

11 March 2011

Work Group plc

Preliminary results for the 12 months ended 31st December 2010

Work Group plc (“Work Group” or the “Company”) announces its preliminary results for the 12 months ended 31st December 2010.

Headlines

- Operating profit before exceptional items of £0.3m (2009: £0.1m loss)
- Net fee income up 15% to £12.5m (2009: £10.8m)
- Talent Management income up 36% to £7.0m (2009: £5.2m)
- Net cash at year end of £1.8m (2009: £2.3m)
- Strong balance sheet and zero bank debt

Commenting, Simon Howard, Executive Chairman said:

“This set of results shows that the new leadership is delivering growth. I believe that we have emerged from the recession a stronger and more professionally managed business, and that some of the effects of those changes can be seen in these results.

Rose Colledge, our CEO, has strengthened the operating board and focused it on capitalising on opportunities identified in our growing client base. In this, it is supported by a talented team of younger managers who are now able to make a greater contribution as a result of the new structure.

Our business has changed substantially over the past few years, and with its stronger and more entrepreneurial leadership we are confident of future growth.”

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About Work Group

Work Group is a marketing services company which offers a range of solutions which enable employers to win the war for talent. It focuses on providing services in "talent acquisition and talent development" which enable employers to more effectively recruit and retain key staff.

Work Group's approach is to help employers reduce their traditional reliance on third-party recruiters such as head-hunters and recruitment firms through helping them establish and maintain a direct relationship between employer and prospective employee. It also helps

employers reduce attrition costs through better employee engagement and retention of key talent.

Work Group currently operates through two divisions; Communications and Talent Management, providing services from its four locations in the UK and offices in New York and Hong Kong.

Chairman's Statement

If 2009 was a year of maintaining stability, then 2010 was a year of rebuilding. After a 31% drop in net fee income in 2009, the Company reversed that trend in 2010 with 15% growth. It was also the year when we made some bold changes to the senior management team, recognising that we needed fresh thinking and new blood at the top.

Financial highlights

	Year ended 31 December 2010 £m	Year ended 31 December 2009* £m	Change £m
Gross profit (net fee income)^	12.5	10.8*	1.7
Operating profit/(loss) before exceptional items	0.3	(0.1)	0.4
Operating loss	(0.2)	(0.7)	0.5
Loss after tax	(0.3)	(0.6)	0.3
Cash	1.8	2.3	(0.5)
Diluted losses per share	(1.02)p	(2.34)p	1.39p
Diluted earnings/(losses) per share adjusted**	0.54p	(0.77)p	1.31p

^ References in the report to "net fee income" represent gross profit

* 2009 restated for comparability purposes to reflect reclassification. See note 1.

** Adjusted diluted earnings per share is stated before exceptional items (see note 6).

Business mix

The Talent Management segment produced an excellent result. In Armstrong Craven we witnessed the fruits of changes its leadership team has implemented over the past two years. This was represented not only by an excellent bottom line performance, but also by many more clients spending in excess of £100,000 with us. Our move towards greater account management and less reliance on low-spending smaller clients reflect management's success in building an altogether more professional business.

In the Work Group recruitment process outsourcing business (RPO), reported within the Talent Management segment, income proved to be extremely resilient to short term economic conditions and a large project in Manila also helped boost performance. The steady addition of new RPO business over the past two years meant that in 2010, three of the Company's top ten clients come from this source.

The UK communications businesses faced more challenging conditions. The Northern and Scottish markets were difficult, while an expected pick-up in London campus marketing activity

in the second half of the year did not materialise. The year-on-year decline in net fee income of £200k is more than accounted for by a drop in our limited number of public sector clients and masks some very positive performances from other clients. However there was also a noticeable trend towards employers spending more tactically and being less willing to invest in more strategic projects, reflecting a continued lack of certainty in many sectors.

Another positive development was the successful development of the overseas businesses, with both offices' achieving break-even in the second half. Critical mass remains a challenge but in both New York and Hong Kong an increasing amount of business is being won locally to support the (diminished) expenditure from global clients.

Management

The appointment of Rose Colledge as CEO and Julian Maslen as Finance Director represented an important step in handing leading management roles to a talented younger generation. This is also reflected in the composition of the Group Operating Board, which now exerts greater authority and has welcomed new members as the result of promotions. This new management team was effectively put in place in September 2010, and subsequently gained Board approval for significant changes to the organisation of the UK businesses in preparation for 2011.

