

16 September 2010

Work Group plc

Results for the six months ended 30 June 2010

Work Group plc ("Work Group" or the "Company") announces its results for the six months ended 30 June 2010.

Headlines

Net fee income* up 4% to £6.0m (2009: £5.8m**)

Talent Management net fee income up 37% to £3.4m (2009: £2.5m*)

Group adjusted*** profit before taxation of £0.2m (2009: break-even)

UK business adjusted*** operating profit of £0.6m (2009: £0.3m)

Net cash at period end of £1.1m (2009: £1.5m)

Balance sheet remains strong with no debt

* *References in the report to 'Net fee income' represent Gross Profit.*

** *Restated 2009 following Board assessment with regards to the treatment of costs of sale. See note 3.*

*** *Before exceptional costs*

Commenting, Simon Howard, Executive Chairman said:

"We have witnessed positive trends across the Company. Most significantly, the Talent Management division recorded strong growth and profits, while each of the Communications' businesses made significant progress towards profitability.

We remain cautious about overall recruitment demand and do not expect that our markets will provide any significant growth momentum for the remainder of the current year. Despite this, our full year performance is likely to be somewhat better than current expectations."

www.workgroup.plc.uk

Further enquiries:

Work Group
Simon Howard, Executive Chairman

Tel: +44 (0)20 7492 0000

Altium
Tim Richardson
Sam Fuller

Tel: +44 (0)20 7484 4040

Copies of the Interim Report will be sent to shareholders and are available on the Company's website www.workgroup.plc.uk

About Work Group

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

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

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

Chairman's review

During the first six months of 2010 (the "period") the Company witnessed positive trends in each of its operating units. Most significantly, the Talent Management division recorded strong growth and profits and we witnessed progress towards profitability in each of the Communications businesses.

The Talent Management division outperformed the Communications division in both profit and income, a trend that we see continuing. Armstrong Craven enjoyed a particularly strong six months, culminating with a record month in June 2010 and a continued healthy pipeline of new projects and clients. In Resourcing, a continued positive position was buoyed by a significant project in Manila. The Occupational Psychology team achieved a record half year income.

The Communications division's more project driven markets have remained particularly challenging. That having been said, a combination of team changes and client wins during the period have strengthened the London, New York and Hong Kong team's position. The Hale and Edinburgh offices made a small profit.

The relatively strong growth of our Talent Management division not only reflects a shift within the market but also represents an accelerating change in how we market and sell our services. This will be a theme built on by the new leadership of the Company as part of our business planning programme.

We remain cautious about overall recruitment demand and do not expect that our markets will provide any significant growth momentum for the remainder of the current year. Despite this, our full year performance is likely to be somewhat better than current expectations.

Simon Howard
Chairman

Operating review

During a period of economic uncertainty the Group achieved an adjusted profit before taxation of £0.2m and at the period end net cash was £1.1m.

Group net fee income increased 4% to £6.0m (2009: £5.8m). The Communications division was impacted by the recession as economic uncertainty resulted in clients cutting their budgets available to us. However, the Talent Management division has seen net fee income increase 37% year on year.

Income from Search & intelligence services (Armstrong Craven) and outsourcing & assessment services (reported in Talent Management) proved particularly strong with growth in net fee income of 44% and 34% respectively. Economic uncertainty continued to have a significant effect on advertising income which fell 32% during the period. Across the Group income from fee based services increased to 87% of total income (2009: 84%) and helped improve the gross margin further to 53.0% (2009: 47.3%).

	6 months to 30 June 2010 £'000	6 months to 30 June 2009 £'000	Year ended 31 December 2009 £'000
Gross profit (net fee income)			
Communications	2,618	3,275	5,653
Talent Management	3,391	2,510	4,582
Group gross profit	6,009	5,785	10,235
Operating profit before exceptional items			
Communications	(586)	49	(563)
Talent Management	1,082	121	751
Corporate (non-recharged)	(256)	(166)	(324)
Group operating profit before exceptional items	240	4	(136)
Operating (loss)/profit			
Communications	(842)	(169)	(780)
Talent Management	958	(220)	381
Corporate (non-recharged)	(256)	(166)	(324)
Group operating (loss)/profit	(140)	(555)	(723)

The Company has continued to control its cost base tightly. Total costs in the period of £5.8m (excluding exceptional costs) are in line with 2009 (2009: £5.8m).

