3 March 2010

HYDROGEN GROUP PLC

Preliminary results for the year ended 31 December 2009

The Board of Hydrogen Group Plc ("Hydrogen" or "the Group"), the international specialist recruitment group, is pleased to announce its audited preliminary results for the twelve months ended 31 December 2009.

Financial highlights

- Group revenue of £74.1m (2008: £96.2m)
- Net fee income ("NFI") of £16.8m (2008: £26.7m)
- Profit before taxation and exceptional items of £0.3m (2008: £3.7m)
- Net funds at 31 Dec 2009 of £3.1m (2008: net debt of £0.9m)
- Days of sales outstanding ("DSO") 29 days (2008: 40 days)
- 12% NFI growth in second half on first half of 2009
- Further reduction in administration costs down 28% to £16.4m (2008: £22.8m)
- Total dividends for the year of 4.1p per share (2008: 4.1p)

Operational highlights

- Good performance delivered despite challenging trading environment
- Continued selective investment into more robust market sectors and geographies
- Strong performance from Engineering business with NFI up by 50% to £1.5m (2008: £1.0m)
- International operations contributed 22% of total Group NFI (2008: 12%)
- Strong performance from Australia with NFI up 189% for the period to £1.2m (2008: £0.4m)
- First office in Far East Asia opened in Singapore, since the year end

Commenting on the results, Ian Temple, Executive Chairman, said:

"The Group has delivered a good performance during what has been an exceptionally challenging year for trading across global recruitment markets. Against this difficult backdrop we have continued to improve our operational efficiency and align our cost base to our trading environment, whilst maintaining flexibility in our business model to respond to demand in more robust markets and sectors. In the second half of the year we grew NFI by 12% and returned to profitable growth.

Since the year end we have continued to see signs of improvement in the UK, albeit against a low base in the prior year. We have also made further progress in exploiting international demand for specialist candidates and in January 2010 we were delighted to announce the opening of our Singapore office, our first in the Far East.

We are cautiously optimistic in our outlook for 2010 at this early stage in the year. Our strong business model and sound balance sheet give us confidence that we are well positioned for the year ahead."

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An analyst meeting will be held on the morning of results. For more information please contact Sarah Hughes at Hudson Sandler on 020 7796 4133.

CHAIRMAN'S STATEMENT

The Group has delivered a good performance in what has been an exceptionally challenging year for trading across the global recruitment markets. Against this difficult backdrop we have continued to improve our operational efficiency and align our cost base to our trading environment, whilst maintaining flexibility in our business model to respond to demand in more robust markets and sectors.

We have remained focused on strengthening our offer across our four core disciplines of Technology, Finance, Professional and Engineering. In the UK, the investment we have made in maintaining our client relationships during the downturn has put us in a strong position now that activity levels are showing signs of improvement. At the same time, we have made significant progress in exploiting the high levels of demand that exist internationally for specialist candidates, with a very strong performance from our Sydney office and the recent opening of our office in Singapore. International operations grew 20% and now contribute 22% to the Group's net fee income ("NFI") (2008: 12%) and we will continue to focus on developing this important area of the business.

Key financials

Revenue fell during the period by 23% to £74.1m (2008: £96.2m) resulting in a decrease in NFI of 37% to £16.8m (2008: £26.7m). Profit before taxation and exceptional items was £0.3m (2008: £3.7m), generating adjusted earnings per share of 2.4p (2008: 11.8p).

As was reported at the half year, exceptional items for the period amounted to £5.8m (2008: £1.7m) which was largely a result of a £5.6m non-cash accounting goodwill impairment charge. As a result, loss for the period was £5.2m, generating a basic loss per share of 22.3p compared to a basic earnings per share of 4.4p in 2008.

During the year, we continued to maintain a strong focus on cost control with administration costs reducing by 28%.

Working capital management and reduction in trade receivables resulting from the decline in revenue ensured that the business remained cash generative, with surplus cash having been used to repay all outstanding senior debt two years in advance of schedule. Consequently net funds at the end of the period stood at £3.1m, compared to net debt of £0.9m at the end of the prior year. Days of sales outstanding (DSOs) have improved and now stand at 29 days (2008: 40 days). In 2010 we anticipate investment in working capital to support growth, should it continue through the year.

