

W O R K G R O U P P L C

R E P O R T A N D A C C O U N T S

2 0 0 8

work

G R O U P

The value of work

We believe the relationships which organisations build with their employees are as valuable and important as their relationships with customers.

Our motivation

We are here to help employers achieve their objectives in the world - whatever they may be. Our clients range from engineering companies to housing associations, and from law firms to emergency services, but they are all interested in building stronger relationships with the people they need to employ. Whether it's an ambulance crew saving a heart-attack victim or a global bank riding out the credit crunch, we help find and nurture the talent that gets things done.

Our partners

We work with employers who recognise that the effective management and engagement of talent is now the decisive contributor to organisational performance and competitive edge. Client contacts range from HR to marketing - and from line management to the boardroom. Wherever there is a human gap between the organisation's objectives and its performance, we help to fill it.

Our capability

We are equipped to deliver the right combination of skills and services to meet the specific challenges and circumstances of any employer. Our work ranges from attraction strategy and recruitment process management through to alumni relations; we provide executive research, campus marketing and leadership development, but we also do change consulting, internal communications and employee engagement. We boost performance, efficiency and value at every point of the employment cycle.

Our results

We deliver the results that matter to employers, swiftly, economically and with enthusiasm. We identify absolutely with client objectives and we are keen to be judged on results. Our capability is demonstrably unique in depth and breadth. Nobody else has the same range or calibre of experts under one roof, and no other company has done as much to transform the relationship between employers and talent. This is our work and we are proud of it.

Headlines

- Net fee income of £14.9m (2007: £16.1m) a decrease of 7%
- Increase in net fee income from global contracts of 23% to £2.5m (2007: £2.0m)
- Cash at year end of £1.6m (2007: £1.0m)
- Operating profit before exceptional items of £1.1m (2007: £3.2m) a decrease of 66%
- Operating profit of £0.9m (2007: £2.9m)
- Strong balance sheet and zero debt

Financial Highlights

	Year ended 31 December 2008	Year ended 31 December 2007	change
	£m	£m	£m
Gross profit (Net fee income)^	14.9	16.1	(1.2)
Operating profit before exceptional items	1.1	3.2	(2.1)
Operating profit	0.9	2.9	(2.0)
Profit before tax	0.9	3.0	(2.1)
Profit after tax	0.4	2.0	(1.6)
Diluted earnings per share	1.36	7.06p	(5.70)p
Diluted earnings per share adjusted*	1.79	7.82p	(6.03)p

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

* Adjusted diluted earnings per share is stated before exceptional items. (see note 8)

Contents

Headlines.....	1
Chairman's statement.....	2 - 3
Operating review.....	4 - 5
Board of directors.....	6
Directors' report.....	7 - 8
Corporate governance.....	9 - 10
Directors' remuneration report.....	11 - 12
Independent auditors' report.....	13 - 14
Consolidated income statement.....	15
Consolidated and company balance sheets.....	16
Consolidated and company statements of changes in shareholders' equity.....	17
Consolidated and company cash flow statements.....	18
Notes to the financial statements.....	19 - 44
Directors and advisors.....	45

Chairman's statement

Chairman's review

Despite the increasingly difficult market conditions we experienced during 2008, we can point to positive developments within the Group which stand us in good stead for what will be a challenging 2009.

We finished 2008 with a strong balance sheet, zero debt and cash at year end of £1.6m (2007: £1.0m), having paid all outstanding deferred considerations. More disappointingly, operating profit before exceptional items declined to £1.1m (2007: £3.2m), while our net fee income of £14.9m (2007: £16.1m) was a decrease of 7% over the previous year.

However there were many positive steps in the development of our client base with 20% of our income coming from new business while 74% of our top 50 clients increased their business with us.

Client expenditure

Despite the slowing market, our clients spent £32.8*m with us in 2008 (£35.0*m, 2007), and while we experienced a decline in UK turnover, our clients increased expenditure in all overseas markets - highlighting the importance of our international operations and their ability to expand our global client base.

2008 Client expenditure* by geographical split			
	2008	2007	Variance
	£'000	£'000	£'000
UK	30,132	33,203	(3,071)
USA & Canada	1,602	1,050	552
Europe	677	672	5
Asia Pacific	357	34	323
UK Media buying contract	2,911	3,947	(1,036)
Total	35,679	38,906	(3,227)
International expenditure	2,636	1,755	881

Our strategy is to gain a larger share of client budgets and in 2008 more than 50 clients spent over £100,000 with us, with just over half buying services from both the Communications and Talent Management divisions. This is an advance on previous years and is an example of the continued opportunity we have to further develop our client base in 2009. This was a major reason for launching the "one work" project which will simplify and strengthen the management of client relationships.

* Reported turnover of £35.7m (2007: £38.9m) adjusted to remove the effects of a UK media buying contract

Chairman's statement (continued)

Client expenditure by sector

We continue to enjoy a broad spread of clients. Finance & Banking is still our largest sector representing 28% of Group income. This 28% was itself broadly spread by activity, with Global clients accounting for 11%, UK-based RPO 10%, Research 5% and UK Communications 2%. The remaining 72% of clients' income was spread over 9 sectors, with the Public and Not-for-profit sector the largest of those at 13%.

We believe this breadth of client sectors to be an important strength - especially in the current market conditions.

Our people

In the current environment it is all the more important (and all the more difficult) for any employer to improve people practices and ensure that talented people are able to develop their careers. That is especially true if, like us, we try to practice what we preach to our clients about getting, growing and retaining talent.

However, despite the fact that our UK headcount continues to shrink, the morale of our teams remains remarkably good and we believe they continue to represent some of the very best talent working in this sector. Consequently their commitment and drive is appreciated more than ever.

Dividend

In light of the prevailing economic conditions, the Board is not recommending a dividend.

Outlook

Our aim is to weather the storm of recession and come out of this having acquired more clients and consequently occupying a stronger market position. Recessions accelerate change and as Work Group's whole raison d'être is to change the way employers recruit, engage and develop their talent, we have a real opportunity to gain market share. Recessions also present opportunities for consolidation, and being debt-free with a strong balance sheet, Work Group is well-positioned to hasten that consolidation.

Throughout 2009 we will monitor closely our performance and currently we are trading in line with our plans.



Simon Howard
Chairman

Operating review

At the half year we were able to report net fee income 2% ahead of the previous year despite seeing some early effects of the weakening economy in project sign off for our executive research services.

September was the first month the economic slowdown made a significant impact on net fee income across the Group. This was followed by a sharper decline in Q4. In the second half year we recorded a 17% fall in net fee income against 2007, £6.88m against £8.27m. The effects were felt through all our service lines with the exception of outsourcing services in Talent Management where income was more resilient.

Total net fee income for the year was £14.9m, down 7% against 2007 (2007: £16.1m).

	Year ended 31 Dec 2008 £'000	Change £'000	Year ended 31 Dec 2007 £'000
Gross profit (net fee income)			
Communications	8,807	(675)	9,482
Talent Management	6,070	(589)	6,659
Group gross profit	14,877	(1,264)	16,141
Operating profit before exceptional items			
Communications	544	(1,685)	2,229
Talent Management	747	(514)	1,261
Corporate (non-recharged)	(236)	34	(270)
Group adjusted profit	1,055	(2,165)	3,220
Operating profit			
Communications	408	(1,533)	1,941
Talent Management	699	(539)	1,238
Corporate (non-recharged)	(236)	34	(270)
Group operating profit	871	(2,038)	2,909

The impact on profit has been more severe. Operating profit before exceptional items was £1.1m against £3.2m in the previous year. Operating profit was £0.9m (2007: £2.9m).

