Hydrogen Group Plc

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2018

The Board of Hydrogen Group plc ("**Hydrogen Group**" or the "**Group**") (AIM: HYDG) announces its unaudited results for the half year ended 30 June 2018.

Highlights

- Reported Group revenue for the period increased 21% to £68.6m (H1 2017: £56.8m)
- Reported Net Fee Income ("NFI")* increased by 57% to £14.8m (H1 2017: £9.4m), due to both the acquisition of Argyll Scott and strong underlying growth across the Group:
    - Permanent NFI grew 100% to £8.5m (H1 2017: £4.3m);
    - Contract NFI increased by 23% to £6.3m (H1 2017: £5.1m);
    - Group contract margin increased 7% to 10.4% (H1 2017: 9.7%)
- Proforma NFI increased by 10%
- Underlying** Profit Before Tax ("PBT") increased by £0.9m, 596% to £1.1m (H1 2017: £0.2m)
- Strong cash generation of £2.0m from operations during the period (H1 2017: outflow £0.7m)
- Net cash of £1.3m at 30 June 2018 (31 December 2017: net debt £0.4m and 30 June 2017: net cash £1.7m)
- Increase in adjusted basic EPS in the period of 2.5p to 2.4p (H1 2017: loss 0.1p)
- Return to the payment of an interim dividend. Interim dividend of 0.5p per share (2017: nil) to be paid on 19 October 2018 to shareholders on the register on 21 September 2018

** Net Fee Income – which is the equivalent of gross profit*

****** *Adjusted for foreign exchange gains/losses, share based payments, non-controlling interest, amortisation of acquired intangibles and exceptional items.*

Commenting, Ian Temple, CEO of Hydrogen Group plc said:

"I am pleased to be able to report a strong trading performance in the first six months of the year, with Net Fee Income on a pro-forma basis up 10% on the first six months of 2017. The key objectives of the business combination with Argyll Scott have been successfully achieved and we have established a scalable platform that enables us to look forward confidently to further sustainable long-term organic profit growth. Furthermore, with a strong balance sheet, the Group is well placed to make acquisitions and will continue to investigate potential targets.

With the current levels of activity, the Board is confident that the underlying profit and EPS for the full year will be substantially ahead of current market expectations."

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Notes to the editor

Hydrogen Group is a group of specialist recruitment and people solutions businesses with a proven global platform with clients' in over 50 countries. We deliver by building market leading niche specialist teams that develop a deep understanding of candidate and clients' needs and developing solutions.

Overview

Argyll Scott Holdings Limited ("Argyll Scott"), which was acquired in June 2017, has now been substantially integrated into the Group. All the key objectives identified at the time of the acquisition – to accelerate growth through the scaling of our APAC operations, to realise synergies though the consolidation of support services, and to diversify customer revenue concentration – have been successfully achieved. During H1 2018 on a proforma basis, while Group NFI grew by 10%, APAC (where the majority of Argyll Scott's operations are based) NFI grew by 16%. Annualised overhead cost synergies of some £1.5m have been realised. Expected cross fertilisation of client relationships across the Group's brands are anticipated to generate incremental NFI of some £0.4m in 2018 and the Group's largest client accounted for 8% of NFI in the first half of 2018 (H1 2017:14%).

The integration project has enabled the creation of a scalable operational platform that will promote further long term sustainable profit growth, underpinned by the Group's core strategic pillars:

- an operating model focussed on building specialist niche businesses which are each driven, through a consistent targeting and reporting model, to grow to be market leaders;
- the minority interest share scheme launched in H2 2017 which is impacting the retention, motivation and development of key staff, as well as attracting new talent to Hydrogen Group. The Group have made two significant additions to its global leadership team in the USA and Australia during the period giving it confidence that it should be able to deliver significant growth in these markets moving forward;
- a digital marketing programme that supports a multi brand specialist niche business strategy by allowing the development of key client and candidate relationships on a scalable, but bespoke, one to one basis;
- a single global technology and CRM platform that promotes communication and the cross fertilisation of key client relationships across the Group and drives its "go to market" strategy; and
- investment in people. A commitment to create a genuine learning and development culture throughout the Group. Bespoke training programmes have been developed for each job function and grade, which are being delivered across the Group by the leadership and management teams.