Our clients

A core strength of the Work Group has always been our diverse client base. Finance & Banking remained our largest single sector (2010: 30%, 2009: 29%) which when added to Business & Professional services (2010: 17%, 2009: 11%) means that nearly half our clients come from these two sectors.

Our people

We can only be as good as the talent in our businesses, and as talent is our stock in trade, we are only too aware of the need to attract and develop great people.

In 2010 we restored the pay cuts made in 2009 and returned to recruiting in order to strengthen what we believe to be one of the most talented teams working in this sector. Their commitment, drive and integrity are appreciated more than ever.

The future

We are in the business of changing the way employers recruit and retain talent, and one significant effect of the recession is that employers are increasingly questioning the tried and tested methodologies. That is good news for us and we continue to see more evidence of demand for alternative approaches in the client market.

Our business has changed substantially over the past few years, and with its stronger and more entrepreneurial leadership we are confident of future growth.

Simon Howard

Chairman

10 March 2011

Operating Review

Against the backdrop of continued economic uncertainty the Work Group made steady progress during the year: returning to profit at the operating level, maintaining a healthy cash position and remaining debt free. The operating profit before exceptional costs was £0.3m (2009: £0.1m loss). The operating loss after exceptional costs was £0.2m (2009: loss £0.7m). Net cash at 31 December 2010 was £1.8m (2009: £2.3m).

	Year ended 31 Dec 2010 £'000	Change £'000	Year ended 31 Dec 2009* £'000
Gross profit (net fee income)			
Communications	5,453	(200)	5,653
Talent Management	7,029	1,853	5,176
Group gross profit	12,482	1,653	10,829
Operating (loss)/profit before exceptional items			
Communications	(926)	(363)	(563)
Talent Management	1,907	1,156	751
Corporate (non-recharged)	(641)	(317)	(324)
Group adjusted profit/(loss)	340	476	(136)
Operating (loss)/profit			
Communications	(1,027)	(247)	(780)
Talent Management	1,861	1,480	381
Corporate (non-recharged)	(1,031)	(707)	(324)
Group operating (loss) / profit	(197)	526	(723)

*Reclassified 2009 consolidated income statement for comparability purposes - see note 1.

Our main objectives in 2010 through this period of unpredictability were to build on the success of the Talent Management segment whilst re-positioning the UK Communications business and continuing to build out our international offering.

Group net fee income increased 15% to £12.5m (2009: £10.8m). Talent Management net fee income increased 36% to £7.0m (2009: £5.2m) which led to a highly creditable operating profit before exceptional items of £1.9m (2009: £0.7m).

Net fee income from the search and intelligence services (Armstrong Craven) proved particularly strong with a 43% year on year increase. The intelligence assignments proving to be a real growth area accounting for £1.3m of S&I income (2009:£0.9m). Our outsourcing and assessment services also proved to be a strong offering recording c.28% growth.

Communications net fee income fell 4% to £5.5m (2009: £5.7m). The economic slowdown has continued to impact advertising income which fell 20% to £1.3m (2009: £1.6m) and now represents just 10% of Work Group income (2009: 15%).

Cost reduction opportunities were pursued in the UK Communications business during the year leading to a 6% reduction in overall costs with further efficiencies planned for the current year.

Headcount across the Work Group has increased by 9% to 171 FTE's at the year end (2009:157). Whilst the overall number has grown there has been a significant change in the mix of employees within the Work Group. There has been a net reduction in those supporting the Communications segment though a combination of natural attrition and redundancy and an increased headcount in those supporting the Talent Management segment due to the much increased volume levels. Redundancy costs included in the exceptional items are £108k (2009: £277k).

At the start of the period we believed that we had witnessed sufficient progress across the Group to enable us to reverse the pay cut imposed in April 2009. We have also re-introduced annual salary reviews.

Property costs in the UK business were rationalised during 2010 as leases for our Birmingham and Knutsford properties expired. One-off costs related to this totalled £39k and are included in exceptional costs.

Positive progress has been made with our US and Hong Kong offices throughout 2010 with the Group's non UK net fee income increasing by 67%. There has been a movement to the US of certain key client relationships and our overseas presence has become increasingly important to retaining and growing global contracts. Both overseas offices moved into a breakeven position for the first time in the second half of 2010.

