

16 September 2011

WORK GROUP PLC
("the Group")

Interim Results for the six months ended 30 June 2011

Work Group plc (LSE - AIM: "WORK") announces its financial results for the six months ended 30 June 2011 ("the Period").

Headlines

- Group net fee income up 7% to £6.4m (2010: £6.0m)
- Group broke-even before exceptional items (2010: profit of £0.2m)
- UK business operating profit before exceptional items of £0.2m (2010: profit of £0.6m)
- Net cash at Period end of £0.6m (2010: £1.1m)
- Balance sheet remains strong with no debt
- Better pipelines for the Group's two businesses as result of increased sales efforts

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About Work Group plc

Work Group plc is a talent engagement company with two principal businesses: Armstrong Craven and Work Communications.

The company enables employers to develop more effective and efficient relationships with talent. It helps strengthen staff retention rates through better communication and cut the cost of hiring by reducing the organisation's reliance on traditional 3rd party recruiters.

The Group creates solutions that span all business functions, all industry sectors and all levels of hiring - from high volume school-leaver and graduate recruitment, through to niche roles and the boardroom. The company has offices in the UK, US and Asia and clients range from pharmaceutical companies and global banks through to retailers and the entertainment industry.

Chairman's review

The first six months of 2011 (the "Period") represented mixed fortunes in our businesses. Armstrong Craven's profitability continued to grow, while the Work Communications business managed to increase its net fee income in the face of a continued decline in its advertising income.

Change to segmental reporting

In order to achieve greater clarity, we have changed our segmental reporting in the Period. There are two principal reasons for this. First, the new reporting breakdown of Armstrong Craven and Work Communications is exactly what it says - the analysis of each of our operating businesses. Each of these businesses has its own management, its own operating teams and its own clients. Second, the historic Talent Management and Communications segments had become increasingly anachronistic, and did not now accurately reflect any aspect of the Company or its operation.

The results of the Group's international offices are reported within Work Communications as currently that is their principal trading activity.

Armstrong Craven

The results demonstrate clearly that the Armstrong Craven model continues to win new followers. The net fee income of £2.2m is an increase of 17% and the operating profit of £545,000 represents a satisfactory margin. New business accounted for 10% of net fee income with wins gained over a broad range of client sectors during the Period.

Work Communications

The 2% increase in net fee income in this business to £4.2m masks a 16% decline in advertising income which was outweighed by a 5% increase in fee-driven activity. Thus the net fee income comprised £3.4m of fees and only £0.8m of advertising. The international offices made satisfactory progress, but the losses in the UK business resulted in a cost reduction programme being implemented, the benefits of which should show through in the second half of 2011.

New advisers

In May 2011, we appointed Merchant Securities Limited as our Nominated Adviser and Broker. We are particularly impressed by their knowledge, experience and focus on the smaller cap market as well as their expertise in the recruitment sector.

Outlook

We are cautious about overall recruitment demand and expect that our markets will remain uncertain for the remainder of the current year. However, with costs having been reduced within the Work Communications business in the UK and better pipelines for the two businesses as a result of increased sales efforts, we believe the second half of 2011 should positively reflect the impact of these changes.

Simon Howard
Executive Chairman

Operating review

Business conditions continued to be very uncertain during the Period, and the Group achieved an adjusted break-even position before taxation with net cash of £0.6m at the Period end.

Group net fee income increased 7% to £6.4m (2010: £6.0m). Despite the underlying conditions, with clients remaining very cautious about committing to large project expenditure, the Work Communications business still achieved a 2% increase in net fee income whilst the Armstrong Craven (Search & Intelligence services) increased net fee income by 17%.

Income from Outsourcing & Assessment services (reported within Work Communications) grew 7% but the economic uncertainty continued to have a significant effect on advertising income, which fell 16% during the Period. Across the Group income from fee-based services increased to 88% of total income (2010: 87%) and helped improve the gross margin further to 62.2% (2010: 53.0%).