Losses attributable to the overseas offices in New York and Hong Kong totalled £0.5m. These included start up costs in Hong Kong. However, net fee income from global contracts increased by 23% to £2.46m (2007: £2.0m) and net fee income across the Group derived from work billed to the US increased by 22% to £1.1m (2007: £0.9m). Most of the net fee income billed to the US has continued to be delivered from and is recognised in the UK.

Operating review (Continued)

The US office is critical to the winning and retention of global contracts. As well as migrating some of the project delivery from the UK, it remains a goal for the US business to generate sufficient income of its own to become profitable - this proved difficult in 2008 against the economic downturn.

The Hong Kong office opened in July and delivered incremental Group net fee income in its first six months and has won clients new to the Group.

Excluding overseas operations, costs in the UK increased by 1% year on year. However, costs in the UK in the second half year were 7% less than the first half, £6.26m against £6.75m, as actions were taken to reduce the cost base. Year end headcount in the UK had reduced by 12% from the half year position. The impact of all actions taken by the end of the year reduced the cost base of the Group by over £1m year on year.

Exceptional costs of £0.18m incurred in the year were principally redundancy costs.

There has been greater focus on working capital management and this has meant that cash flow has continued to be strong. Net cash at the year end was £1.6m (2007: £1.0m). During the year the deferred consideration relating to the acquisition of The Recruitment Communications Company was fully paid. At the year end the Group is debt free and retains a strong balance sheet.

The effective tax charge in the year is 53%. Both the US and Hong Kong are early stage businesses and in the current economic climate the Board is taking a more cautious and longer term view of the timing of future profits. Consequently no deferred tax asset is recognised in relation to the overseas losses. Disregarding this adjustment, the effective tax rate is 31%.

Diluted earnings per share were 1.36p (2007: 7.06p), diluted earnings per share before exceptional costs were 1.79p (2007: 7.82p).

The board is not recommending the payment of a dividend (2007: 0.5p per share)

2009 will be a challenging year. Our objectives are to preserve cash, grow market share and be well positioned for any improvement in market conditions.



Michael Warren
Finance Director
25 March 2009

Board of directors

Simon Howard, Executive Chairman, aged 53. Simon's career in the recruitment industry stretches back to 1979. He teamed up with Michael Warren in 1988 when he was appointed Managing Director of Barkers Human Resources. In 1995 he led the buy-out of Park HR which was then sold to SHL Group plc in 1997 with Simon becoming an executive director. He left in 1999 and co-founded Work in 2000.

Michael Warren, Finance Director, aged 49. Michael's finance career started at a number of marketing services companies in both the UK and US, before joining Barkers Human Resources as Finance Director in 1987. In 1988 Simon Howard arrived as Managing Director and they both managed an impressive turnaround before leaving in 1994 to pursue the acquisition of Park, an MBI funded by RBDC. Having acquired Park for £4m in 1995 it was sold to SHL Group plc in 1997 for £14.6m. Michael left Park in 1999 and co-founded Work in 2000.

Sue Craven, Group Managing Director, aged 47. Sue has worked in the recruitment industry for over 22 years. She started her career at Spencer Stuart as a researcher, leaving there to form Armstrong Craven (AC) in 1990. Initially AC was the out-sourced research arm to executive search firms but increasingly began to work directly for employers. Having built AC into a 70-strong business, Sue sold the company to Work Group in October 2005, and joined the main board with responsibility for Work London, Work Resourcing and the US office in January 2007. Sue has won entrepreneur awards and is actively involved with the CBI, IOD and is a member of the Strategic Board of Manchester: Knowledge Capital.

Steve Bodger, Non-executive Director, aged 59. Steve has extensive experience as an executive and non-executive director of public and private companies. He began his career at Price Waterhouse and is a chartered accountant. He subsequently held various executive positions in both public and private companies (including a number of board roles at Transport Development Group plc between 1991 and 1999). He is a non-executive director of Armour Group plc and as a director of Alchemy Venture Partners he is Chairman of a number of Alchemy portfolio companies, currently: Airborne Systems, Jacques Vert plc, Right4Staff, and Wescot.

Keith Cameron, Non-executive Director, aged 61. Keith has considerable executive and non-executive director experience in both public and private companies. He has spent the vast majority of his career in human resources at a number of multinational companies including Union Carbide Inc, Rank Xerox Inc, Levi Strauss Inc, Dixons Group plc, Storehouse plc and between 1998 and 2001 was Chief Operating Officer of The Burton Group plc/Arcadia Group plc. In 2004 he was persuaded by Stuart Rose to return from retirement to take the position of HR Director at Marks & Spencer plc for three years. He is currently also the Independent Director of the Barclays Bank Pension Fund, and a non-executive director of the Britannia Building Society.

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of the Group during the year were employer marketing, communications and talent management services.

Results and review of business

The results for the year are set out in the consolidated income statement. The information that fulfils the requirements of the Business Review regulations of the Companies Act is set out elsewhere in the Annual Report. Details of the Group's strategy and expected future developments are contained in the Chairman's statement on pages 2-3. Details of the financial performance of the Group are contained in the Operating Review on pages 4-5. This information is incorporated in this report by reference.

Dividends

The directors do not recommend the payment of a dividend (2007: 0.5p). See note 9.

Payment of creditors

The Group pays its media suppliers in accordance with the terms of recognised industry bodies such as the Newspaper Publishers Association (NPA). Other suppliers are paid on terms agreed in advance of supply. Company trade creditors at 31 December 2008 were equivalent to 30 days of purchases (2007: 37 days).

Principal risks and uncertainties

The principal risk faced by the Group is the impact of economic uncertainty on clients' and prospects' spending. A further risk is that clients regularly re-tender projects and contracts and this gives rise to the potential for lost business. However, the Group's top ten clients accounted for 39% of the Group's gross profit and the top thirty accounted for 61%. Other risks faced by the Group are the loss of key employees and financial risks as detailed in note 16.

Our people

We attempt to attract and retain some of the very best talent and try to create an environment where talent can thrive. We encourage open communication at all levels. Information relating to the performance and development of the Group is given at both formal and informal meetings. We endeavour to reward people through participation in schemes which are linked to the Group's progress and profitability. In all employment matters the Group maintains a commitment to an equal opportunity policy.

Statement of directors' responsibilities

The financial statements have been prepared on a going concern basis.

The directors are responsible for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

Directors' report (continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Substantial shareholdings

As at 24 March 2009, the Group had been notified of the following shareholders who held an interest amounting to 3% or more in the ordinary shares of the company:

Shareholder	Number of shares	% of total
Jon Moulton	5,107,755	17.8
Penta Capital Partners	2,470,641	8.6
Octopus Investments	2,050,690	7.2
Simon Howard	1,885,200	6.6
Michael Warren	1,885,200	6.6
Morgan Stanley (MM)	1,723,275	6.0
Hansa Capital Partners	1,400,000	4.9
UBS Global Asset Management	1,242,236	4.3
Brookwell Limited	1,219,161	4.3
Sue Craven	1,102,535	3.9
Steve Halford	1,098,000	3.8
Derek Wynne	1,020,506	3.6

Auditors and disclosure of information to auditors

PricewaterhouseCoopers LLP are the auditors of Work Group plc and a resolution proposing their reappointment will be put forward at the next Annual General Meeting.

For each of the persons who were directors at the time this report was prepared, the following applies:

- So far as the directors are aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



Michael Warren
Company Secretary
25 March 2009

Corporate governance

Statement of compliance

As an AIM listed company, compliance with the 2006 FRC Combined Code is not required. However, the directors seek to comply with the Combined Code and Code of Best Practice to the extent that it is practicable and appropriate for a group of our size.

Board and board committees

Board members are listed below. Both non-executive directors are considered to be independent.