Dividends

An interim dividend of 0.5p (2008: 2.1p) was paid on 6 November 2009. As announced at the time of our trading update on 14 January 2010, the Board paid a second interim dividend of 3.6p per share on 12 February 2010 to shareholders on the register as at 22 January 2010. This was paid instead of a final dividend and total dividends for the year ended 31 December 2009 were therefore 4.1p per share (2008: 4.1p). The Board believes that this level of dividend is both appropriate and sustainable, given the cash generative characteristics of the group and its strong balance sheet and will seek to review it, as and when profitability improves.

Board

Following 13 years in the Group, Chris Cole, Executive Director responsible for Engineering, has informed the Board of his intention to leave the business in order to pursue other opportunities. Chris will step down from the Board with immediate effect and will formally leave the Group upon completing a handover period. Simon Walker, who has worked for Hydrogen for over 8 years, and has a proven successful track record with the Group, will take over responsibility for Engineering. On behalf of the Board I would like to thank Chris for his outstanding contribution and wish him all the best for the future.

I am pleased to announce that John Glover, Finance Director, been appointed to the Board. John joined the Company in January 2007 from BP plc and his appointment reflects the excellent contribution he has made to the business.

Outlook

We have continued to see signs of improvement in the UK since the year end, albeit against a low base in the prior year. Internationally there are more encouraging signs that markets are improving. Trading in our newly opened Singapore office has been ahead of expectations and we will continue to develop our presence in Australasia, the Middle East and other international markets where we see opportunities for further growth.

We are cautiously optimistic in our outlook for 2010 at this early stage in the year. Our strong business model and sound balance sheet give us confidence that we are well positioned for the year ahead.

Ian Temple
Executive Chairman
3 March 2010

OPERATIONAL REVIEW

The Business

Hydrogen is an international specialist recruitment group, placing mid to senior level professional staff into clients on both a permanent and contract basis. Operating across four key disciplines of Technology, Finance, Professional and Engineering, we focus on finding and building relationships with the high quality specialist candidates that our clients have difficulty recruiting.

Trading conditions were extremely challenging throughout 2009, with demand for specialist candidates down across the vast majority of markets. However, the early actions taken to realign the business to the more difficult trading environment in the second half of 2008 positioned us well, and we were able to balance tight cost control with selective investment in new markets through our proven incubator model. This has enabled us to strengthen our position in more robust sectors in the UK, whilst expanding our footprint in higher growth international markets.

In this difficult trading environment, NFI for the year fell by 37% to £16.8m (2008: £26.7m), although it grew 12% in the second half of the year as compared with the first. As expected in a period of macro-economic uncertainty, the balance between permanent and contract recruitment shifted, with permanent recruitment falling to 48% of NFI (2008: 52%).

Segments

Whilst none of the disciplines in which we operate were untouched by the difficult trading conditions, the selective investments made into the more robust market sectors and geographies have continued to pay off. Our Engineering business delivered a good performance over the period growing NFI by 50% to £1.5m (2008: £1.0m) and our international operations also performed well, with International NFI for the period growing 20% and increasing to 22% of total NFI (2008: 12%).

Our office in Sydney has now been open for 2 years and continues to trade well. NFI was up 183% for the period to £1.2m (2008: £0.4m) and we moved into new premises during the second half of the year to accommodate increased headcount to support its expected continued growth. In addition, we recently opened a new office in Singapore having successfully incubated the team from London and the office has been trading ahead of expectations, albeit from a low base.

Clients

Client retention during the year has been strong and we won a number of new clients during the period. We were particularly pleased with our ability to transport our relationships internationally. Our ability to find scarce candidates from around the globe for our clients has been key to our international success. Our ability to maintain a strong client base throughout the economic downturn is testament to the strength and expertise of our specialist teams and positions us well for any upturn in the markets.