Net cash at 31 December 2010 was £1.8m (2009: £2.3m). An overdraft facility of £2m is arranged annually and renewal has been agreed with the bank until May 2012. The overdraft was not used in 2010. During the year a loan of £0.1m was made to the employee benefit trust to purchase shares in the Company to be used as future incentives for employees.

The Board is not recommending the payment of a dividend (2009: nil).

The balance sheet remains strong with zero bank debt.

Julian Maslen
Finance Director
10 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Note	2010	2009*
		£'000	£'000
Revenue	2	22,832	22,133
Cost of sales		(10,350)	(11,304)
Gross profit (net fee income)		12,482	10,829
Net operating expenses		(12,679)	(11,552)
Operating loss	4	(197)	(723)
Operating profit/(loss) before exceptional items		340	(136)
Exceptional items	3	(537)	(587)
Finance income		43	3
Finance costs		(3)	(28)
Loss before taxation		(157)	(748)
Taxation	5	(95)	116
Loss for the year attributable to owners of the company		(252)	(632)
Basic losses per share (pence)	6	(1.02)	(2.34)
Diluted losses per share (pence)	6	(1.02)	(2.34)

*Reclassified, see note 1

The results above are all in respect of continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010	2009
	£'000	£'000
Loss for the year	(252)	(632)
Other comprehensive income		
Currency translation differences	18	(34)
Total comprehensive loss for the year attributable to owners of the company	(234)	(666)

Consolidated and parent company balance sheets

As at 31 December 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Assets					
Non-current assets					
Intangible assets	8	12,197	12,197	11,411	11,411
Property, plant and equipment		380	505	368	481
Investment in subsidiaries		-	-	5,052	4,288
Deferred tax asset		80	27	80	28
		12,657	12,729	16,911	16,208
Current assets					
Inventories		304	190	299	189
Trade and other receivables		4,456	2,866	4,439	3,104
Cash and cash equivalents		1,775	2,265	1,528	2,089
		6,535	5,321	6,266	5,382
Liabilities					
Current liabilities					
Trade and other payables		(5,396)	(4,174)	(8,370)	(7,162)
Current tax liabilities		(136)	(120)	(136)	(120)
		(5,532)	(4,294)	(8,506)	(7,282)
Net current assets/(liabilities)		1,003	1,027	(2,240)	(1,900)
Non current liabilities					
Deferred tax liability		-	-	-	-
Net assets		13,660	13,756	14,671	14,308
Shareholders' equity					
Ordinary share capital		572	572	572	572
Share premium		8,240	8,240	8,240	8,240
Special reserve		2,826	2,826	2,826	2,826
Shares held by EBT		(406)	(352)	-	-
Foreign exchange reserves		84	66	-	-
Retained earnings		2,344	2,404	3,033	2,670
Total equity		13,660	13,756	14,671	14,308

Consolidated and parent company statements of changes in equity

For the year ended 31 December 2010

Note	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Shares held by EBT £'000	Foreign exchange reserves £'000	Special reserve £'000	Total equity £'000
1 January 2009	572	8,240	3,038	-	100	2,826	14,776
Loss for the year	-	-	(632)	-	-	-	(632)
Foreign exchange	-	-	-	-	(34)	-	(34)
Total comprehensive loss	-	-	(632)	-	(34)	-	(666)
Purchase of ordinary shares in Work Group plc	-	-	-	(352)	-	-	(352)
Employee share option scheme value of employee services	-	-	(2)	-	-	-	(2)
At 31 December 2009	572	8,240	2,404	(352)	66	2,826	13,756
Loss for the year	-	-	(252)	-	-	-	(252)
Foreign exchange	-	-	-	-	18	-	18
Total comprehensive loss	-	-	(252)	-	18	-	(234)
Purchase of ordinary shares in Work Group plc	-	-	-	(54)	-	-	(54)
Employee share option scheme value of employee services	-	-	192	-	-	-	192
At 31 December 2010	572	8,240	2,344	(406)	84	2,826	13,660

The cost of the investment held by the employee benefit trust in Work Group plc is shown above as Shares held by EBT.

The Foreign exchange reserve represents the revaluation of the net assets in the foreign subsidiaries.

