last year.

Operations

UK

Revenue decreased by 13% to £32.5m in the period (2010: £37.3m) but Net fee income rose by 7% to £7.8m (2010: £7.3m). This apparent dichotomy is explained by the decision, previously reported, to move away from lower margin contracts and re-focus our infrastructure and construction operations on business where there is greater added value and consequently higher gross margins. In addition, we have seen increased demand for permanent staff, particularly in the Financial Services sector, which has altered the mix between permanent and termporary revenue contribution.

Continental Europe

Revenue increased by 7% to £50.1m in the period (2010: £47.0m) although Net fee income declined by 14% to £9.0m (2010: £10.4m). Within Continental Europe, the Group's operations are primarily temporary staffing and outsourced HR services and approximately 90% of the region's Net fee income is generated in Germany.

The decline in Net fee income in the period can be directly attributed to the need to change pay tariffs for temporary workers in Germany following the legal ruling relating to certain collective labour agreements at the end of 2010. Many temporary workers have received an increase in pay which has taken longer to pass on to clients than initially anticipated. The financial impact of this disruption amounted to £1.7m in lost net fee income and unplanned legal costs in the period. Gross margins in Germany have improved in recent months, although they are still running behind 2010 levels. Our German operations were additionally affected by the widely reported e-coli food scare which resulted in a drop in revenues within our Logistics division. Both of these operational challenges have been addressed and we are expecting a materially improved financial performance in the second half.

As reported in March, part of our German operations may be subject to claims for retrospective pay and social security contributions following rulings by the Federal Labour Court. Based on developments since signing the 2010 financial statements and information currently available, a provision of £3.0m has been recognised as a best estimate of the potential retrospective claims for individual workers and social security contributions.

Operational challenges in Germany have been somewhat offset by growth within our healthcare staffing business based in Finland, Estonia and Lithuania.

Rest of the World

Revenue increased by 12% to £22.6m in the period (2010: £20.1m) and Net fee income increased by 19% to £5.6m (2010: £4.7m). This region, which includes Asia Pacific and South America, has the highest proportion of permanent revenue contribution, at 60% of total regional Net fee income, and this increased by 34% over the prior year to £3.3m. Revenue from temporary recruitment also increased, up 9% to £18.5m.

The three main markets of Japan, Chile and South East Asia account for approximately 84% of regional Net fee income. The largest of these markets, Japan, was badly affected by the earthquake, tsunami and subsequent radiation scare. Both of our businesses in that country suffered a short term financial impact with temporary staff unable to work. In addition, temporary numbers have dropped as an indirect consequence of the earthquake, with foreign workers leaving the country and with clients opting to take temporary workers on permanent contracts to secure key skills. The South East Asia market remains buoyant. The Group has invested significant resources in new Singapore operations during the period with five separate specialist brands now operating in the territory.

Our operations in Chile continue to grow revenue and to improve gross margin.

Finance

Net borrowings at the period end increased to £8.5m from £7.6m at 30 June 2010, in line with our expectations. Cash payments included £0.8m on investing activities, including a net £0.5m on the acquisition of minority shares in Group companies (after proceeds of £0.1m on the disposal of the UK Supply chain business). There was also a £2.3m cash outflow on working capital movements and £0.1m for dividends to minority shareholders. There was a net cash inflow of £3.3m following the renewal of bank facilities in March 2011.

The completion of the sale of our payroll processing business in Indonesia will have a positive impact on net borrowings in the second half of the year, through net cash receipts of £0.8m and the reduction of invoice finance facilities.

Dividend

In line with previous years, the Board is not recommending the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

Management changes

Miles Hunt has informed the Board of his intention to leave the Group after over 15 years as Chief Executive in order to pursue other opportunities.

Miles will facilitate a smooth transition of responsibilities to Joost Kreulen who will take over the role of Chief Executive and be appointed to the Empresaria Board from 1st January 2012. Miles will remain on the Board as a non-executive director until the end of March 2012. Joost Kreulen has been appointed as the Group's Chief Operating Officer with immediate effect.

