



## Hydrogen Group plc

6 September 2010

### UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of Hydrogen Group Plc (“Hydrogen” or “the Group”) is pleased to announce its unaudited interim results for the six months ended 30 June 2010.

#### PROFITABLE GROWTH ACROSS ALL MARKETS

##### Financial Highlights

- Group net fee income (‘NFI’) increased by 67% to £13.2m (2009: £7.9m)
- Adjusted profit before tax of £1.1m (2009: £0.0m)
- International NFI grew by 213% to £4.7m (2009: £1.5m) and now represents 35% of the Group’s NFI (2009: 19%)
- Days of sales outstanding (DSOs) have seen a slight reduction to 31 (2009: 32)
- Interim dividend of 1.4p per share (2009: 0.5p)
- Adjusted earnings per share of 3.4p (2009: 0.0p)
- Purchase of £0.5m of shares by EBT

##### Operational Highlights

- NFI from permanent placements increased 110% to £7.5m (2009: £3.6m)
- Contractors working for clients increased by 68%, since 30 June 2009, to over 1,000 (30 June 2009: over 600)
- Sydney office grew NFI 240% to £1.6m (2009: £0.5m)
- First Asian office opened in Singapore
- Engineering, our newest sector, grew NFI 129% to £1.7m (2009: £0.8m)
- Headcount increased by 22% to 307 employees (December 2009: 252)

##### **Commenting, Ian Temple, Executive Chairman of Hydrogen Group plc said:**

‘We are pleased that the decisions and actions we took in 2009 to position the company to benefit from improved trading conditions have proved successful. The Group grew NFI organically by 67% overall and internationally by 213% during the first half of 2010. We continue to seek to maximise on the investments made to select carefully further opportunities for potential future growth.’

**Enquiries:**

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NOMAD to Hydrogen

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**An analyst meeting will be held at 11am at Hydrogen's offices, Nicholas House, 3 Laurence Pountney Hill, London, EC4R 0EU on 6 September 2010.**

**Notes to Editors:**

Hydrogen is a leading international specialist recruitment group that places high quality staff into clients on a permanent and contract basis and operates across four core disciplines: Technology, Finance, Professional and Engineering. In each of these areas we have scale and strong brand recognition.

As a Group we are focused on finding and building local and global relationships with hard to find, in demand specialist candidates that clients cannot source themselves. We continue to leverage these strengths to grow and develop our offering into new markets and geographies, and have placed in over 40 countries in the last 12 months.

The Group currently has approximately 320 employees globally.

## **CHAIRMAN'S STATEMENT**

### **Overview**

I am pleased to report that Hydrogen has delivered a strong performance during the first six months of 2010. Improved global macro-economic trading conditions resulted in increased activity across both domestic and international recruitment markets. The Group's operational flexibility, clear strategy and the changes and investments made to the business during 2009 positioned us well to take advantage of market opportunities.

Expansion into international markets has been an important strategic focus for the Group. During this period we have grown the business through the success of our international businesses and in the UK have seen a recovery in permanent and Financial Services NFI, in particular.

Whilst the growth in activity across the business has naturally led to an increase in working capital we have maintained our focus on cash collection and our solid balance sheet should continue to support further global expansion.

### **Financial Highlights**

Group revenue for the six months ended 30 June 2010 grew by 58% to £55.2m (2009: £34.9m). Group Net Fee Income ('NFI') increased by 67% to £13.2m (2009: £7.9m) compared to the same period last year. International NFI grew by 213% to £4.7m (2009: £1.5m) and now represents 35% of the Group's NFI (2009: 19%).

We have invested heavily across the business to position the Group for the improvement in our markets. As a result of the expansion and headcount increases seen during the period, administration costs were 53% higher than the prior year at £12.1m (2009: £7.9m).

As a consequence of the business' increased activity working capital rose. Despite this growth, days of sales outstanding (DSOs) have seen a slight reduction to 31 (2009: 32). Net debt at the end of the period stood at £0.8m after paying dividends of £800k and making a contribution of £500k to the Employee Benefit Trust. Net cash at 30 June 2009 was £2.3m and at 31 December 2009 was £3.1m.

### **Financing**

Net finance charges dropped 35% to £31k (2009: £48k) due to the continued low utilisation of the banking facilities and the comparative period including a quarter's charge for interest payable on a term bank loan, which was repaid in full on 31 March 2009.