Headcount across the Group has increased by 3% to 171 at the period end (2009: 166). Within the overall number there has been a net reduction in the headcount supporting the Communications business through a combination of natural attrition, voluntary measures and redundancy, and an increased headcount in the Talent Management business to support the increased levels of Income. Redundancy costs of £0.34m are included in exceptional costs (2009: £0.28m).

At the start of the period we believed that we had witnessed sufficient progress across the Company to enable us to reverse the pay cut which had been in place since April 2009. Since then, there has been a phased re-introduction of salary reviews.

Property costs have been rationalised through the closure of the Birmingham office in March. One-off costs totalling £20k are included in exceptional costs associated with this exit.

In the US, from a small base, net fee income in the period was more than double that of the second half of 2009. Hong Kong has generated incremental Group income. The losses from the overseas businesses totalled £0.4m (2009: £0.3m). Investment by necessity has been modest. Before overseas losses, the UK business achieved an operating profit before exceptional items of £0.6m (2008: £0.3m).

During the period a loan of £0.1m was made to the employee benefit trust which purchased shares in the Company to be used in the future for employee incentives. With net cash at the period end of £1.1m and no debt, the balance sheet remains strong.

Group Financial Performance	6 months to 30 June 2010 £'000	6 months to 30 June 2009 £'000	Year ended 31 December 2009 £'000
Adjusted profit (Operating profit before exceptional items)	240	4	(136)
Operating (loss) /profit	(140)	(555)	(723)
(Loss)/profit before tax	(140)	(579)	(748)
(Loss)/profit after tax	(218)	(499)	(632)
Basic(loss)/earnings per share (pence)	(0.88)	(1.74)	(2.34)
Diluted(loss)/earning per Share (pence)	(0.84)	(1.74)	(2.34)

Julian Maslen
Finance Director

Consolidated income statement for the 6 month period ended 30 June 2010

	Note	Unaudited 6 month period ended 30	Unaudited 6 month period ended 30 June 2009	Audited Year ended 31 December 2009
		£'000	£'000	£'000
Revenue	3	11,334	12,178	22,133
Cost of sales		(5,325)	(6,393)	(11,898)
Gross profit		6,009	5,785	10,235
Net operating expenses		(6,149)	(6,340)	(10,958)
Operating (loss)/profit	3	(140)	(555)	(723)
Operating profit before exceptional items		240	4	(136)
Exceptional items	4	(380)	(559)	(587)
Finance income		-	3	3
Finance costs		-	(27)	(28)
(Loss) before taxation		(140)	(579)	(748)
Taxation		(78)	80	116
(Loss) for the period		(218)	(499)	(632)
(Loss) per share (pence)	6	(0.88)	(1.74)	(2.34)
Diluted (loss)/earnings per share (pence)	6	(0.84)	(1.74)	(2.34)

The results above are all in respect of continuing operations.

Consolidated statement of comprehensive income for the 6 month period ended 30 June 2010

	Note	Unaudited 6 month period ended 30 June 2010	Unaudited 6 month period ended 30 June 2009	Audited Year ended 31 December 2009
		£'000	£'000	£'000
(Loss) for the period		(218)	(499)	(632)
Other comprehensive income				
Currency translation differences		96	(43)	(34)
Total comprehensive (loss) for the period		(122)	(542)	(666)
Total comprehensive (loss) for the period attributable to equity shareholders		(122)	(542)	(666)

Consolidated balance sheet as at 30 June 2010

		Unaudited 6 month period ended 30 June 2010	Unaudited 6 month period ended 30 June 2009	Audited Year ended 31 December 2009
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill	7	12,197	12,197	12,197
Property, plant & equipment	8			505
Deferred tax assets				27
		<u>12,660</u>	<u>12,911</u>	<u>12,729</u>
Current assets				
Inventories		224	320	190
Trade and other receivables		5,120	4,551	2,866
Cash and cash equivalents				2,265
		<u>6,457</u>	<u>6,333</u>	<u>5,321</u>
Liabilities				
Current liabilities				
Trade and other payables		(5,532)	(4,894)	(4,174)
Current tax liabilities		(66)	(253)	(120)
				<u>(4,294)</u>
Net current assets				<u>1,027</u>
Net assets		<u>13,519</u>	<u>14,097</u>	<u>13,756</u>
Shareholders' equity				
Ordinary share capital	9	572	572	572
Share premium		8,240	8,240	8,240
Other reserves		2,826	2,826	2,826
Shares held by EBT		(406)	(136)	(352)
Foreign exchange reserve		84	57	66
Retained earnings		2,203	2,538	2,404
Total shareholders' equity		<u>13,519</u>	<u>14,097</u>	<u>13,756</u>