During the period, Hydrogen Group have continued to invest in its productive headcount. While total headcount has increased by 10 (3%) from 313 to 323, fee earner headcount has increased by 18 (7%) as the Group have begun to exploit the efficiencies created by its new operational platform.

The Board believes that future organic growth can now be supplemented by selective acquisitions to accelerate the Group's development. Strict criteria have been developed, which will be applied to any potential acquisition relating to its strategic, financial, operational, and cultural fit.

Financial Highlights

Group revenue for the period increased by 21% (22% in constant currency terms) to £68.6m (H1 2017: £56.8m).

Overall, Group NFI increased by 57% (61% in constant currency terms) to £14.8m (H1 2017: £9.4m). Although the principal driver of this was the contribution by Argyll Scott, underlying NFI growth was also strong with NFI increasing by 10% on a pro forma basis.

Although the UK business has grown during the period in absolute terms, the Group have continued to reduce its reliance on the UK market in relative terms. The percentage of NFI denominated in currencies other than Sterling has increased to 53% (H1 2017: 44%). Foreign currency income, in general, is naturally hedged against foreign currency expenditure.

In EMEA NFI grew by 26% to £8.7m (H1 2017: £6.9m). On a pro forma basis the EMEA region's NFI grew by 6%, with increases in both contract and permanent revenue. This was largely driven by contractor growth in the Business Transformation practice and strong activity in the permanent Legal practice.

APAC NFI increased by £3.6m or 189% to £5.5m (H1 2017: £1.9m) and by 197% in constant currency terms. Although this growth was largely driven by the acquisition of Argyll Scott, underlying growth was also strong with pro forma NFI increasing by 16% principally as a result of strong performances from the Singapore, Thailand and Australia offices.

In the US, NFI was flat at £0.5m (H1 2017: £0.5m) however on a constant currency basis it increased by 10%. Although the performance of the permanent business was challenging, contract NFI growth was very strong, which together with the investment made in local leadership, positions the region well for future growth.

The split between contract and permanent NFI for H1 2018 was 42% contract (H1 2017: 54%); 58% permanent (H1 2017: 46%). The change towards permanent recruitment was driven by an increase in permanent NFI of 100% to £8.5m (H1 2017: £4.3m) that principally reflects the impact of Argyll Scott, which is predominantly a permanent business. In absolute terms contract NFI has also increased, growing by 23% in the period to £6.3m (H1 2017: £5.1m). The trend of improving contract margins experienced in recent period has continued with the Group achieving a contract margin of 10.4% in H1 2018 (H1 2017: 9.7%).

Operating profit before exceptional items grew to £1.2m (H1 2017 - £0.1m) driven by both the higher NFI for the period and a proportionately smaller increase in administrative expenses resulting from the cost savings realised through the integration project. While NFI has increased by 57%, administrative expenses have only increased by 45% to £13.9m (H1 2017: £9.6m). There were no exceptional costs in the first half of 2018 (H1 2017: £0.6m).

The operating profit for the period was £1.2m (H1 2017: operating loss £0.6m). Profit before tax was £1.1m (H1 2017: loss before tax £0.6m).

Underlying** PBT remains the Board's preferred measure of trading performance of the business and has increased by £0.9m to £1.1m (H1 2017: £0.2m) in line with the increase in operating profit before exceptional items.

	Six months ended	
	2018	2017
	£'000	£'000
Profit Before Tax/(Loss Before Tax)	**1,121**	(611)
Exceptional items	**-**	610
Amortisation of acquired intangibles	**45**	7
Non-controlling interest	**(134)**	9
Share based payments	**30**	150
Foreign exchange losses	**71**	16
Underlying PBT	**1,133**	181

The movement in the non-controlling interest reflects Argyll Scott's inclusion for the whole period. The reduction in the share based payments results from changes in the structure of the Group's leadership share scheme.

