Empresaria Group plc

Interim results for the six months ended 30th June 2005

Empresaria Group plc ("Empresaria" or "the Group") is pleased to announce its unaudited interim results for the six months ended 30th June 2005.

Financial highlights

- Turnover increased by 17% to £24.5m (2004: £20.9m)
- Net fee income increased by 13% to £7m (2004: £6.2m)
- Adjusted operating profit increased by 46% to £861,000 (2004: £591,000)*
- Adjusted profit before tax increased by 70% to £749,000 (2004: £440,000)*
- Adjusted earnings per share increased by 50% to 1.8p (2004: 1.2p)*

Operating highlights

- Strong organic growth in existing businesses (net fee income up by 11%)
- Investments in Japan and the US exceeding expectations
- UK start-up investment already moving into profitability earlier than anticipated
- Strong financial contribution from recent acquisitions

Tony Martin, Chairman, commented that "The Group is making progress in its development of international staffing operations and its first investments in international markets, particularly Empresaria's Japanese venture, are performing strongly. The Group's strategy is to build a portfolio of staffing companies both by geography and sector. Markets are generally buoyant and the group continues to perform in line with expectations. A combination of solid organic growth and increasing exposure to new investment opportunities gives the Board confidence as to Empresaria's future prospects."

**Figures based on underlying profits, adjusted for goodwill amortisation and exceptional costs. There were no exceptional costs in the period to 30 June 2005.*

The directors of the issuer accept responsibility for this announcement.

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<u>Notes for editors:</u>

Empresaria Group plc is a international recruitment group diversified by geography and sector. Its aim is to grow through organic growth, investment in start-up businesses, by providing funding for management buy outs and acquisitions.

The philosophy of the Group is for management teams to have a substantial equity interest in their business.

Empresaria was formed in 1996 by Miles Hunt and consists of 21 staffing companies. Its business model, allows founder managers and key staff within Empresaria's subsidiaries to acquire or retain a meaningful stake in the businesses they run or work in.

Empresaria currently provides recruitment services across five sectors in the UK; namely:

1. Construction, Property Services & Engineering;
2. Supply Chain;
3. Public Sector;
4. Financial Services; and
5. Specialist Brands.

In addition, Empresaria is actively expanding internationally and has established operations in both the US and Japan.

Chairman's Statement

Results

In the six month period to June 2005 the Group once again produced an excellent set of results with EPS growth of 50% and adjusted EPS growth also up 50%, when adjusted to exclude goodwill amortisation and exceptional costs. This earnings growth was driven by an increase in turnover of 17% to £24.5m (2004: £20.9m), an increase in net fee income, of 13% to £7.0m (2004: £6.2m) and an increase in adjusted pre-tax profit of 70% to £749,000 (2004: £440,000).

Earnings per share before amortisation of goodwill were 1.8p. Earnings per share after amortisation of goodwill were 0.9p. There were no exceptional costs in the period.

Dividend

The Board is not recommending the payment of an interim dividend for the six months to 30 June 2005 (2004 interim: nil, 2004 final 0.4p).

Group development

The Group's development is focussed on combining controlled growth with managing and reducing business risk. The Group's strategy can be distilled into the following components:

i) International expansion

The Group is committed to investing in international staffing markets through investment in start-ups, acquisitions and, where appropriate, through its existing successful UK brands. Investment overseas will provide exposure to high growth staffing markets and further reduce business risk through diversification. The Group's first international investment was made at the end of 2004 when it started an IT temporary staffing company, Skillhouse

Staffing, in Tokyo. The company is growing rapidly in a very strong recruitment market and is performing well ahead of initial expectations.

In June this year Empresaria invested in Gerard Stewart Inc, an Atlanta based recruitment to recruitment company and an extension of an existing successful UK brand in this sector. The financial performance of this company is also exceeding initial expectations.

The Group continues to investigate overseas markets, and has a pipeline of opportunities.

ii) A portfolio of specialist staffing businesses

There are 24 staffing companies in the Group (including associate company investments) in sectors ranging from insurance to healthcare to construction. Focussing on a range of sectors allows the Group to switch resources according to the business cycles of each sector and protects the Group from downturns in individual markets. This approach has resulted in consistent turnover and earnings growth over the last five years.

iii) Management equity

The structure and strategy of the Group is underpinned by the philosophy of management equity. Each company in the Group is being developed by management teams holding a meaningful equity stake. The culture of ownership, entrepreneurship and responsibility created by this philosophy and model drives organic growth and generates robust businesses with low turnover of key staff. When Empresaria makes acquisitions it applies the same principles, either co-investing with a management team (MBO/MBI structures) or allowing a partial realisation for an existing ambitious management team.

iv) Balanced growth

The Group continues to take a balanced approach to growth, combining three core strands; organic growth, investment in start-ups and acquisitions.