Joost has been with the Group since 2008, initially responsible for its Asian operations and more recently also for a number of the Group's UK based businesses. Prior to joining Empresaria Joost was head of specialist staffing operations for Vedior in the Netherlands as well as being responsible for business development within Northern Europe and Germany.

The Board would like to thank Miles for his enormous contribution to the development of Empresaria since formation in 1996 during which time the Group has grown from a start up in one office, armed only with a management philosophy and a vision for growth, into a specialist staffing group stretching across 18 countries.

Prospects

The financial impact of the disruption to our German operations during the first half of the year has been greater and lasted longer than originally anticipated. Whilst we are seeing a continued recovery in gross margins in Germany, these are not yet back at 2010 levels. With Germany accounting for approximately 40% of Group Net fee income and softer market conditions in the UK, the growth generated from our Asian and Chilean operations is not sufficient to offset this short-term deficit within our largest market. As a consequence we now expect full year profits before exceptional provision to be lower than current market forecasts.

7 September 2011

Condensed consolidated income statement
Six months ended 30 June 2011

	Notes	**6 months to 30 June 2011 Unaudited £ m**	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Revenue		**105.2**	104.4	215.1
Cost of sales		**(82.8)**	(82.0)	(168.0)
Gross profit		**22.4**	22.4	47.1
Administrative costs		**(20.7)**	(19.3)	(39.5)
Operating profit before exceptional items and intangible amortisation		**1.7**	3.1	7.6
Intangible amortisation		**(0.1)**	(0.2)	(0.3)
Exceptional provision	14	**(3.0)**	-	-
Operating (loss)/profit		**(1.4)**	2.9	7.3
Finance income	4	**0.5**	-	0.4
Finance costs	4	**(1.0)**	(0.6)	(1.1)
(Loss)/profit before tax		**(1.9)**	2.3	6.6
Tax credit/(charge)	8	**0.5**	(0.8)	(2.2)
(Loss)/profit for the period from continuing operations		**(1.4)**	1.5	4.4
Discontinued operations				
(Loss)/profit for the period from discontinued operations	6	**(0.2)**	0.2	0.2
(Loss)/profit for the period		**(1.6)**	1.7	4.6
Attributable to:				
Equity holders of the parent		**(1.5)**	1.0	3.1
Non-controlling interest		**(0.1)**	0.7	1.5
(Loss)/profit for the period		**(1.6)**	1.7	4.6
(Loss)/earnings per share :				
From continuing operations				
Basic and diluted (pence)	7	**(2.7)**	1.8	6.5
Adjusted earnings per share (pence)	7	**1.2**	2.1	6.4
From continuing and discontinued operations				
Basic and diluted (pence)	7	**(3.3)**	2.2	7.0
Adjusted earnings per share (pence)	7	**0.9**	1.9	6.2

Condensed consolidated statement of comprehensive income
Six months ended 30 June 2011

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Exchange differences on translation of foreign operations	**0.8**	(1.1)	0.6
Net gain/(loss) recognised directly in equity	**0.8**	(1.1)	0.6
(Loss)/profit for the period	**(1.6)**	1.7	4.6
Total comprehensive (loss)/income for the period	**(0.8)**	0.6	5.2
Attributed to:			
Equity holders of the parent	**(0.7)**	(0.1)	3.4
Non-controlling interest	**(0.1)**	0.7	1.8
	(0.8)	0.6	5.2

