Hydrogen Group plc

16 September 2014

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014

The Board of Hydrogen Group plc ("**Hydrogen**" or the "**Group**") (AIM: HYDG) announces its unaudited results for the half year ended 30 June 2014.

Financial Highlights

- Cash generation from operating activities of £1.1m (1H 2013: £2.8m)
- Net Fee Income ("NFI") declined by 8% (5% on a constant currency basis) to £14.6m (1H 2013: £15.9m)
- Major restructuring of the business within a tight timetable - leading to an estimated £1.8m exceptional charge for the full year (of which £1.5m was incurred in the first half)
- Cost savings from restructuring already evident - 2% reduction in administration costs to £14.1m compared with the same period last year (1H 2013: £14.4m); full benefit in second half of 2014
- Net debt further reduced at period end to £3.8m (31 December 2013: £4.0m)
- Interim dividend maintained at 1.5p per share (2013 interim: 1.5p)
- On track to meet profit expectations for the year

Operating Highlights

- Investment in Technology practice showing returns with NFI increasing by 40%
- Continued strong growth in Singapore, with NFI increasing by 16% (28% in constant currency) against the same period in 2013
- Office opened in Kuala Lumpur, Malaysia, in support of major contract win and to support growth in Asia region
- Headcount in Houston office increased following successful US opening in April 2013
- Tight working capital control and strong cash collection; trade receivables measured as days of sale outstanding (DSOs) maintained at year-end level of 22 days (1H 2013: 21 days)

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

"The Group invested heavily in headcount towards the end of 2013 on the basis of a strong client pipeline and improving activity. Unfortunately, for differing reasons, the improvement failed to materialise within the timeframe anticipated and the Group faced increased costs during a period when net fee income growth was constrained. Management acted decisively to address the situation, simplifying the organisation, focusing areas for investment and reducing costs.

Throughout the change we have continued to invest in our business for the medium term, focusing on the development of long term relationships with strategic clients, and increasing headcount in areas where growth in NFI and profitability are available.

We saw an improving trend in profitability through the half year and this has continued into the third quarter. Our focus remains on the development of client relationships, robust performance management and continued vigilance over costs. I am confident that the Group remains on target to meet its expectations for the year."

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Note:

Hydrogen is a global specialist recruitment business with a turnover in excess of £160m. We build relationships by finding specialist candidates our clients have difficulty sourcing, placing professionals in more than 75 countries.

Our joined-up practice teams combine international reach with local expertise and specialist knowledge, to provide visibility of world class candidates.
http://www.hydrogengroup.com/

Overview
Underlying levels of activity in terms of the number of vacancies and interviews were strong throughout the period; however, the Group experienced delay in the conversion of this activity to placements and NFI. In addition, the strength of Sterling had an adverse impact on reported NFI compared with the first half of 2013. As a result, the Group reported a decline of 8% for NFI for the period in comparison with the same period last year (5% on a constant currency basis).

A comprehensive review of the business was undertaken during the period with the aim of simplifying the business, prioritising areas for future investment and increasing future profitability. As a result, a number of new business lines, which had been incubated in the previous 18 months but which did not achieve their development KPIs, were closed and overall headcount was reduced by around 10%, from 383 at 31 December 2013 to 344 at 30 June 2014.

Implementation of these changes was substantially complete by the end of June, with the benefits evidenced in increased monthly operating profits from May. The Group expects to report an exceptional item of around £1.8m for the full year for non-recurring costs associated with the changes.

The Group continues to pursue a strategy of building a business with a balance of income from permanent and contract revenue streams, to expand activity outside the UK, and to develop practice areas in growth markets in the Technical and Scientific sector. Throughout the restructuring these KPIs have remained stable and the Group has continued to invest in those areas prioritised for profit and NFI growth in the medium term. Our business development activity has continued to foster deeper and wider relationships with our chosen clients, and we have continued to invest in headcount in our offices in USA and APAC, where we see good opportunities for growth.

The strong client pipeline, focused investment and reduced cost base give the Board confidence that future business profitability will improve, and the Board believes that profit for the full year before exceptional items will be in line with expectations.

