

What we do at work

Finders, keepers

As a global employer marketing business, we help our clients find and keep the talent they need to achieve their objectives in the world. We help them **find** the people they need by enabling them to attract and recruit their own talent more efficiently. We help them **keep** the people they need through innovative communication, engagement and development programmes.

Common cause

Our clients range from engineering companies to housing charities, and from global banks to emergency services, but they are all interested in building stronger relationships with the people they employ. Our 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.

Breadth and depth

We do many different things for many different employers: our capability is demonstrably unique in depth and breadth, so we can deliver the right mix of skills and services for any situation. 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 culture change consulting, internal communications and employee engagement. We boost performance, efficiency and value at every point of the employment cycle.

The point of difference

We identify absolutely with the objectives, ambitions and achievements of our clients. Our job satisfaction flows from the success that we create for those employers who choose to work with us. We take personal responsibility for the quality of everything we do and we take collective pride in delivering the results that matter. From City lawyers to civil engineers, and from shop assistants to the atom-smashing scientists at CERN, we help find and nurture the talent that gets things done. This is our **work** and we are proud of it.



Headlines

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

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

Financial Highlights

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

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

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

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Chairman's statement

Chairman's review

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

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

Business mix

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

Talent management

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

Communications

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

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

International

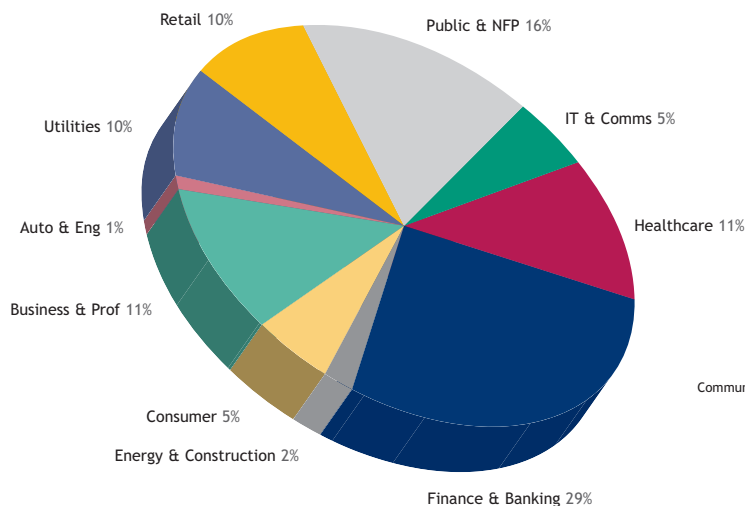
This has been a global recession and so our task of growing our small international operations has been all the more challenging. However we can point to some positive client wins in the Far East and in New York a new team is now leading our new business efforts in the US.

Chairman's statement (continued)

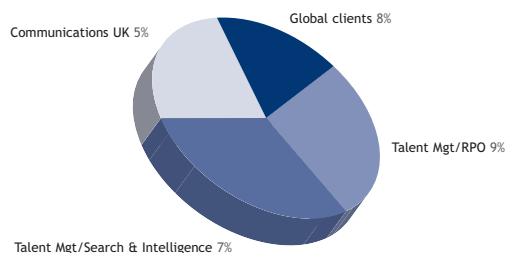
Our clients

A core strength of the Group has always been our diverse client base. Indeed it is interesting (if a little depressing) to note that such has been the universal impact of the recession, that every single sector has been affected. Despite the enormous changes in the sector, Banking & Finance remained our largest single sector (2009: 29% of net fee income, 2008: 28%) although each part of the Group carries out a wide range of activities for these clients (see fig. 1 below).

Group Income by Client Sector



Finance & Banking Detail



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

Our people

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

Chairman's statement (continued)

The future

As we have said before, we are in the business of changing the way employers recruit and retain talent, and one significant effect of the recession is that employers are increasingly questioning the tried and tested methodologies. That is good news for us. Employers are trying to do more for themselves and it is our job to show them how to do that more effectively: we'll train them how to write for the web, we'll show them how to use LinkedIn more effectively, we'll do their talent mapping, we'll build a website so that they are "always on", we'll manage their talent bank, and we'll do all that in Europe, or in the US or in Asia.

