



16 March 2010

## Work Group plc

### **Preliminary results for the year ended 31 December 2009**

Work Group plc announces its preliminary results for the 12 months ended 31 December 2009.

#### **Headlines**

- Close to operating break even before exceptional items - loss of £0.1m (2008 £1.1m profit)
- Cash at year end up 44% to £2.3m (2008: £1.6m)
- Net fee income of £10.2m (down 31% from 2008: £14.9m)
- Strong balance sheet and zero debt

The operating loss after exceptional costs relating to redundancies and property rationalisation of £0.6m was £0.7m (2008: £0.9m profit).

Commenting, Simon Howard, Executive Chairman said:

"In some ways 2009 was a year best forgotten, however we have come through its ravages in pretty good shape and entered 2010 with a strong balance sheet and debt-free.

Part of our strength comes from the diverse nature of our business; so while the Communications division had a challenging year, Talent Management was profitable. Our challenge now is to return to growth across both divisions, capitalising on and growing our blue chip client base.

The economy is clearly not out of the woods yet but we are excited about our plans for the future. In the first two months of the year, overall trading has been in line with expectations."

[www.workgroup.plc.uk](http://www.workgroup.plc.uk)

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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.

## Financial highlights

	Year ended 31 December 2009	Year ended 31 December 2008	Change
	£m	£m	£m
Gross profit (Net fee income)^	10.2	14.9	(4.7)
Operating (loss)/profit before exceptional items	(0.1)	1.1	(1.2)
Operating (loss)/profit	(0.7)	0.9	(1.6)
(Loss)/profit after tax	(0.6)	0.4	(1.0)
Diluted (losses)/earnings per share	(2.34)p	1.36p	(3.70)p
Diluted (losses)/earnings per share adjusted*	(0.77)p	1.79p	(2.56)p
Cash	2.3	1.6	0.7

^ References in the report to "Net fee income" represent Gross profit

\* Adjusted diluted earnings per share is stated before exceptional items (see note 5).

# Chairman's statement

## Chairman's review

There may be many who might think that 2009 is a year best forgotten, but despite the ravages that the market threw at us, Work Group ("the Group") turned in a highly creditable performance. A 31% drop in net fee income was of course significant, but to have managed our way through that to near break-even by the year end, and to have remained in a strong cash position, were in themselves achievements.

But these achievements were not accomplished without sacrifices; jobs were lost, salaries cut and offices closed. However, we also learned lessons in 2009 and worked hard to position the business for future growth.

## Business mix

One highly significant trend during 2009 was the fact that Talent Management not only represented a growing proportion of Group net fee income (from an historic 40% to 50% by the second half of 2009) but also generated a profit for the full year.

## Talent management

There were three significant drivers to the impressive performance of Talent Management. First, within the Armstrong Craven business, income from intelligence projects grew. These are typically 'talent mapping' exercises which carry a higher fee than straightforward search assignments. Second, in the RPO (Recruitment Process Outsourcing) business we operate a flexible resourcing model where we are easily able to scale up and down resources at our call centre - thus keeping our costs more closely in line with short term income trends. And third, our team of psychologists won and delivered some impressive leadership development work.

## Communications

While we have always accepted that Communications income is likely to be more cyclical, the degree to which it fell in 2009 surprised even us, and defied previous downturns. For example, in London, income from the major graduate clients fell 59% year on year, while our global campus marketing clients as a whole fell by 53%. This was itself a reflection of the turmoil in global financial markets.

However it wasn't all bad. There were many projects delivered which represented the predominance that our digital capabilities now have in our business. Indeed income from offline (press) advertising represented only 9% of the Group net fee income (2008: 12%), and so it can be said that for the most part migration (to online) has occurred and, for us, is yesterday's story. One new client win worthy of note was Asda, which builds on the long standing relationship it has had with the Armstrong Craven business.

## International

This has been a global recession and so our task of growing our small international operations has been all the more challenging. However we can point to some positive client wins in the Far East and in New York a new team is now leading our new business efforts in the US.

## Our clients

A core strength of the Group has always been our diverse client base. Indeed it is interesting (if a little depressing) to note that such has been the universal impact of the recession, that every single sector has been affected. Despite the enormous changes in the sector, Banking & Finance remained our largest single sector (2009: 29% of net fee income, 2008: 28%) although each part of the Group carries out a wide range of activities for these clients.

## Chairman's statement (continued)

Looking forward, we are optimistic that the private sector will continue to recover while we have only limited exposure to expected future public sector cuts as only 10% of our income is generated from Government bodies.