	6 months to 30 June 2011 £'000	6 months to 30 June 2010 £'000	Year ended 31 December 2010 £'000
Gross profit (net fee income)			
Work Communications	4,214	4,113	8,469
Armstrong Craven	2,220	1,896	4,013
Group gross profit	6,434	6,009	12,482
Operating (loss)/profit before exceptional items			
Work Communications	(278)	(80)	(21)
Armstrong Craven	545	576	1,002
Corporate (non-recharged)	(310)	(256)	(641)
Group operating (loss)/profit before exceptional items	(43)	240	340
Operating (loss)/profit			
Work Communications	(288)	(404)	(168)
Armstrong Craven	545	520	1,002
Corporate (non-recharged)	(332)	(256)	(1,031)
Group operating loss	(75)	(140)	(197)

Total costs in the Period of £6.5m (excluding exceptional costs) were 12% higher than the first half of 2010. This is primarily due to further investment in sales and delivery talent in the Armstrong Craven business to sustain growth. Costs within the Work Communications business remain under tight control. The main cause of the small increase in costs at Work Communications was the impact of the reintroduction of annual salary review process, which was phased back-in throughout 2010 across the whole Group, and the change in sourcing arrangements for temporary contractors. We invested in additional business development and key senior client relationship roles to help drive income growth.

Headcount across the Group increased by 24 to 195 at the Period end (2010: 171). This increase is due to 25 fixed-term contractors being counted within the Groups overall numbers which in previous periods were part of a third-party recharge and therefore excluded from headcount numbers. Reorganisation, redundancy and office closure costs were included in exceptional costs which totalled £0.03m in the Period (2010: £0.38m).

In the US, from a small cost and headcount base, net fee income increased 174% to £0.2m. In Hong Kong net fee income increased 72% to £0.2m. The losses from the international offices declined to £0.2m (2010: £0.4m). Modest investment in these offices has continued in order to reach profitability. Excluding international losses, the UK business achieved an operating profit before exceptional items of £0.2m (2010: £0.6m).

During the Period the Group purchased 673,335 of its own ordinary shares for £108,000, which are currently held in treasury. With net cash at the Period end of £0.6m and no debt, the balance sheet remains strong.

Group Financial Performance	6 months to 30 June 2011 £'000	6 months to 30 June 2010 £'000	Year ended 31 December 2010 £'000
Adjusted (loss)/profit			
Operating profit before exceptional items	(43)	240	340
Operating loss	(75)	(140)	(197)
Loss before tax	(75)	(140)	(157)
Loss after tax	(108)	(218)	(252)
Basic loss per share (pence)	(0.44)	(0.88)	(1.02)
Diluted loss per share (pence)	(0.44)	(0.88)	(1.02)

Julian Maslen
Finance Director

Consolidated income statement for the 6 month period ended 30 June 2011

	Note	Unaudited 6 month period ended 30 June 2011	Unaudited 6 month period ended 30 June 2010	Audited Year ended 31 December 2010
		£'000	£'000	£'000
Revenue	3	10,344	11,334	22,832
Cost of sales		(3,909)	(5,325)	(10,350)
Gross profit (net fee income)		6,434	6,009	12,482
Net operating expenses		(6,509)	(6,149)	(12,679)
Operating loss	3	(75)	(140)	(197)
Operating (loss) profit before exceptional items		(43)	240	340
Exceptional items	4	(32)	(380)	(537)
Finance income		-	-	43
Finance costs		-	-	(3)
Loss before taxation		(75)	(140)	(157)
Taxation	5	(33)	(78)	(95)
Loss for the period		(108)	(218)	(252)
Loss per share (pence)	6	(0.44)	(0.88)	(1.02)
Diluted loss per share (pence)	6	(0.44)	(0.88)	(1.02)

The results above are all in respect of continuing operations.

Consolidated statement of comprehensive income for the 6 month period ended 30 June 2011

	Note	Unaudited 6 month period ended 30 June 2011	Unaudited 6 month period ended 30 June 2010	Audited Year ended 31 December 2010
		£'000	£'000	£'000
Loss for the period		(108)	(218)	(252)
Other comprehensive income				
Currency translation differences		(16)	96	18
Total comprehensive loss for the period		(124)	(122)	(234)
Total comprehensive loss for the period attributable to equity shareholders		(124)	(122)	(234)

Consolidated balance sheet as at 30 June 2011

		Unaudited 6 month period ended 30 June 2011	Unaudited 6 month period ended 30 June 2010	Audited Year ended 31 December 2010
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill	7	12,197	12,197	12,197
Property, plant & equipment	8	333	436	380
Deferred tax assets		44	27	80
		12,574	12,660	12,657
Current assets				
Inventories		381	224	304
Trade and other receivables		4,906	5,120	4,456
Cash and cash equivalents		649	1,113	1,775
		5,936	6,457	6,535
Liabilities				
Current liabilities				
Trade and other payables		(4,930)	(5,532)	(5,396)
Current tax liabilities		(133)	(66)	(136)
		(5,063)	(5,598)	(5,532)
Net current assets		873	859	1,003
Net assets		13,447	13,519	13,660
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
Treasury shares		(108)	-	-
Shares held by EBT		(273)	(406)	(406)
Foreign exchange reserve		68	84	84
Retained earnings		2,122	2,203	2,344
Total shareholders' equity		13,447	13,519	13,660