Candidates

We have continued to focus on building candidate pools in our key markets and have increased our investment in research teams in the second half of 2009. We have taken the opportunity to build our candidate database, whilst candidates have been relatively plentiful, in markets where we forecast future scarcity in supply. We have established international research teams to enable candidate mobility.

Staff

To strengthen our ability to recruit and develop high quality consultants, we established an internal recruitment and training function during the first half of the year, having previously used third parties for these activities. This investment has enabled us to achieve considerable cost savings in these areas, whilst also greatly improving our ability to hire and train consultants in high volumes.

We have a highly talented management team and have re-organised the business to ensure it is well structured to take advantage of future opportunities. We now have a cohesive structure to facilitate the movement of staff to stronger markets which we believe should enhance their career prospects and the Group's ability to grow.

Headcount currently stands at 252 (2008: 261) having increased 10% during the second half of the year in response to early signs of improvement in some of our markets.

In challenging market conditions, I have been delighted with the dedication of our staff and the flexibility with which they have adapted to changing conditions and priorities. I would like to take this opportunity to thank them for all their hard work, resilience and commitment over the course of the year.

Tim Smeaton
Chief Executive Officer
3 March 2010

FINANCIAL REVIEW

Results

The extraordinary economic conditions experienced during 2008 continued into 2009. Activity levels in recruitment markets were severely impacted by economic uncertainty, and trading conditions deteriorated through the first half of the year. While trading remained difficult, there were modest signs of stabilisation in some sectors in the second half of the year.

As expected, permanent recruitment experienced the greater decline in activity, with revenue from permanent placements for the year decreasing by 43% to £9.3m (2008: £16.4m). In contrast, contract revenue was more robust with a 19% decrease to £64.8m (2008: £79.8m). Overall, Group revenue for the year declined by 23% to £74.1m (2008: £96.2m). Group gross profit ("Net Fee Income") for the year declined by 37% to £16.8m (2008: £26.7m).

Internationally, the Group's Australian business delivered strong growth for the year, moving to larger premises to accommodate further growth in 2010. The Group continued to expand its international presence through its incubator model, with UK based teams targeting the Singapore and Gulf States' markets. As a result of these actions International NFI grew from £3.1m (12% of Group NFI) in 2008 to £3.7m (22% of Group NFI) in 2009, and the Group opened an office in Singapore in early 2010.

The Group continued to manage its cost base to ensure it was appropriate for market conditions. Headcount declined to a low of 230 at the half-year, but grew by 10% in the second half year, as the Group responded to growth opportunities, to finish the year at 252 (2008: 261).

Administration costs before exceptional items reduced by 28% to £16.4m (2008: £22.8m), with savings across the business, the largest being in property as the Group consolidated its London offices. The one area of cost increase was in the non-cash charge for share options issued to employees under Group share options schemes, which increased by 80% to £0.5m (2008: £0.3m), reflecting the increased use of options as a retention and remuneration tool.

The Group has had a cash surplus for the majority of the year, with little utilisation of its loan facilities. Finance costs of £0.1m (2008: £0.3m) predominantly relate to the unwinding of discount on provisions.

Profit before tax and exceptional items amounted to £0.3m (2008: £3.7m) a decrease of 92%.

Exceptional costs

The Group has taken an exceptional charge to cover a number of non-recurring costs. The decline in activity triggered a review of the carrying value of goodwill, resulting in a charge for impairment of £5.6m, predominantly on its Finance Professionals brand. Finalisation of the fees incurred in the aborted offer for Imprint plc resulted in a £0.3m release of unutilised provision. The Group took a charge of £0.5m at the half year for onerous lease costs relating to its surplus leasehold office accommodation. The Group has subsequently granted a sub-lease on the property for the period to the end of the head lease, and no further provision is anticipated.

Taxation

The total tax charge for the year is a credit of £0.2m (2008: charge of £1.0m), principally arising from:

- Exceptional cost of £5.6m goodwill impairment being disallowed for tax;
- A prior year tax credit of £0.3m for costs associated with abortive Imprint acquisition which were treated as disallowed for tax at the relevant time, but have subsequently been allowed.