Financial Highlights and Dividend
Group revenue for the period declined by 4% (3% in constant currency) to £87.3m (1H 2013: £91.0m), and Group NFI by 8% (5% in constant currency) to £14.6m (1H 2013: £15.9m).

The decline in NFI was experienced across all sectors and revenue streams in the business:

Source of NFI	**Group NFI % 1H 2014 v 1H 2013**
UK	(8%)
Rest of world	(10%)
Permanent	(12%)
Contract	(5%)
Technical & Scientific	(9%)
Professional Support Services	(7%)

Our Singapore business continued to grow strongly, with NFI increasing by 16% (28% in constant currency) against the same period in 2013, but trading conditions in Australia remained difficult, resulting in a NFI decline of 33% (21% in constant currency). The investment made in the Technology practice over the past 12 months began to show returns, with NFI growing by 40%, to nearly £2m, over 1H 2013. However, this was negated by client project delays in the Business Transformation practice. With Australia showing signs of stabilising, and a number of projects in the pipeline now proceeding to hiring stage, the outlook for the second half is improved.

Some of the benefits of the restructuring program had an immediate impact in the period, with administration costs of £14.1m (1H 2013: £14.4m) 2% down on the comparative period and 6% down on the second half of 2013 (2H 2013: £15.0m). The benefit of a full six months of cost savings from the restructuring will come through in the second half of 2014.

Operating profit for the period, before exceptional costs and exchange losses of £0.2m on receivables, was £0.7m (1H 2013: £1.4m). Loss before tax but after exceptional costs in the first half of £1.5m (1H 2013: nil) and finance costs of £0.1m (1H 2013: £0.1m) was £1.1m (1H 2013: profit £1.3m). Basic loss per share was 5.27p (1H 2013: earnings 4.26p), and earnings per share adjusted to exclude exceptional costs was 1.42p per share (1H 2013: 4.26p).

Despite the decline in profitability during the period, the business continued to be cash generative. The Board is confident in Hydrogen's ability to increase profit and cash generation in the second half of the year, and has thus maintained the level of interim dividend for the period at 1.5p per share (1H 2013: 1.5p). The interim dividend will be payable on Friday 7 November 2014 to shareholders on the register as at Friday 10 October 2014 (ex-dividend date Thursday 9 October 2014).

Cash flow
The business continued to be cash positive; generating £1.5m (1H 2013: £2.8m) from operating activities in the first six months of the year before payments of £0.4m (1H 2013: nil) related to exceptional costs of restructuring. We continue to exercise tight control of working capital, with a reduction in the period of £0.9m (1H 2013: £1.5m). We have maintained our strong track record on cash collection; trade receivables measured as days of sale outstanding (DSOs) were maintained at 22 days (1H 2013: 21 days).

After tax payments of £0.1m (1H 2013: £0.4m), capital expenditure of £0.2m (1H 2013: nil) and dividend payments of £0.7m (1H 2013: £0.7m), the Group finished the period with net debt of £3.8m, a reduction of £0.2m from 31 December 2013. The Group retains a £18m invoice finance facility, committed to February 2016, and a £3m revolving credit facility committed to July 2015.

Operations
Against a generally improving macroeconomic backdrop the Group was disappointed not to see the growth in NFI that it projected. The slowdown seen in Australia in 2013 continued into 2014 and there was a delay in some of the projects anticipated within the UK. As a consequence, the headcount added in quarter four last year did not reach acceptable levels of productivity.

In response to these challenges the Group undertook a fundamental review of its business, resulting in a reorganisation from a structure of five regional managing directors to two COOs, responsible for EMEA & US and APAC respectively, closure of a number of incubators and a reduction in headcount at all levels of the organisation, in both sales and support staff. The restructuring was substantially complete by the end of the period, and I would like to take this opportunity to thank all employees for their hard work and commitment during a period of significant change.

Throughout the review, the Group has maintained focus on activities required to ensure the medium term performance of the business. Investment has been sustained in its business development team, to widen and deepen relationships with strategically important clients. An office was opened in Kuala Lumpur, Malaysia, in support of business growth in the Asia region, and headcount added to the office in Houston, which has made encouraging progress since Hydrogen opened in the US in April 2013.