Cash flow and cash position

At 30 June 2018, the Group had net cash of £1.3m (31 December 2017: net debt £0.4m and 30 June 2017: net cash £1.7m). The increase in net cash during the period of £1.6m was driven by an increase in operating cashflows of £2.0m resulting both from profitable trading and improved working capital management. The cash cost of exceptional items provided for in 2017 amounted to £0.3m. Capital expenditure totalled £0.4m and principally related to the implementation of the Group's new integrated IT infrastructure.

Bank facilities

The Group have two invoice discounting facilities in place with a combined value of £19.0m.

Hydrogen has an existing facility of £18.0m, with a commitment to May 2019. Argyll Scott has a facility in place of £1.0m which has a commitment until December 2018. On 30 May 2018, six months' notice was given to terminate the existing facility in Argyll Scott as this was no longer required to fund the Group's operations. The Hydrogen facility shall continue until ended by either party giving to the other not less than three months' written notice.

Dividend

The Board is confident in the prospects of the Group. As a result, it proposes to resume payment of an interim dividend and will pay an initial interim dividend of 0.5p for 2018 (2017: nil). The dividend will be paid on 19 October 2018 to shareholders on the register at the close of business on 21 September 2018.

Current Trading

The Group have continued to trade well since the 30 June and has a strong pipeline of business moving into Q4. The Board is therefore confident that the full year outturn will be substantially ahead of current market expectations.

Hydrogen Group Plc
Unaudited Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2018

	Note	**Six months ended** **30 June 2018 £'000**	30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue	4	**68,575**	**56,800**	125,853
Cost of sales		**(53,768)**	**(47,438)**	(103,060)
Gross profit		**14,807**	**9,362**	22,793
Other administrative expenses		**(13,875)**	**(9,585)**	(22,605)
Exceptional administrative expenses	5	**-**	**(610)**	(1,963)
Administration expenses		**(13,875)**	**(10,195)**	(24,568)
Other income		**264**	**267**	539
Operating profit/(loss)		**1,196**	**(566)**	(1,236)
Share of loss from associate		**(23)**	**(17)**	(100)
Finance costs		**(62)**	**(37)**	(123)
Finance income		**10**	**9**	12
Profit/(loss) before taxation		**1,121**	**(611)**	(1,447)
Income tax	6	**(149)**	**(23)**	107
Profit/(loss) for the period/year		**972**	**(634)**	(1,340)
Profit/(loss) attributable to:				
Equity holders of the parent		**838**	**(625)**	(1,232)
Non-controlling interest		**134**	**(9)**	(108)
Other comprehensive profit/(loss):				
Exchange differences on translating foreign operations		**65**	**(247)**	141
Exchange differences on intercompany loans		**9**	**108**	(391)
Other comprehensive profit/(loss)		**74**	**(139)**	(250)
Total comprehensive profit/(loss) for the period/year		**1,046**	**(773)**	(1,590)
Total comprehensive income attributable to:				
Equity holders of the parent		**912**	**(764)**	(1,482)
Non-controlling interest		**134**	**(9)**	(108)
Earnings per share				
Basic profit/(loss) per share (pence)	7	**2.61p**	**(2.61p)**	(4.4p)
Diluted profit/(loss) per share (pence)	7	**2.36p**	**(2.61p)**	(4.4p)

The notes to the accounts set out below form an integral part of this unaudited condensed consolidated interim report.

