Empresaria Group plc

Chairman's report on the unaudited interim results for the six months ending on 30th June 2006

Empresaria Group plc ("Empresaria" or "the Group") is pleased to announce its unaudited interim results for the six months ended 30th June 2006

Financial highlights

- Turnover of £33.9m (2005 £24.5m), up 38%
- Net fee income of £9.9m (2005 £7.0m), up 41%
- Adjusted operating profit of £1.15m (2005 £0.89k), up 29%*
- Adjusted profit before tax of £0.95m (2005 £0.75m) up 27%*
- Adjusted earnings per share 2.3p (2005 1.8p) up 28%*

Operating highlights

- Strong organic growth both in UK and overseas.
- Japanese subsidiary performing well ahead of expectations.
- New operations established in China, India and Indonesia.
- Senior management appointment in Europe.

Commenting on the results, Chairman Tony Martin said:

"Our strong growth through the first half has positioned us well for a positive second half, when we traditionally make the majority of our profit. The Group's operational, geographical and sector diversification means that no single one of our companies accounts for more than 12% of Group net fee income, while our international development programme is beginning to build momentum, and is now contributing over 20% of net Group monthly income. We continue to maintain a careful balance between temporary and permanent staffing operations, with our expansion underpinned by a balanced mix of organic and acquired growth."

* Figures based on underlying profits, adjusted for goodwill amortisation and exceptional items. There were no exceptional items in the period to 30th June 2006.

The directors of the issuer accept responsibility for this announcement.

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Notes for editors:
Empresaria Group plc (sector Support Services, staffing) provides specialist staffing services across nine countries through 30 trading subsidiaries. Empresaria was formed in 1996 by Miles Hunt and its

business model is based on the philosophy of management equity which 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.

Chairman's Statement

Results

In the six month period to June 2006 the Group once again produced an excellent set of results with EPS growth of 28% adjusted to exclude goodwill amortisation and exceptional costs. This earnings growth was driven by turnover up 38% to £33.9m (2005: £24.5m), an increase in gross profit, or net fee income, of 41% to £9.9m (2005: £7.0m) and an increase in adjusted pre-tax profit of 27% to £948k (2005: £749k).

The organic turnover growth rate in the period was 16% and adjusted profit before tax on the same basis grew by 20%.

Diluted earnings per share before amortisation of goodwill were 2.3p (2005: 1.8p). Diluted earnings per share after amortisation of goodwill were 1.0p. 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 2006 (2005: nil).

Strategy

Empresaria is a specialist staffing group seeking to sustain high growth rates at the same time as managing business risk. Its approach is to apply a combination of a management equity philosophy, a decentralised management structure, a balanced business mix (between temporary and permanent staffing operations as well as between industry sectors) and an international expansion programme.

Each of the companies in the group is run by managers holding significant equity stakes in their own businesses or alternatively in Empresaria itself. The central group functions are focussed on financial management and group development. A combination of this equity philosophy and freedom of operation attracts, motivates and retains good managers.

The diversification of investment across different operations, industry sectors and geographies manages risks relating to individual people, clients, companies and markets. No one company accounts for more than 12% of group net fee income and no one client accounts for more than 6% of group revenues.

Empresaria's international development programme, launched less than two years ago, is beginning to build momentum. In the whole of 2005 the Group's international businesses contributed 3% towards total net fee income. Since May this year, despite strong organic growth in the UK, Empresaria's overseas businesses have been contributing over 20% of Group net fee income on a monthly basis. With a continued focus on international development, the mix between UK and overseas financial contribution is expected to change rapidly.

The Group enjoys a balance between temporary and permanent staffing operations with 52% of net fee income being derived from temporary staffing business. In the medium term it is anticipated that this percentage contribution from the more stable temporary operations will increase.

UK

In total, turnover in the UK increased by 16% to £28.3m (2005: £24.5m) and net fee income increased by 9% to £7.6m (2005: £7m). The UK operations saw strong organic growth and contribution from the Financial Services and Property Services and Construction sectors.

After a relatively poor performance in 2005, all the Financial Service companies have demonstrated an improvement in profitability with particular headway being made in the investment banking and asset management market sectors.

Within the Property Services and Construction markets our FastTrack brand continues to grow both in absolute terms as well as in market share. During the period the FastTrack cost base increased by over £500k as the business invested in both consultants and branch network. In July it opened a new office in Stratford, East London, to take advantage of opportunities presented by the 2012 Olympics. It is expected that the revenue and profit effects of this expansion will be felt in full in 2007.