### **Profit**

The Group delivered profit before tax and exceptional costs of £1.1m (2009: £0.0m). There were no exceptional costs during the period (2009: £5.9m) which resulted in earnings per share of 3.4p, compared to a basic loss per share of 26.1p in 2009, and adjusted earnings per share, before exceptional costs, of 3.4p (2009: 0.0p).

## **Dividend**

In 2009, the Board adopted a cautious view when recommending the half year dividend of 0.5p reflecting the uncertain outlook at that time. However, the subsequent improvement in trading conditions in the second half of 2009 resulted in a second interim dividend being paid of 3.6p, bringing the total dividend for the year to 4.1p. Given the improved trading conditions seen in the first half of 2010 and the belief that the current dividend level is sustainable the Board has decided on a more balanced weighting of the dividend than seen in the previous year. The Group will therefore pay a half year dividend of 1.4p which will be paid on 5 November 2010 to shareholders on the register on 8 October 2010.

## **Board**

As announced at the time of our preliminary results, after 13 years with the Group, our Executive Director, Chris Cole, stood down from the Board. Simon Walker successfully took responsibility of our Engineering business previously managed by Chris, and, after a smooth handover period, has continued to grow and develop this business successfully. Once again, we would like to thank Chris for his outstanding contribution and wish him well for the future.

In March, we announced that John Glover, our Finance Director had been appointed to the Board. John joined the Company in January 2007 from BP plc and this move reflects the excellent contribution he has made to the business.

## **Operations**

The improved trading conditions seen at the end of 2009 continued into 2010 as confidence returned to the global recruitment industry. These trends were particularly evident across our permanent business which enjoyed good recovery over the period with NFI from permanent placements increasing 110% to £7.5m (2009: £3.6m). Our contract business also delivered a very strong performance with the number of contractors working for clients increasing by 68%, since 30 June 2009, to over 1,000, for the first time in our history. During the period, contract NFI rose 32% to £5.7m (2009: £4.4m) reflecting the delay in turning increased contractors into increased NFI. As a result the proportional split of Group NFI was 57:43 in favour of permanent (2009: 45:55 in favour of contract).

In the UK we saw improving trends across all four industry sector markets in which we operate, most significantly in Financial Services. Our established client relationships and ability to source scarce candidates ensured a favourable performance in a recovering market. Engineering, our newest sector, delivered a particularly strong return, growing 129% to £1.7m (2009: £0.8m).

Through our proven 'incubator' approach we continuously analyse and selectively develop our business into new market sectors where we believe there are opportunities for growth. During the period we launched our Pharmaceuticals business, which had flourished through our incubator programme, and is performing in line with our expectations at this early stage.

Our Sydney office delivered excellent growth with NFI growing 240% to £1.6m (2009: £0.5m). We were also pleased to announce the opening of our first Asian office in Singapore in January. This has already delivered an excellent performance, reporting a profit in its first six months of trading.

## **Clients**

The strong client retention maintained during the difficult trading conditions in 2009 positioned the Group well and we are pleased with the growth in existing clients and new clients won during the period. We have placed permanent and contract staff with clients in over 40 countries during the last 12 months.

## **Staff**

Our staff have adapted well to the demands of building an international business with many relocating abroad. We have come through the downturn with a strong and stable management team who have demonstrated their ability through the cycle.

Having started investing in our internal recruitment and training functions during the second half of 2009, we have continued to invest in headcount growth during the period and are now close to our previous peak in 2007. During the period, headcount increased by 22% to 307 employees (December 2009: 252) and up by 33% compared to 30 June 2009, with productivity per head increased by 46% to £95k per head per annum.

On behalf of the Board I would like to take this opportunity to thank the staff for all their hard work and dedication during the period which has contributed to the delivery of these results.

## **Current Trading and Outlook**

The activity seen in the first half has continued to date and we are maintaining the rate of investment in growth opportunities, particularly in our international markets. Whilst we remain vigilant to external factors and continue to monitor the economic climate carefully, the business is currently trading in line with the Board's expectations.