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

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

A handwritten signature in black ink, appearing to be 'S. Howard', with a long horizontal flourish extending to the right.

Simon Howard
Chairman

Operating review

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

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

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

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

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

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

Operating review (Continued)

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

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

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

Investment in the US and Hong Kong offices grew modestly to support these early stage businesses through secondments from the UK. There has been a movement to the US of certain key client relationships and our overseas presence has become increasingly important to retaining and growing global contracts.

A key focus during 2009 has been working capital management which has led to net cash generated from operating activities of £1.1m and net cash at the year end of £2.3m (2008: £1.6m). During the year a loan of £0.35m was made to the employee benefit trust to purchase shares in the company to be used as future incentives for employees.

The board is not recommending the payment of a dividend (2008: nil).

The balance sheet remains strong with zero debt.



Michael Warren
Finance Director
15 March 2010

Board of directors

Simon Howard, Executive Chairman, aged 54. 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 50. 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.

Steve Bodger, Non-executive Director, aged 60. 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: Jacques Vert plc, Right4Staff, Just Learning and Wescot.

Keith Cameron, Non-executive Director, aged 62. 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, a non-executive director of Affinity Group and chairman of Nickleby and Co Ltd.

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2009.

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. Details of the Group's strategy and expected future developments are contained in the Chairman's statement on page 2-4. Details of the financial performance of the Group are contained in the Operating review on pages 5-6. This information is incorporated in this report by reference.

Going concern

The Board regularly reviews the Group's budget, forecasts and associated risks and sensitivities. The Board has concluded that the going concern basis continues to be appropriate in preparing the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2008: nil). 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 2009 were equivalent to 39 days of purchases (2008: 30 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, this is mitigated as in 2009 the Group's top ten clients accounted for only 38% of the Group's gross profit and the top thirty accounted for 62%. 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 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 elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and

Directors' report (continued)

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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 maintenance and integrity of the Work Group plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in Directors and advisors on page 50 confirm that, to the best of their knowledge the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group.

Substantial shareholdings

As at 15 March 2010, 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
Louvre Trust (Guernsey) (EBT)	3,571,473	12.5
Penta Capital	2,470,641	8.6
Simon Howard	1,885,200	6.6
Michael Warren	1,885,200	6.6
Octopus Investments	1,758,864	6.1
Hansa Trust	1,400,000	4.9
Morgan Stanley	1,321,610	4.6
Sue Craven	1,102,535	3.9
Steve Halford	1,098,000	3.8
Derek Wynne	970,000	3.4
Maven Capital Partners	874,357	3.1

Directors' report (continued)

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.

Post balance sheet events - share options

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

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

Company registration number: 3744673

By order of the Board



Michael Warren
Company Secretary
15 March 2010

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	1	2
Michael Warren (Finance Director)	11	2	-
Sue Craven	4	1	-
Non-executive directors			
Steve Bodger	10	1	2
Keith Cameron	11	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. The audit committee reviews and approves the Annual report and interim statement. It also reviews the Group's 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

This report is not mandatory for companies listed on AIM but has been voluntarily included as a matter of best practice.

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. There was no salary increase for executive directors in January 2009. From 1 April 2009 the executive directors offered to, and did, reduce their salaries by 15% until 1 January 2010. Similarly, the non-executive directors offered to, and did, reduce their remuneration by 15% for the same period.

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.

For 2009 this scheme was modified to reflect the need to reduce costs throughout the Group. Upon achievement of financial targets related to profit before tax for the year ended 31 December 2009 a bonus of up to the amount of salary reduction suffered during the year would be awarded rising to a maximum of twice the amount of salary reduction suffered during the year.

No bonus has been awarded to the executive directors for the year ended 31 December 2009.

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 20.