Board members attended the following meetings:

	Board	Audit	Remuneration
Executive directors			
Simon Howard (Chairman)	11	2	2
Michael Warren (Finance Director)	11	2	-
Sue Craven (Group Managing Director)	10	2	-
Non-executive directors			
Steve Bodger	10	2	2
Keith Cameron	10	2	2

The Board determines the overall strategic direction of the Group, oversees the development and control of the Group and reviews financial and operational performance. The Board approves acquisitions, annual budgets and quarterly forecasts and reviews monthly management accounts. Day-to-day and business management control is delegated to the executive directors who are responsible for performance and the implementation of Group policy.

Audit committee

The members of the audit committee are the non-executive directors; Steve Bodger, who chairs the committee, and Keith Cameron. The auditors and the Finance Director also attend the meetings at the invitation of the Chairman of the committee. All directors attended the two meetings in 2008. The audit committee reviews and approves the Annual Report and interim statement. It also reviews the Group's internal financial controls, the scope of the audit and the independence and objectivity of the auditors. The auditors have direct access to the chairman of the committee, if required. The audit committee is responsible for recommending the appointment, re-appointment or removal of auditors. The committee is also responsible for monitoring the level of non-audit services provided by the auditors to ensure that objectivity and independence is maintained.

Nominations committee

We do not consider that a nominations committee is necessary in a Group of our size.

Remuneration committee

For details of the remuneration committee, please refer to the Directors' remuneration report.

Internal control

The Board has overall responsibility for internal control systems and the executive directors are charged with implementing and maintaining them.

The Group has a comprehensive system of financial reporting and forecasting profits, cash flows, assets and liabilities. The systems include regular monitoring of cash, monthly reporting of financial results, reviews of forecasts and comparisons with budgets. Budgets and business plans are prepared annually by each division and reviewed by management and the Board. Monthly management meetings are held to monitor performance against budget, progress in implementing planned changes and the operational efficiency of the business.

At present the directors do not consider there is a justifiable need for a dedicated internal audit function given the size of the Group.

Corporate governance (continued)

Operational risks are identified and assessed by management and any significant risks are reported to the Board. Financial and commercial risks are reviewed by the Board.

The Group's internal control systems are designed to provide directors with reasonable assurance that any problems are identified on a timely basis and dealt with appropriately. The Board considers the internal controls to be effective but no system of internal control can provide absolute assurance against material misstatement or loss.

Relationship with shareholders

It is a high priority for the board to establish relationships with shareholders. The Chairman and Finance Director hold regular briefings with institutional shareholders and investment managers and invitations are afforded to institutional shareholders to attend presentations by directors and senior management. Feedback from these meetings is given to the other directors. The board welcomes the opportunity to meet individual shareholders at the annual general meeting.

Directors' qualifying third party indemnity provisions

No qualifying third party indemnity provision was in force for the benefit for any of the directors of the Group.

Directors' remuneration report

Unaudited Information

Relationship with shareholders

The members of the remuneration committee are Keith Cameron and Steve Bodger, the independent non-executive directors. Keith Cameron chairs the committee. The remuneration committee agrees with the Board the framework and policy for executive remuneration in the Group and specifically determines the remuneration packages of the executive directors.

Remuneration policy

The aim of the remuneration policy is to provide executive directors with remuneration packages which encourage enhanced performance, are commercially competitive and align the interests of employees with those of shareholders to create value.

Basic salary and benefits

Executive directors' salaries are reviewed annually in January. Executive directors receive a car allowance, medical insurance cover, life assurance cover, permanent health insurance cover and a pension contribution which may be taken as additional salary.

Annual bonus

The executive directors are entitled to a performance related annual bonus determined by the remuneration committee each year. A bonus is earned if the Group achieves financial targets related to profit before tax and earnings per share. A bonus of 30% of salary is awarded on achievement of target rising to a maximum of 50% of salary for levels of over target performance. The bonus is non-pensionable.

Long term incentives

A new share option scheme for senior employees and executive directors was approved at the Group's AGM in June 2007. Details of share options granted are given in note 21.

Service contracts

The service contracts of the executive directors are subject to 12 months' notice period.

Audited Information

Directors' remuneration

	Salary/Fees	Bonus	Benefits	Pension	Total	Total
	£'000	£'000	£'000	£'000	2008	2007
					£'000	£'000
Executive directors						
Simon Howard	157	-	10	-	167	185
Michael Warren	187	-	8	-	195	184
Sue Craven	118	-	9	12	139	134
Non-executive directors						
Steve Bodger	35	-	-	-	35	30
Keith Cameron	35	-	-	-	35	30
Total	532	-	27	12	571	761

No pension contributions are payable in respect of any of the directors except for Sue Craven who has received £12,237 in pension contributions (2007: £11,567).

The salaries and benefits of Simon Howard and Sue Craven were reduced pro rata to reflect time worked during 2008.

Directors' remuneration report (continued)

Directors and their interests

The directors and their beneficial interests in the ordinary shares of Work Group plc were as follows:

	31 December 2008	31 December 2007
	Number	Number
Simon Howard	1,700,200	1,700,200
Michael Warren	1,700,200	1,700,200
Sue Craven	917,535	917,535
Steve Bodger	37,267	37,267
Keith Cameron	31,055	31,055

Simon Howard, Michael Warren and Sue Craven acquired 185,000 shares each on 23 January 2009.

Details of options over the ordinary shares of the company held by directors are set out below:

	At 1 January 2008	Number granted	At 31 December 2008	Date granted	Exercisable from date	Expiry date
Simon Howard	104,142	0	104,142	1 October 2007	1 October 2010	30 September 2017
Michael Warren	104,142	0	104,142	1 October 2007	1 October 2010	30 September 2017
Sue Craven	75,308	0	75,308	1 October 2007	1 October 2010	30 September 2017

The mid-market share price at 31 December 2008 was 11.5p. The highest and lowest prices during the year were 69.5p and 11.5p respectively. The above options carry a nil exercise price. It is considered that the vesting conditions are unlikely to be met in the foreseeable future.

Independent auditors' report to the members of Work Group plc

We have audited the group and parent company financial statements (the "financial statements") of Work Group plc for the year ended 31 December 2008 which comprise the consolidated and parent company cash flow statements, the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Operating review that is cross referred from the Results and review of business section of the Directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the value of work, the Headlines, the Chairman's statement, the Operating review, the Board of directors, the Corporate governance statement, the Directors' report and the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of the group's profit and cash flows for the year then ended;

Independent auditors' report to the members of Work Group plc (continued)

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 March 2009

Consolidated income statement

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenue	2	35,679	38,906
Cost of sales		(20,802)	(22,765)
Gross profit (net fee income)		14,877	16,141
Net operating expenses		(14,006)	(13,232)
Operating profit		871	2,909
Operating profit before exceptional items		1,055	3,220
Exceptional items	4	(184)	(311)
Finance costs	6	(26)	(22)
Finance income	6	28	64
Profit before taxation		873	2,951
Taxation	7	(462)	(933)
Profit for the year		411	2,018
Earnings per share (pence)	8	1.44	7.64
Diluted earnings per share (pence)	8	1.36	7.06
Dividend paid per share (pence)	9	0.5	0.4

The results above are all in respect of continuing operations.