Condensed consolidated balance sheet
As at 30 June 2011

	Notes	**30 June 2011 Unaudited £ m**	30 June 2010 Unaudited £ m	31 December 2010 £ m
Non-current assets				
Property, plant and equipment		**1.8**	1.8	1.9
Goodwill		**26.6**	25.6	26.4
Other intangible assets		**2.4**	2.4	2.5
Deferred tax assets		**1.9**	0.5	1.0
Call option asset		**0.4**	0.6	0.9
		33.1	30.9	32.7
Current assets				
Trade and other receivables	11	**33.2**	33.4	31.0
Cash and cash equivalents		**7.9**	5.5	7.1
		41.1	38.9	38.1
Total assets		**74.2**	69.8	70.8
Current liabilities				
Trade and other payables	12	**27.4**	26.0	25.0
Borrowings	10	**7.4**	5.0	12.7
Current tax liabilities		**1.4**	2.0	1.8
Put option liability		**0.6**	1.1	1.0
		36.8	34.1	40.5
Non-current liabilities				
Borrowings	10	**9.0**	8.1	0.5
Deferred tax liabilities		**0.7**	0.5	0.6
Total non-current liabilities		**9.7**	8.6	1.1
Total liabilities		**46.5**	42.7	41.6
Net assets		**27.7**	27.1	29.2
Equity				
Share capital		**2.2**	2.2	2.2
Share premium account		**19.4**	19.4	19.4
Merger reserve		**1.5**	1.5	1.5
Retranslation reserve		**4.5**	3.1	4.1
Option reserve		**(0.6)**	(0.6)	(0.6)
Equity reserves		**(2.4)**	-	(1.9)
Other reserves		**(0.2)**	(1.0)	(0.6)
Retained earnings		**-**	(0.5)	1.5
Equity attributable to owners of the company		**24.4**	24.1	25.6
Non-controlling interests		**3.3**	3.0	3.6
Total equity		**27.7**	27.1	29.2

Condensed consolidated statement of changes in equity
Six months ended 30 June 2011

	Share capital	Share premium account	Merger reserves	Retranslation reserve	Option reserve	Equity reserve	Other reserve	Retained earning	Non-controlling interest	Total equity
Balance at 1 January 2010	2.2	19.4	1.5	3.9	(0.6)	-	(0.7)	(1.5)	2.7	26.9
Profit for the period	-	-	-	-	-	-	-	1.0	0.7	1.7
Currency translation	-	-	-	(0.8)	-	-	(0.3)	-	-	(1.1)
Disposal of subsidiary	-	-	-	-	-	-	-	-	0.1	0.1
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Balance as at 30 June 2010 (Unaudited)	2.2	19.4	1.5	3.1	(0.6)	-	(1.0)	(0.5)	3.0	27.1
Balance at 1 January 2010	2.2	19.4	1.5	3.9	(0.6)	-	(0.7)	(1.5)	2.7	26.9
Profit for the period	-	-	-	-	-	-	-	3.1	1.5	4.6
Dividend	-	-	-	-	-	-	-	(0.2)	-	(0.2)
Currency translation	-	-	-	0.2	-	-	0.1	-	0.3	0.6
Disposal of subsidiary	-	-	-	-	-	-	-	-	0.1	0.1
Non-controlling interest acquired during the year	-	-	-	-	-	(1.9)	-	-	(0.1)	(2.0)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Balance as at 31 December 2010	2.2	19.4	1.5	4.1	(0.6)	(1.9)	(0.6)	1.5	3.6	29.2

Condensed consolidated statement of changes in equity (continued)

Six months ended 30 June 2011

	Share capital	Share premium account	Merger reserves	Retranslation reserve	Option reserve	Equity reserve	Other reserve	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2011	2.2	19.4	1.5	4.1	(0.6)	(1.9)	(0.6)	1.5	3.6	29.2
Loss for the period	-	-	-	-	-	-	-	(1.5)	(0.1)	(1.6)
Currency translation	-	-	-	0.4	-	-	0.4	-	-	0.8
Non-controlling interest movement due to acquisition and disposal	-	-	-	-	-	(0.5)	-	-	(0.1)	(0.6)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Balance as at 30 June 2011 (Unaudited)	**2.2**	**19.4**	**1.5**	**4.5**	**(0.6)**	**(2.4)**	**(0.2)**	**-**	**3.3**	**27.7**