With the sanction of an Order of the High Court effective from 28 November 2005 the ordinary shares of £1 each and the cumulative ordinary shares of £1 each were both reduced to 10p per share and the share premium was cancelled. This created a special reserve.

Consolidated and parent company statements of changes in equity (continued)

For the year ended 31 December 2010

	Note	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Special reserve £'000	Total equity £'000
1 January 2009		572	8,240	2,899	2,826	14,537
Total comprehensive loss		-	-	(227)	-	(227)
Employee share option scheme value of employee services		-	-	(2)	-	(2)
At 31 December 2009		572	8,240	2,670	2,826	14,308
Total comprehensive profit		-	-	171	-	171
Employee share option scheme value of employee services		-	-	192	-	192
At 31 December 2010		572	8,240	3,033	2,826	14,671

Consolidated and parent company statements of cash flow

For the year ended 31 December 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	9	(252)	1,175	(382)	972
Interest paid		(3)	(32)	(3)	(32)
Tax paid		(132)	(34)	(131)	(29)
Net cash (used in)/generated from operating activities		(387)	1,109	(516)	911
Cash flows from investing activities					
Interest received		1	3	1	3
Purchase of property, plant and equipment		(50)	(49)	(46)	(42)
Net cash used in investing activities		(436)	(46)	(45)	(39)
Cash flows from financing activities					
Purchase of shares in Work Group plc by EBT		(54)	(352)	-	-
Loan notes repaid		-	(10)	-	(10)
Finance lease payments		-	(2)	-	(2)
Net cash used in financing activities		(54)	(364)	-	(12)
Net (decrease)/increase in cash and cash equivalents in the year		(490)	699	(561)	860
Cash and cash equivalents at start of the year		2,265	1,566	2,089	1,229
Cash and cash equivalents at end of the year		1,775	2,265	1,528	2,089

Notes to the financial statements

For the year ended 31 December 2010

1 Summary of significant accounting policies

Work Group plc is a public limited company incorporated in England and Wales, domiciled in the United Kingdom and listed on the Alternative Investment Market (AIM). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements for the Group and company have been prepared on the going concern basis under the historical cost convention. The 2009 consolidated income statement has been restated for comparability purposes to reflect the reclassification of certain overhead costs on a consistent basis. This has no impact on the operating result. Further detail is disclosed in note 2 Segmental reporting.

2 Segmental reporting

IFRS 8; "Operating Segments" requires operating segments to be identified on the basis of internal reports which are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Board. The Board considers that there are two operating segments, Communications and Talent Management. Communications represents the employer marketing services offered by the business. Talent Management combines search and intelligence (Armstrong Craven) and recruitment process outsourcing (RPO). The Board assesses the performance of the operating segments based on net fee income, operating profit before exceptional items and adjusted EBITDA.

In 2009, certain resourcing costs, within the Talent Management segment, were treated as costs of sales. These costs relate to people costs and have been reclassified as operating expenses on a consistent basis with the treatment of salaried employees. The effect of this adjustment is reflected in the table below.

Notes to the financial statements (continued)

For the year ended 31 December 2010

Talent Management	31 December 2010 £'000	Restated 31 December 2009 £'000
Net fee income (Gross profit)	7,029	4,582
Adjustment*		594
Net fee income revised	7,029	5,176

*The adjustment represents costs previously recognised as cost of sales and now recognised in operating expenses. There is no impact on the operating result.

Year ended 31 December 2010	Communications £'000	Talent management £'000	Unallocated £'000	Total continuing operations £'000
Total revenue	14,646	8,186	-	22,832
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	14,646	8,186	-	22,832
Net fee income	5,453	7,029	-	12,482
Operating (loss)/profit before exceptional items	(926)	1,907	(641)	340
Exceptional items	(101)	(46)	(390)	(537)
Operating (loss)/profit after exceptional items	(1,027)	1,861	(1,031)	(197)
Finance income	-	-	43	43
Finance costs	-	-	(3)	(3)
(Loss)/profit before taxation	(1,027)	1,861	(991)	(157)
Depreciation	131	45	-	176
Taxation	-	-	(95)	(95)
Adjusted EBITDA (before exceptional items)	(795)	1,952	(641)	516
Total assets	10,954	8,158	80	19,192
Total liabilities	3,045	2,351	136	5,532