Consolidated statement of changes in Shareholders' equity as at 30 June 2010

Unaudited	Note	Share capital	Share premium	Special reserve	Shares held by EBT	Foreign exchange reserve	Retained earnings	Total reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		572	8,240	2,826	-	100	3,038	14,776
Profit for the period		-	-	-	-	-	(499)	(449)
Foreign exchange		-	-	-	-	(43)	-	(43)
Comprehensive profit for the period		-	-	-	-	(43)	(499)	(542)
Purchase of ordinary shares in Work Group plc		-	-	-	(136)	-	-	(136)
Value of employee services		-	-	-	-	-	(1)	(1)
At 30 June 2009		572	8,240	2,826	(136)	57	2,538	14,097
Loss for the period		-	-	-	-	-	(133)	(133)
Foreign exchange		-	-	-	-	9	-	9
Comprehensive (loss)/profit for the period		-	-	-	-	9	(133)	(124)
Value of employee services		-	-	-	-	-	(1)	(1)
Purchase of ordinary shares in Work Group plc		-	-	-	(216)	-	-	(216)
At 31 December 2009		572	8,240	2,826	(352)	66	2,404	13,756
Loss for the period		-	-	-	-	-	(218)	(218)
Foreign exchange		-	-	-	-	18	-	18
Comprehensive (loss)for the period		-	-	-	-	18	(218)	(200)
Purchase of ordinary shares in Work Group plc		-	-	-	(54)	-	-	(54)
Value of employee services		-	-	-	-	-	17	17
At 30 June 2010		572	8,240	2,826	(406)	84	2,203	13,519

Consolidated cash flow statement for the 6 month period ended 30 June 2010

	Note	Unaudited 6 month period ended 30 June 2010 £'000	Unaudited 6 month period ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Cash flows from operating activities				
Cash generated from operations	10	(947)	124	1,175
Finance cost paid		-	(32)	(32)
Tax paid		(132)	(12)	(34)
Net cash (outflow) inflow from operating activities		(1,079)	80	1,109
Cash flows from investing activities				
Finance income received		-	3	3
Purchase of property, plant and equipment	8	(20)	(49)	(49)
Net cash used in investing activities		(20)	(46)	(46)
Cash flows from financing activities				
Purchase of shares in Work Group plc by EBT		(53)	(136)	(352)
Loan notes repaid		-	-	(10)
Finance lease payments		-	(2)	(2)
Net cash outflow from financing		(53)	(138)	
(Decrease)/increase in cash in the period/year		(1,152)	(104)	699
Cash and cash equivalents at start of period/year		2,265	1,566	1,566
Cash and cash equivalents at end of period/year		1,113	1,462	2,265

Notes to the interim financial information

1 Financial information and presentation

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is Saffron House, 6-10 Kirby Street, London, EC1N 8EQ.

The Company has its primary listing on the AIM Market of the London Stock Exchange.

This condensed consolidated Interim Report does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 15 March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2 Principal accounting policies

Basis of preparation

This condensed consolidated financial information is for the half-year ended 30 June 2010 and has been prepared in accordance with AIM Rules and with IAS 34 "Interim financial reports" and with the accounting policies set out in the Group's 2009 annual report as amended for new standards effective during the period where relevant. These accounting policies are based on the EU-adopted IFRS and IFRIC interpretations that are applicable at the balance sheet date. IFRS and IFRIC interpretations that will be applicable at 31 December 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information. It is therefore possible that further changes to the accounting policies and the comparative financial information may be required before their publication in the 2010 annual report and financial statements.

New and Amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group does not have any joint ventures.

The revised standard continues to apply to the acquisition method to business combinations, with some significant changes compared with IFRS 3. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The Group did not make any acquisition in half year ended 30 June 2010.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

IFRC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.

IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. For example, fair value gains and losses on available-for sale debt investments will have to be recognised directly in the profit or loss. Early application is permitted. The Group is assessing IFRS 9's full impact.

Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Early application in whole or in part, is permitted.

Classification of rights issue, (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount in foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount in which exercise price is denominated. The amendment should be applied the annual periods beginning on or after 1 February 2010. Early application is permitted.

Prepayment of a minimum funding requirement, (Amendment to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, to 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Early application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirement of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Early adoption is permitted.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011.

Exceptional items

Exceptional items are those income or costs recognised as one-off or non-recurring in nature, and substantive in size. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance.

Seasonality of operations

Due to the seasonal nature of the recruitment segment, higher revenues and operating profits are usually expected in the second half of the year than in the first six months.

3 Segmental analysis

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports which are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Board. The Board considers that there are two operating segments, Communications and Talent Management. Communications represents the employer marketing services offered by the business. Talent Management combines search and intelligence 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.

Unaudited 6 month period ended 30 June 2010	Communications	Talent Management	Unallocated	Total continuing operations
	£'000	£'000	£'000	£'000
Total revenue	7,437	3,897	-	11,334
Revenue (from external customers)	7,437	3,897	-	11,334
Net fee income	2,618	3,391	-	6,009
Operating (loss)/profit before exceptional items	(586)	1,082	(256)	240
Adjusted EBITDA (before exceptional items)	(517)	1,104	(256)	331
Exceptional items	(256)	(124)	-	(380)
Operating (loss)/profit after exceptional items	(842)	958	(256)	(140)
Finance income	-	-	-	-
Finance costs	-	-	-	-
(Loss)/profit before taxation	(842)	958	(256)	(140)
Depreciation	69	22	-	91
Taxation	-	-	78	78

Unaudited 6 month period ended 30 June 2009	Communications £'000	Talent Management £'000	Unallocated £'000	Total continuing operations £'000
Total revenue	9,431	2,788	-	12,219
Inter-segment revenue	-	(41)	-	(41)
Revenue (from external customers)	9,431	2,747	-	12,178
Net fee income	3,275	2,510	-	5,785
Operating (loss) profit before exceptional items	49	121	(166)	4
Adjusted EBITDA (before exceptional items)	133	170	(166)	137
Exceptional items	(197)	(362)	-	(559)
Operating (loss) profit after exceptional items	(148)	(241)	(166)	(555)
Finance income	-	-	3	3
Finance costs	-	-	(27)	(27)
(Loss)/profit before taxation	(148)	(241)	(190)	(579)
Depreciation	84	49	-	133
Taxation	-	-	(80)	(80)

Audited Year ended 31 December 2009	Communications	Talent Management	Unallocated	Total continuing operations
	£'000	£'000	£'000	£'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)
Adjusted EBITDA (before exceptional items)	(406)	835	(324)	105
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)

Following the review by the chief operating decision makers, the "Board", the Board resolved that henceforth all costs identified as overhead costs will be treated as overhead. This has been the consistent policy for the overwhelming majority of group activity. However in the Resourcing and Occupational Psychology units, within the Talent Management segment, certain costs have previously been treated as costs of sale. These are now recognised as overhead and the effects of this adjustment are reflected in the table below.

Talent Management	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Net fee income	2,978	2,157	4,582
Adjustment	413	353	594
Net fee income revised	3,391	2,510	*5,176

*This review was performed during the period and will be corrected in the 2010 Report and Accounts

4 Exceptional items

The exceptional costs of £380,000 (2009: £559,000) principally relate to redundancies made during the period and office move costs.

5 Taxation

The deferred tax asset for the six month period ended 30 June 2010 is based on the estimated expected effective tax rate of 28% for the year ending 31 December 2010 (2009 actual rate: 28%). No deferred tax asset has been recognised for the trading losses of the foreign subsidiaries.