Hydrogen Group Plc
Unaudited Condensed Consolidated Interim Statement of Financial Position
For the six months ended 30 June 2018

	Note	**30 June 2018 £'000**	30 June 2017 £'000	31 December 2017 £'000
Non-current assets				
Goodwill		**12,291**	12,112	12,214
Investment in associate	12	**27**	133	50
Other intangible assets		**727**	1,417	789
Property, plant and equipment		**1,002**	902	882
Deferred tax assets		**180**	141	181
Other financial assets	9	**321**	339	312
		14,548	15,044	14,428
Current assets				
Trade and other receivables	9	**23,787**	22,250	23,765
Current tax receivable		**187**	336	290
Cash and cash equivalents		**3,112**	4,149	2,770
		27,086	26,735	26,825
Total assets		**41,634**	41,779	41,253
Current liabilities				
Trade and other payables	10	**(17,019)**	(16,182)	(15,647)
Borrowings		**(1,809)**	(2,422)	(3,132)
Redemption liability		**(69)**	-	(69)
Provisions	11	**(279)**	(271)	(602)
		(19,176)	(18,875)	(19,450)
Non-current liabilities				
Deferred tax		**(133)**	(429)	(136)
Loans		**-**	(56)	-
Redemption liability		**(809)**	-	(951)
Provisions	11	**(507)**	(444)	(503)
		(1,449)	(929)	(1,590)
Total liabilities		**(20,625)**	(19,804)	(21,040)
Net assets		**21,009**	21,975	20,213
Equity				
Share capital		**334**	329	334
Share premium		**3,520**	6,660	3,520
Merger reserve		**19,240**	16,100	19,240
Own shares held		**(1,338)**	(1,338)	(1,338)
Share option reserve		**1,765**	2,694	1,735
Translation reserve		**(522)**	(927)	(599)
Forward purchase reserve		**(878)**	-	(1,020)
Retained earnings		**(1,352)**	(1,887)	(1,871)
		20,769	21,631	20,001
Non-controlling interest		**240**	344	212
Total equity		**21,009**	21,975	20,213

The notes to the accounts set out below form an integral part of this unaudited condensed consolidated interim report.

Hydrogen Group Plc
Unaudited Condensed Consolidated Interim Statement of Changes in Equity
For the six months ended 30 June 2018

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares held £'000	Share option reserve £'000	Translation reserve £'000	Forward purchase reserve £'000	Retained earnings £'000	Attributable to owners Owners £'000	Attributable to owners NCI £'000	Total equity £'000
At 1 January 2017	239	3,520	16,100	(1,338)	2,544	(788)	-	(1,262)	19,015	-	19,015
Acquisition of Argyll Scott	90	3,140	-	-	-	-	-	-	3,230	353	3,583
Share option charge	-	-	-	-	150	-	-	-	150	-	150
Transactions with owners	90	3,140	-	-	150	-	-	-	3,380	353	3,733
Profit for the 6m to 30.6.17	-	-	-	-	-	-	-	(625)	(625)	(9)	(634)
Other comprehensive income:											
Exchange differences on intercompany loans	-	-	-	-	-	(247)	-	-	(247)	-	(247)
Foreign currency translation	-	-	-	-	-	108	-	-	108	-	108
Total comprehensive profit for the period	-	-	-	-	-	(139)	-	(625)	(764)	(9)	(773)
At 30 June 2017	329	6,660	16,100	(1,338)	2,694	(927)	-	(1,887)	21,631	344	21,975
New shares issued	5	-	-	-	54	-	-	-	59	-	59
Correction to Argyll Scott acquisition	-	(3,140)	3,140	-	-	-	-	-	-	(33)	(33)
Share option charge	-	-	-	-	49	-	-	-	49	-	49
Transactions with owners	5	(3,140)	3,140	-	103	-	-	-	108	(33)	75
Profit for the 6m to 31.12.17	-	-	-	-	-	-	-	(607)	(607)	(99)	(708)
Reduction to share option reserve	-	-	-	-	(1,062)	-	-	1,062	-	-	-
Translation transfer	-	-	-	-	-	439	-	(439)	-	-	-
Redemption liability	-	-	-	-	-	-	(1,020)	-	(1,020)	-	(1,020)
Other comprehensive income:											
Exchange differences on intercompany loans	-	-	-	-	-	(144)	-	-	(144)	-	(144)
Foreign currency translation	-	-	-	-	-	33	-	-	33	-	33
Total comprehensive loss for the period	-	-	-	-	-	(111)	-	-	(111)	-	(111)
At 31 December 2017	334	3,520	19,240	(1,338)	1,735	(599)	(1,020)	(1,871)	20,001	212	20,213
NCI buyback	**-**	**-**	**-**	**-**	**-**	**-**	**142**	**(62)**	**80**	**(106)**	**(26)**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(257)**	**(257)**	**-**	**(257)**
Share option charge	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**33**	**-**	**33**
Transactions with owners	**-**	**-**	**-**	**-**	**33**	**-**	**142**	**(319)**	**(144)**	**(106)**	**(250)**
Profit for the 6m to 30.6.18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**838**	**838**	**134**	**972**
Other comprehensive income:											
Exchange differences on intercompany loans	**-**	**-**	**-**	**-**	**-**	**65**	**-**	**-**	**65**	**-**	**65**
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**9**	**-**	**9**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**74**	**-**	**-**	**74**	**-**	**74**
At 30 June 2018	**334**	**3,520**	**19,240**	**(1,338)**	**1,768**	**(525)**	**(878)**	**(1,352)**	**20,769**	**240**	**21,009**