Balance sheets

As at 31 December 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Assets					
Non-current assets					
Goodwill	10	12,197	12,197	4,308	4,308
Property, plant & equipment	11	721	812	587	668
Investment in subsidiaries	12	-	-	11,090	10,188
Deferred tax asset	13	24	252	-	193
		12,942	13,261	15,985	15,357
Current assets					
Inventories & WIP	14	314	241	312	241
Trade and other receivables	15	4,972	6,944	4,062	6,015
Cash and cash equivalents	23	1,566	1,638	1,229	1,626
		6,852	8,823	5,603	7,882
Liabilities					
Current liabilities					
Financial liabilities - borrowings	23	-	(595)	-	(1,840)
Trade and other payables	17	(4,753)	(4,973)	(6,861)	(5,732)
Provisions	19	-	(2,000)	-	(2,000)
Current tax liabilities		(265)	(883)	(184)	(581)
		(5,018)	(8,451)	(7,045)	(10,153)
Net current assets/(liabilities)		1,834	372	(1,442)	(2,271)
Non current liabilities					
Deferred tax liability	13	-	-	(6)	-
Net assets		14,776	13,633	14,537	13,086
Shareholders' equity					
Ordinary share capital	20	572	542	572	542
Share premium		8,240	7,261	8,240	7,261
Other reserves		2,826	2,826	2,826	2,826
Foreign exchange reserves		100	-	-	-
Retained earnings		3,038	3,004	2,899	2,457
Total shareholders' equity		14,776	13,633	14,537	13,086

The financial statements, which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of changes in shareholders' equity, the consolidated and company cash flow statements and the related notes, were approved by the board of directors on 25 March 09 and signed by:

Simon Howard
Chairman

Michael Warren
Finance Director

Statements of changes in shareholders' equity

For the year ended 31 December 2008

Group

	Note	Share capital £'000	Share premium £'000	Retained Earnings £'000	Foreign exchange reserves £'000	Special reserve £'000	Total Reserves £'000
1 January 2007		510	6,433	1,077	-	2,826	10,846
Profit for the year		-	-	2,018	-	-	2,018
Value of employee services		-	-	30	-	-	30
Deferred taxation on share options		-	-	(15)	-	-	(15)
Proceeds from shares issued		32	828	-	-	-	860
Dividends paid	9	-	-	(106)	-	-	(106)
At 31 December 2007		542	7,261	3,004	-	2,826	13,633
Profit for the year		-	-	411	-	-	411
Value of employee services		-	-	(32)	-	-	(32)
Deferred taxation on share options		-	-	(202)	-	-	(202)
Proceeds from shares issued		30	979	-	-	-	1,009
Foreign Exchange		-	-	-	100	-	100
Dividends paid	9	-	-	(143)	-	-	(143)
At 31 December 2008		572	8,240	3,038	100	2,826	14,776

Company

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Special reserve £'000	Total Reserves £'000
1 January 2007		510	6,433	1,615	2,826	11,384
Profit for the year		-	-	933	-	933
Value of employee services		-	-	30	-	30
Deferred taxation on share options		-	-	(15)	-	(15)
Proceeds from shares issued		32	828	-	-	860
Dividends paid	9	-	-	(106)	-	(106)
At 31 December 2007		542	7,261	2,457	2,826	13,086
Profit for the year		-	-	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	9	-	-	(143)	-	(143)
At 31 December 2008		572	8,240	2,899	2,826	14,537

Cash flow statements

For the year ended 31 December 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Cash flows from operating activities					
Cash generated from/ (absorbed by) operations	22	2,920	1,457	3,452	(325)
Interest paid		(30)	(22)	(30)	(21)
Tax paid		(1,037)	(336)	(722)	-
Net cash inflow/(outflow) from operating activities		1,853	1,099	2,700	(346)
Cash flows from investing activities					
Acquisition of businesses (net of cash acquired)		(1,000)	-	(1,000)	1,375
Interest received		31	64	17	22
Cash received from sale of property, plant and equipment		4	-	4	-
Purchase of property, plant and equipment		(220)	(323)	(133)	(237)
Net cash (used in)/generated from investing activities		(1,185)	(259)	(1,112)	1,160
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		9	144	9	144
Loan notes repaid		(9)	(728)	(9)	(728)
Dividend paid	9	(143)	(106)	(143)	(106)
Finance lease payments		(2)	(2)	(2)	-
Net cash (outflow)/inflow from financing activities		(145)	(692)	(145)	(690)
Increase in cash and cash equivalents in the year		523	148	1,443	124
Net cash and cash equivalents at start of the year	23	1,043	895	(214)	(338)
Net cash and cash equivalents at end of the year	23	1,566	1,043	1,229	(214)

Notes to the financial statements

For the year ended 31 December 2008

1 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared, in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and those parts of the Companies Act 1985 which are applicable to companies reporting under IFRS. The Company's domicile and country of incorporation is England and Wales. The Group has operations in the USA and Hong Kong.

The financial statements have been prepared on the going concern basis in sterling, the currency in which the majority of the Group's transactions are denominated, and on the historical cost basis, except for the revaluation of certain financial instruments.

The policies set out below have been consistently applied to all the periods presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 (amendment), 'Share based payment', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IFRS 3 (revised), 'Business combination', effective from 1 July 2009, subject to EU endorsement

IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 19 (amendment), 'Employee Benefits', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 32 (amendment), 'Financial instruments: Presentation', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 36 (amendment), 'Impairment of assets', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

IAS 39 (amendment), 'Financial instruments: recognition and measurement', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement

Management do not currently foresee any changes to the group's business segments arising from adoption of IFRS 8 and do not expect any material changes from IFRS 2, IFRS 3, IAS 1, IAS 19, IAS 23, IAS 32, IAS 36 and IAS 39.

Critical estimates and judgements

To be able to prepare financial statements according to generally accepted accounting principles, management and the Board of directors must make estimates and assumptions that affect the asset and liability items and revenue and expense items recorded in the final statements as well as other information. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which

Notes to the financial statements (continued)

For the year ended 31 December 2008

form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Areas comprising critical judgement that may significantly impact earnings and financial position are valuations of intangible assets, share based payments and deferred tax.

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the holding company and all of its subsidiary undertakings. The results and net assets of subsidiary undertakings acquired are included in the consolidated income statement and consolidated balance sheet using the acquisition method of accounting from the effective date that control passes.

The Group has made use of the exemption available under IFRS 1 and not restated any acquisitions made before 1 January 2006.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Revenue and gross profit

Revenue, which is stated net of VAT, represents revenue recognised in respect of employer marketing services together with fees earned from design, assessment and development and other consulting services. Revenue from executive research services is recognised as contract activity progresses and the right to consideration is earned.

Unbilled revenue on client assignments is included as accrued income within trade and other receivables. Where individual on account billings exceed revenue recognised on client assignments, the excess is classified as deferred income within trade and other payables.

Revenue from recruitment advertising is recognised after advertisements have been published and once the right to consideration is established. Revenue from design, assessment and development and other consulting services is recognised as project milestones are completed and the company has the right to consideration for the work performed.

Terms of business with certain clients provide for annual and retrospective rebates dependent on the value of media purchased through the company. Provision is made for these rebates during the contract year based on the maximum anticipated media spend by the client and is reviewed periodically. At the end of the client contract year any over provision of the rebate is written back to cost of sales once the company is satisfied that there is no contractual liability to the client.

Annual retrospective volume rebates are negotiated with certain publications. Estimates are made and reviewed periodically for the total rebate yield based on year to date actual and forecast expenditure by each publication and accrued as a credit to cost of sales.

Media discrepancies arise where there are differences between purchase order values and media invoices. Any debit items arising are investigated and written off to the income statement immediately if deemed irrecoverable. Credit amounts are held for a period of one year, following which they are written back to cost of sales following review.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Exceptional items

Exceptional items are those income or costs recognised as one-off or non-recurring in nature, and substantial in size.

Finance income and costs

Finance income and costs are accrued on a timely basis and recognised in the income statement. The value is calculated on amounts outstanding or owing to the Group, and at the effective interest rate applicable.

Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Fixtures and fittings	20%
Leasehold improvements	over the term of the lease
Motor vehicles	25%

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Cost represents the difference between the fair value of the consideration paid on acquisition of a business and the fair value of the Group's share of the net identifiable assets acquired. As permitted by IFRS 1, goodwill arising on acquisitions prior to 1 January 2006 (the IFRS transition date) has been frozen at its UK GAAP carrying value at that date.