### Our people

Living through the recession has been tough for our people. There have been redundancies in most teams, non-replacement of leavers and a salary cut was accepted by every member of the Group. Throughout this difficult time we have remained as open as we can be and so we have benefited from a high level of understanding and mutual cooperation within the teams. Our people's careers can progress only if the business moves forward, and the business will only move forward with committed talented people. Hence we remain committed to developing our team and retaining as much talent as we are able to.

### The future

As we have said before, 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. Employers are trying to do more for themselves and it is our job to show them how to do that more effectively: we'll train them how to write for the web, we'll show them how to use LinkedIn more effectively, we'll do their talent mapping, we'll build a website so that they are "always on", we'll manage their talent bank, and we'll do all that in Europe, or in the US or in Asia.

Much as we are focusing on organic growth, we remain alert to acquisitive opportunities. That said we recognise the limits which the current funding environment might place on us and so do not want to set any unrealistic expectations in the shorter term.

The post-recession business world is very different from the pre-credit crunch era. Our challenge is to capitalise on that and get back onto a sustainable growth path.

Simon Howard

Chairman

## Operating review

During a period of severe and sustained economic slowdown the Group achieved close to break-even at the operating profit line before exceptional costs and generated positive cash flow from operations. The actual operating loss before exceptional costs was £0.1m (2008: profit £1.1m). Net cash of £2.3m was a 44% increase on the previous year (2008: £1.6m). The operating loss after exceptional costs was £0.7m (2008: profit £0.9m).

	Year ended 31 Dec 2009 £'000	Change £'000	Year ended 31 Dec 2008 £'000
<b>Gross profit (net fee income)</b>			
Communications	5,653	(3,154)	8,807
Talent Management	4,582	(1,488)	6,070
<b>Group gross profit</b>	<b>10,235</b>	<b>(4,642)</b>	<b>14,877</b>
<b>Operating (loss)/profit before exceptional items</b>			
Communications	(563)	(1,107)	544
Talent Management	751	4	747
Corporate (non-recharged)	(324)	(88)	(236)
<b>Group adjusted (loss)/profit</b>	<b>(136)</b>	<b>(1,191)</b>	<b>1,055</b>
<b>Operating (loss)/profit</b>			
Communications	(780)	(1,188)	408
Talent Management	381	(318)	699
Corporate (non-recharged)	(324)	(88)	(236)
<b>Group operating (loss)/profit</b>	<b>(723)</b>	<b>(1,594)</b>	<b>871</b>

Our operating objectives in 2009 during a period of financial turbulence were to preserve cash, grow market share and be well positioned for any improvement in market conditions.

Considered action was taken to reduce the cost base through headcount reductions, property rationalisation and cost re-alignments throughout the business in the UK. Group headcount fell by 26% to 163 (2008: 220) through a combination of natural attrition, voluntary measures and redundancies. From 1<sup>st</sup> April everybody in the Group agreed to a pay cut which stabilised job losses and halted the need for any further redundancies in the second half of the year. Redundancy costs of £0.3m are included in exceptional costs.

Property costs in the UK regional business were rationalised through a lease surrender and co-locating Armstrong Craven people in the existing Hale office. These one-off costs totalled £0.29m and are also included in exceptional costs.

In 2009 total UK costs were reduced by 28% to £9.4m (2008: £13.0m).

## Operating review (Continued)

Group net fee income fell 31% to £10.2m (2008: £14.9m). Talent management income fell 25% to £4.6m (2008: £6.1m) but the actions taken to reduce costs led to a highly creditable profit before exceptional items of £0.75m (2008: £0.75m).

We witnessed the first decline in income within the Group during 2008 in search and intelligence services (Armstrong Craven). In 2009 these services have been the first in the Group to record a year on year increase in income. Total Talent Management income in Q4 was up 16% to £1.4m (2008: £1.2m).

Communications income fell 36% to £5.7m (2008: £8.8m). The service most impacted by the economic slowdown was global campus marketing where income fell 53% to £0.9m (2008: £1.9m) as organisations limited their visibility in the graduate market. The economic slowdown also hastened the decline in advertising income which fell 43%.

Investment in the US and Hong Kong offices grew modestly to support these early stage businesses through secondments from the UK. 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.

A key focus during 2009 has been working capital management which has led to net cash generated from operating activities of £1.1m and net cash at the year end of £2.3m (2008: £1.6m). During the year a loan of £0.35m 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 (2008: nil).

The balance sheet remains strong with zero debt.