The notes to the accounts set out below form an integral part of this unaudited condensed consolidated interim report.

Hydrogen Group Plc
Unaudited Condensed Consolidated Interim Statement of Cash Flows
For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 £'000	30 June 2017 £'000	Year ended 31 December 2017 £'000
Net cash inflow/(outflow) from operating activities	8	**2,000**	(719)	(2,567)
Investing activities				
Investment in associate		**-**	-	(150)
Purchase of property, plant and equipment		**(364)**	(7)	(46)
Purchase of software assets		**-**	(167)	(255)
Net cash used in investing activities		**(364)**	302	(451)
Financing activities				
(Decrease)/increase in borrowings		**(1,323)**	1,811	2,045
Equity dividends paid		**-**	-	-
Net cash (utilised)/generated from financing activities		**(1,323)**	1,335	2,045
Net increase/(decrease) in cash and cash equivalents		**313**	918	(907)
Cash and cash equivalents at beginning of period/year		**2,770**	3,106	3,106
Effect of foreign exchange rate movements		**29**	125	637
Cash and cash equivalents at end of period/year		**3,112**	4,149	2,770

The notes to the accounts set out below form an integral part of this unaudited condensed consolidated interim report.

1 General information

The principal activity of Hydrogen Group plc ("the Company") and its subsidiaries' (together known as "the Group") is the provision of services for mid to senior level professional staff. The Group consists of three operating segments, EMEA, USA and APAC, offering both permanent and contract services for large and medium sized organisations. The Group offers services in Professional Support Services (including legal, finance, technology and business transformation) and in Technical and Scientific market sectors (Energy and Life Sciences). The Group operates across the world from a network of offices in Australia, Dubai, Hong Kong, Malaysia, Singapore, Thailand, UK and the USA, plus a number of internationally focused teams based in the UK.

Hydrogen Group plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The registered office address and principal place of business is 30 Eastcheap, London, EC3M 1HD, England. Hydrogen Group plc's shares are listed on AIM. Registered company number is 05563206.

The unaudited condensed consolidated interim report for the six months ended 30 June 2018 (including comparatives) is presented in GBP '000, and were approved and authorised for issue by the Board of directors on 18 September 2018.

Copies of these interim results are available at the Company's registered office, 30 Eastcheap, London, EC3M 1HD, England, and on the Company's website – www.hydrogengroup.com.

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2017 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditor's report on those accounts was unmodified and did not contain a statement under section 498 of the Companies Act 2006.