Other intangible assets

Where material, other intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Such assets are amortised to their estimated residual values over their expected useful economic lives.

Any acquired software licences which do not form part of the operating software acquired with a piece of hardware are capitalised on the basis of all direct costs incurred in bringing them into use. These costs are then amortised over their expected useful economic lives.

Impairment of non-current assets

Goodwill is tested annually for impairment, or earlier if circumstances indicate that an impairment may have occurred. The impairment reviews are performed at the cash-generating unit (CGU) level and goodwill is assigned to CGUs for the purpose of such reviews.

At each reporting date, a review for impairment of other non-current assets is carried out to determine if any events or changes in circumstances indicate that the carrying amount of the non-current assets may not be recoverable.

Impairment reviews comprise a comparison of the carrying amount of the non-current asset with its recoverable amount (the higher of the net realisable value and value in use). To the extent that the carrying amount exceeds the recoverable amount, the non-current asset is impaired and an impairment loss is recognised in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Trade receivables

Trade receivables are recognised initially at fair value less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The amount of the provision is recognised in the income statement.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As required by IAS 12 (Revised) deferred taxation is provided using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their respective carrying values. Deferred taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

Cash and cash equivalents

Cash and cash equivalents as presented in the balance sheet, consists solely of cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement, as permitted by IAS 7.

Inventories and work in progress

Inventories are valued at the lower of cost and net realisable value. Work in progress represents unbilled costs incurred in respect of revenue not recognised and is stated at the lower of cost and net realisable value.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under property, plant and equipment at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income statement at a constant periodic rate of charge on the remaining balance of the obligation.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Pensions

The Group operates a defined contribution scheme, the costs of which are recognised in the income statement in the period in which they relate. The assets of the scheme are held separately from those of the Group in an independently administered scheme.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling, which is the company's functional and the group's presentation currency.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are recognised in the income statement as they arise.

Provisions

Provisions are recognised when the Group has a present obligation, whether legal or commercial, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Group does not discount provisions.

Share based payment

The Group issues equity-settled, share-based payments, in the form of share options, to certain employees. In accordance with IFRS 2, such payments are measured at fair value at the date of grant. Fair value is measured using the Black-Scholes pricing model and is expensed on a straight line basis in the income statement over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. The Group has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which had not vested by 1 January 2005.

Dividends

In accordance with IAS 10, dividend distributions to the company's shareholders are recognised in the financial statements in the period in which the distribution is authorised.

Reserves

The reserves comprise a share premium account, capital redemption reserve and a special capital reserve. None of these reserves are distributable.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products and services within particular economic environments that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 Segmental reporting

This is the first period in which the Group reports two segments, Communications and Talent Management. Communications was previously described as Employer Marketing, and Talent Management combines what was previously described as Executive Research and Recruitment Process

Notes to the financial statements (continued)

For the year ended 31 December 2008

Outsourcing. These segments better describe the services we deliver as a marketing services company specialising in employer marketing. Accordingly prior period comparatives have been restated for consistency with the new segmental analysis.

Primary reporting format - business segments

At 31 December 2008, the Group was organised into 2 main business segments:

Communications
Talent Management

All assets and liabilities of the Group are allocated to the individual segments.

2008	Communications £'000	Talent	Corporate £'000	Group £'000
		Management £'000		
Revenue	28,340	7,378	(39)	35,679
Operating profit/(loss) (segment result)	408	699	(236)	871
Finance cost	-	-	(26)	(26)
Finance income	-	-	28	28
Profit before tax	408	699	(234)	873
Income taxes	-	-	(462)	(462)
Profit for the year	408	699	(696)	411
Segment assets	15,023	9,417	(4,646)	19,794
Segment liabilities	(6,527)	(2,092)	3,601	(5,018)
Net Assets	8,496	7,325	(1,045)	14,776
Depreciation	(178)	(134)	-	(312)
Capital expenditure	(140)	(80)	-	(220)
Exceptional items	(136)	(48)	-	(184)

2007 (Restated)	Communications £'000	Talent	Corporate £'000	Group £'000
		Management £'000		
Revenue	31,646	7,335	(75)	38,906
Operating profit/(loss) (segment result)	1,941	1,238	(270)	2,909
Finance cost	-	-	(22)	(22)
Finance income	-	-	64	64
Profit before tax	1,941	1,238	(228)	2,951
Income taxes	-	-	(933)	(933)
Profit for the year	1,941	1,238	(1,161)	2,018
Segment assets	14,951	9,422	(2,289)	22,084
Segment liabilities	(8,131)	(1,564)	1,244	(8,451)
Net Assets	6,820	7,858	(1,045)	13,633
Depreciation	(165)	(144)	-	(309)
Capital expenditure	(202)	(121)	-	(323)
Exceptional items	(288)	(23)	-	(311)

Notes to the financial statements (continued)

For the year ended 31 December 2008

Included in the Corporate segment are consolidation entries that eliminate intercompany transactions, and reclassifications of balances between assets and liabilities.

Secondary format - 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, which is where all orders are received.

	2008	2007
Revenue	£000	£000
UK	33,043	37,150
USA	1,602	1,050
Europe	677	672
Rest of world	357	34
	35,679	38,906

3 Staff costs

The average weekly number of persons (including executive directors) employed by the Group during the year was:

Group	2008	2007
By activity	Number	Number
Client service	144	136
Creative & production	44	26
Finance, admin, IT & corporate	34	36
Sales	13	13
	235	211

Staff costs (including directors) were as follows:

Group	2008	2007
By activity	£000	£000
Wages and salaries	8,830	8,445
Social security costs	957	890
Pension costs	404	396
Share based payments	(32)	30
	10,159	9,761

Notes to the financial statements (continued)

For the year ended 31 December 2008

Company	2008	2007
By activity	£000	£000
Wages and salaries	6,180	5,204
Social security costs	706	563
Pension costs	185	176
Share based payments	(32)	30
	7,039	5,973

For further information on directors' emoluments, please refer to the directors' remuneration report.

Key management remuneration

Key management personnel are identified as the members of the 'Business Leaders Group'. This group comprises the executive directors and the leaders of the operating businesses.

Group	2008	2007
	£000	£000
Salaries, including bonus	1,033	1,187
Benefits	39	35
Pension costs	27	24
Share based payments	(19)	19
	1,080	1,265

Company	2008	2007
	£000	£000
Salaries, including bonus	944	985
Benefits	38	34
Pension costs	22	18
Share based payments	(18)	18
	986	1,055

4 Exceptional items

The exceptional costs of £184,000 (2007: £311,000) principally relate to redundancies made during the year.

Notes to the financial statements (continued)

For the year ended 31 December 2008

5 Operating profit

	2008 £'000	2007 £'000
Operating profit is stated after charging/(crediting):		
Depreciation on plant, property and equipment:		
- Owned	304	301
- Leased	8	8
Profit/(loss) on disposal of plant, property and equipment	3	58
Operating lease rentals:		
- Plant and machinery	43	60
- Land and buildings	703	639
Foreign exchange (gains)/losses	(260)	13
Auditors' remuneration		
- Fees payable to company auditors for the audit of parent company and consolidated accounts	58	55
- Fees payable to company auditors for the audit of company's subsidiaries pursuant to legislation	26	24
- Fees payable to the company's auditor and its associates for other services pursuant to legislations	30	2
- Tax services	25	6

6 Finance income and costs

	2008 £'000	2007 £'000
Interest receivable:		
- on bank deposits	28	64
Finance income	28	64
Interest payable:		
- on loan notes	(1)	(15)
- on bank overdraft	(14)	(2)
- on overdraft fees	(11)	(5)
Finance costs	(26)	(22)

Notes to the financial statements (continued)

For the year ended 31 December 2008

7 Corporation tax

	2008 £'000	2007 £'000
Current tax	435	841
Deferred tax	27	92
	462	933

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 period 1 January to 31 December 2008.