Service contracts

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

Directors' remuneration

	Salary/Fees	Bonus	Benefits	Pension	Total	Total
	£'000	£'000	£'000	£'000	2009	2008
					£'000	£'000
Executive directors						
Simon Howard	175	-	3	-	178	167
Michael Warren	174	-	2	-	176	195
Sue Craven (resigned 31 July 2009)	62	-	2	6	70	139
Non-executive directors						
Steve Bodger	31	-	-	-	31	35
Keith Cameron	31	-	-	-	31	35
Total	473	-	7	6	486	571

Directors' remuneration report (continued)

No pension contributions are payable in respect of any of the directors except for Sue Craven who received £6,347 in pension contributions (2008: £12,237).

The salaries and benefits for Sue Craven during the year reflect her resignation from the Group on 31st July 2009. In 2008 the salaries and benefits of Simon Howard and Sue Craven were reduced pro rata to reflect time worked during 2008.

Directors and their interests

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

	31 December 2009	31 December 2008
	Number	Number
Simon Howard	1,885,200	1,700,200
Michael Warren	1,885,200	1,700,200
Sue Craven (resigned 31 July 2009)	1,102,535	917,535
Steve Bodger	37,267	37,267
Keith Cameron	31,055	31,055

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

	At 1 January 2009	Number granted	At 31 December 2009	Date granted	Exercisable from date	Expiry date
Simon Howard	104,142	-	104,142	1 October 2007	1 October 2010	30 September 2017
Michael Warren	104,142	-	104,142	1 October 2007	1 October 2010	30 September 2017

The mid-market share price at 31 December 2009 was 12.5p. The highest and lowest prices during the year were 12.5p and 6.0p respectively. The above options carry a nil exercise price. It is considered that the vesting conditions relating to earnings per share growth 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 2009 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and parent company balance sheets, the Consolidated and parent company statements of changes in equity, the Consolidated and parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 8-9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you, if in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Walton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 March 2010

Consolidated income statement

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	2	22,133	35,679
Cost of sales		(11,898)	(20,802)
Gross profit (net fee income)		10,235	14,877
Net operating expenses		(10,958)	(14,006)
Operating (loss)/profit		(723)	871
Operating (loss)/profit before exceptional items		(136)	1,055
Exceptional items	4	(587)	(184)
Finance income	6	3	28
Finance costs	6	(28)	(26)
(Loss)/profit before taxation		(748)	873
Taxation	7	116	(462)
(Loss)/profit for the year attributable to owners of the company		(632)	411
Basic (losses)/earnings per share (pence)	8	(2.34)	1.44
Diluted (losses)/earnings per share (pence)	8	(2.34)	1.36

The results above are all in respect of continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

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

Consolidated and parent company balance sheets

As at 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 (restated) £'000
Assets					
Non-current assets					
Intangible assets	10	12,197	12,197	11,411	7,708
Property, plant & equipment	11	505	721	481	587
Investment in subsidiaries	12	-	-	4,288	7,690
Deferred tax asset	13	27	24	28	-
		12,729	12,942	16,208	15,985
Current assets					
Inventories	14	190	314	189	312
Trade and other receivables	15	2,866	4,972	3,104	4,062
Cash and cash equivalents	22	2,265	1,566	2,089	1,229
		5,321	6,852	5,382	5,603
Liabilities					
Current liabilities					
Trade and other payables	17	(4,174)	(4,753)	(7,162)	(6,861)
Current tax liabilities		(120)	(265)	(120)	(184)
		(4,294)	(5,018)	(7,282)	(7,045)
Net current assets/(liabilities)		1,027	1,834	(1,900)	(1,442)
Non current liabilities					
Deferred tax liability	13	-	-	-	(6)
Net assets		13,756	14,776	14,308	14,537
Shareholders' equity					
Ordinary share capital	19	572	572	572	572
Share premium		8,240	8,240	8,240	8,240
Other reserves		2,826	2,826	2,826	2,826
Shares held by EBT		(352)	-	-	-
Foreign exchange reserves		66	100	-	-
Retained earnings		2,404	3,038	2,670	2,899
Total shareholders' equity		13,756	14,776	14,308	14,537

The 2008 company balance sheet has been restated to reflect the treatment of The Recruitment Communications Company Limited (RCCHR) hive up in October 2007. Further detail is disclosed in note 10 Intangible assets.