The overall UK growth rate was reduced by weakness within the Public Sector businesses, particularly within the Allied Healthcare market which was affected by a substantial slowdown in NHS spending. Reacting to this, the Board has decided to merge our Allied Healthcare, Nursing and Social Care operations. New management has been recruited and the sector is expected to return to profitability during the course of the second half of 2006 once the integration process has been completed. Public Sector net fee income accounts for less than 4.5% of Group total. If the Public Sector performance was excluded from like for like financial analysis, underlying year on year turnover growth in the UK would have been 25%.

International

Empresaria's international businesses contributed £4.5m of turnover and £2.1m of net fee income in the period. There are no comparable figures for 2005 as contributions from overseas subsidiaries commenced only towards the end of last year.

The Group benefits from increased exposure to a number of fast growing international staffing markets. In Japan, the Skillhouse operation (IT and support services staffing) has grown rapidly from start up at the end of 2004 to become a significant profit contributor this year. The Japanese staffing market continues to benefit from the effect of an improved economic environment and structural changes to the staffing industry. In addition, the Group is seeing evidence of similar growth opportunities with the new India and China investments made earlier this year.

2006 has also seen the Group make its first investment in continental Europe with its acquisition of the GiT operation giving it a foothold in both the Czech Republic and Slovakia. GiT has traded profitably, in line with our expectations, in the first half of 2006. The Group believes that Eastern Europe offers excellent opportunities for future growth and is actively investigating opportunities in this region as well as in those more mature European markets with growth potential.

In the six months to June 2006, the Group has invested nearly £1m in developing its network of international businesses and the primary focus of management in the second half of 2006 and throughout 2007 will continue to be increasing the exposure of the Group to high growth international staffing markets.

Management

In June we announced the appointment of Armin Preisig to Empresaria's senior management team. Armin was until April this year on the Board of Management of Vedior and responsible for the majority of that group's European operations. He previously fulfilled a similar role for Select Appointments. Armin brings with him a wealth of experience and knowledge of European staffing operations, which is expected to be of great benefit to Empresaria.

Prospects

The Group performed strongly over the first six months of 2006 and has continued to perform well in the intervening months. Organic growth continues to be driven by established operations supplemented increasingly by recent start-ups and supportive acquisitions. As Empresaria has historically made the majority of its profit in the second half of the year it is anticipated that this trend will continue in 2006. The Board is positive as to the outlook for the year.

Tony Martin

Chairman

25th September 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 6 months to 30th June 2006

	Half Year 2006 £ 000 (unaudited)	Half Year 2005 £ 000 (unaudited)	Full Year 2005 £ 000 (audited)
Turnover			
Existing operations	33,157	22,679	48,342
Acquisitions	743	1,848	5,718
Continuing Operations	33,900	24,527	54,060
Discontinued operations	-	-	-
Total turnover	33,900	24,527	54,060
Cost of Sales	(23,986)	(17,507)	(38,667)
Gross Profit	9,914	7,020	15,393
Administrative Expenses	(9,102)	(6,366)	(13,749)
Operating profit			
Existing operations	739	493	1,217
Acquisitions	73	183	697
Continuing operations	812	676	1,914
Discontinued operations	-	(22)	-
Group operating profit	812	654	1,914
Share of operating profit in associated company	(38)	(34)	(44)
	774	620	1,870
Interest receivable and similar income			
Interest payable and similar charges	(168)	(112)	(263)
Profit on ordinary activities before taxation	606	508	1,607
Tax on profit on ordinary activities	(250)	(225)	(726)
Profit on ordinary activities after taxation	356	283	881
Minority equity interests	(137)	(101)	(233)
Profit on ordinary activities attributable to the members of Empresaria Group plc	219	182	648
Equity dividends paid	-	-	(80)
Retained profit for the period	219	182	568
Earnings per share (pence) basic and diluted	1.0	0.9	3.1

CONSOLIDATED BALANCE SHEET

As at 30th June 2006

	June-2006 £ 000 (unaudited)	June-2005 £ 000 (unaudited)	December 2005 £ 000
Fixed Assets			
Intangible Assets	8,672	6,042	7,981
Tangible Assets	648	301	535
Investment in associates	664	274	39
	9,984	6,617	8,555
Current Assets			
Trade and other debtors	13,817	10,393	10,169
Cash	2,135	1,658	2,405
	15,952	12,051	12,574
Creditors			
Amounts falling due within one year	(14,349)	(9,309)	(10,992)
Net current assets	1,603	2,742	1,582
Creditors			
Amounts falling due after more than one year	(1,323)	(1,595)	(1,449)
Total net assets	10,263	7,764	8,688
Capital and reserves			
Called up share capital	1,175	1,037	1,113
Other reserve	1,516	991	1,539
Share premium	4,980	3,463	3,822
Profit and loss account	1,665	1,291	1,447
Equity Shareholders' Funds	9,336	6,782	7,921
Minority interests	927	982	767
	10,263	7,764	8,688