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.
- "Option reserve" relates to the initial recorded value of the liability relating to the put options held by non-controlling interests over the shares in the subsidiary companies net of the initial recorded value of the call options held by the Group over shares held by non-controlling interests.
- "Equity reserve" represents movement in equity due to acquisition of non-controlling interests under IFRS 3 (2008).
- "Other reserves” represents exchange differences on intercompany long-term receivables which are treated as a net investment in foreign operations.
- "Retained earnings" represents accumulated profits from incorporation.

Condensed consolidated cash flow statement
Six months ended 30 June 2010

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Operating activities			
(Loss)/profit for the period	**(1.6)**	1.7	4.6
Adjustments for:			
Depreciation	**0.4**	0.4	0.8
Intangible amortisation	**0.1**	0.2	0.3
Tax (credit)/charge	**(0.5)**	0.8	2.3
Net finance costs	**0.5**	0.6	0.8
Loss/(gain) on disposal of subsidiary	**0.1**	(0.3)	(0.3)
Exceptional provision	**3.0**	-	-
Operating cash flow before movement in working capital	**2.0**	3.4	8.5
Decrease in invoice discounting	**(1.7)**	(3.6)	(2.4)
Decrease/(increase) in trade receivables	**0.2**	(3.4)	(1.5)
(Decrease)/increase in trade and other payables	**(0.8)**	5.1	3.7
Cash (used by)/generated from operations	**(0.3)**	1.5	8.3
Income taxes paid	**(0.9)**	(0.5)	(2.1)
Interest paid	**(0.5)**	(0.5)	(1.1)
Net cash (used in)/from operating activities	**(1.7)**	0.5	5.1
Cash flows from investing activities			
Further investments in existing subsidiaries	**(0.6)**	(0.1)	(2.1)
Disposal of subsidiaries	**0.1**	(0.1)	(0.2)
Purchase of property, plant and equipment	**(0.3)**	(0.3)	(0.8)
Finance income	**-**	-	0.1
Net cash used in investing activities	**(0.8)**	(0.5)	(3.0)
Cash flows from financing activities			
Increase in short-term borrowings	**1.7**	1.4	1.8
Proceeds from bank loans	**3.1**	0.3	-
Repayment of bank and other loans	**(1.5)**	(0.6)	(0.8)
Dividends paid	**-**	-	(0.2)
Dividends paid to non-controlling interests	**(0.1)**	(0.5)	(0.9)
Net cash from/(used in) financing activities	**3.2**	0.6	(0.1)
Net increase in cash and cash equivalents	**0.7**	0.6	2.0
Effect of foreign exchange rate changes	**0.1**	-	0.2
Cash and cash equivalents at beginning of period	**7.1**	4.9	4.9
Cash and cash equivalents at end of period	**7.9**	5.5	7.1

Notes to the interim financial statements
Six months ended 30 June 2011

1 General information

Empresaria Group plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. 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 2011. 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 2010 has been derived from audited statutory accounts for the year ended 31 December 2010. The information for the year ended 31 December 2010 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 2011 and 2010 has been neither audited nor reviewed.

These interim financial statements were approved for issue by the Board of Directors on 7 September 2011.

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 2010.

3 Segment analysis

The revenue and profit before taxation are attributable to the Group's one principal activity, the provision of staffing and recruitment services, and can be analysed be geographic segment as follows. The Group's reportable segments are business units based in different geographic regions. Each unit is managed separately with local management responsible for determining local strategy.

Information reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance is based on profit or loss from operations before amortisation of intangible assets, exceptional items and movements in the fair values of put and call options.