Consolidated statement of changes in Shareholders' equity as at 30 June 2011

Unaudited	Share capital	Share premium	Special reserve	Treasury shares	Shares held by EBT	Foreign exchange reserve	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	572	8,240	2,826	-	(352)	66	2,404	13,756
Loss for the period	-	-	-	-	-	-	(218)	(218)
Foreign exchange	-	-	-	-	-	18	-	18
Comprehensive profit/(loss) for the period	-	-	-	-	-	18	(218)	(200)
Purchase of ordinary shares in Work Group plc by EBT	-	-	-	-	(54)	-	-	(54)
Share option scheme value of employee services	-	-	-	-	-	-	17	17
At 30 June 2010	572	8,240	2,826	-	(406)	84	2,203	13,519
Loss for the period	-	-	-	-	-	-	(252)	(252)
Foreign exchange	-	-	-	-	-	18	-	18
Comprehensive loss for the period	-	-	-	-	-	18	(252)	(234)
Share option scheme value of employee services	-	-	-	-	-	-	192	192
Purchase of ordinary shares in Work Group plc by EBT	-	-	-	-	(54)	-	-	(54)
At 31 December 2010	572	8,240	2,826	-	(406)	84	2,344	13,660
Loss for the period	-	-	-	-	-	-	(108)	(108)
Foreign exchange	-	-	-	-	-	(16)	-	(16)
Comprehensive loss for the period	-	-	-	-	-	(16)	(108)	(124)
Transfer when shares held in the EBT vest	-	-	-	-	133	-	-	133
Purchase of own shares	-	-	-	(108)	-	-	-	(108)
Share option scheme value of employee services	-	-	-	-	-	-	(114)	(114)
At 30 June 2011	572	8,240	2,826	(108)	(273)	68	2,122	13,447

Consolidated cash flow statement for the 6 month period ended 30 June 2011

		Unaudited 6 month period ended 30 June 2011	Unaudited 6 month period ended 30 June 2010	Audited Year ended 31 December 2010
	Note	£'000	£'000	£'000
Cash flows from operating activities				
Cash used in operations	10	(1,035)	(947)	(252)
Finance cost paid		-	-	(3)
Tax paid		(1)	(132)	(132)
Net cash used in operating activities		(1,036)	(1,079)	(387)
Cash flows from investing activities				
Finance income received		43	-	1
Purchase of property, plant and equipment	8	(25)	(20)	(50)
Net cash generated from / (used in) investing activities		18	(20)	(49)
Cash flows from financing activities				
Purchase of treasury shares		(108)	-	-
Purchase of shares in Work Group plc by EBT		-	(53)	(54)
Finance lease payments		-	-	-
Net cash used in financing activities		(108)	(53)	(54)
Net decrease in cash and cash equivalents in the period/year		(1,126)	(1,152)	(490)
Cash and cash equivalents at start of period/year		1,775	2,265	2,265
Cash and cash equivalents at end of period/year		649	1,113	1,775

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's ordinary shares are listed on AIM.

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 2010 were approved by the Board of Directors on 10 March 2011 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 2011 and has been prepared in accordance with the AIM Rules and with the accounting policies set out in the Group's 2010 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 2011, 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 2011 annual report and financial statements.

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 half.

3 Segmental analysis

The review by the chief operating decision makers, the “Board”, resolved that following the reorganisation of operations two operating segments have been identified, Work Communications and Armstrong Craven. Work Communications combines the employer marketing service and recruitment process outsourcing services. Armstrong Craven represents the executive recruitment services. The Board assesses the performance of the operating segments based on net fee income and operating profit before exceptional items.

Unaudited 6 month period ended 30 June 2011	Work Communications	Armstrong Craven	Unallocated	Total continuing operations
	£'000	£'000	£'000	£'000
Total revenue	8,162	2,182	-	10,344
Revenue (from external customers)	8,162	2,182	-	10,344
Net fee income	4,214	2,220	-	6,434
Operating (loss)/profit before exceptional items	(278)	545	(310)	(43)
Exceptional items	(10)	-	(22)	(32)
Operating (loss)/profit after exceptional items	(288)	545	(332)	(75)
Finance income	-	-	-	-
Finance costs	-	-	-	-
(Loss)/profit before taxation	(288)	545	(332)	(75)
Taxation	-	-	(33)	(33)
(Loss)/profit after taxation	(288)	545	(365)	(108)