**Michael Warren**  
Finance Director  
15 March 2010

# Consolidated income statement

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	2	22,133	35,679
Cost of sales		(11,898)	(20,802)
Gross profit (net fee income)		10,235	14,877
Net operating expenses		(10,958)	(14,006)
Operating (loss)/profit		(723)	871
Operating (loss)/profit before exceptional items		(136)	1,055
Exceptional items	3	(587)	(184)
Finance income		3	28
Finance costs		(28)	(26)
(Loss)/profit before taxation		(748)	873
Taxation	4	116	(462)
(Loss)/profit for the year attributable to owners of the company		(632)	411
Basic (losses)/earnings per share (pence)	5	(2.34)	1.44
Diluted (losses)/earnings per share (pence)	5	(2.34)	1.36

The results above are all in respect of continuing operations.

## Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009	2008
	£'000	£'000
(Loss)/profit for the year	(632)	411
Other comprehensive income		
Currency translation differences	(34)	100
Total comprehensive (loss)/income for the year	(666)	511
Total comprehensive (loss)/income for the year attributable to owners of the company	(666)	511

# Consolidated and parent company balance sheets

As at 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 (restated) £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	7	12,197	12,197	11,411	7,708
Property, plant & equipment		505	721	481	587
Investment in subsidiaries		-	-	4,288	7,690
Deferred tax asset		27	24	28	-
		<b>12,729</b>	<b>12,942</b>	<b>16,208</b>	<b>15,985</b>
<b>Current assets</b>					
Inventories		190	314	189	312
Trade and other receivables		2,866	4,972	3,104	4,062
Cash and cash equivalents		2,265	1,566	2,089	1,229
		<b>5,321</b>	<b>6,852</b>	<b>5,382</b>	<b>5,603</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables		(4,174)	(4,753)	(7,162)	(6,861)
Current tax liabilities		(120)	(265)	(120)	(184)
		<b>(4,294)</b>	<b>(5,018)</b>	<b>(7,282)</b>	<b>(7,045)</b>
<b>Net current assets/(liabilities)</b>		<b>1,027</b>	<b>1,834</b>	<b>(1,900)</b>	<b>(1,442)</b>
<b>Non current liabilities</b>					
Deferred tax liability		-	-	-	(6)
<b>Net assets</b>		<b>13,756</b>	<b>14,776</b>	<b>14,308</b>	<b>14,537</b>
<b>Shareholders' equity</b>					
Ordinary share capital		572	572	572	572
Share premium		8,240	8,240	8,240	8,240
Other reserves		2,826	2,826	2,826	2,826
Shares held by EBT		(352)	-	-	-
Foreign exchange reserves		66	100	-	-
Retained earnings		2,404	3,038	2,670	2,899
<b>Total shareholders' equity</b>		<b>13,756</b>	<b>14,776</b>	<b>14,308</b>	<b>14,537</b>

The 2008 company balance sheet has been restated to reflect the treatment of The Recruitment Communications Company Limited (RCCHR) hive up in October 2007. Further detail is disclosed in note 7 Intangible assets.

# Consolidated and parent company statements of changes in equity

For the year ended 31 December 2009

Group

	Note	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Shares held by EBT £'000	Foreign exchange reserves £'000	Special reserve £'000	Total reserves £'000
1 January 2008		542	7,261	3,004	-	-	2,826	13,633
Profit for the year		-	-	411	-	-	-	411
Foreign exchange		-	-	-	-	100	-	100
Total comprehensive income		-	-	411	-	100	-	511
Value of employee services		-	-	(32)	-	-	-	(32)
Deferred taxation on share options		-	-	(202)	-	-	-	(202)
Proceeds from shares issued		30	979	-	-	-	-	1,009
Dividends paid	6	-	-	(143)	-	-	-	(143)
At 31 December 2008		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)
Value of employee services		-	-	(2)	-	-	-	(2)
At 31 December 2009		572	8,240	2,404	(352)	66	2,826	13,756

The value of the investment held by the employee benefit trust in Work Group plc is shown above in the balance 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 2009

Company

	Note	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Special reserve £'000	Total Reserves £'000
1 January 2008		542	7,261	2,457	2,826	13,086
Total comprehensive income		-	-	819	-	819
Value of employee services		-	-	(32)	-	(32)
Deferred taxation on share options		-	-	(202)	-	(202)
Proceeds from shares issued		30	979	-	-	1,009
Dividends paid	6	-	-	(143)	-	(143)
At 31 December 2008		572	8,240	2,899	2,826	14,537
Total comprehensive loss		-	-	(227)	-	(227)
Value of employee services		-	-	(2)	-	(2)
At 31 December 2009		572	8,240	2,670	2,826	14,308