Dividends

The Board previously declared an interim dividend of 0.5p per share (2008: 2.1p). A second interim dividend of 3.6p per share (2008: nil) was paid in February 2010, bringing the total dividend for the year to 4.1p (2008: 4.1p). The Board does not propose to pay a final dividend for 2009 (2008: 2.0p).

Earnings per share

Basic adjusted earnings per share declined to 2.42p per share before exceptional costs (2008: 11.84p), and adjusted diluted earnings per share, taking into account existing share options, declined to 2.35p (2008: 11.22p).

Balance sheet

Goodwill impairment

The Group's net assets at 31 December declined by £5.5m to £22.5m (2008: £28.0m), mainly as a result of the £5.6m impairment of goodwill.

Trade debtors reduced by 33% to £7.2m (2008: £10.5m), representing DSO's (days of sale outstanding) of 29 days (2008: 40 days). Trade debtors are anticipated to increase in 2010 as revenue grows.

Strong cash generation enabled the Group to repay all of its term borrowings two years in advance of schedule. The Group finished the year with a cash balance of £3.1m (2008: net debt £0.9m).

Cash flow

Focus on cost control, continued debtor management and business contraction all contributed to ensuring that the business remained highly cash generative for the third successive year. Cash generated from operations before cash flows associated with exceptional costs amounted to £5.1m (2008: £5.5m).

The Group has released £11.0m from working capital over the last three years, a trend that will inevitably show some reversal, even with tight working capital management, once the business returns to growth.

Cash flows arising from exceptional costs £0.3m (2008: £0.8m) were fees associated with abortive offer for the acquisition of Imprint plc.

Purchase of property, plant and equipment £0.2m (2008: £0.4m) was largely fittings and office equipment for the new Sydney office.

The Group made scheduled repayments of £0.3m of senior debt (2008: £1.0m), and utilised surplus cash to repay the remaining balance of £0.7m. The Group has an invoice discounting facility of £5.0m committed to 31 December 2010. At 31 December 2009 there was no draw down on this facility (2008: £0.5m).

Under the terms of the Hydrogen Group Restricted Share Agreement, 132,000 restricted shares were transferred to the Hydrogen Group Employee Benefit Trust (EBT) at nil cost, and 68,762 shares at a cost of £59,000. The Company also donated the funds to enable the EBT trust to purchase 230,000 ordinary shares of Hydrogen Group plc for a total consideration of £174,000.
Dividends paid to shareholders during the year were a final dividend for 2008 amounting to £0.5m (2008: £0.9m), and an interim dividend for 2009 of £0.1m (2008: £0.5m).

Treasury management and currency risk

During 2009 the Group utilised its surplus cash to repay all of its term bank borrowings, and the Group's operations are now predominantly financed by internal resources. The Group has a £5m committed invoice discounting facility available to finance short-term deficits, charged at floating rates based on Bank of England Base Rate.

At the time of initial draw down of its long term bank borrowings the Group entered into derivative contracts to mitigate its exposure to interest rate risk. These contracts were reviewed on repayment of the relevant borrowings but there was no commercial advantage in their cancellation at that time. Losses on the contracts to maturity will not be significant.

The main functional currency of the Group is sterling, with 10% of revenues in currencies other than sterling. The Group does not use financial instruments to manage actively its exposure to

foreign currency exchange risk. The Group will continue to monitor its policies in this area as its international business grows.