The financial statements on pages 17 to 49 were approved by the board of directors on 15 March 2010 and signed on its behalf by:



Simon Howard
Chairman



Michael Warren
Finance director

Consolidated and parent company statements of changes in equity

For the year ended 31 December 2009

Group

	Note	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Shares held by EBT £'000	Foreign exchange reserves £'000	Special reserve £'000	Total reserves £'000
1 January 2008		542	7,261	3,004	-	-	2,826	13,633
Profit for the year		-	-	411	-	-	-	411
Foreign exchange		-	-	-	-	100	-	100
Total comprehensive income		-	-	411	-	100	-	511
Value of employee services		-	-	(32)	-	-	-	(32)
Deferred taxation on share options		-	-	(202)	-	-	-	(202)
Proceeds from shares issued		30	979	-	-	-	-	1,009
Dividends	9	-	-	(143)	-	-	-	(143)
At 31 December 2008		572	8,240	3,038	-	100	2,826	14,776
(Loss) for the year		-	-	(632)	-	-	-	(632)
Foreign exchange		-	-	-	-	(34)	-	(34)
Total comprehensive loss		-	-	(632)	-	(34)	-	(666)
Purchase of ordinary shares in Work Group plc		-	-	-	(352)	-	-	(352)
Value of employee services		-	-	(2)	-	-	-	(2)
At 31 December 2009		572	8,240	2,404	(352)	66	2,826	13,756

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

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

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

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

For the year ended 31 December 2009

Company

	Note	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Special reserve £'000	Total Reserves £'000
1 January 2008		542	7,261	2,457	2,826	13,086
Total comprehensive income		-	-	819	-	819
Value of employee services		-	-	(32)	-	(32)
Deferred taxation on share options		-	-	(202)	-	(202)
Proceeds from shares issued		30	979	-	-	1,009
Dividends paid	9	-	-	(143)	-	(143)
At 31 December 2008		572	8,240	2,899	2,826	14,537
Total comprehensive loss		-	-	(227)	-	(227)
Value of employee services		-	-	(2)	-	(2)
At 31 December 2009		572	8,240	2,670	2,826	14,308

Consolidated and parent company statements of cash flow

For the year ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash flows from operating activities					
Cash generated from operations	21	1,175	2,920	972	3,452
Interest paid		(32)	(30)	(32)	(30)
Tax paid		(34)	(1,037)	(29)	(722)
Net cash generated from operating activities		1,109	1,853	911	2,700
Cash flows from investing activities					
Acquisition of businesses (net of cash acquired)		-	(1,000)	-	(1,000)
Interest received		3	31	3	17
Proceeds from sale of property, plant and equipment		-	4	-	4
Purchase of property, plant and equipment		(49)	(220)	(42)	(133)
Net cash used in investing activities		(46)	(1,185)	(39)	(1,112)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		-	9	-	9
Purchase of shares in Work Group plc by EBT		(352)	-	-	-
Loan notes repaid		(10)	(9)	(10)	(9)
Dividend paid	9	-	(143)	-	(143)
Finance lease payments		(2)	(2)	(2)	(2)
Net cash used in financing activities		(364)	(145)	(12)	(145)
Net increase in cash and cash equivalents in the year		699	523	860	1,443
Cash and cash equivalents at start of the year		1,566	1,043	1,229	(214)
Cash and cash equivalents at end of the year	22	2,265	1,566	2,089	1,229

Notes to the financial statements

For the year ended 31 December 2009

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis under the historical cost convention and financial assets and financial liabilities at fair value through profit or loss. There has been a restatement to the 2008 parent company balance sheet (Intangible assets note 10).