**Ian Temple**  
Executive Chairman

**Tim Smeaton**  
Chief Executive

3 September 2010

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 £'000	30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Revenue</b>	3	<b>55,161</b>	34,902	74,073
Cost of sales		<b>(41,924)</b>	(26,978)	(57,256)
<b>Gross profit</b>		<b>13,237</b>	7,924	16,817
Administration expenses		<b>(12,101)</b>	(7,914)	(16,378)
<b>Operating profit before exceptional costs</b>		<b>1,136</b>	10	439
Exceptional items	4	-	(5,861)	(5,787)
<b>Operating profit/(loss)</b>		<b>1,136</b>	(5,851)	(5,348)
Finance costs		<b>(38)</b>	(50)	(132)
Finance income		<b>7</b>	2	21
<b>Profit/(loss) before taxation</b>		<b>1,105</b>	(5,899)	(5,459)
Income tax expense	5	<b>(348)</b>	-	240
<b>Profit/(loss) for the period</b>		<b>757</b>	(5,899)	(5,219)
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations		<b>(18)</b>	7	58
<b>Other comprehensive (loss)/income</b>		<b>(18)</b>	7	58
<b>Total comprehensive income/(loss) for the period</b>		<b>739</b>	(5,892)	(5,161)
<b>Attributable to:</b>				
Equity shareholders of the parent		<b>739</b>	(5,892)	(5,161)
<b>Earnings/(loss) per share</b>				
Basic earnings/(loss) per share (pence)	7	<b>3.42p</b>	(26.07)p	(22.25)p
Diluted earnings/(loss) per share (pence)	7	<b>3.24p</b>	(26.07)p	(22.25)p

The above results relate to continuing operations.

The notes on pages 10 to 17 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERM STATEMENT OF FINANCIAL POSITION  
As at 30 June 2010

	Note	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
<b>Non-current assets</b>				
Goodwill		13,440	13,440	13,440
Other intangible assets		118	256	171
Property, plant and equipment		409	367	361
Deferred tax assets		365	128	339
Other financial assets		668	322	420
		<b>15,000</b>	14,513	14,731
<b>Current assets</b>				
Trade and other receivables		24,622	15,027	14,982
Cash and cash equivalents		1,239	2,348	3,108
		<b>25,861</b>	17,375	18,090
<b>Total assets</b>				
		<b>40,861</b>	31,888	32,821
<b>Current liabilities</b>				
Trade and other payables		15,371	8,528	9,111
Borrowings		2,037	11	-
Current tax liabilities		439	431	174
Provisions	9	335	547	387
		<b>18,182</b>	9,517	9,672
<b>Non-current liabilities</b>				
Deferred tax		-	-	33
Provisions	9	428	668	592
		<b>428</b>	668	625
<b>Total liabilities</b>				
		<b>18,610</b>	10,185	10,297
<b>Net assets</b>				
		<b>22,251</b>	21,703	22,524
<b>Equity</b>				
<b>Capital and reserves attributable to the Company's equity holders:</b>				
Called-up share capital		234	230	234
Share premium account		3,479	3,456	3,479
Merger reserve		16,100	16,100	16,100
Own shares held		(1,336)	(605)	(838)
Share option reserve		100	100	100
Other reserve		1,567	853	1,267
Translation reserve		62	29	80
Retained earnings		2,045	1,540	2,102
<b>Total equity</b>				
		<b>22,251</b>	21,703	22,524

The notes on pages 10 to 17 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 2010