The Board
Barbara Anderson resigns from the Hydrogen Board today after two years as a Non-Executive Director. She is leaving to take up new projects and we wish her well. At this time, a streamlined Board is consistent with the reduced size of our executive team and reinforces the Group's focus on cost management. Therefore, we do not intend to replace Barbara.

Current Trading and Outlook
Looking forward, the focus for the Group in the second half of 2014 is to build on the changes implemented in this period to improve NFI conversion to an acceptable level of sustainable profitability. From that base, the Group will seek to invest selectively in headcount where it sees opportunities for NFI growth without diluting rates of conversion to profit.

With a strong client pipeline and reduced cost base the Board is confident that business profitability will improve and the Group is on target to meet its expectations for the year.

Tim Smeaton, CEO

16 September 2014

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Note	**Six months ended** **30 June 2014 £'000**	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Revenue	3	**87,301**	90,978	181,603
Cost of sales		**(72,713)**	(75,127)	(149,701)
Gross profit		**14,588**	15,851	31,902
Administration expenses		**(14,137)**	(14,421)	(29,372)
Operating profit before exceptional items		**451**	1,430	2,530
Exceptional items	4	**(1,488)**	-	-
Operating (loss)/profit		**(1,037)**	1,430	2,530
Finance costs		**(86)**	(92)	(189)
Finance income		**6**	7	13
(Loss)/profit before taxation		**(1,117)**	1,345	2,354
Income tax expense	5	**(55)**	(404)	(850)
(Loss)/profit for the period/year		**(1,172)**	941	1,504
Other comprehensive income:				
Exchange differences on translating foreign operations		**(50)**	(76)	(423)
Other comprehensive loss		**(50)**	(76)	(423)
Total comprehensive (loss)/income for the period/year		**(1,222)**	865	1,081
Attributable to:				
Equity holders of the parent		**(1,222)**	865	1,081
Earnings per share				
Basic (loss)/earnings per share (pence)	7	**(5.27p)**	4.26p	6.79p
Diluted (loss)/earnings per share (pence)	7	**(5.05p)**	4.08p	6.46p
Adjusted basic earnings per share (pence)	7	**1.42p**	4.26p	6.79p
Adjusted diluted earnings per share (pence)	7	**1.36p**	4.08p	6.46p

The above results relate to continuing operations.

The notes on pages 9 to 15 form an integral part of this unaudited condensed consolidated interim report.

Hydrogen Group plc 05563206

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
Non-current assets				
Goodwill		**13,658**	13,658	13,658
Other intangible assets		**1,191**	1,019	1,098
Property, plant and equipment		**1,700**	606	1,936
Deferred tax assets		**169**	409	182
Other financial assets	9	**284**	294	261
		17,002	15,986	17,135
Current assets				
Trade and other receivables	9	**31,014**	30,482	29,704
Cash and cash equivalents		**2,211**	2,593	3,559
		33,225	33,075	33,263
Total assets		**50,227**	49,061	50,398
Current liabilities				
Trade and other payables	10	**18,042**	18,363	15,836
Borrowings		**6,030**	3,290	7,574
Current tax liabilities		**84**	453	117
Provisions	11	**1,075**	211	247
		25,231	22,317	23,774
Non-current liabilities				
Deferred tax		**20**	74	34
Provisions	11	**304**	56	29
		324	130	63
Total liabilities		**25,555**	22,447	23,837
Net assets		**24,672**	26,614	26,561
Equity				
Capital and reserves attributable to the Company's equity holders:				
Called-up share capital		**238**	236	237
Share premium account		**3,520**	3,516	3,519
Merger reserve		**16,100**	16,100	16,100
Own shares held		**(1,338)**	(1,338)	(1,338)
Share option reserve		**2,209**	2,172	2,184
Translation reserve		**(177)**	220	(127)
Retained earnings		**4,120**	5,708	5,986
Total equity		**24,672**	26,614	26,561