Notes to the financial statements (continued)

For the year ended 31 December 2010

Restated year ended 31 December 2009	Communications £'000	Talent management £'000	Unallocated £'000	Total continuing operations £'000
Total revenue	16,368	5,806	-	22,174
Inter-segment revenue	-	(41)	-	(41)
Revenue (from external customers)	16,368	5,765	-	22,133
Net fee income	5,653	5,176	-	10,829
Operating (loss)/profit before exceptional items	(563)	751	(324)	(136)
Exceptional items	(217)	(370)	-	(587)
Operating (loss)/profit after exceptional items	(780)	381	(324)	(723)
Finance income	-	-	3	3
Finance costs	-	-	(28)	(28)
(Loss)/profit before taxation	(780)	381	(349)	(748)
Depreciation	157	84	-	241
Taxation	-	-	(116)	(116)
Adjusted EBITDA (before exceptional items)	(406)	835	(324)	105
Total assets	10,652	7,371	27	18,050
Total liabilities	2,470	1,704	120	4,294

Notes to the financial statements (continued)

For the year ended 31 December 2010

Geographical information

The Group manages its business segments in the UK, which is the home country of the parent.

The sales analysis in the table below is based on the location of the customer. All significant assets and capital expenditure are located in the UK.

	2010 £'000	2009 £'000
UK	21,111	20,836
USA	654	514
Europe	425	290
Rest of World	642	493
	22,832	22,133

3 Exceptional items

The exceptional costs of £537,000 (2009: £587,000) principally relate to redundancies, ex-gratia payments, one-off share based payments costs following management restructure and office exit costs following office rationalisation.

Exceptional costs	2010 £'000	2009 £'000
Redundancies	108	277
Ex-gratia	236	20
Share options	154	-
Office exit costs	39	290
	537	587

4 Operating loss

	2010 £'000	2009 £'000
Operating loss is stated after charging/(crediting):		
Depreciation on plant, property and equipment:		
- Owned	176	239
- Leased	-	2
Loss on disposal of plant, property and equipment	-	20
Operating lease rentals:		
- Plant and machinery	10	21
- Land and buildings	652	703
Foreign exchange gains	(30)	(65)
Auditors' remuneration		
- Fees payable to company auditors for the audit of parent company and consolidated financial statements	43	34
- Fees payable to company auditors for the audit of company's subsidiaries pursuant to legislation	10	13
- Fees payable to the company's auditor and its associates for other services pursuant to legislations	5	7

Notes to the financial statements (continued)

For the year ended 31 December 2010

5 Taxation

	2010 £'000	2009 £'000
Current tax		
Current year tax	134	(104)
Adjustment to prior years	14	(9)
Total Current tax	148	(113)
Deferred tax		
Deferred tax on accelerated capital allowances	(1)	(3)
Deferred tax on share based payments	(52)	-
Total tax charge/(credit)	95	(116)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, the standard rate of corporation tax in the UK for the year was 28% (2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Loss before taxation	(157)	(748)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(44)	(209)
Effects of:		
Expenses not deductible for tax purposes	58	1
Deferred tax on share options	(52)	-
Deferred tax on trading losses not recognised	104	67
Foreign country tax rate differences	15	34
Adjustments to prior year	14	(9)
Tax charge/(credit)	95	(116)

Notes to the financial statements (continued)

For the year ended 31 December 2010

6 Losses per share

	2010			2009		
	Losses £'000	Weighted average number of shares '000	Per share amount Pence	Losses £'0	Weighted average number of shares '000	Per share amount pence
Basic losses per share including shares held by EBT	(252)	28,622	(0.88)	(632)	28,622	(2.21)
Less weighted average shares held by EBT	-	(3,806)	(0.14)	-	(1,612)	(0.13)
Basic losses per share excluding shares held by EBT	(252)	24,816	(1.02)	(632)	27,010	(2.34)

As there are basic losses per share the effect of share options is anti-dilutive, consequently diluted losses per share equates to the basic losses per share.