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

	UK £ m	Continental Europe £ m	Rest of the World £ m	**Total** **£ m**
Six months to 30 June 2011 Unaudited				
Revenue	32.5	50.1	22.6	**105.2**
Gross profit	7.8	9.0	5.6	**22.4**
Adjusted operating profit*	1.0	0.1	0.6	**1.7**
Operating profit/(loss)	1.0	(3.0)	0.6	**(1.4)**
Six months to 30 June 2010 Unaudited				
Revenue	37.3	47.0	20.1	104.4
Gross profit	7.3	10.4	4.7	22.4
Adjusted operating profit*	1.0	1.4	0.7	3.1
Operating profit	1.0	1.3	0.6	2.9
Year ended 31 December 2010				
Revenue	72.7	99.4	43.0	215.1
Gross profit	15.1	21.9	10.1	47.1
Adjusted operating profit*	2.0	3.9	1.7	7.6
Operating profit	2.0	3.7	1.6	7.3

* Adjusted operating profit represents operating profit before exceptional items and intangible amortisation.

Notes to the interim financial statements
Six months ended 30 June 2011

4 Finance income and cost

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Finance income			
Bank interest receivable	-	-	0.1
Movement in put option liability	0.5	-	-
Movement in call option assets	-	-	0.3
	0.5	-	0.4
Finance cost			
On amounts payable on invoice discounters	(0.1)	(0.2)	(0.2)
Bank loans and overdrafts	(0.4)	(0.3)	(0.8)
Movement in put option liability	-	(0.1)	(0.1)
Movement in call option assets	(0.5)	-	-
	(1.0)	(0.6)	(1.1)
Net finance cost	(0.5)	(0.6)	(0.7)

5 Reconciliation of Adjusted profit before tax to Profit before tax

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
(Loss)/profit before tax	**(1.9)**	2.3	6.6
Amortisation of intangibles	**0.1**	0.2	0.3
Movement in put option liability	**(0.5)**	0.1	0.1
Movement in call option assets	**0.5**	-	(0.3)
Exceptional provision	**3.0**	-	-
Adjusted profit before tax from continuing operations	**1.2**	2.6	6.7

6 Discontinued operations

	6 months to 30 June 2011	6 months to 30 June 2010	Year to 31 December 2010
	Unaudited	Unaudited	
	£ m	£ m	£ m
Net (loss)/profit from discontinued operations:			
Supply Chain (UK)	**(0.2)**	-	-
EAR (Holland)	**-**	0.2	0.2
	(0.2)	0.2	0.2

Supply Chain business

On 20 May 2011, the Group disposed of its UK Supply Chain business operated by The Logistics Network Ltd and More Driving Ltd. The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	6 months to 30 June 2011	6 months to 30 June 2010	Year to 31 December 2010
	Unaudited	Unaudited	
	£ m	£ m	£ m
Revenue	**2.2**	3.8	8.3
Costs	**(2.3)**	(3.8)	(8.3)
Loss from discontinued operations	**(0.1)**	-	-
Loss on disposal	**(0.1)**	-	-
Net loss from discontinued operations	**(0.2)**	-	-

6 Discontinued operations (continued)

A loss of £0.1m arose on the disposal of the Supply Chain business, being consideration of £426,000 less the carrying value of assets disposed of and the attributable goodwill. The consideration includes contingent consideration of £196,000 payable up to December 2014. In the period to 30 June 2011 £125,000 cash has been received.

During the period the Supply Chain business contributed £145,000 to the Group's net operating cash outflow (six months ended 30 June 2010: £176,000 inflow; year ended 31 December 2010: £38,000 outflow), £8,000 outflow in respect of investing activities (six months ended 30 June 2010: £25,000; year ended 31 December 2010: £99,000) and £54,000 outflow in respect of financing activities (six months ended 30 June 2010: £nil; year ended 31 December 2010: £54,000 inflow).