# Consolidated and parent company statements of cash flow

For the year ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	8	1,175	2,920	972	3,452
Interest paid		(32)	(30)	(32)	(30)
Tax paid		(34)	(1,037)	(29)	(722)
Net cash generated from operating activities		1,109	1,853	911	2,700
<b>Cash flows from investing activities</b>					
Acquisition of businesses (net of cash acquired)		-	(1,000)	-	(1,000)
Interest received		3	31	3	17
Proceeds from sale of property, plant and equipment		-	4	-	4
Purchase of property, plant and equipment		(49)	(220)	(42)	(133)
Net cash used in investing activities		(46)	(1,185)	(39)	(1,112)
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary share capital		-	9	-	9
Purchase of shares in Work Group plc by EBT		(352)	-	-	-
Loan notes repaid		(10)	(9)	(10)	(9)
Dividend paid	6	-	(143)	-	(143)
Finance lease payments		(2)	(2)	(2)	(2)
Net cash used in financing activities		(364)	(145)	(12)	(145)
<b>Net increase in cash and cash equivalents in the year</b>		<b>699</b>	<b>523</b>	<b>860</b>	<b>1,443</b>
Cash and cash equivalents at start of the year		1,566	1,043	1,229	(214)
Cash and cash equivalents at end of the year		2,265	1,566	2,089	1,229

# Notes to the financial statements

For the year ended 31 December 2009

## 1 Basis of preparation

The preliminary results of the Group for the year ended 31 December 2009 were approved by the directors on 15 March 2010. The Annual General Meeting of Work Group plc will be held at Saffron House, 6-10 Kirby Street, London, EC1N 8EQ on 17 June 2010.

The financial information has 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 financial information has been prepared on the going concern basis under the historical cost convention and financial assets and financial liabilities at fair value through profit or loss. There has been a restatement to the 2008 parent company balance sheet (Intangible assets note 7).

The financial information in the preliminary announcement does not constitute the Group's statutory accounts for the year ended 31 December 2008 and 2009. Statutory financial statements for 2008, on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting.

The financial information has been prepared in Sterling, the currency in which the majority of the Group's transactions are denominated.

## 2 Segmental reporting

This is the first period in which the Group has adopted IFRS 8 "Operating Segments". IFRS 8 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 and recruitment process outsourcing. The Board assesses the performance of the operating segments based on net fee income, operating profit before exceptional items and adjusted EBITDA.

## Notes to the financial statements (continued)

For the year ended 31 December 2009

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	4,582	-	10,235
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 2009

Year ended 31 December 2008	Communications £'000	Talent management £'000	Unallocated £'000	Total continuing operations £'000
Total revenue	28,340	7,378	-	35,718
Inter-segment revenue	(1)	(38)	-	(39)
Revenue (from external customers)	28,339	7,340	-	35,679
Net fee income	8,807	6,070	-	14,877
Operating profit before exceptional items	544	747	(236)	1,055
Exceptional items	(136)	(48)	-	(184)
Operating profit after exceptional items	408	699	(236)	871
Finance income	-	-	28	28
Finance cost	-	-	(26)	(26)
Profit before taxation	408	699	(234)	873
Depreciation	191	121	-	312
Taxation	-	-	462	462
Adjusted EBITDA (before exceptional items)	735	868	(236)	1,367
Total assets	15,405	4,365	24	19,794
Total liabilities	3,426	1,327	265	5,018

### Geographical segments

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.

	31 December 2009 £'000	31 December 2008 £'000
UK	20,836	33,043
USA	514	1,602
Europe	290	677
Rest of World	493	357
	22,133	35,679

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 3 Exceptional items

The exceptional costs of £587,000 (2008: £184,000) principally relate to redundancies made during the year, the early termination of a lease and office move costs. The 2008 exceptional costs relate to redundancies.

### 4 Taxation

	2009 £'000	2008 £'000
<b>Current tax</b>		
Current year tax	(104)	378
Adjustment to prior years	(9)	57
<b>Total Current tax</b>	<b>(113)</b>	<b>435</b>
<b>Deferred tax</b>		
Deferred tax on accelerated capital allowances	(3)	27
<b>Total tax charge</b>	<b>(116)</b>	<b>462</b>

The United Kingdom corporation tax changed on 1 April 2008 from 30% to 28%. This resulted in an effective corporation tax rate of 28.5% for the prior year 1 January to 31 December 2008.