CONSOLIDATED CASH FLOW STATEMENT

For the 6 months ended 30th June 2006

	Note	June 2006 £ 000 Unaudited		June 2005 £ 000 Unaudited		December 2005 £ 000	
Net cash inflow from operating activities	1		287		35		2,500
Returns on investments and servicing of finance							
Interest paid		(168)		(112)		(263)	
Dividends paid to minority shareholders in subsidiary companies		(61)		(33)		(196)	
Net cash outflow for returns on investments and servicing of finance			(229)		(145)		(459)
Taxation - Corporation Tax Paid			(245)		(95)		(586)
Capital expenditure and financial investment							
Payments to acquire tangible assets		(298)		(189)		(413)	
Net cash outflow for capital expenditure			(298)		(189)		(413)
Acquisitions and disposals							
Purchase of subsidiaries		(741)		(1,134)		(1,993)	
Cash/overdraft acquired with subsidiary		(14)		324		462	
Purchase of associates		(593)		(162)		(21)	
Net cash outflow for acquisitions and disposals			(1,348)		(972)		(1,552)
Equity dividends paid			-		-		(84)
Net cash (outflow)/inflow before financing			(1,833)		(1,366)		(594)
Financing							
Issue of shares		920		-			
Issue of loan stock				-			
Raising of Long term Loan				-			
Repayment Of Loan		(105)		(96)		(238)	
Increase/(Decrease) in invoice discounting balances		748		199		316	
Capital elements of hire purchase contracts				-			
Net cash (outflow)/inflow from financing			1,563		103		78
(Decrease)/increase in cash in the period	**3**		(270)		(1,263)		(516)

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

	June 2006	June 2005	December 2005
Operating profit	812	654	1,914
Loss on disposal of tangible fixed assets	-	-	73
Depreciation of tangible assets	167	136	262
Amortisation of goodwill	342	240	618
Increase in debtors	(3,424)	(1,225)	(433)
Decrease in creditors	2,390	230	66
Net cash inflow from operating activities	287	35	2,500

2 Reconciliation of net cash flow to movement in net debt

	June 2006 £000's	June 2005 £000's	December 2005 £000's
(Decease)/increase in cash in the period	(270)	(1,263)	(516)
Cash inflow from increase in debt	(643)	(103)	(78)
Change in net debt resulting from cash flows	(913)	(1,366)	(594)
Factoring debt acquired	-	-	(286)
	(913)	(1,366)	(880)
Opening net debt	(2,447)	(1,567)	(1,567)
Closing net debt	(3,360)	(2,933)	(2,447)

3 Analysis of net debt

	31 December 2005 £000's	Cash flow £000's	Other non-cash Changes £000's	30 June 2006 £000's
Cash at bank and in hand	2,405	(270)	-	2,135
Amounts owed to factors	(3,302)	(748)	-	(4,050)
Long term Loans				
Due within one year	(225)	(20)	-	(245)
Due after one year	(1,325)	125	-	(1,200)
	(2,447)	(913)	-	(3,360)

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 2005. 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 2005, 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 2006 with comparative information for the year ended 31 December 2005 and for the 6 months ended 30 June 2005;

- Balance sheet as at 30 June 2006 with comparative information at 31 December 2005 and at 30 June 2005;

- Cash flow statement for the 6 months ended 30 June 2006 with comparative information for the year ended 31 December 2005 and the 6 months ended 30 June 2005;

2. Dividend

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

3. Earnings per share (basic and diluted)

Basic earnings per share are calculated by dividing the retained profit for each period by the average number of shares in issue, 22,478,049 (December 2005: 20,798,075; June 2005: 20,370,877).

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.

4. Reconciliation of basic to adjusted EPS

	6 Months ended June 2006 pence	6 Months ended June 2005 pence	Year ended Dec 2005 pence
Headline EPS	1.0	0.9	3.1
Effect of goodwill amortisation	1.3	0.9	2.6
Effect of exceptional items	-	-	-
Adjusted EPS	2.3	1.8	5.7

5. Reconciliation of adjusted profits

	6 Months ended June 2006 £ 000's	6 Months ended June 2005 £ 000's	Year ended Dec 2005 £ 000's
Operating profit	812	654	1,870
Profit before tax	606	508	1,607
Goodwill amortisation	342	241	618
Exceptional operating items	-	-	
	342	241	618
Exceptional non-operating items	-	-	-
Adjusted operating profit	1,154	895	2,488
Adjusted profit before tax	948	749	2,225