	Called-up share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares held £'000	Share option reserve £'000	Other reserve £'000	Trans- lation reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2009</b>	<b>230</b>	<b>3,456</b>	<b>16,100</b>	<b>(605)</b>	<b>100</b>	<b>770</b>	<b>22</b>	<b>7,886</b>	<b>27,959</b>
Dividends	-	-	-	-	-	-	-	(447)	(447)
Share option charge	-	-	-	-	-	83	-	-	83
Transactions with owners	-	-	-	-	-	83	-	(447)	(364)
Loss for the 6m to 30.6.2009	-	-	-	-	-	-	-	(5,899)	(5,899)
Other comprehensive income:									
Foreign currency translation	-	-	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	-	-	7	(5,219)	(5,212)
<b>At 30 June 2009</b>	<b>230</b>	<b>3,456</b>	<b>16,100</b>	<b>(605)</b>	<b>100</b>	<b>853</b>	<b>29</b>	<b>1,540</b>	<b>21,703</b>
Dividends	-	-	-	-	-	-	-	(114)	(114)
Increase in share capital	4	23	-	-	-	-	-	(4)	23
Share option charge	-	-	-	-	-	414	-	-	414
Purchase of shares by EBT	-	-	-	(233)	-	-	-	-	(233)
Transactions with owners	4	23	-	(233)	-	414	-	(118)	90
Profit for the 6m to 31.12.09	-	-	-	-	-	-	-	680	680
Other comprehensive income:									
Foreign currency translation	-	-	-	-	-	-	51	-	51
Total comprehensive income for the period	-	-	-	-	-	-	51	680	731
<b>At 31 December 2009</b>	<b>234</b>	<b>3,479</b>	<b>16,100</b>	<b>(838)</b>	<b>100</b>	<b>1,267</b>	<b>80</b>	<b>2,102</b>	<b>22,524</b>
Dividends	-	-	-	-	-	-	-	(814)	(814)
Share option charge	-	-	-	-	-	300	-	-	300
Purchase of shares by EBT	-	-	-	(498)	-	-	-	-	(498)
Transactions with owners	-	-	-	(498)	-	300	-	(814)	(1,012)
Profit for the 6m to 30.6.10	-	-	-	-	-	-	-	757	757
Other comprehensive income:									
Foreign currency translation	-	-	-	-	-	-	(18)	-	(18)
Total comprehensive loss for the period	-	-	-	-	-	-	(18)	757	739
<b>At 30 June 2010</b>	<b>234</b>	<b>3,479</b>	<b>16,100</b>	<b>(1,336)</b>	<b>100</b>	<b>1,567</b>	<b>62</b>	<b>2,045</b>	<b>22,251</b>

The notes on pages 10 to 17 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 2010

	Note	Six months ended 30 June 2010 £'000	30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Net cash (used in)/generated from operating activities</b>	8	<b>(2,407)</b>	3,700	4,798
<b>Investing activities</b>				
Finance income		7	3	21
Proceeds from disposal of property, plant and equipment		17	19	35
Purchase of property, plant and equipment		(166)	(21)	(150)
Purchase of software assets		(27)	-	(18)
<b>Net cash (used in)/generated from investing activities</b>		<b>(169)</b>	1	(112)
<b>Financing activities</b>				
Proceeds on issue of shares		-	-	23
Contribution to EBT for share purchase		(498)	-	(174)
Repayment of bank loans and loan notes		-	(1,000)	(1,000)
Increase in other borrowings		2,037	-	-
Repayment of other borrowings		-	(465)	(465)
Repayment of obligations under finance leases		-	(14)	(25)
Equity dividends paid	6	(814)	(447)	(561)
<b>Net cash generated from/(used in) financing activities</b>		<b>725</b>	(1,926)	(2,202)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,851)</b>	1,775	2,484
<b>Cash and cash equivalents at beginning of period/year</b>		<b>3,108</b>	566	566
<b>Effect of foreign exchange rate movements</b>		<b>(18)</b>	7	58
<b>Cash and cash equivalents at end of period/year</b>		<b>1,239</b>	2,348	3,108

UNAUDITED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS  
For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 £'000	30 June 2009 £'000	Year ended 31 December 2009 £'000
(Decrease)/increase in cash and cash equivalents in the period/year		(1,851)	1,775	2,484
(Increase)/decrease in net debt resulting from cash flows		(2,037)	1,479	1,489
Other non-cash changes		(18)	(37)	15
<b>Movement in net debt in the period/year</b>		<b>(3,906)</b>	3,217	3,988
<b>Net funds/(debt) at the start of the period/year</b>		<b>3,108</b>	(880)	(880)
<b>Net (debt)/funds at the end of the period/year</b>		<b>(798)</b>	2,337	3,108

The notes on pages 10 to 17 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 consists of four operating segments 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. Historically the Group has operated predominantly in the United Kingdom, but is becoming increasingly international, with operations in Australia and Singapore, 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 6 Laurence Pountney Hill, London, EC4R 0BL, England. Hydrogen Group’s shares are listed on the AIM Market.

These condensed consolidated interim financial statements for the period ended 30 June 2010 (including comparatives) are presented in GBP ‘000, and were approved and authorised for issue by the board of directors on 3 September 2009.

Copies of interim results are available at the Company’s registered office – Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, and on the Company’s website – [www.hydrogengroup.com](http://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 2009 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 2010 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 condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which were prepared in accordance with IFRSs as adopted by the European Union.

These financial statements have been prepared under the historical cost convention, except for revaluation of financial instruments.

The Group has experienced significant revenue growth in the current interim period, which despite continued tight control over Group receivables, has inevitably given rise to an increase in working capital. The Group’s invoice discounting facility has been increased from £5m to £10m during the period. The Group’s forecasts and projections demonstrate that this facility should be adequate to meet the Group’s requirements in the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial report.