John Glover
Finance Director
3 March 2010

The Board of Directors announce the following audited results for the year ended 31 December 2009 which were approved by the Board on 2 March 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Note	**2009 £'000**	2008 £'000
Revenue	2	**74,073**	96,174
Cost of sales		**(57,256)**	(69,437)
Gross profit	2	**16,817**	26,737
Administration expenses		**(16,378)**	(22,806)
Operating profit before exceptional costs		**439**	3,931
Exceptional costs	3	**(5,787)**	(1,686)
Operating (loss)/profit		**(5,348)**	2,245
Finance costs		**(132)**	(301)
Finance income		**21**	61
(Loss)/profit before taxation		**(5,459)**	2,005
Income tax expense	4	**240**	(1,013)
(Loss)/profit for the year		**(5,219)**	992
Other comprehensive income:			
Exchange differences on translating foreign operations		**58**	19
Deferred tax on share options		**-**	(439)
Other comprehensive income/(loss)		**58**	(420)
Total comprehensive (loss)/income for the period		**(5,161)**	572
Attributable to:			
Equity holders of the parent		**(5,161)**	572
Earnings per share			
Basic (loss)/earnings per share (pence)	6	**(22.25)p**	4.38p
Diluted (loss)/earnings per share (pence)	6	**(22.25)p**	4.16p

The above results relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	**2009 £'000**	2008 £'000	2007 £'000
Non-current assets				
Goodwill	7	**13,440**	19,010	19,010
Other intangible assets		**171**	356	320
Property, plant and equipment		**361**	493	963
Deferred tax assets		**339**	129	628
Other financial assets		**420**	315	84
		14,731	20,303	21,005
Current assets				
Trade and other receivables		**14,982**	19,644	24,081
Cash and cash equivalents		**3,108**	566	330
		18,090	20,210	24,411
Total assets		**32,821**	40,513	45,416
Current liabilities				
Trade and other payables		**9,111**	9,693	10,749
Borrowings		**-**	966	2,514
Current tax liabilities		**174**	471	1,307
Provisions	8	**387**	571	-
		9,672	11,701	14,570
Non-current liabilities				
Borrowings		**-**	480	1,982
Deferred tax liabilities		**33**	-	-
Provisions	8	**592**	373	-
		625	853	1,982
Total liabilities		**10,297**	12,554	16,552
Net assets		**22,524**	27,959	28,864
Equity				
Capital and reserves attributable to the Company's equity holders				
Called-up share capital		**234**	**230**	227
Share premium account		**3,479**	**3,456**	3,220
Merger reserve		**16,100**	**16,100**	16,100
Own shares held		**(838)**	**(605)**	-
Share option reserve		**100**	**100**	100
Other reserve		**1,267**	**770**	494
Translation reserve		**80**	**22**	3
Retained earnings		**2,102**	**7,886**	8,720
Total equity		**22,524**	**27,959**	28,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

	Called-up share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares held £'000	Share option reserve £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008	**227**	**3,220**	**16,100**	**-**	**100**	**494**	**3**	**8,720**	**28,864**
Dividends	-	-	-	-	-	-	-	(1,387)	**(1,387)**
Increase in share capital	3	236	-	-	-	-	-	-	**239**
Share option charge	-	-	-	-	-	276	-	-	**276**
Purchase of shares by EBT	-	-	-	(605)	-	-	-	-	**(605)**
Transactions with owners	3	236	-	(605)	-	276	-	(1,387)	**(1,477)**
Profit for the year	-	-	-	-	-	-	-	992	**992**
Other comprehensive income:									
Tax on share-based charges	-	-	-	-	-	-	-	(439)	**(439)**
Foreign currency translation	-	-	-	-	-	-	19	-	**19**
Total comprehensive income for the period	-	-	-	-	-	-	19	553	**572**
At 31 December 2008	230	3,456	16,100	(605)	100	770	22	7,886	27,959
Dividends								**(561)**	**(561)**
Increase in share capital	**4**	**23**	**-**	**-**	**-**	**-**	**-**	**(4)**	**23**
Share option charge	**-**	**-**	**-**	**-**	**-**	**497**	**-**	**-**	**497**
Purchase of shares by EBT	**-**	**-**	**-**	**(233)**	**-**	**-**	**-**	**-**	**(233)**
Transactions with owners	**4**	**23**	**-**	**(233)**	**-**	**497**		**(565)**	**(274)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,219)**	**(5,219)**
Other comprehensive income									
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**58**	**-**	**58**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**58**	**(5,219)**	**(5,161)**
At 31 December 2009	**234**	**3,479**	**16,100**	**(838)**	**100**	**1,267**	**80**	**2,102**	**22,524**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	Note	**2009 £'000**	2008 £'000
Net cash generated from operating activities	9a	**4,798**	5,486
Investing activities			
Finance income		**21**	61
Proceeds from disposal of property, plant and equipment		**35**	62
Purchase of property, plant and equipment		**(150)**	(386)
Purchase of software assets		**(18)**	(164)
Net cash generated/(used) in investing activities		**(112)**	(427)
Financing activities			
Proceeds on issuance of ordinary shares		**23**	239
Purchase of own shares by EBT		**(174)**	(605)
Repayment of bank loans and loan notes		**(1,000)**	(2,000)
Repayment of other borrowings		**(465)**	(1,010)
Repayment of obligations under finance leases		**(25)**	(79)
Equity dividends paid	5	**(561)**	(1,387)
Net cash used in financing activities		**(2,202)**	(4,842)
Net increase in cash and cash equivalents		**2,484**	217
Cash and cash equivalents at beginning of year		**566**	330
Effect of foreign exchange rate changes		**58**	19
Cash and cash equivalents at end of year		**3,108**	566