a) Organic growth

Turnover growth in the six months ended 30th June 2005 on a like for like basis was 12% and gross profit increased on the same basis by 11%. Adjusted profit before tax, again on the same basis, was up 21%. Continued investment is being made in growth in consultant numbers and in branch network expansion. During the period MVP (Supply Chain sector) established a branch in Manchester as did The Recruitment Business (creative and design sectors staffing).

b) Start-ups

The Group invested in one start-up during the period, Gerard Stewart Inc in Atlanta. We also continue to absorb the start-up costs of Skillhouse Staffing in Tokyo although we expect it to move into profitability by the end of the year. In the UK we started 2nd City Resourcing (marketing and PR staffing) in September 2004, which is still in start-up mode and now moving to profitability. It is not expected to contribute to earnings in the current year but is growing, as with our overseas businesses, ahead of expectations.

c) Acquisitions

We continue to seek acquisitions that either complement existing group operations or that extend group coverage into international staffing markets. In February this year we announced the acquisition of The Recruitment Business ("TRB"), a provider of creative and design staff to a range of markets including the media, public and financial sectors. As expected, TRB is making a significant contribution to group profits and, with the expansion through the new Manchester office, identifying new areas of organic growth.

In July this year we announced the acquisition of More Driving, a South coast based contract driving recruitment company. The company is currently being absorbed within our existing DriveLink brand network. The acquisition extends the geographic coverage of the DriveLink business and is expected to contribute to earnings in 2006.

Prospects

The Group is making steady progress in its development of international staffing operations and its first investments in international markets, particularly Empresaria's Japanese venture, are performing strongly. The UK market is generally buoyant and the Group continues to perform in line with expectations. Our Financial Services companies, as outlined in the Chairman's report to the accounts for the 2004 year end, experienced a slow start to the year but are now all showing signs of picking up and are all producing encouraging current results. A combination of solid organic growth and increasing exposure to new investment opportunities gives the Board confidence as to Empresaria's future prospects.

Tony Martin

Chairman

19th September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 6 months ended 30th June 2005

	Half Year 2005 £ 000 (unaudited)	**Half Year 2004 £ 000 (unaudited)**	**Full Year 2004 £ 000 (audited)**
Turnover			
Existing operations	22,679	20,177	43,721
Acquisitions	1,848	-	-
Continuing operations	24,527	20,177	43,721
Discontinued operations	-	740	1,709
Total turnover	**24,527**	**20,917**	**45,430**
Cost of sales	(17,507)	(14,708)	(32,289)
Gross profit	**7,020**	**6,209**	**13,141**
Administrative expenses	(6,366)	(5,736)	(11,771)
Exceptional administrative expenses	-	(33)	(303)
Total administrative expenses	(6,366)	(5,769)	(12,074)
Operating profit			
Existing operations	493	417	1,246

Acquisitions	183	-	-
Continuing operations	676	417	1,246
Discontinued operations	(22)	23	(179)
Group operating profit	**654**	**440**	**1,067**
Share of operating loss in associated company	(34)	-	-
	620	440	1,067
Net interest payable and similar charges	(112)	(136)	(325)
Profit on ordinary activities before taxation	**508**	**304**	**742**
Tax on profit on ordinary activities	(225)	(119)	(350)
Profit on ordinary activities after taxation	**283**	**185**	**392**
Minority equity interests	(101)	(92)	(169)
Profit on ordinary activities attributable to the members of Empresaria Group plc	**182**	**93**	**223**
Equity dividends proposed	-	-	(80)
Retained profit for the period	**182**	**93**	**143**
Earnings per share (pence) basic	0.9	0.6	1.4

CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	June 2005 £ 000 (unaudited)	June 2004 £ 000 (unaudited)	December 2004 £ 000
Fixed assets			
Intangible assets	6,042	4,122	4,836
Tangible assets	301	297	284
Investment in associates	274		145
	6,617	4,419	5,265
Current assets			
Trade and other debtors	10,393	7,926	8,328
Cash	1,658	-	2,921
	12,051	7,926	11,249
Creditors			
Amounts falling due within one year	(9,309)	(5,845)	(7,972)

Net current assets	2,742	2,081	3,277
Creditors			
Amounts falling due after more than one year	(1,595)	(1,828)	(1,669)
Total net assets	7,764	4,672	6,873
Capital and reserves			
Called up share capital	1,037	759	997
Other reserve	991	854	991
Share premium	3,463	906	2,895
Profit and loss account	1,291	1,058	1,109
Equity shareholders' funds	6,782	3,577	5,992
Minority interests	982	1,095	881
	7,764	4,672	6,873

CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30th June 2005

	Note	**June 2005 £ 000 (unaudited)**		**June 2004 £ 000 (unaudited)**		**December 2004 £ 000**	
Net cash inflow/(outflow) from operating activities	**1**		35		(288)		2,027
Returns on investments and servicing of finance							
Net interest paid		(112)		(151)		(325)	
Dividends paid to minority shareholders in subsidiary companies		(33)		-		(78)	
Net cash outflow for returns on investments and servicing of finance			(145)		(151)		(403)
Taxation - corporation tax paid			(95)		(38)		(297)
Capital expenditure and financial investment							
Payments to acquire tangible assets		(189)		(140)		(206)	
Net cash outflow for capital expenditure			(189)		(140)		(206)
Acquisitions and disposals							
Purchase of subsidiaries		(1,134)		(1,181)		(2,256)	

Cash acquired with subsidiary		324		-		-	
Purchase of associates		(162)		-		-	
Net cash outflow for acquisitions and disposals			(972)		(1,181)		(2,256)
Equity dividends paid			-		-		(59)
Net cash outflow before financing			(1,366)		(1,798)		(1,194)
Financing							
Issue of shares		-		10		2,257	
Raising of long term loan		-		1,000		1,000	
Repayment of loan		(96)		(94)		(215)	
Increase/(decrease) in factoring balances		199		(437)		67	
Capital elements of hire purchase contracts		-		(2)		(2)	
Net cash inflow from financing			103		477		3,107
(Decrease)/increase in cash in the period	**3**		(1,263)		(1,321)		1,913

1 Reconciliation of operating profit to net cash inflow from operating activities

	June 2005	**June 2004**	**December 2004**
Operating profit	620	440	1,067
Share of associates losses	34	-	-
Depreciation of tangible assets	134	142	273
Amortisation of goodwill	241	118	345
Increase in debtors	(1,224)	(602)	(1,218)
Increase/(decrease) in creditors	230	(386)	1,560
Net cash inflow from operating activities	35	(288)	2,027

2 Reconciliation of net cash flow to movement in net debt

	June 2004	**June 2004**	**December 2004**
	£000's	**£000's**	**£000's**
(Decease)/increase in cash in the period	(1,263)	(1,321)	1,913
Cash outflow from decrease in debt	(103)	(467)	(850)

Change in net debt resulting from cash flows	(1,366)	(1,788)	1,063
Conversion and cancellation of loan stock	-	32	32
Factoring debt acquired	-	(1,376)	(1,376)
	(1,366)	(3,132)	(281)
Opening net debt	(1,567)	(1,286)	(1,286)
Closing net debt	(2,933)	(4,418)	(1,567)

3 Analysis of net debt

	31 December 2004 £000's	Cash flow £000's	Other non-cash changes £000's	30 June 2005 £000's
Net cash:				
Cash at bank and in hand	2,921	(1,263)	-	1,658
Amounts owed to factors	(2,700)	(199)	-	(2,899)
Long term Loans				
Due within one year	(239)	96	(71)	(214)
Due after one year	(1,549)		71	(1,478)
	(1,567)	(1,366)	-	(2,933)

NOTES TO INTERIM REPORT

1. Basis of preparation

The interim financial information has been prepared on the basis of accounting policies consistent with those adopted for the year ended 31 December 2004. The interim financial information has not been audited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The comparative results for this period present an abridged version of the full accounts for the year ended 31 December 2004, which received an unqualified audit report, and which have been filed with the Registrar of Companies.

The interim financial statements comprise the following:

- Profit and loss account for the six months ended 30 June 2005 with comparative information for the year ended 31 December 2004 and for the 6 months ended 30 June 2004;

- Balance sheet as at 30 June 2005 with comparative information at 31 December 2004 and at 30 June 2004; and

- Cash flow statement for the 6 months ended 30 June 2005 with comparative information for the year ended 31 December 2004 and the 6 months ended 30 June 2004.

2. Dividend

The directors do not propose the payment of a dividend for the period.

3. Earnings per share

Basic earnings per share are calculated by dividing the retained profit for each period by the average number of shares in issue, 20,370,877 (December 2004: 16,127,987; June 2004: 15,124,895).

4. Reconciliation of basic to adjusted EPS

	6 Months ended 30 June 2005	**6 Months ended 30 June 2004**	**Year ended 31 Dec 2004**
Basic EPS	0.9	0.6	1.4
Effect of goodwill amortisation	0.9	0.5	1.7
Effect of exceptional items	-	0.1	1.1
Adjusted EPS	1.8	1.2	4.2

5. Reconciliation of adjusted profits

	6 Months ended 30 June 2005	**6 Months ended 30 June 2004**	**Year ended 31 Dec 2004**
Operating profit	620	440	1,067
Profit before tax	508	304	742
Goodwill amortisation	241	118	345
Exceptional operating items	-	33	303
	241	151	648
Exceptional non-operating items		(15)	-
Adjusted operating profit	861	591	1,715
Adjusted profit before tax	749	440	1,390