The tax assessed on the profit for the year differs from the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before taxation	873	2,951
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	249	886
Effects of:		
Expenses not deductible for tax purposes	5	1
Deferred tax on trading losses not recognised	130	-
Foreign country tax rate differences	21	-
Adjustments to prior year	57	46
Tax charge	462	933

Notes to the financial statements (continued)

For the year ended 31 December 2008

8 Earnings per share

	2008			2007		
	Earnings £'000	Weighted average number of shares '000	Per share amount Pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence
Basic earnings per share	411	28,504	1.44	2,018	26,419	7.64
Effect of dilutive share options	-	1,825	(0.08)	-	2,180	(0.58)
Diluted earnings per share	411	30,329	1.36	2,018	28,599	7.06
Adjusted basic earnings per share	543	28,504	1.90	2,236	26,419	8.46
Effect of dilutive share options	-	1,825	(0.11)	-	2,180	(0.64)
Adjusted diluted earnings per share	543	30,329	1.79	2,236	28,599	7.82

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted 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 the 31 December 2008.

Earnings reconciliation

	2008 £'000	2007 £'000
Statutory Earnings	411	2,018
Add back exceptional items	184	311
Tax on exceptional items 28.5% (2007 30%)	(52)	(93)
Revised earnings for Adjusted EPS	543	2,236

Adjusted earnings per share excludes the cost of exceptional items less tax at 28.5% (2007: 30%).

Notes to the financial statements (continued)

For the year ended 31 December 2008

9 Dividends

Group and Company	2008 £'000	2007 £'000
2007 Final dividend payment - 0.5 pence per share (2006 0.4 pence per share)	143	106

The proposed dividend for 2008 is nil (2007 pence per share: 0.5p).

10 Goodwill

Group	Total £'000
Cost and carrying amount	
At 1 January 2007	11,451
Additions	30
Adjustment to deferred consideration	716
At 31 December 2007 and 31 December 2008	12,197

Company	Total £'000
Cost and carrying amount	
At 1 January 2007, 31 December 2007 and 31 December 2008	4,308

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

The directors consider that customer relationships are not separable intangible assets since they attach to the employee base and management of the company acquired and not the company itself. The value assigned to goodwill therefore principally reflects the value of customer relationships, employee base and other non-separable intangible assets.

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

The carrying value is attributed to two cash generating units, namely the consolidated Work Group, £7,076,000, and Armstrong Craven Limited, £5,121,000. The recoverable amount of goodwill is calculated based on discounted cash flow. Management have projected the cash flows for the period 2009 to 2011. The key assumptions for the value in use calculations for the period 2012 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.

The rate used to discount the forecast cash flows is 7.5%, being the Group's weighted average cost of capital.

Notes to the financial statements (continued)

For the year ended 31 December 2008

11 Property, plant and equipment

Group

	Leasehold Improvements £'000	Fixtures and Fittings £'000	Computer equipment and software £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2007	481	355	587	15	1,438
Additions	52	70	201	-	323
Disposals	(35)	(49)	(147)	(15)	(246)
At 31 December 2007	498	376	641	-	1,515
Exchange differences	-	-	3	-	3
Additions	15	24	181	-	220
Disposals	-	(1)	(23)	-	(24)
At 31 December 2008	513	399	802	-	1,714
Accumulated Depreciation					
At 1 January 2007	130	148	298	6	582
Charge for the year	32	86	187	4	309
Disposals	(7)	(40)	(131)	(10)	(188)
At 31 December 2007	155	194	354	-	703
Exchange differences	-	-	1	-	1
Charge for the year	35	90	187	-	312
Disposals	-	(1)	(22)	-	(23)
At 31 December 2008	190	283	520	-	993
Carrying Amount					
At 31 December 2006	351	207	289	9	856
At 31 December 2007	343	182	287	-	812
At 31 December 2008	323	116	282	-	721

Included within the carrying amount is £2,000 (2007: £10,000) relating to assets held under hire purchase arrangements. Accumulated depreciation relating to assets held under hire purchase arrangements is £51,000 (2007: £43,000).

Notes to the financial statements (continued)

For the year ended 31 December 2008

Company

	Leasehold Improvements £'000	Fixtures and Fittings £'000	Computer equipment and software £'000	Total £'000
Cost				
At 1 January 2007				
At 31 December 2006	481	265	294	1,040
Additions	52	60	125	237
Acquisitions	-	-	23	23
Disposals	(35)	(6)	(21)	(62)
At 31 December 2007	498	319	421	1,238
Additions	16	22	95	133
Intercompany transfer	-	-	(2)	(2)
Disposals	-	(1)	(23)	(24)
At 31 December 2008	514	340	491	1,345
Accumulated Depreciation				
At 1 January 2007				
At 1 January 2007	128	120	171	419
Charge for the year	32	67	76	175
Acquisitions	-	-	10	10
Disposals	(7)	(6)	(21)	(34)
At 31 December 2007	153	181	236	570
Charge for the year	35	80	96	211
Intercompany transfer	-	-	-	-
Disposals	-	(1)	(22)	(23)
At 31 December 2008	188	260	310	758
Carrying Amount				
At 31 December 2006				
At 31 December 2006	353	145	123	621
At 31 December 2007				
At 31 December 2007	345	138	185	668
At 31 December 2008				
At 31 December 2008	326	80	181	587

Included within the carrying amount is £2,000 (2007: £10,000) relating to assets held under hire purchase arrangements. Accumulated depreciation relating to assets held under hire purchase arrangements is £51,000 (2007: £43,000).

Notes to the financial statements (continued)

For the year ended 31 December 2008

12 Investments in subsidiaries

Company

	2008
	£'000
Cost	
As at 1 January 2007	9,442
Additions	30
Adjustment to deferred consideration	716
At 31 December 2007	10,188
Additions	902
At 31 December 2008	11,090

	Principal activity	Class of Equity	Percentage of equity held at 2008
The Resourceful Group Limited	Dormant	Ordinary	100%
Armstrong Craven Associates Limited	Dormant	Ordinary	100%
Park Human Resources Limited	Dormant	Ordinary	100%
Vine Potterton Limited	Dormant	Ordinary	100%
Armstrong Craven Limited	Executive research	Ordinary	100%
The Recruitment Communications Company Limited (RCCHR)	Dormant	Ordinary	100%
Work Group Inc (incorporated in US state of Delaware)	Employer marketing	Ordinary	100%
Work Group limited (incorporated in Hong Kong)	Employer marketing	Ordinary	100%

The additions during the year to investments, amounting to £1,000 (2007: £30,000), represents injection of share capital in Work Group Inc (US) and Work Group Limited (Hong Kong).

Also included in investments are the loans to the two foreign subsidiaries totalling £901,000 intended for working capital purposes. These loans are long term in nature with no immediate intention of repayment. Consequently they are treated as an investment and any foreign exchange gains or losses are booked to foreign exchange reserves in the consolidated balance sheet.