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of non-owner items of income and expense in the consolidated statement of changes in equity.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. The year end financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The operating segment presentation is the same as that reported in the financial statements for the year ended 31 December 2008.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board.

Goodwill is allocated by management to groups of cash-generating units. IFRS 8 has not resulted in any additional goodwill impairment. There has been no impact on the measurement of the Group's assets and liabilities.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

IFRIC 13, 'Customer loyalty programmes'.

IFRIC 14, IAS 19- 'The limit on a defined benefit asset, minimum funding requirements and their interaction'.

IFRIC 15, 'Agreements for the construction of real estate'.

Notes to the financial statements (continued)

For the year ended 31 December 2009

IFRIC 16, 'Hedges of a net investment in a foreign operation'.

IAS39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but were not yet effective. These standards have not been early adopted:

IFRS 3 (revised), 'Business combinations' has been amended in relation to the accounting of business combinations. This standard will have an impact on the Group's accounting for acquisitions and disposals, effective from 1 July 2009.

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.

Critical estimates and judgements

To be able to prepare financial statements according to IFRS, 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 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 (note 10), share based payments (note 20) and deferred tax (note 13).

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.

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 value added tax, represents revenue recognised in respect of communication services together with fees earned from design, assessment and development and other consulting services. Revenue from talent management services is recognised as contract activity progresses and the right to consideration is earned.

Revenue from advertising is recognised after advertisements have been published and once the right to consideration is established.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2009

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.

Exceptional items

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

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 and software	33%
Fixtures and fittings	20%
Leasehold improvements	over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net operating expenses in the income statement.

Intangible assets

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.

Notes to the financial statements (continued)

For the year ended 31 December 2009

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 fair value less cost to sell 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.

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

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.

Notes to the financial statements (continued)

For the year ended 31 December 2009

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.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at fair value.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rents payable under operating leases are charged in the income statement on a straight-line basis over the term of the lease.

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.

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 Sterling, which is the company's functional and the Group's presentation currency.

Monetary 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.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

Notes to the financial statements (continued)

For the year ended 31 December 2009

Share based payments

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 and a special reserve. None of these reserves are distributable. In addition there is also a foreign exchange reserve which is distributable.

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The shares held by the EBT are treated as if they are held in treasury.

2 Segmental reporting

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

Year ended 31 December 2009	Communications £'000	Talent management £'000	Unallocated £'000	Total continuing operations £'000
Total revenue	16,368	5,806	-	22,174
Inter-segment revenue	-	(41)	-	(41)
Revenue (from external customers)	16,368	5,765	-	22,133
Net fee income	5,653	4,582	-	10,235
Operating (loss)/profit before exceptional items	(563)	751	(324)	(136)
Exceptional items	(217)	(370)	-	(587)
Operating (loss)/profit after exceptional items	(780)	381	(324)	(723)
Finance income	-	-	3	3
Finance costs	-	-	(28)	(28)
(Loss)/profit before taxation	(780)	381	(349)	(748)
Depreciation	157	84	-	241
Taxation	-	-	(116)	(116)
Adjusted EBITDA (before exceptional items)	(406)	835	(324)	105
Total assets	10,652	7,371	27	18,050
Total liabilities	2,470	1,704	120	4,294

Notes to the financial statements (continued)

For the year ended 31 December 2009

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

Geographical segments

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

3 Key management and employee information

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

Group	2009 Number	2008 Number
Client service	116	144
Creative and production	29	44
Finance, admin, IT and corporate	24	34
Sales	6	13
	175	235

Staff costs (including directors) were as follows:

Group	2009 £000	2008 £000
Wages and salaries	6,692	8,830
Social security costs	731	957
Other pension costs	268	404
Share based payments	(2)	(32)
	7,689	10,159

Company	2009 £000	2008 £000
Wages and salaries	5,399	6,180
Social security costs	634	706
Other pension costs	210	185
Share based payments	(2)	(32)
	6,241	7,039

Notes to the financial statements (continued)