The tax assessed differs from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
(Loss)/profit before taxation	(748)	873
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 28.5%)	(209)	249
Effects of:		
Expenses not deductible for tax purposes	1	5
Deferred tax on trading losses not recognised	67	130
Foreign country tax rate differences	34	21
Adjustments to prior year	(9)	57
<b>Tax (credit)/charge</b>	<b>(116)</b>	<b>462</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 5 (Losses)/earnings per share

	2009			2008		
	Losses £'000	Weighted average number of shares '000	Per share amount Pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence
Basic (losses)/earnings per share	(632)	28,622	(2.21)	411	28,504	1.44
Less weighted average shares held by EBT	-	(1,612)	(0.13)	-	-	-
Basic (losses)/earnings per share excluding shares held by EBT	(632)	27,010	(2.34)	411	28,504	1.44
Effect of dilutive share options	-	-	-	-	1,825	(0.08)
Diluted (losses)/earnings per share excluding shares held by EBT	(632)	27,010	(2.34)	411	30,329	1.36
Adjusted basic (losses)/earnings per share	(209)	28,622	(0.73)	543	28,504	1.90
Less weighted average shares held by EBT	-	(1,612)	(0.04)	-	-	-
Adjusted basic (losses)/earnings per share excluding shares held by EBT	(209)	27,010	(0.77)	543	28,504	1.90
Effect of dilutive share options	-	-	-	-	1,825	(0.11)
Adjusted diluted (losses)/earnings per share excluding shares held by EBT	(209)	27,010	(0.77)	543	30,329	1.79

Basic (losses)/earnings per share is calculated by dividing the (losses)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. For diluted (losses)/earnings 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 2009.

### Earnings reconciliation

	2009 £'000	2008 £'000
Statutory (losses)/earnings	(632)	411
Add back exceptional items	587	184
Tax on exceptional items 28% (2008 28.5%)	(164)	(52)
Revised (losses)/earnings for Adjusted EPS	(209)	543

Adjusted earnings per share excludes the cost of exceptional items less tax at 28% (2008: 28.5%).

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 6 Dividends

Group and Company	2009 £'000	2008 £'000
2008 final dividend payment - nil pence per share (2007 0.5 pence per share)	-	143

The proposed dividend for 2009 is £nil (2008 pence per share: £nil).

### 7 Intangible assets

Group	Total £'000
<b>Cost and carrying amount</b>	
At 1 January 2008, 31 December 2008 and 31 December 2009	12,197

  

Company	Total £'000
<b>Cost and carrying amount</b>	
At 1 January 2007	4,308
Hive up of The Recruitment Communications Company Limited (RCCHR)	3,400
At 31 December 2007 and 31 December 2008 (restated)	7,708
Hive up of Armstrong Craven Limited	3,703
At 31 December 2009	11,411

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

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 and Park Human Resources Limited (£3,123,000), RCCHR (£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 discounted cash flow. Management have projected the cash flows for the period 2010 to 2012. The key assumptions for the value in use calculations for the period 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 8.6% (2008: 7.5%), being the Group's weighted average cost of capital.

Goodwill at company level represents The Resourceful Group and Park Human Resources Limited (£4,308,000), RCCHR (£3,400,000) and Armstrong Craven Limited (£3,703,000). The goodwill for RCCHR is recognised at the point of hive up, 31 October 2007, resulting in a prior period adjustment. The goodwill for Armstrong Craven Limited is also recognised at the point of hive up, 1 April 2009.

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 8 Reconciliation of operating (loss)/profit to cash generated from operations

	Group 2009	Group 2008	Company 2009	Company 2008
	£'000	£'000	£'000	£'000
(Loss)/profit for the year	(632)	411	(227)	819
<b>Adjustments:</b>				
Taxation	(116)	462	(65)	323
Finance income	(3)	(28)	(3)	(51)
Finance costs	28	26	28	27
Depreciation of plant property and equipment	241	312	204	211
Loss/(profit) on disposal of plant property and equipment	20	(3)	20	(1)
Share based payments	(2)	(32)	(2)	(32)
Decrease/(Increase) in inventories	124	(74)	123	(71)
Decrease in trade and other receivables	2,039	2,057	657	1,117
(Decrease)/increase in trade and other payables	(524)	(211)	237	1,110
<b>Cash generated from operations</b>	<b>1,175</b>	<b>2,920</b>	<b>972</b>	<b>3,452</b>

### 9 Post balance sheet events

On 14 January 2010 1,720,988 share options which were granted before the Group's IPO with an exercise price of 20 pence were cancelled and replaced with 1,720,988 new share options with an exercise price of 6.25 pence.

On 14 January 2010 549,784 share options which were granted on 1 October 2007 with a nil exercise price were cancelled and replaced with 549,784 share options with a nil exercise price subject to certain cumulative profit targets being achieved.

Following the cancellations and replacements, a total of 2,400,722 share options were outstanding.