An interest rate of 2.25% is applied to the outstanding balance owed to the parent company by Work Inc and an interest rate of 2% is applied to the outstanding balance owed to the parent company by Work Group Limited. These interest rates were sourced from HSBC which is the bank of both foreign subsidiaries.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Notes to the financial statements (continued)

For the year ended 31 December 2008

13 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and company and movements thereon during the current period:

Group	Accelerated capital allowances £'000	Short term differences £'000	Tax losses available £'000	Share Options £'000	Total £'000
At 1 January 2008	(11)	2	44	217	252
Credited/ (charged) to income statement	35	(2)	(60)	-	(27)
Exchange differences	-	-	16	-	16
Credited/ (charged) to equity	-	-	-	(217)	(217)
At 31 December 2008	24	-	-	-	24

Company	Accelerated capital allowances £'000	Short term differences £'000	Tax losses available £'000	Share Options £'000	Total £'000
At 1 January 2007	(26)	2	-	217	193
Credited/ (charged) to income statement	20	(2)	-	-	18
Credited/ (charged) to equity	-	-	-	(217)	(217)
At 31 December 2008	(6)	-	-	-	(6)

As the company's share price is below the share option strike price, it is deemed unlikely that employees will exercise share options in the immediate future. The deferred tax provision of £217,000 relating to share options has therefore been released.

Included in the provision release is the realisation of £15,000 tax relief as a consequence of the exercise of 47,000 share options during the year.

The adjustment has been released through Shareholders' Equity on the Consolidated and Company balance sheets, as this is where the original deferred tax asset was booked.

14 Inventories and WIP

Group	2008 £'000	2007 £'000
Consumables	22	20
Work in Progress	292	221
	314	241

Company	2008 £'000	2007 £'000
Consumables	22	20
Work in Progress	290	221
	312	241

Notes to the financial statements (continued)

For the year ended 31 December 2008

15 Trade and other receivables

	2008	2007	2008	2007
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Trade receivables	3,930	5,941	3,191	4,851
Less: provision for impairment of trade receivables	(71)	(20)	(34)	(20)
Other receivables	347	291	295	291
Prepayments and accrued income	766	732	610	626
Amounts owed by Group undertakings	-	-	-	267
	4,972	6,944	4,062	6,015

The fair value is deemed to be the same as the carrying value for these assets.

16 Financial Instruments

The Group's financial instruments comprise cash, loan notes and other items such as trade and other receivables and trade and other payables that arise directly from its operations. Further detail is set out below. The main purpose of holding cash is to finance the Group's future investments and operations. It is (and has been throughout the years presented) the Group's policy that no trading in financial instruments shall be undertaken.

The fair value of financial assets and liabilities is not materially different to their book value.

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern.

The Group monitors and manages the financial risk relating to its operations on a regular basis. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group engages in regular review of policies and practices to bring these risks down to a minimum.

The Group manages liquidity risk by maintaining adequate reserves as well as the use of an overdraft facility if needed. Monthly cash flow and working capital projections are derived to ensure sufficient funds are available to meet obligations and capital expenditure requirements as they fall due.

Interest rate risk is managed by minimising external debt and periodically reviewing the competitiveness of debt facilities.

The Group's exposure to exchange rate movements has been favourable during 2008. The Group will review its future exposure and will put in place methods to reduce the exchange rate risk where it sees such methods as beneficial.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the credit risk.

Trade receivables consist of a large number of customers spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Financial Assets

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Receivables (including cash and cash equivalents)	6,538	8,582	5,291	7,641

The Group's financial assets comprise trade and other receivables and cash at bank and in hand. Interest is received on cash deposits on a Group pooling basis at variable rates based on the relevant base rate. In 2008 this interest rate ranged from 1% - 4.5% (2007: 4.25% - 5.25%).

As of 31 December 2008, Group trade receivables of £1,351,000 (2007: £1,825,000) and company trade receivables of £1,185,000 (2007: £1,443,000) were not yet due.

The remaining Group trade receivables of £2,508,000 (2007: £4,096,000) and company trade receivables of £1,972,000 (2007: £3,388,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Period past due	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Up to 3 months	2,099	3,292	1,714	2,742
3 to 6 months	409	804	258	646
	2,508	4,096	1,972	3,388

A provision for the trade receivables is established when there is some doubt that the Group will not be able to collect all amounts due.

At 31 December 2008, trade receivables denominated in foreign currencies accounted for 16% of Group trade receivables (2007: 4%) and 12% of company trade receivables (2007: 4%). No interest was accrued for trade and other receivables.

Financial Liabilities

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Amortised cost	10	614	10	1,859

Notes to the financial statements (continued)

For the year ended 31 December 2008

The Group's financial liabilities consist of loan notes. Trade and other payables have not been included in this note. A detailed description of these financial liabilities is given below:

Group	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Bank overdraft	-	-	-
Loan notes*	10	-	10
2008	10	-	10

Company	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Bank overdraft	-	-	-
Loan notes	10	-	10
2008	10	-	10

Loan notes have been issued to the directors and employees of Armstrong Craven Limited, a related party. All loan notes are repayable upon demand and bear interest at a fixed rate of 2 per cent.

Group	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Bank overdraft	595	595	-
Loan notes*	19	-	19
2007	614	595	19

Company	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Bank overdraft	1,840	1,840	-
Loan notes	19	-	19
2007	1,859	1,840	19

Maturity profile of financial liabilities

Group	2008 £'000	2007 £'000
Due within one year	10	614
	10	614

Company	2008 £'000	2007 £'000
Due within one year	10	1,859
	10	1,859

The outstanding loan notes are shown within Trade and other payables on the balance sheet. The following are included in the maturity profile: bank overdraft and loan notes.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Group and Company	Fixed rate financial liabilities	Weighted average period for which rate is fixed
	Weighted average interest rate	Years
	%	
Loan notes	2	1
2008	2	1

Group and Company	Fixed rate financial liabilities	Weighted average period for which rate is fixed
	Weighted average interest rate	Years
	%	
Loan notes	2	1
2007	2	1

Undrawn facilities were as follows:

Group	2008	2007
	£'000	£'000
Bank Overdraft	2,500	1,905

Company

Bank Overdraft	2,500	660
----------------	-------	-----

During 2008 the interest rate payable on the overdraft facility ranged from 3 - 7.25% (2007: 6.75 - 7.50%).

The overdraft facility of £2.5m is due for renewal on the 1st May 2011.

Notes to the financial statements (continued)

For the year ended 31 December 2008

17 Trade and other payables

	2008	2007	2008	2007
	Group	Group	Company	Company
	£'000	£'000	£'000	£'000
Trade creditors	1,493	1,042	1,380	987
Other taxation and social security costs	559	772	415	572
Other creditors	817	914	788	914
Finance lease agreements	2	4	2	4
Loan notes	10	19	10	19
Accruals and deferred income	1,872	2,222	1,619	2,058
Amounts owed to Group undertakings	-	-	2,647	1,178
	4,753	4,973	6,861	5,732

The amounts owed to Group undertakings relate to the hive up of The Recruitment Communications Company Limited (£1,178,000) in 2007 and an intercompany balance with Armstrong Craven Limited (£1,469,000). No interest is applied on these balances.

18 Commitments under finance leases

Commitments under finance leases and hire purchase agreements are as follows:

	2008	2007
	£'000	£'000
Group and company		
In one year or less	2	4
	2	4

It is the Group's policy to minimise the leasing of its plant and equipment under finance leases. The average lease term is 3 years. For the year ended 31 December 2008, the average effective interest rate was 7.3% (2007: 13.8%).

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations are secured by the lessor's charges over the leased assets.

19 Provisions

Group and company	Deferred consideration
	£'000
At 1 January 2007	2,715
Additional provision	750
Utilised in year	(1,465)
At 31 December 2007	2,000
Utilised in year	(2,000)
At 31 December 2008	-

This consideration of £2,000,000 was settled in January 2008, and satisfied by a 50:50 split of cash and shares.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Maturity profile of provisions

Group and company	2008 £'000	2007 £'000
Due within one year or less	-	2,000
Due after more than one year	-	-
	-	2,000

20 Share capital

Group and company	2008 £'000	2007 £'000
Authorised		
75,000,000 (2006: 75,000,000) ordinary shares of 2p each	1,500	1,500
	1,500	1,500

Issued and fully paid	2008 Number	2008 £'000	2007 Number	2007 £'000
At beginning of year	27,091,793	542	25,490,957	510
Issued during the year	1,530,680	30	1,600,836	32
	28,622,473	572	27,091,793	542

Share options were exercised during the period at an exercise price of £0.20 per share. The resultant ordinary shares (47,000 shares) were issued for cash throughout the year. In addition, a portion of the deferred consideration for The Recruitment Communications Company Limited was settled by 1,483,680 ordinary shares in Work Group plc, issued at £0.674 per share (£1,000,000).