Unaudited 6 month period ended 30 June 2010	Work Communications	Armstrong Craven	Unallocated	Total continuing operations
	£'000	£'000	£'000	£'000
Total revenue	9,428	1,906	-	11,334
Revenue (from external customers)	9,428	1,906	-	11,334
Net fee income	4,113	1,896	-	6,009
Operating (loss)/profit before exceptional items	(80)	576	(256)	240
Exceptional items	(324)	(56)	-	(380)
Operating (loss)/profit after exceptional items	(404)	520	(256)	(140)
Finance income	-	-	-	-
Finance costs	-	-	-	-
(Loss)/profit before taxation	(404)	520	(256)	(140)
Taxation	-	-	(78)	(78)
(Loss)/profit after taxation	(404)	520	(334)	(218)

Following the review by the Board the operating segment table below reflects the comparative information for the year ended 31 December 2010.

This review was performed during the period and will be reflected in the 2011 Report and Accounts.

Unaudited Year ended 31 December 2010	Work Communications	Armstrong Craven	Unallocated	Total continuing operations
	£'000	£'000	£'000	£'000
Total revenue	18,803	4,029	-	22,832
Revenue (from external customers)	18,803	4,029	-	22,832
Net fee income	8,469	4,013	-	12,482
Operating (loss)/profit before exceptional items	(21)	1,002	(641)	340
Exceptional items	(147)	-	(390)	(537)
Operating (loss)/profit after exceptional items	(168)	1,002	(1,031)	(197)
Finance income	-	-	43	43
Finance costs	-	-	(3)	(3)
(Loss)/profit before taxation	(168)	1,002	(991)	(157)
Taxation	-	-	(95)	(95)
(Loss)/profit after taxation	(168)	1,002	(1,086)	(252)

4 Exceptional items

The exceptional costs of £32,000 incurred during the period (2010: £380,000) principally relate to reorganisation costs, redundancy and office closure costs.

5 Taxation

The deferred tax charge for the six month period ended 30 June 2011 is based on the estimated expected effective tax rate of 27% (2010 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 2011			Unaudited 6 month period ended 30 June 2010			Audited Year ended 31 December 2010		
	Losses	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	Pence	£'000	'000	Pence	£'000	'000	Pence
Basic losses per share	(108)	28,622	(0.38)	(218)	28,622	(0.76)	(252)	28,622	(0.88)
Less weighted average shares held by EBT	-	(3,303)	-	-	(3,689)	-	-	(3,806)	-
Less weighted average treasury shares	-	(632)	-	-	-	-	-	-	-
Basic losses per share excluding treasury shares and shares held by EBT	(108)	24,687	(0.44)	(218)	24,933	(0.88)	(252)	24,816	(1.02)

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

7 Goodwill

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'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 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Opening net book value at 1 January 2011 and 2010	380	505	505
Additions	25	20	50
Exchange differences	(1)	2	1
Disposals	-	-	-
Depreciation	(71)	(91)	(176)
Closing net book value at 30 June 2011, 30 June 2010 and 31 December 2010	<u>333</u>	<u>436</u>	<u>380</u>

9 Ordinary share capital

	Unaudited 30 June 2011		Unaudited 30 June 2010		Audited 31 December 2010	
Issued and fully paid	Number	£'000	Number	£'000	Number	£'000
At beginning of period/year	28,622,473	572	28,622,473	572	28,622,473	572
	<u>28,622,473</u>	<u>572</u>	<u>28,622,473</u>	<u>572</u>	<u>28,622,473</u>	<u>572</u>

The Group acquired 673,335 of its own ordinary shares through purchases on the London Stock Exchange on 12 January 2011. The total consideration to acquire the shares was £108,000 and has been deducted from shareholders equity. The shares are currently held as "Treasury shares". There were no shares issued during the period.

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

	Unaudited 6 month period ended 30 June 2011 £'000	Unaudited 6 month period ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Profit attributable to shareholders	(108)	(218)	(252)
Adjustments:			
Taxation	33	78	95
Finance income	-	-	(43)
Finance costs	-	-	3
Depreciation of plant property and equipment	71	91	176
Share based payments	18	17	192
Increase in inventories	(77)	(34)	(114)
Increase in trade and other receivables	(472)	(2,236)	(1577)
(Decrease) /increase in trade and other payables	(500)	1,355	1,268
Cash used in operations	(1,035)	(947)	(252)

Copies of the interim report are available from Work Group plc's registered office: Saffron House, 6 - 10 Kirby Street, London EC1N 8EQ or from its website at www.workgroup.plc.uk