For the year ended 31 December 2009

Key management remuneration

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

Group	2009 £000	2008 £000
Salaries, including bonus	854	1,103
Benefits	15	39
Pension costs	19	27
Share based payments	(1)	(19)
	887	1,150

Company	2009 £000	2008 £000
Salaries, including bonus	711	1,014
Benefits	12	38
Pension costs	12	22
Share based payments	-	(18)
	735	1,056

Directors aggregate emoluments (Group and company)	2009 £000	2008 £000
Salaries, including bonus	473	532
Benefits	7	27
Pension costs	6	12
	486	571

4 Exceptional items

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

5 Operating (loss)/profit

	2009 £'000	2008 £'000
Operating profit is stated after charging/(crediting):		
Depreciation on plant, property and equipment:		
- Owned	239	304
- Leased	2	8
(Loss)/profit on disposal of plant, property and equipment	(20)	3
Operating lease rentals:		
- Plant and machinery	21	43
- Land and buildings	703	703
Foreign exchange gains	(65)	(260)
Auditors' remuneration		
- Fees payable to company auditors for the audit of parent company and consolidated accounts	34	58
- Fees payable to company auditors for the audit of company's subsidiaries pursuant to legislation	13	26
- Fees payable to the company's auditor and its associates for other services pursuant to legislations	7	30
- Tax services	7	25

6 Finance income and costs

	2009 £'000	2008 £'000
Interest receivable:		
- on bank deposits	3	28
Finance income	3	28
Interest payable:		
- on loan notes	(1)	(1)
- on bank overdraft	-	(14)
- overdraft fees	(23)	(11)
- miscellaneous trade related	(4)	-
Finance costs	(28)	(26)

7 Taxation

	2009 £'000	2008 £'000
Current tax		
Current year tax	(104)	378
Adjustment to prior years	(9)	57
Total Current tax	(113)	435
Deferred tax		
Deferred tax on accelerated capital allowances (note 13)	(3)	27
Total tax charge	(116)	462

Notes to the financial statements (continued)

For the year ended 31 December 2009

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

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

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

8 (Losses)/earnings per share

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

Basic (losses)/earnings per share is calculated by dividing the (losses)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. For diluted (losses)/earnings per share, the weighted average number of shares is adjusted to reflect the impact of all dilutive potential ordinary shares.

No further shares have been issued since 31 December 2009.

Earnings reconciliation

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

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

9 Dividends

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

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

10 Intangible assets

Group	Total £'000
Cost and carrying amount	
At 1 January 2008, 31 December 2008 and 31 December 2009	12,197
Company	Total £'000
Cost and carrying amount	
At 1 January 2007	4,308
Hive up of The Recruitment Communications Company Limited (RCCHR)	3,400
At 31 December 2007 and 31 December 2008 (restated)	7,708
Hive up of Armstrong Craven Limited	3,703
At 31 December 2009	11,411

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

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

The carrying value of goodwill at Group level is attributed to The Resourceful Group and Park Human Resources Limited (£3,123,000), RCCHR (£3,953,000) and Armstrong Craven Limited (£5,121,000). Each cash-generating unit for which the aforementioned goodwill is allocated is not larger than the operating segments as determined in note 2. The recoverable amount of goodwill is calculated based on discounted cash flow. Management have projected the cash flows for the period 2010 to 2012. The key assumptions for the value in use calculations for the period 2013 onwards are future projections based on a long term growth rate of 2.5%.

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

The rate used to discount the forecast cash flows is 8.6% (2008: 7.5%), being the Group's weighted average cost of capital.

Goodwill at company level represents The Resourceful Group and Park Human Resources Limited (£4,308,000), RCCHR (£3,400,000) and Armstrong Craven Limited (£3,703,000). The goodwill for RCCHR is recognised at the point of hive up, 31 October 2007, resulting in a prior period adjustment. The goodwill for Armstrong Craven Limited is also recognised at the point of hive up, 1 April 2009 (note 12).