2 Basis of preparation

The unaudited condensed consolidated interim report for the six months ended 30 June 2018 has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The unaudited condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which were prepared in accordance with IFRSs as adopted by the European Union.

These financial statements have been prepared under the historical cost convention.

The Group has an invoice discounting facility of £18.0m with HSBC with a commitment to May 2019. After this date the facility shall continue until terminated by either party giving to the other not less than three months' written notice.

The Group also has an additional invoice discounting facility of £1.0m with Barclays. On 30 May 2018, six months' notice was given to terminate the facility as this was no longer required to fund the Group's operations.

This unaudited condensed consolidated interim report has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2017 other than in respect of changes in policy to new standards as set out in note 3 below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the condensed consolidated interim report.

3 Significant accounting policies

Hydrogen Group Plc has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will also be adopted in the 2018 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 9 Financial Instruments

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39.

On review of the Group's financial instruments, the Board considers that this standard has had no material impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer and contract costs.

Hydrogen Group recognises revenue from contractor placements as services are provided and from permanent placements on start date. This policy is in line with the principles set out in IFRS 15 and therefore there is no material impact on the Group's financial statements.

International Accounting Standards (IAS/IFRS) and interpretations in issue but not yet adopted

The Board continues to review future applicable IFRS to the Group. In particular, the Board is reviewing the impact of IFRS 16 in more detail.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. However, amortisation and interest charges are likely to increase, and operating lease rentals will decrease. The effect of these changes will therefore impact some of the Group's KPI's. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4 Segment reporting

(a) Revenue, gross profit and operating profit/(loss) by discipline

For management purposes, the Group is organised into three operating segments, EMEA, USA and Asia Pacific (APAC), based on the discipline of the candidate being placed. All operating segments have similar economic characteristics and share a majority of the aggregation criteria set out in IFRS 8.12.

	30 June 2018					30 June 2017					31 December 2017				
	EMEA	USA	APAC	Group cost	Total	EMEA	USA	APAC	Group cost	Total	EMEA	USA	APAC	Group cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	55,550	2,705	10,320	-	68,575	47,773	1,569	7,498	-	56,800	104,055	3,898	17,900	-	125,853
Gross profit	8,723	540	5,544	-	14,807	6,896	530	1,936	-	9,362	14,811	916	7,066	-	22,793
Depreciation and amortisation	(127)	-	(30)	(45)	(202)	(215)	-	(6)	-	(221)	(351)	-	(41)	(52)	(318)
Other income	264	-	-	-	264	267	-	-	-	267	539	-	-	-	553
Operating profit before exceptional items	1,332	(128)	772	(780)	1,196	837	29	11	(833)	44	1,447	(19)	323	(1,120)	750
Exceptional items	-	-	-	-	-	(610)	-	-	-	(610)	(1,408)	-	(230)	(325)	(1,963)
Operating profit /(loss)	1,332	(128)	772	(780)	1,196	227	29	11	(833)	(566)	39	(19)	141	(1,397)	(1,236)
Finance costs					(62)					(37)					(123)
Finance income					10					9					12
Loss from associate					(23)					(17)					(100)
Profit/(loss) before tax					1,121					(611)					(1,447)
Total Assets	18,618	1,342	7,010	14,664	41,634	20,594	1,010	7,210	12,965	41,779	16,621	1,083	6,377	17,172	41,253
Total Liabilities	(16,370)	(555)	(2,188)	(1,512)	(20,625)	(16,968)	(263)	(1,882)	(691)	(19,804)	(15,758)	(344)	(1,919)	(3,019)	(21,040)

4. Segment reporting (continued)

(a) Revenue, gross profit and operating profit/(loss) by discipline (continued)

Revenue reported above represents revenue generated from external customers. There were no sales between segments in the six months to 30 June 2018 (30 June 2017: Nil, 31 December 2017: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and finance income.

The information reviewed by the chief operating decision maker, or otherwise regularly provided to the chief operating decision maker, does not include information on net assets. The cost to develop this information would be excessive in comparison to the value that would be derived.