6 Earnings per share

	Unaudited 6 month period ended 30 June 2010			Unaudited 6 month period ended 30 June 2009			Audited Year ended 31 December 2009		
	£'000	'000	Pence	£'000	'000	Pence	£'000	'000	Pence
Basic (losses)/ earnings per share	(218)	28,622	(0.76)	(499)	28,622	(1.74)	(632)	28,622	(2.21)
Less weighted average shares held by EBT	-	(3,689)	(0.12)	-	-	-	-	(1,612)	(0.13)
Basic (losses)/ earnings per share excluding shares held by EBT	(218)	24,933	(0.88)	-	-	-	(632)	27,010	(2.34)
Effect of dilutive share options	-	1,008	0.04	-	-	-	-	-	-
Diluted (losses)/ earnings per share excluding shares held by EBT	(218)	25,941	(0.84)	(499)	28,622	(1.74)	(632)	27,010	(2.34)
Adjusted basic (losses)/ earnings per share	64	28,622	0.23	(20)	28,622	(0.07)	(209)	28,622	(0.73)
Less weighted average shares held by EBT	-	(3,689)	0.03	-	-	-	-	(1,612)	(0.04)
Adjusted basic (losses)/ earnings per share excluding shares held by EBT	64	24,933	0.26	-	-	-	(209)	27,010	(0.77)
Effect of dilutive share options	-	1,008	(0.01)	-	-	-	-	-	-
Adjusted diluted (losses)/ earnings per share excluding shares held by EBT	64	25,941	0.25	(20)	28,622	(0.07)	(209)	27,010	(0.77)

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.

	30 June 2010	30 June 2009	31 December 2009
2	£'000	£'000	£'000
Statutory (losses)/earnings	(218)	(579)	(632)
Add back exceptional items	380	559	587
Tax on exceptional items 28%* (2008 28.5%)	(98)	-	(164)
Adjusted earnings/(losses)	64	(20)	(209)

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

*Excludes tax adjustment related to exceptional items for the US subsidiary.

7 Goodwill

	Unaudited 30 June 2010	Unaudited 30 June 2009	Audited 31 December 2009
	£'000	£'000	£'000
At 1 January	12,197	12,197	12,197
Net book value At 30 June / 31 December	12,197	12,197	12,197

8 Property, plant and equipment

	Unaudited Six months ended 30 June 2010 £'000	Unaudited Six months ended 30 June 2008 £'000	Audited Year ended 31 December 2009 £'000
Opening net book value at 1 January 2010 and 2009	505	721	721
Additions	20	49	49
Exchange differences	2	(5)	(4)
Disposals	-	(20)	(20)
Depreciation	(91)	(133)	(241)
Closing net book value at 30 June 2010, 30 June 2009 and 31 December 2009	436	612	505

9 Called up share capital

	Unaudited 30 June 2010	Unaudited 30 June 2009	Audited 31 December 2009
	£'000	£'000	£'000
Authorised			
75,000,000 ordinary shares of 2p each	1,500	1,500	1,500
	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
Allotted, called up and fully paid			
328,622,473 ordinary shares of 2p each (30 June 2009 and 31 December 2009 28,622,473 ordinary shares of 2p each)	572	572	572
	<u>572</u>	<u>572</u>	<u>572</u>

There were no shares issued or share options exercised during the period.

10 Reconciliation of operating (loss)/profit to net cash inflow from operations

	Unaudite	Unaudite	Audite Year ended 3 200
	£'000	£'000	£'000
Profit attributable to shareholders	(218)	(499)	(632)
Adjustments:			
Taxation	78	(80)	(116)
Finance income	-	(3)	(3)
Finance costs	-	27	28
Depreciation of plant property and equipment	91	133	241
Loss on disposal of plant property and equipment	-	20	20
Share based payments	17	(1)	(2)
Decrease/(increase) in inventories	(34)	(6)	124
Decrease/(increase) in trade and other receivables	(2,236)	339	2039
Increase/(decrease) in trade and other payables	1,355	194	(524)
Net cash inflow from operations	<u>(947)</u>	<u>124</u>	<u>1,175</u>

Statement of directors' responsibilities

The directors confirm that this interim report has been prepared in accordance with IAS 34 as adopted by the European Union.

The directors are also responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of Work Group plc are listed in the Work Group plc Annual Report for 31 December 2010. A list of current directors is maintained on the Work Group plc website:
www.workgroup.plc.uk.

Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in our last Annual Report and Accounts to 31 December 2009. Full details of the risks and uncertainties are detailed in the Directors' report section of those accounts. The principal risks to the business are:

Economic uncertainty
Loss of clients
Loss of key employees
Financial risk

By order of the Board

Simon Howard
Chairman

16 September 2010

Rose Colledge
Chief Executive

16 September 2010