These unaudited condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2009.

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

### 3 Segment reporting

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

For management purposes, the Group is organised into four business segments based on the discipline of the candidates being placed. All of the operating segments have similar economic characteristics and share a majority of the aggregation criteria set out in IFRS 8.12. The Group's reportable segments are as follows:

- Technology, which places mid to senior IT business technologists and change professionals;
- Finance, which places finance, accounting and audit professionals into mid to senior roles from part qualified ACAs and CIMAs to director level appointments;
- Professional, which places lawyers from qualified to partner level, and mid to senior level HR professionals;
- Engineering, which places engineers, and other technical disciplines.

Six months to 30 June 2010	Technology £'000	Finance £'000	Professional £'000	Engineering £'000	Non- Allocated £'000	Total £'000
Revenue	39,149	6,852	3,554	5,606	-	55,161
Gross profit	6,659	2,660	2,231	1,722	(35)	13,237
Depreciation	95	34	29	25	6	189
Operating profit/(loss)	1,677	147	169	169	(1,026)	1,136
Exceptional costs						-
Finance costs						(38)
Finance income						7
Profit before taxation						<u>1,105</u>
Six months to 30 June 2009	Technology £'000	Finance £'000	Professional £'000	Engineering £'000	Non-Allocated £'000	Total £'000
Revenue	26,585	4,917	1,965	1,435	-	34,902
Gross profit	4,152	1,603	1,380	753	36	7,924
Depreciation	114	45	50	21	11	241
Operating profit/(loss)	561	(19)	(436)	25	(121)	10
Exceptional costs						(5,861)
Finance costs						(50)
Finance income						2
Loss before taxation						<u>(5,899)</u>

Year to 31 December 2009	Technology £'000	Finance £'000	Professional £'000	Engineering £'000	Non-Allocated £'000	Total £'000
Revenue	55,001	10,563	5,014	3,495	-	74,073
Gross profit	8,531	3,578	3,157	1,516	35	16,817
Depreciation	209	78	83	48	25	443
Operating profit/(loss)	1,436	(35)	(573)	(110)	(279)	439
Exceptional costs						(5,787)
Finance costs						(132)
Finance income						21
Loss before taxation						<u>(5,459)</u>

Non-allocated costs in 2009 are partially offset by the release of the onerous lease provision of £225,000 (2009: £312,000).

Revenue reported above represents revenue generated from external customers. There are no sales between segments in the period (2009: 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, exceptional costs (see note 4), 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 10% of the entity's revenues with revenue of £10,825,000 in the Technology segment (2009: one customer, £7,856,000, Technology segment).

#### (b) Revenue and gross profit, by geography

	Revenue			Gross profit		
	Six months ended	Year ended		Six months ended	Year ended	
	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
UK	44,255	31,400	65,777	8,566	6,433	13,117
Rest of world	10,906	3,502	8,296	4,671	1,491	3,700
	<b>55,161</b>	34,902	74,073	<b>13,237</b>	7,924	16,817

(c) Revenue and gross profit by recruitment classification

	Revenue			Gross profit		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2010	30 June 2009	31 December 2009	30 June 2010	30 June 2009	31 December 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Permanent	7,910	4,091	9,258	7,489	3,569	8,061
Contract	47,251	30,811	64,815	5,748	4,355	8,756
	<b>55,161</b>	34,902	74,073	<b>13,237</b>	7,924	16,817

4 Exceptional items

	Six months ended		Year ended
	30 June 2010	30 June 2009	31 December 2009
	£'000	£'000	£'000
Impairment of goodwill	-	5,570	5,570
Provision for onerous contract	-	557	483
Abortive acquisition costs	-	(266)	(266)
	-	5,861	5,787

Exceptional items in the prior period and year comprise:

- £5,570,000 impairment of goodwill associated with the finance and professional operating segments;
- £557,000 for onerous contracts relating to surplus leasehold property. The contract became onerous during 2008 when the Group reduced its workforce in response to difficult market conditions. The office accommodation has been sub-let for the remaining lease term which expires on 1 Sept 2013. The provision was increased in 2009 to cover the period of non-occupancy and shortfall in sub-lease rental receivable over the remainder of the lease;

The provision has been discounted at the Group's weighted average cost of capital 9.27%;

- income of £266,000 relating to the write back of surplus provisions on completion of accounting for abortive acquisition costs in relation to the offer to acquire Imprint plc.