There is one external customer that represented more than 23% of the entity's revenues with revenue of £15.5m, and approximately 8% of the Group's NFI, included in the EMEA segment (30 June 2017: one customer, revenue £16.0m, EMEA segment; 31 December 2017: one customer, revenue £27.5m, EMEA segment).

(b) Revenue and gross profit by geography

	Revenue			Gross profit		
	Six months ended		Year ended	**Six months ended**		Year ended
	30 June 2018 £'000	30 June 2017 £'000	31 Dec 2017 £'000	**30 June 2018 £'000**	30 June 2017 £'000	31 Dec 2017 £'000
UK	**51,007**	42,863	94,984	**6,963**	5,286	11,795
Rest of World	**17,568**	13,937	30,869	**7,844**	4,076	10,998
	68,575	56,800	125,853	**14,807**	9,362	22,793

(c) Revenue and gross profit by recruitment classification

	Revenue			Gross profit		
	Six months ended		Year ended	**Six months ended**		Year ended
	30 June 2018 £'000	30 June 2017 £'000	31 Dec 2017 £'000	**30 June 2018 £'000**	30 June 2017 £'000	31 Dec 2017 £'000
Permanent*	**8,560**	4,280	11,626	**8,541**	4,260	11,549
Contract	**60,015**	52,520	114,227	**6,266**	5,102	11,244
	68,575	56,800	125,853	**14,807**	9,362	22,793

** includes Fixed Term Contracts (FTC's)*

5 Exceptional items

Exceptional items are costs that are separately disclosed due to their material and non-recurring nature. They arose as a result of the strategic decision to acquire the entire share capital of Argyll Scott and align the combined businesses going forward.

	Six months ended		Year ended
	30 June	30 June	31 December
	2018	2017	2017
	£'000	£'000	£'000
Restructuring costs	**-**	57	201
Impairment of software	**-**	-	589
IT integration	**-**	32	236
Onerous lease	**-**	291	692
Professional fees	**-**	230	245
Total	**-**	610	1,963

6 Income tax expense

The charge for taxation on profits for the six months amounted to £0.15m (30 June 2017: £0.02m, 31 December 2017: credit of £0.11m), being tax on profits and adjustment to prior year amounts.

7 Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options and share incentive plans, assuming dilution through conversion of all existing options and shares held in share plans.

	Six months ended		Year ended
	30 June	30 June	31 December
	2018	2017	2017
	£'000	£'000	£'000
Earnings			
Profit/(loss) for the period/year attributable to equity holders of the parent	**838**	**(625)**	**(1,232)**
Adjusted earnings			
Profit/(loss) for the period	838	(625)	(1,232)
Add back: exceptional costs	-	610	1,963
	838	**(15)**	**731**

7. Earnings per share (continued)

Number of shares	**Six months ended 30 June 2018 Number**	30 June 2017 Number	Year ended 31 December 2017 Number
Weighted average number of shares used for earnings per share	**32,067,205**	23,973,554	28,176,049
Dilutive effect of share plans	**3,485,613**	2,653,075	2,597,754
Diluted weighted average number of shares used to calculate fully diluted earnings per share	**35,552,818**	26,626,629	30,773,803
Basic profit/(loss) per share	**2.61p**	(2.61p)	(4.37p)
Fully diluted profit/(loss) per share	**2.36p**	(2.61p)	(4.37p)
Adjusted basic earnings per share	**2.61p**	(0.06p)	2.59p
Adjusted diluted earnings per share	**2.36p**	(0.06p)	2.38p