Notes to the financial statements (continued)

For the year ended 31 December 2009

11 Property, plant and equipment

Group

	Leasehold Improvements £'000	Fixtures and Fittings £'000	Computer equipment and software £'000	Total £'000
Cost				
At 1 January 2008 (restated)	455	796	1,260	2,511
Exchange differences	-	-	3	3
Additions	15	24	181	220
Disposals	-	(1)	(23)	(24)
At 31 December 2008	470	819	1,421	2,710
Exchange differences	-	-	(6)	(6)
Additions	11	26	12	49
Disposals	(20)	(260)	(153)	(433)
At 31 December 2009	461	585	1,274	2,320
Accumulated depreciation				
At 1 January 2008 (restated)	110	582	1,007	1,699
Exchange differences	-	-	1	1
Charge for the year	35	90	187	312
Disposals	-	(1)	(22)	(23)
At 31 December 2008	145	671	1,173	1,989
Exchange differences	-	-	(2)	(2)
Charge for the year	37	67	137	241
Disposals	(20)	(240)	(153)	(413)
At 31 December 2009	162	498	1,155	1,815
Net book amount				
At 31 December 2007	345	214	253	812
At 31 December 2008	325	148	248	721
At 31 December 2009	299	87	119	505

Included within the carrying amount is £nil (2008: £2,000) relating to assets held under hire purchase arrangements. Accumulated depreciation relating to assets held under hire purchase arrangements is £53,000 (2008: £51,000).

Notes to the financial statements (continued)

For the year ended 31 December 2009

Company

	Leasehold Improvements £'000	Fixtures and Fittings £'000	Computer equipment and software £'000	Total £'000
Cost				
At 1 January 2008 (restated)	454	495	746	1,695
Additions	16	22	95	133
Acquisitions	-	-	(2)	(2)
Disposals	-	(1)	(23)	(24)
At 31 December 2008	470	516	816	1,802
Additions	11	26	5	42
Hive up of Armstrong Craven Limited	-	301	554	855
Disposals	(20)	(260)	(153)	(433)
At 31 December 2009	461	583	1,222	2,266
Accumulated depreciation				
At 1 January 2008 (restated)	109	316	602	1,027
Charge for the year	35	80	96	211
Acquisitions	-	-	-	-
Disposals	-	(1)	(22)	(23)
At 31 December 2008	144	395	676	1,215
Charge for the year	38	62	104	204
Hive up of Armstrong Craven Limited	-	280	499	779
Disposals	(20)	(240)	(153)	(413)
At 31 December 2009	162	497	1,126	1,785
Net book amount				
At 31 December 2007	345	179	144	668
At 31 December 2008	326	121	140	587
At 31 December 2009	299	86	96	481

Included within the carrying amount is £nil (2008: £2,000) relating to assets held under hire purchase arrangements. Accumulated depreciation relating to assets held under hire purchase arrangements is £53,000 (2008: £51,000).

The cost and accumulated depreciation for the Group and company at 1 January 2008 has been restated to bring the values in line with the Group and company fixed assets register. The impact on the net book value of the assets is £nil.

Notes to the financial statements (continued)

For the year ended 31 December 2009

12 Investments in subsidiaries

Company

	£'000
Cost	
At 1 January 2007	9,442
Legal and professional fees for the acquisition of RCCHR	30
Adjustment to deferred consideration for RCCHR	716
Movement of investments to goodwill following hive up of RCCHR	(3,400)
At 31 December 2007 (restated)	6,788
Investment in foreign subsidiaries	902
At 31 December 2008 (restated)	7,690
Movement of investments to goodwill following hive up of Armstrong Craven Limited	(3,703)
Investment in foreign subsidiaries	301
At 31 December 2009	4,288

	Principal activity	Class of Equity	Percentage of equity held at 2009
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	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 £301,000 (2008: £902,000), represents an increase to loans to the two foreign subsidiaries, Work Group Inc and Work Group Limited, 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.