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 Basis of preparation

The consolidated financial statements of the Hydrogen Group plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and also comply with IFRIC interpretations and Company Law applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through the statement of comprehensive income.

2 Segment reporting

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis on internal reports that are regularly reviewed by the chief operating decision maker to allocate resources and assess. The previous standard, IAS 14 'Segment Reporting', required an entity to identify a primary and secondary segment, based on business or geographical. Under IAS 14 the Group operated in one business segment, recruitment and one geographic location.

(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 director level, and mid to senior level HR professionals; and
- **Engineering**, which places engineers, and property and construction professionals.

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**	**19**	**437**
Operating profit/(loss)	**1,436**	**(35)**	**(573)**	**(110)**	**(279)**	**439**
Exceptional costs						**(5,787)**
Finance costs						**(132)**
Finance income						**21**
Loss before tax						**(5,459)**

2008	Technology £'000	Finance £'000	Professional £'000	Engineering £'000	Non-Allocated £'000	Total £'000
Revenue	72,935	13,682	7,651	1,906	-	96,174
Gross Profit	14,177	5,874	5,635	1,007	43	26,737
Depreciation	240	161	158	32	10	601
Operating profit/(loss)	4,421	513	469	(215)	(1,257)	3,931
Exceptional costs						(1,686)
Finance costs						(301)
Finance income						61
Profit before tax						2,005

Non-allocated costs in 2009 are partially offset by the release of the onerous lease provision of £653,000 (2008: nil).

Revenue reported above represents revenue generated from external customers. There are no sales between segments in the year (2008: 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 2), 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 £7,716,000 in the Technology segment (2008: one customer, £14,828,000, Technology segment).

(b) Revenue and gross profit, by geography

	Revenue		Gross profit	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
UK	**65,777**	90,880	**13,117**	23,646
Rest of world	**8,296**	5,294	**3,700**	3,091
	74,073	96,174	**16,817**	26,737

(c) Revenue and gross profit by recruitment classification

	Revenue		Gross profit	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Permanent	**9,258**	16,338	**8,061**	14,854
Contract	**64,815**	79,836	**8,756**	11,883
	74,073	96,174	**16,817**	26,737

3 Exceptional costs

Exceptional items comprise:

- income of £266,000 (2008: costs of £221,000) write back of surplus provisions on completion of accounting for abortive acquisition costs in offer to acquire Imprint plc;
- £483,000 (2008: £944,000) 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 has been increased in 2009 to cover the period of un-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%;
- £5,570,000 (2008: £ Nil) impairment of goodwill associated with the finance and professional operating segments;
- Nil (2008: £209,000) rationalisation costs arising from headcount reduction programme.