The net assets of the Supply Chain business at the date of disposal were as follows:

	2011 Unaudited £ m
Property, plant and equipment	0.1
Net assets	0.1
Goodwill written off	0.4
	0.5
Less sale consideration	0.4
Loss on disposal	0.1

7 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 year. Based on current trading conditions, the Directors are of the opinion that there would be no dilution to the earnings per share figure resulting from subsidiary minority shareholders trading up. A reconciliation of the earnings and weighted average number of shares used in the calculations are set out below.

From continuing and discontinued operations

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

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2009 £ m
Earnings			
(Loss)/earnings attributable to equity holders of the parent	**(1.5)**	1.0	3.1
Adjustments:			
Loss/(gain) on business disposal	**0.1**	(0.3)	(0.3)
Movement in put option liability	**(0.5)**	0.1	0.1
Movement in call option assets	**0.5**	-	(0.3)
Amortisation of intangible assets	**0.1**	0.2	0.3
Tax and non-controlling interests on intangible amortisation	**-**	(0.1)	(0.1)
Exceptional provision	**3.0**	-	-
Tax and non-controlling interests on exceptional provision	**(1.3)**	-	-
Earnings for the purpose of adjusted earnings per share	**0.4**	0.9	2.8

Number of shares	**6 months to 30 June 2011 Unaudited millions**	6 months to 30 June 2010 Unaudited millions	Year to 31 December 2010 millions
Weighted average number of shares – basic and diluted	**44.6**	44.6	44.6

	6 months to 30 June 2011 Unaudited	6 months to 30 June 2010 Unaudited	Year to 31 December 2010
(Loss)/earnings per share			
Basic and diluted	**(3.3)**	2.2	7.0
Adjusted earnings per share	**0.9**	1.9	6.2

7 Earnings per share (continued)

From continuing operations

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Earnings			
(Loss)/earnings attributable to equity holders of the parent	**(1.5)**	1.0	3.1
Adjustments to exclude loss/(profit) from discontinued operations	**0.2**	(0.2)	(0.2)
(Loss)/earnings from continuing operations for the purpose of basic and diluted earnings per share	**(1.3)**	0.8	2.9
Adjustments:			
Movement in put option liability	**(0.5)**	0.1	0.1
Movement in call option assets	**0.5**	-	(0.3)
Amortisation of intangible assets	**0.1**	0.2	0.3
Tax and non-controlling interest on intangible amortisation	**-**	(0.1)	(0.1)
Exceptional provision	**3.0**	-	-
Tax and non-controlling interests on exceptional provision	**(1.3)**	-	-
Earnings for the purpose of adjusted earnings per share	**0.5**	1.0	2.9

The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

	6 months to 30 June 2011 Unaudited	6 months to 30 June 2010 Unaudited	Year to 31 December 2010
(Loss)/earnings per share			
Basic and diluted	**(2.7)**	1.8	6.5
Adjusted earnings per share	**1.2**	2.1	6.4

8 Taxation

The tax credit for the six month period is £0.5m, based on an underlying 34% effective rate excluding exceptional items. For the six months ended 30 June 2010 there was a tax charge of £0.8m (35% effective rate) and for the year ended 31 December 2010 there was a tax charge of £2.2m. 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.

9 Net borrowings

a) Movement in net borrowings

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Net borrowings at beginning of period	**(6.1)**	(8.0)	(8.0)
Increase in cash and cash equivalents	**0.7**	0.6	2.0
Increase in loans	**(3.3)**	(1.1)	(1.0)
Decrease in invoice financing	**0.2**	0.6	0.5
On disposal of business	**-**	0.3	0.3
Currency translation differences	**-**	-	0.1
Net borrowings at end of period	**(8.5)**	(7.6)	(6.1)

b) Analysis of net borrowings

	6 months to 30 June 2011 Unaudited £ m	6 months to 30 June 2010 Unaudited £ m	Year to 31 December 2010 £ m
Financial liabilities – borrowings	**(16.4)**	(13.1)	(13.2)
Cash and cash equivalents	**7.9**	5.5	7.1
Net borrowings at end of period	**(8.5)**	(7.6)	(6.1)