The notes on pages 9 to 15 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

	Called-up share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares held £'000	Share option reserve £'000	Trans-lation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	235	3,512	16,100	(1,338)	2,060	296	5,436	26,300
Dividends	-	-	-	-	-	-	(669)	(669)
New shares issued	1	4	-	-	-	-	-	5
Share option charge	-	-	-	-	112	-	-	112
Transactions with owners	1	4	-	-	112	-	(669)	(552)
Profit for the 6m to 30.6.13	-	-	-	-	-	-	941	941
Other comprehensive income:								
Foreign currency translation	-	-	-	-	-	(76)	-	(76)
Total comprehensive income for the period	-	-	-	-	-	(76)	941	865
At 30 June 2013	236	3,516	16,100	(1,338)	2,172	220	5,708	26,614
Dividends	-	-	-	-	-	-	(334)	(334)
Share option charge	-	-	-	-	12	-	-	12
Tax on share options charge	-	-	-	-	-	-	49	49
New shares issued	1	3	-	-	-	-	-	4
Transactions with owners	1	3	-	-	12	-	(285)	(269)
Profit for the 6m to 31.12.13	-	-	-	-	-	-	563	563
Other comprehensive income:								
Foreign currency translation	-	-	-	-	-	(347)	-	(347)
Total comprehensive income for the period	-	-	-	-	-	(347)	563	216
At 31 December 2013	237	3,519	16,100	(1,338)	2,184	(127)	5,986	26,561
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(694)**	**(694)**
Increase in share capital	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**2**
Share option charge	**-**	**-**	**-**	**-**	**25**	**-**	**-**	**25**
Transactions with owners	**1**	**1**	**-**	**-**	**25**	**-**	**(694)**	**(667)**
Loss for the 6m to 30.6.14	**-**	**-**	**-**	**-**	**-**	**-**	**(1,172)**	**(1,172)**
Other comprehensive income:								
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**(50)**	**-**	**(50)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(50)**	**(1,172)**	**(1,222)**
At 30 June 2014	**238**	**3,520**	**16,100**	**(1,338)**	**2,209**	**(177)**	**4,120**	**24,672**

The notes on pages 9 to 15 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
For the six months ended 30 June 2014

	Note	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Net cash generated from operating activities	8	**1,145**	2,831	2,043
Investing activities				
Finance income		**6**	7	13
Proceeds from disposal of property, plant and equipment		**18**	14	26
Purchase of property, plant and equipment		**(19)**	(28)	(1,778)
Purchase of software assets		**(208)**	(1)	(178)
Net cash used in investing activities		**(203)**	(8)	(1,917)
Financing activities				
Proceeds on issue of shares		**2**	5	9
Increase in borrowings		**-**	-	2,112
Repayment of borrowings		**(1,544)**	(2,207)	-
Equity dividends paid	6	**(694)**	(669)	(1,003)
Net cash (used in)/generated from financing activities		**(2,236)**	(2,871)	1,118
Net (decrease)/increase in cash and cash equivalents		**(1,294)**	(48)	1,244
Cash and cash equivalents at beginning of period/year		**3,559**	2,704	2,704
Effect of foreign exchange rate movements		**(54)**	(63)	(389)
Cash and cash equivalents at end of period/year		**2,211**	2,593	3,559

UNAUDITED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the six months ended 30 June 2014

	Note	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
(Decrease)/increase in cash and cash equivalents in the period/year		**(1,348)**	(111)	855
Decrease/(increase) in net debt resulting from cash flows		**1,544**	2,207	(2,112)
Movement in net debt in the period/year		**196**	2,096	(1,257)
Net debt at the start of the period/year		**(4,015)**	(2,758)	(2,758)
Net debt at the end of the period/year		**(3,819)**	(662)	(4,015)

The notes on pages 9 to 15 form an integral part of this unaudited condensed consolidated interim report.

1 General information

Hydrogen Group plc ("the Company") and its subsidiaries' (together "the Group") principal activity is the provision of recruitment services for mid to senior level professional staff. The Group is organised into eight practices offering both permanent and contract specialist recruitment consultancy for large and medium sized organisations. The Group operates primarily in the technology, finance, professional, and engineering sectors. The Group is becoming increasingly international, with operations in Australia, Hong Kong, Malaysia, Norway, Singapore and USA, and 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 address of Hydrogen Group's registered office and its principal place of business is 30-40 Eastcheap, London, EC3M 1HD, England. Hydrogen Group's shares are listed on the AIM Market.