	2009 **£'000**	2008 £'000
Write back of surplus provisions relating to abortive acquisition	**(266)**	221
Provision for onerous contract	**483**	944
Impairment of goodwill and leasehold improvements	**5,570**	312
Rationalisation costs	**-**	209
	5,787	1,686

4 Tax

(a) Analysis of tax charge for the year:

The charge based on the (loss)/profit for the year comprises:	**2009** **£'000**	2008 £'000
Corporation tax:		
UK corporation tax on (loss)/profits for the year	**167**	952
Adjustment to tax charge in respect of previous periods	**(231)**	1
	(64)	953
Foreign tax:		
Current tax	**-**	-
Total current tax	**(64)**	953
Deferred tax:		
Origination and reversal of temporary differences	**(56)**	60
adjustments in respect of previous periods	**(120)**	-
Total deferred tax	**(176)**	60
Tax on (loss)/profit for the year	**(240)**	1,013

Corporation tax is calculated at 28% (2008: 28%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(b)The charge for the year can be reconciled to the (loss)/profits per the statement of comprehensive income as follows:

	2009	2008
(Loss)/profit before tax	**(5,459)**	2,005
Tax at the UK corporation tax rate of 28% (2008: 28%)	**(1,529)**	563
Effects of:		
Non deductible exceptional costs		-
Expenses not deductible for tax purposes	**(9)**	280
Capital allowances in excess of depreciation	**(73)**	54
Tax relief on the exercise of options	**(7)**	(19)
Tax losses arising in the year not relieved	**3**	60
Profits charged at (lower)/ higher rates of tax	**(1)**	14
Adjustment to tax charge in respect of prior periods	**(231)**	1
Share-based payments	**61**	60
Non taxable income	**(14)**	-
Consolidated goodwill impairment	**1,560**	-
Tax charge for the year	**(240)**	1,013

5 Dividends

	2009 £'000	2008 £'000
Amounts recognised and distributed to shareholders in the year		
Interim dividend for the year ended 31 December 2009 of 0.5p per share (2008: 2.1p per share)	**114**	483
Final dividend for the year ended 31 December 2008 of 2.0p per share (2008: 4.0p)	**447**	904
	561	1,387

An interim dividend of 0.5p (2008: 2.1p) per share was paid on 6 November 2009 to shareholders on the register at the close of business on 9 October 2009. The proposed interim dividend was approved by the Board on 3 September 2009.

A second interim dividend of 3.6p (2008: Nil) per share will be paid on 12 February 2010 to shareholders on the register at the close of business as at 22 January 2010.

The Directors do not propose the payment of a final dividend for 2009 (Final 2008 Dividend: 2.0p per share).

6 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue.
Adjusted earnings per share is as per basic earnings per share, with profit adjusted to add back exceptional costs.
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.

From continuing operations	2009 £'000	2008 £'000
Earnings		
(Loss)/profit attributable to equity holders of the parent	**(5,219)**	992
Adjusted earnings		
(Loss)/profit for the year	**(5,219)**	992
Exceptional costs	**5,787**	1,686
	568	2,678
Number of shares		
Weighted average number of shares used for basic and adjusted earnings per share	**23,453,130**	22,616,448
Dilutive effect of share plans	**699,188**	1,249,617
Diluted weighted average number of shares used to calculate diluted and adjusted diluted earnings per share	**24,152,318**	23,866,065
Basic (loss)/earnings per share (pence)	**(22.25)p**	4.38p
Diluted (loss)/earnings per share (pence)	**(22.25)p**	4.16p
Adjusted basic earnings per share (pence)	**2.42p**	11.84p
Adjusted diluted earnings per share (pence)	**2.35p**	11.22p

7 Goodwill

	2009 £'000	2008 £'000	2007 £'000
Cost			
At 1 January and 31 December	**19,010**	19,010	19,010
Accumulated impairment losses			
At 1 January	**-**	-	-
Impairment charge	**(5,570)**	-	-
At 31 December	**(5,570)**	-	-
Carrying amount at 31 December	**13,440**	19,010	19,010
Allocation of goodwill to cash generating units (CGU):			
Technology operating segment	**9,530**	9,530	9,530
Finance operating segment	**1,599**	6,371	6,371
Professional operating segment	**2,311**	3,109	3,109
	13,440	19,010	19,010

The adoption of IFRS 8 'Operating Segments' resulted in goodwill being monitored for internal management purposes at a lower level of CGU, requiring a reallocation of goodwill.