10 Financial liabilities – borrowings

	30 June 2011 Unaudited £ m	30 June 2010 Unaudited £ m	31 December 2010 £ m
Current			
Bank overdrafts	5.5	3.4	3.8
Amounts related to invoice financing	0.6	0.6	0.8
Current portion of bank loans	1.3	1.0	8.1
	7.4	5.0	12.7
Non-current			
Bank loans	9.0	8.1	0.5
Total financial liabilities	16.4	13.1	13.2

The bank loans include a revolving credit facility and three term loans which expire in 2011, 2013 and 2016 respectively. The bank loans are secured by a first fixed charge over all book and other debts given by the Company and certain of its subsidiaries. Interest rates vary over the term of the loan. In 2011, the applicable interest rates were between 1.75% and 2.375% over LIBOR for the revolving credit facility and between 1.25% over base rate and 2.375% over LIBOR for the three term loans.

The amounts above for invoice financing represent with-recourse facilities. The Group also has non-recourse invoice financing which is offset against trade receivables. The total amount at 30 June 2011 was £6.9m (30 June 2010: £7.4m; 31 December 2010; £8.5m).

11 Trade and other receivables

	30 June 2011 Unaudited £ m	30 June 2010 Unaudited £ m	31 December 2010 £ m
Current			
Trade receivables	27.6	28.8	26.9
Less provision for impairment of trade receivables	(0.2)	(0.8)	(0.2)
Net trade receivables	27.4	28.0	26.7
Prepayments and accrued income	3.7	2.3	1.9
Other receivables	2.1	3.1	2.4
	33.2	33.4	31.0

12 Trade and other payables

	30 June 2011 Unaudited £ m	30 June 2010 Unaudited £ m	31 December 2010 £ m
Current			
Trade payables	1.6	2.3	2.2
Other tax and social security	8.0	6.9	6.5
Other payables	4.7	7.3	6.4
Accruals	9.8	9.3	9.6
Deferred consideration	0.3	0.2	0.3
Exceptional provision (note 14)	3.0	-	-
	27.4	26.0	25.0

13 Post balance sheet event

In August 2011 the Group disposed of its interest in Advanced Career Indonesia to a trade buyer. Total consideration was £0.6m plus the repayment of intercompany loans of £0.5m. At completion cash received was £0.8m, with £0.3m contingent on results for 2011.

14 Exceptional provision

In December 2010 the German federal labour court ruled that the CGZP union is not entitled to conclude a collective labour agreement. This ruling was published on 25 February 2011. As a result the collective labour agreement concluded by CGZP is not valid at this time. In May 2011 the court in Berlin ruled that this collective labour agreement was invalid with retroactive effect. A court ruling is expected in November 2011 which will rule on whether staffing agencies can rely on a defence of acting in “good-faith”. A number of operating companies within the Headway group applied this collective labour agreement until early or mid-2010. From January 2011 these operating companies have changed to BZA (the German Association of Private Employment Agencies) which has not been the subject of legal challenge.

These legal rulings could lead to claims from temporary employees as well as from the German government with regard to the payment of social security premiums. A provision of £3.0m has been made against these potential claims and represents the Board’s best estimate of the liability based on the information currently available.

15 Going concern

The Group’s activities are funded by a combination of long-term equity capital, term loans, a revolving credit facility, short-term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and invoice discounting 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.

Contacts & advisers

Empresaria Group plc
Miles Hunt, Chief Executive Officer
Spencer Wreford, Group Finance Director
Tel: +44 (0) 1342 711 430
Fax: +44 (0) 1342 711 449
info@empresaria.com

NOMAD (financial advisers and broker)
Altium Capital Limited
30 St. James's Square
London
SW1Y 4AL

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

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

Auditors
Deloitte LLP
London Gatwick Office
Global House
High Street
Crawley
West Sussex
RH10 1DL