These unaudited condensed consolidated interim report for the six months ended 30 June 2014 (including comparatives) are presented in GBP '000, and were approved and authorised for issue by the board of directors on 15 September 2014.

Copies of these interim results are available at the Company's registered office –30-40 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 2013 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 unqualified 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 2014 has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") and in accordance with IAS 34, 'Interim financial reporting' 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 2013, which were prepared in accordance with IFRSs as adopted by the European Union.

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

To finance its working capital requirements the Group has an £18m invoice discounting facility, committed to February 2016 and a £3m revolving credit facility committed to July 2015. The maximum amount of the invoice discount facility utilised during the period was 75%. The Group's forecasts and projections demonstrate that this facility should be adequate to meet the Group's obligations as they fall due in the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing the interim report.

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 2013.

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

3 Segment reporting

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

For management purposes, the Group is organised into two operating segments, Professional Support Services and Technical and Scientific, based on the discipline of the candidate being placed. Both of the operating segments have similar economic characteristics and share a majority of the aggregation criteria set out in IFRS 8.12.

	30 June 2014				30 June 2013				31 December 2013			
	Professional Support Services £'000	**Technical and Scientific £'000**	**Non-allocated £'000**	**Total £'000**	Professional Support Services £'000	Technical and Scientific £'000	Non-allocated £'000	Total £'000	Professional Support Services £'000	Technical and Scientific £'000	Non-allocated £'000	Total £'000
Revenue	**59,717**	**27,584**	**-**	**87,301**	65,142	25,836	-	90,978	127,507	54,096	-	181,603
Gross profit	**8,164**	**6,424**	**-**	**14,588**	8,810	7,041	-	15,851	17,588	14,315	(1)	31,902
Depreciation and amortisation	**186**	**154**	**-**	**340**	171	145	-	316	351	307	-	658
Operating profit /(loss)before exceptional items	**1,143**	**(38)**	**(654)**	**451**	1,353	854	(777)	1,430	2,625	1,192	(1,287)	2,530
Finance costs				**(86)**				(92)				(189)
Finance income				**6**				7				13
Profit before tax and exceptional items				**371**				1,345				2,354

3 Segment reporting (continued)

Revenue reported above represents revenue generated from external customers. There were no sales between segments in the six months (30 June 2013: Nil, 31 December 2013: 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 31% of the entity's revenues with revenue of £27,510,000, and approximately 12% of the Group's net fee income, included in the Professional Support Services segment (30 June 2013: one customer, revenue £33,003,000, Professional Support Services segment; 31 December 2013: one customer, revenue £65,449,000, Professional Support Services segment).

(b) Revenue and gross profit by geography

	Revenue			**Gross profit**		
	Six months ended		Year ended	**Six months ended**		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
UK	**71,178**	68,725	142,630	**8,240**	8,863	17,991
Rest of world	**16,123**	22,253	38,973	**6,348**	6,988	13,911
	87,301	90,978	181,603	**14,588**	15,851	31,902

(c) Revenue and gross profit by recruitment classification

	Revenue			**Gross profit**		
	Six months ended		Year ended	**Six months ended**		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
Permanent	**6,543**	7,396	15,016	**6,543**	7,396	15,012
Contract	**80,758**	83,582	166,587	**8,045**	8,455	16,890
	87,301	90,978	181,603	**14,588**	15,851	31,902

4 Exceptional items

Exceptional items are costs that are separately disclosed due to their material and non-recurring nature. They have arisen as a result of the comprehensive review of the Group's operations and actions implemented to reduce the Group's administration costs:

	Six months ended		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Redundancy costs	**718**	-	-
Property costs	**638**	-	-
Tangible fixed asset write-off	**108**	-	-
Advisors' costs	**24**	-	-
	1,488	-	-

5 Income tax expense

The charge for taxation on losses for the six months amounted to £55,000 (30 June 2013: £404,000, 31 December 2013: £850,000), being tax on overseas profits and adjustment to prior year amounts.