## 5 Taxation

The charge for taxation on profits for the interim period amounted to £0.3m (2009; credit of £0.2m) an effective rate of 31% (30 June 2009: 28%; 31 December 2009: 73%) on pre-tax profit before exceptional costs.

## 6 Dividends

	Six months ended		Year ended
	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Final dividend for the year ended 31 December 2008 of 2p per share	-	447	447
Interim dividend for the year ended 31 December 2009 of 0.5p per share	-	-	114
Second interim dividend for the year ended 31 December 2009 of 3.6p per share	<b>814</b>	-	-
	<b>814</b>	447	561

The proposed interim dividend for 2009 was approved by the board on 3 September 2009, and was not recognised as a liability in the period to 30 June 2009. The second interim was proposed on 12 January 2010, and was not recognised as a liability in the year ended 31 December 2009. The Directors did not propose the payment of a final dividend for 2009.

## 7 Earnings/(loss) per share

Earnings/(loss) 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.

Adjusted earnings/(loss) per share is as per basic earnings/(loss) per share, with profit adjusted to add back exceptional costs.

Fully diluted earnings/(loss) 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.

	<b>Six months ended</b>		Year ended
	<b>30 June 2010 £'000</b>	30 June 2009 £'000	31 December 2009 £'000
<b>Earnings/(loss)</b>			
Profit/(loss) attributable to equity holders of the parent	<b>757</b>	(5,899)	(5,219)
<b>Adjusted earnings/(loss)</b>			
Profit/(loss) for the period/year	<b>757</b>	(5,899)	(5,219)
Exceptional costs	-	5,861	5,787
	<b>757</b>	(38)	568
<b>Number of shares</b>			
	<b>Number</b>	Number	Number
Weighted average number of shares used for earnings per share	<b>22,138,197</b>	22,621,882	23,453,130
Dilutive effect of share plans	<b>1,230,610</b>	408,522	699,188
Diluted weighted average number of shares used to calculate fully diluted earnings per share	<b>23,368,847</b>	23,030,404	24,152,318
	<b>pence</b>	pence	pence
Basic earnings/(loss) per share	<b>3.42</b>	(26.07)	(22.25)
Fully diluted earnings/(loss) per share	<b>3.24</b>	(26.07)	(22.25)
Adjusted basic earnings/(loss) per share	<b>3.42</b>	0.00	2.42
Adjusted fully diluted earnings/(loss) per share	<b>3.24</b>	0.00	2.35

## 8 Cash flow from operating activities

	Six months ended		Year ended
	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Profit/(loss) before taxation	<b>1,105</b>	(5,899)	(5,459)
Adjusted for:			
Exceptional costs	-	5,861	5,787
Depreciation and amortisation	<b>189</b>	241	443
Amortisation of finance charges	-	44	44
Utilisation of onerous lease provision	<b>(225)</b>	(312)	(653)
Gain on sale of property, plant and equipment	<b>(7)</b>	(11)	(12)
Share based payments	<b>300</b>	83	497
Net finance costs	<b>31</b>	48	111
Operating cash flows before movements in working capital	<b>1,393</b>	55	758
(Increase)/decrease in receivables	<b>(9,948)</b>	4,610	4,310
Increase/(decrease) in payables	<b>6,356</b>	(806)	149
Cash (used in)/generated from operating activities before exceptional costs	<b>(2,199)</b>	3,859	5,217
Income taxes (paid)/received	<b>(153)</b>	150	(33)
Interest paid	<b>(38)</b>	(24)	(41)
Net cash (outflow)/inflow from operating activities before exceptional costs	<b>(2,390)</b>	3,985	5,143
Cash flows arising from exceptional costs	<b>(17)</b>	(285)	(345)
Net cash (outflow)/inflow from operating activities after exceptional costs	<b>(2,407)</b>	3,700	4,798



## 9 Provisions

Onerous leases	Six months ended		Year ended
	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Balance at 1 January	979	944	944
New provision	-	557	597
Utilised	(225)	(312)	(653)
Unwinding of discount	9	26	91
<b>Total</b>	<b>763</b>	<b>1,215</b>	<b>979</b>
Of which – expected to be incurred within 1 year	335	547	387
– expected to be incurred in more than 1 year	428	668	592