8 Cash flow from operating activities

	Six months ended 30 June 2018 £'000	30 June 2017 £'000	Year ended 31 December 2017 £'000
Profit/(loss) before taxation	**1,121**	(611)	(1,447)
Add back associate loss	**23**	17	100
Add back exceptional items	**-**	610	1,963
Profit before taxation and exceptional items	**1,144**	16	616
Adjusted for:			
Depreciation and amortisation	**202**	220	431
(Decrease)/increase in non-exceptional provisions	**(42)**	135	(7)
FX unrealised gains	**32**	11	(6)
Share based payments	**30**	150	199
Net finance costs	**10**	(9)	111
Operating cash flows before movements in working capital	**1,376**	523	1,344
Increase in receivables	**(31)**	(4,640)	(6,126)
Increase in payables	**1,115**	3,690	3,154
Income tax (expense)/credit	**(149)**	(23)	107
Cash generated/(utilised) from operating activities	**2,311**	(450)	(1,521)
Income taxes paid	**-**	(132)	(354)
Finance costs	**(62)**	(37)	(123)
Finance income	**10**	-	12
Net cash inflow/(outflow) from operating activities before exceptional items	**2,259**	(619)	(1,986)
Cash flows arising from exceptional items	**(259)**	(100)	(581)
Net cash inflow/(outflow) from operating activities	**2,000**	(719)	(2,567)

9 Trade and other receivables

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Trade receivables	**12,729**	**11,011**	14,003
Allowance for doubtful debts	**(130)**	**(55)**	(135)
Accrued income	**9,700**	**9,936**	8,329
Prepayments	**800**	**983**	792
Other receivables			
- due within 12 months	**688**	**375**	776
- due after more than 12 months	**321**	**339**	312
	24,108	**22,589**	24,077
Current	**23,787**	**22,250**	23,765
Non-current	**321**	**339**	312

10 Trade and other payables

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Trade payables	**2,158**	1,928	2,490
Other taxes and social security costs	**1,234**	1,404	1,315
Other payables	**1,413**	999	1,496
Accruals	**12,214**	11,851	10,346
	17,019	16,182	15,647

11 Provisions

	Leasehold dilapidations £'000	**Onerous lease £'000**	**System Integration £'000**	**Onerous contracts £'000**	**Total £'000**
At 1 January 2017	309	-	-	-	309
New provision	135	271	-	-	406
At 30 June 2017	444	271	-	-	715
New provision	3	421	217	62	703
Utilised	-	(313)	-	-	(313)
At 31 December 2017	**447**	**379**	**217**	**62**	**1,105**
New provision	**4**	**-**	**-**	**-**	**4**
Utilised	**-**	**(78)**	**(193)**	**(52)**	**(323)**
At 30 June 2018	**451**	**301**	**24**	**10**	**786**
Current	**-**	**245**	**24**	**10**	**279**
Non-current	**451**	**56**	**-**	**-**	**507**

12 Investment in associate

The following table provides summarised information of the Group's investment in the associated undertaking:

	£'000
As at 1 January 2018	50
Share of associate's loss	(23)
As at 30 June 2018	**27**

Principle associate	Investment held by	Principal activity	Country of incorporation	% Equity interest
Tempting Ventures Limited (previously CBFG Limited)	Hydrogen Group Plc	Advisory services	UK	45.0

Tempting Ventures Limited was incorporated on 14 September 2016 and has made strong initial investment in the past two years to create a growing and successful business. Investments in TVWW Ltd, R&O Energy Ltd and Bigwave Talent Ltd have added circa £15m to the annual turnover and helped the Group establish a strong foothold in the recruitment sector, trading as Tempting Talent. NFI in the period was £2.2m with average sales heads of 42. Looking forward, the Group forecasts to become profitable into H2 and intend to make further investments in recruitment businesses in 2019.

13 Dividends

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Amounts recognised to shareholders in the period			
Final dividend for the year ended 31 December 2017 of 0.8p per share (2016: nil)	**257**	-	-
Total	**257**	-	-

The final dividend of 0.8p per share for the year ended 31 December 2017 was approved by the Board on 25 May 2018 and therefore not included as at 31 December 2017. This dividend was paid on 5 July 2018 and sits within other payables as at 30 June 2018.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014.