The recruitment sector as a whole has experienced a significant downturn in profitability in 2009 as a result of the global economic crisis. This provided a clear indication that the value of goodwill as at 31 December 2009 might be impaired. Testing confirmed that the following impairment charges were required:

Impairment charges	**£'000**
Finance operating segment	**4,772**
Professional operating segment	**798**
	5,570

The recoverable amount of each cash generating unit is determined on a value-in-use basis utilising the value of cash flow projections over eight years, which is estimated by management to be the duration of the recruitment cycle. Cash flows are discounted by the Group's weighted average cost of capital.

Growth rates and discount rates used are stated below:

Operating segment	**Growth rate 2010 – 2012 %**	**Growth rate 2013 – 2017 %**	**Discount rate %**
Technology operating segment	0% - 5%	4%-5%	9.3%
Finance operating segment	0% - 20%	5%	9.3%
Professional operating segment	0% - 20%	5%	9.3%

The stronger growth rates for Finance and Professional segments over the period 2010 – 2012 reflect the low base cash flow forecasts in the current and next financial year. Given Hydrogen Group's relatively small market share, in a limited number of sectors and geographies, it is not unreasonable for its growth rates in the period 2013 – 2017 to exceed the long-term growth rate of the overall market.

8 Provisions

	Onerous lease		
	2009 £'000	2008 £'000	2007 £'000
At 1 January	**944**	-	**-**
New provision	**597**	944	**-**
Utilised	**(653)**	-	**-**
Unwinding of discount	**91**	-	**-**
At 31 December	**979**	944	**-**
Of which – expected to be incurred within 1 year	**387**	571	**-**
- expected to be incurred in more than 1 year	**592**	373	-

Liabilities are discounted using the Group's estimated weighted cost of capital of 9.3%.

9 Notes to the cash flow statement

a. Reconciliation of profit before tax to net cash inflow from operating activities

	2009 £'000	2008 £'000
(Loss)/profit before taxation	**(5,459)**	2,005
Adjusted for:		
Exceptional costs	**5,787**	1,686
Depreciation and amortisation	**443**	618
Amortisation of finance charges	**44**	39
Utilisation of onerous lease provision	**(653)**	-
Gain on sale of property, plant and equipment	**(12)**	(10)
Share-based payments	**497**	277
Net finance costs	**111**	240
Operating cash flows before movements in working capital and exceptional costs	**758**	4,855
Decrease in receivables	**4,310**	4,528
Increase/(decrease) in payables	**149**	(763)
Cash generated from operating activities before exceptional costs	**5,217**	8,620
Income taxes paid	**(33)**	(1,973)
Finance costs	**(41)**	(301)
Net cash inflow from operating activities before exceptional costs	**5,143**	6,346
Cash flows arising from exceptional costs	**(345)**	(860)
Net cash inflow from operating activities	**4,798**	5,486

b. Reconciliation of net cash flow to movement in net funds/(debt):

	2009 £'000	2008 £'000
Increase in cash and cash equivalents in the year	**2,542**	237
Change in net debt resulting from cash flows	**1,489**	3,089
Other non-cash changes	**(43)**	(39)

Movement in net debt in the year	**3,988**	3,286
Net debt at the start of the year	**(880)**	(4,166)
Net funds/(debt) at the end of the year	**3,108**	(880)

10 Financial information

The financial information in this preliminary announcement which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes In Equity, Consolidated Cash Flow Statement and related notes is derived from the full Group financial statements for the year ended 31 December 2009 and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

Group statutory accounts for 31 December 2008 and 31 December 2007 have been delivered to the Registrar of Companies and those for 31 December 2009 will be delivered following the Company's annual general meeting. The auditors have reported on each set of Group statutory accounts and their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985 or Section 498(2) or Section 498(3) of the Companies Act 2006.