	2010			2009		
	Earnings /(losses) £'000	Weighted average number of shares '000	Per share amount pence	Earnings /(losses) £'000	Weighted average number of shares '000	Per share amount pence
Adjusted basic earning/(losses) per share including shares held by EBT	144		0.50	(209)	28,622	(0.73)
Less weighted average shares held by EBT	-	(3,806)	0.08	-	(1,612)	(0.04)
Adjusted basic earnings/(losses) per share excluding shares held by EBT	144	24,816	0.58	(209)	27,010	(0.77)
Effect of dilutive share options	-	1,810	(0.04)	-	-	-
Adjusted diluted earnings/(losses) per share excluding shares held by EBT	144	26,626	0.54	(209)	27,010	(0.77)

Basic losses per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year excluding shares held by the EBT which are treated as treasury shares.

For diluted losses per share, the weighted average number of shares is adjusted to reflect the impact of all dilutive potential ordinary shares.

No further shares have been issued since 31 December 2010.

Notes to the financial statements (continued)

For the year ended 31 December 2010

Earnings reconciliation

	2010 £'000	2009 £'000
Statutory (losses)/earnings	(252)	(632)
Add back exceptional items (note 3)	537	587
Tax on exceptional items 28%* (2009 28%)	(141)	(164)
Revised (losses)/earnings for Adjusted EPS	144	(209)

Adjusted earnings per share exclude the cost of exceptional items less tax at 28% (2009: 28%).

*Excludes non-taxable items related to Work Inc.

7 Dividends

Group and Company	2010 £'000	2009 £'000
2009 final dividend payment - £nil pence per share (2008: £nil pence per share)	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2010

8 Intangible assets

Group	Total £'000
Cost and carrying amount	
At 1 January 2009, 31 December 2009 and 31 December 2010	12,197

Company	Total £'000
Cost and carrying amount	
At 1 January 2009, 31 December 2009 and 31 December 2010	11,411

Goodwill has arisen in the past on the acquisitions of The Resourceful Group Limited, Park Human Resources Limited, Armstrong Craven Limited and Recruitment Communications Company Limited.

During the year the acquired goodwill was tested for impairment in accordance with IAS 36 and no impairment was considered necessary.

The carrying value of goodwill at Group level is attributed to The Resourceful Group Limited and Park Human Resources Limited (£3,123,000), Recruitment Communications Company Limited (£3,953,000) and Armstrong Craven Limited (£5,121,000). Each cash-generating unit for which the aforementioned goodwill is allocated is not larger than the operating segments as determined in note 2. The recoverable amount of goodwill is calculated based on value in use, using discounted cash flows. Management have projected the cash flows for the years 2011 and 2012. The key assumptions for the value in use calculations for the year 2013 onwards are future projections based on a long term growth rate of 2.5%.

Management does not currently foresee any change in the key assumptions it has employed when determining the value in use calculations, which would cause the carrying amount to exceed the recoverable amount for each cash-generating unit.

The rate used to discount the forecast cash flows is 10.2% (2009: 8.6%), being the Group's weighted average cost of capital.

Goodwill at company level represents the activities previously undertaken by The Resourceful Group Limited and Park Human Resources Limited (£4,308,000), Recruitment Communications Company Limited (£3,400,000) and Armstrong Craven Limited (£3,703,000).

Notes to the financial statements (continued)

For the year ended 31 December 2010

9 Reconciliation of operating loss to cash (used in)/generated from operations

	Group 2010	Group 2009	Company 2010	Company 2009
	£'000	£'000	£'000	£'000
(Loss)/profit for the year	(252)	(632)	171	(227)
Adjustments:				
Taxation	95	(116)	96	(65)
Finance income	(43)	(3)	(43)	(3)
Finance costs	3	28	3	28
Depreciation of plant property and equipment	176	241	160	204
Loss/(profit) on disposal of plant property and equipment	-	20	-	20
Share based payments	192	(2)	192	(2)
Decrease/(increase) in inventories	(114)	124	(110)	123
Decrease/(increase) in trade and other receivables	(1,577)	2,039	(2,100)	657
(Decrease)/increase in trade and other payables	1,268	(524)	1,249	237
Cash (used in)/generated from operations	(252)	1,175	(382)	972

10 Post balance sheet events

On 12 January 2011 the Company purchased 673,335 of its own ordinary shares for a total consideration of £108,000, for future employee share options. As a result of this purchase the total number of ordinary shares held in treasury is 673,335 and the number of remaining ordinary shares in issue is 27,949,138. The total number of voting rights in the Company is 27,949,138.