6 Dividends

	Six months ended		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Amounts recognised and distributed to shareholders in the period			
Interim dividend for the year ended 31 December 2013 of 1.5p per share (2012: 1.5p per share)	**-**	-	334
Final dividend for the year ended 31 December 2013 of 3.1p per share (2012: 3.0p per share)	**694**	669	669
	694	669	1003

The interim dividend for 2013 was declared by the board on 6 September 2013, and was not recognised as a liability in the period to 30 June 2013. The final dividend for 2013 was proposed on 14 March 2014, and was not recognised as a liability in the year ended 31 December 2013.

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 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Earnings			
(Loss)/profit for the period/year attributable to equity holders of the parent	**(1,172)**	941	1,504
Adjusted earnings			
(Loss)/profit for the period	**(1,172)**	941	1,504
Exceptional costs	**1,488**	-	-
	316	941	1,504
Number of shares	**Number**	Number	Number
Weighted average number of shares used for earnings per share	**22,253,478**	22,104,151	22,141,885
Dilutive effect of share plans	**968,580**	952,213	1,129,433
Diluted weighted average number of shares used to calculate fully diluted earnings per share	**23,222,058**	23,056,364	23,271,318
	Pence	Pence	Pence
Basic (loss)/earnings per share	**(5.27)**	4.26	6.79
Fully diluted (loss)/earnings per share	**(5.05)**	4.08	6.46
Adjusted basic earnings per share	**1.42**	4.26	6.79
Adjusted diluted earnings per share	**1.36**	4.08	6.46

8 Cash flow from operating activities

	Six months ended		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
(Loss)/profit before taxation	**(1,117)**	1,345	2,354
Adjusted for:			
Exceptional items	**1,488**	-	-
Depreciation and amortisation	**340**	316	641
Utilisation of onerous lease provision	**-**	-	(14)
Gain/(loss) on sale of property, plant and equipment	**16**	(15)	135
Share based payments	**25**	112	126
Net finance costs	**80**	85	176
Operating cash flows before movements in working capital	**832**	1,843	3,418
Increase in receivables	**(1,560)**	(2,149)	(1,487)
Increase in payables	**2,415**	3,620	1,060
Cash generated from operating activities	**1,687**	3,314	2,991
Income taxes paid	**(87)**	(426)	(812)
Interest paid	**(86)**	(57)	(136)
Net cash inflow from operating activities before exceptional costs	**1,514**	2,831	2,043
Cash flows arising from exceptional costs	**(369)**	-	-
Net cash inflow from operating activities	**1,145**	2,831	2,043

9 Trade and other receivables

	Six months ended		Year ended
	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Trade receivables	**11,392**	12,265	13,267
Allowance for doubtful debts	**(111)**	(163)	(111)
Prepayments and accrued income	**19,482**	18,010	16,495
Other receivables			
- due within 12 months	**251**	370	53
- due after more than 12 months	**284**	294	261
	31,298	30,776	29,965
Current	**31,014**	30,482	29,704
Non-current	**284**	294	261

10 Trade and other payables

	Six months ended 30 June 2014 £'000	30 June 2013 £'000	Year ended 31 December 2013 £'000
Trade payables	**1,024**	602	776
Other taxes and social security	**729**	1,168	898
Other payables	**1,045**	1,467	1,198
Accruals and deferred income	**15,244**	15,126	12,964
	18,042	18,363	15,836

11 Provisions

	Leasehold dilapidations £'000	Onerous contracts £'000	Redundancy and other restructuring costs £'000	Total £'000
At 1 January 2013	237	-	-	237
New provision	30	-	-	30
At 30 June 2013	267	-	-	267
Exchange	(4)	-	-	(4)
New provision	27	-	-	27
Utilised	(14)	-	-	(14)
At 31 December 2013	276	-	-	276
New provision	**34**	**599**	**470**	**1,103**
At 30 June 2014	**310**	**599**	**470**	**1,379**
Current	**269**	**336**	**470**	**1,075**
Non-current	**41**	**263**	**-**	**304**

The onerous lease contracts predominantly relate to surplus accommodation within the Group's London HQ at 30 Eastcheap. Following discussions with advisors the Group has taken an exceptional charge for 18 months' costs relating to this space to cover the marketing void and rent free incentive that is assumed would be required to sublet this space. No rent shortfall has been assumed for the duration of any sub-lease.

The Group has also taken an exceptional charge for contractual amounts outstanding to employees serving notice of termination of employment at the balance sheet date.