21 Share based payments

Group and company

The Work Communications Limited 2001 Employees Share Option Scheme (EMI Plan) was introduced in December 2000. Under the EMI Plan the remuneration committee can grant options over shares in the company to employees of the company. At the time of the company's admission to AIM in March 2006 the remuneration committee stated that it did not intend to grant further options pursuant to the EMI Plan.

Options were granted at various times between 20 December 2000 and 2 November 2005. Options were granted with a fixed exercise price equal to or greater than the market price of the shares under option at the date of grant. Awards under the EMI Plan were generally available for all employees. At the AGM held on 13 June 2007, shareholders approved the Work Group plc 2007 Employees' Share Option Scheme (EMI Plan 2). The first grant of options under this scheme was made on 1 October 2007 with a zero exercise price. Awards under the EMI Plan 2 are expected to be restricted to senior employees and executive directors. The contractual life of both EMI Plans is 10 years and options granted under the Plans become exercisable on the third anniversary of the date of grant provided the employee is still employed in the Group. At 31 December 2008, 85 employees held options. Options were valued using the Black-Scholes option-pricing model. No performance conditions are attached to options granted under the EMI Plan. Performance conditions relating to a minimum growth in earnings per share are attached to all options granted under EMI Plan 2. It has been assumed that these performance conditions will not be met in the fair value calculations.

Notes to the financial statements (continued)

For the year ended 31 December 2008

Grant Date	16 May 2003	1 Oct 2003	17 Sep 2004	16 Feb 2005	30 Jun 2005	2 Nov 2005	1 Oct 2007
Share price at grant date	£0.10	£0.10	£0.10	£0.20	£0.20	£0.20	£0.795
Exercise price	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£-
Number of employees	21	4	19	3	9	50	26
Shares under option	357,575	105,000	352,800	25,000	87,500	295,000	662,092
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	17.22%	17.22%	17.22%	17.22%	17.22%	17.22%	17.22%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	4	4	4	4	4	4	4
Risk free rate	3.72%	4.25%	4.83%	4.51%	4.01%	4.36%	4.94%
Fair value per option	£0.001	£0.001	£0.001	£0.045	£0.043	£0.044	£0.795
Possibility of ceasing employment before vesting	30%	30%	30%	30%	30%	30%	30%

Share options	2008	2007
	Number '000	Number '000
Outstanding at 1 January	2,915	3,113
Granted	0	668
Exercised	(47)	(721)
Lapsed	(156)	(145)
Outstanding 31 December	2,712	2,915
Exercisable at 31 December	2,048	1,723

Notes to the financial statements (continued)

For the year ended 31 December 2008

22 Reconciliation of operating profit to cash generated from/(absorbed by) operations

	Group 2008	Group 2007	Company 2008	Company 2007
	£'000	£'000	£'000	£'000
Profit for the year	411	2,018	819	933
Adjustments:				
Taxation	462	933	323	488
Finance income	(28)	(64)	(51)	(22)
Finance costs	26	22	27	21
Depreciation of plant property and equipment	312	309	211	175
Profit/loss on disposal of plant property and equipment	(3)	58	(1)	28
Share based payments	(32)	30	(32)	30
Increase in inventories	(74)	(146)	(71)	(146)
Increase in trade and other receivables	2,057	(1,086)	1,117	(2,518)
(Decrease)/increase in trade and other payables	(211)	(617)	1,110	686
Cash generated from/(absorbed by) operations	2,920	1,457	3,452	(325)

23 Cash and cash equivalents

	Group 2008	Group 2007	Company 2008	Company 2007
	£'000	£'000	£'000	£'000
Cash & cash equivalents	1,566	1,638	1,229	1,626
Financial liabilities - borrowings	-	(595)	-	(1,840)
Net cash and cash equivalents	1,566	1,043	1,229	(214)

Notes to the financial statements (continued)

For the year ended 31 December 2008

24 Leases

Operating leases

The Group and company leases all of its properties. The terms of the leases vary, but are negotiated for an average term of 11 years.

The Group and company also lease plant, machinery and vehicles under non-cancellable operating lease agreements.

The total future minimum lease payments are due as follows:

Group	Property	Vehicles plant and equipment	Property	Vehicles plant and equipment
	2008 £000	2008 £000	2007 £000	2007 £000
Total commitments under non cancellable operating leases:				
Payable within one year	907	20	1,029	45
Payable between one and five years	2,694	10	3,252	33
Payable in more than five years	2,581	1	2,757	-
	6,182	31	7,038	78
Company				
	Property	Vehicles plant and equipment	Property	Vehicles plant and equipment
	2008 £000	2008 £000	2007 £000	2007 £000
Total commitments under non cancellable operating leases:				
Payable within one year	567	18	887	39
Payable between one and five years	1,976	9	2,827	26
Payable in more than five years	2,581	-	2,332	-
	5,124	27	6,046	65

25 Employee benefit trust

The Resourceful Group Ltd Employee Benefit Trust 1995 holds £8,729 (2007: £31,030) in cash offshore for the benefit of employees.

The cash has been recognised in the consolidated and company balance sheets on the basis that Work Group plc is deemed to be the sponsoring employer of the trust. A corresponding liability for payments to be made for the benefit of employees has been recognised in other creditors.

Notes to the financial statements (continued)

For the year ended 31 December 2008

26 Related party transactions

The company conducts numerous transactions each year with its subsidiaries: RCCHR, Work Group Inc and Armstrong Craven. At 1 November 2007, RCCHR was hived up into Work Group plc and consequently a balance owing to The Recruitment Communications Company Limited of amount £1,178,000 (2007: £1,178,000) exists.

For the year ended 31 December 2008, total sales of £1,110 (2007: £74,682) were made to Armstrong Craven, Work Group Inc and Work Group Ltd, all such transactions are reflected in Amounts owing to group undertakings; and recharges relating to operating activities amounting to £370,000 (2007: £160,000) were made to Work Group Inc and £370,000 to Work Group Limited (2007: Nil) during the year. In total, £901,000 (2007: £267,000) was owing to Work Group plc at 31 December 2008.

All transactions related to directors during the year can be found under in the Directors' remuneration report on page 11.

27 Company income statement

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 from publishing a separate income statement. A profit of £819,000 (2007: £933,000) before dividends has been reported for the current year.

Directors and advisors

Executive directors

Simon Howard (Chairman)
Michael Warren
Sue Craven

Non-executive directors

Steve Bodger
Keith Cameron

Secretary

Michael Warren

Registered office

Saffron House
6-10 Kirby Street
London
EC1N 8EQ

Solicitors

Laytons
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Registrars

Computershare Investor Services plc
PO Box 82
The Pavilions
Bristol
BS99 7NH

Nominated Advisor

Altium Capital Ltd
30 St James's Square
London
SW1Y 4AL

W O R K G R O U P P L C
S A F F R O N H O U S E
6 - I O K I R B Y S T R E E T
L O N D O N
E C I N 8 E Q
P H O N E 0 2 0 7 4 9 2 0 0 0 0
F A X 0 2 0 7 4 9 2 0 0 0 I
w w w . w o r k g r o u p . p l c . u k

work