The investments in RCCHR (£1,178,000) and Armstrong Craven Limited (£1,908,000) have been limited to their net assets on hive up. The excess of investment costs over the net assets on hive up have been transferred to goodwill in the company balance sheet, resulting in a restatement of prior periods for the hive up of RCCHR (note 10).

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 2009

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 timing differences £'000	Tax losses available £'000	Share options £'000	Total £'000
At 1 January 2009	24	-	-	-	24
Credited to income statement	3	-	-	-	3
At 31 December 2009	27	-	-	-	27

Group	Accelerated capital allowances £'000	Short term timing 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
Charged to equity	-	-	-	(217)	(217)
At 31 December 2008	24	-	-	-	24

Company	Accelerated capital allowances £'000	Short term timing differences £'000	Tax losses available £'000	Share options £'000	Total £'000
At 1 January 2009	(6)	-	-	-	(6)
Credited to income statement	7	-	-	-	7
Armstrong Craven Limited hive up	27	-	-	-	27
At 31 December 2009	28	-	-	-	28

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

Notes to the financial statements (continued)

For the year ended 31 December 2009

Deferred income tax assets are recognised for tax loss purposes to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £67,000 (2008: £130,000) relating to trading losses of the foreign subsidiaries amounting to £360,000 (2008: £530,000). Both the US and Hong Kong are early stage businesses and the Board is taking a more cautious and longer term view of the timing of future profits.

14 Inventories

Group	2009 £'000	2008 £'000
Consumables	24	22
Work in Progress	166	292
	190	314

Company	2009 £'000	2008 £'000
Consumables	24	22
Work in Progress	165	290
	189	312

All inventories are carried at fair value less costs to sell.

15 Trade and other receivables

	2009 Group £'000	2008 Group £'000	2009 Company £'000	2008 Company £'000
Trade receivables	2,174	3,930	2,107	3,191
Less: provision for impairment of trade receivables	(5)	(71)	(5)	(34)
Net trade receivables	2,169	3,859	2,102	3,157
Other receivables	294	347	256	295
Prepayments and accrued income	403	766	396	610
Amounts owing from group undertakings	-	-	350	-
	2,866	4,972	3,104	4,062

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

The amount owing from group undertakings relate to the loan made by the company to the EBT. No interest is applied to this balance (note 24).

Notes to the financial statements (continued)

For the year ended 31 December 2009

Movements on the Group provision for impairment of trade receivables are as follows:

	2009	2008
	£'000	£'000
At 1 January	(71)	(20)
Provision for receivable impairment	(5)	(64)
Settlement of overdue debt	35	-
Receivables written off during the year as uncollectable	36	13
At 31 December	(5)	(71)

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 adverse during 2009. 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.

Financial assets

	Group 2009	Group 2008	Company 2009	Company 2008
	£'000	£'000	£'000	£'000
Trade and other receivables	2,866	4,972	3,104	4,062
Cash and cash equivalents	2,265	1,566	2,089	1,229
Total financial assets	5,131	6,538	5,193	5,291

Notes to the financial statements (continued)

For the year ended 31 December 2009

The Group's financial assets comprise trade and other receivables and cash and cash equivalents. Interest is received on cash deposits on a Group pooling basis at variable rates based on the relevant base rate. In 2009 this interest rate ranged from 0% - 1.5% (2008: 1% - 4.5%).

As of 31 December 2009, Group trade receivables of £1,199,000 (2008: £1,351,000) and company trade receivables of £1,147,000 (2008: £1,185,000) were not yet due.

The remaining Group trade receivables of £970,000 (2008: £2,508,000) and company trade receivables of £955,000 (2008: £1,972,000) 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:

Overdue	Group	Group	Company	Company
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Up to 3 months	859	2,099	846	1,714
3 to 6 months	111	409	109	258
	970	2,508	955	1,972

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 2009, trade receivables denominated in foreign currencies accounted for 6% of Group trade receivables (2008: 16%) and 3% of company trade receivables (2008: 12%). No interest was accrued for trade and other receivables.

Financial Liabilities

The Group's financial liabilities consist of trade and other payables and loan notes. A detailed description of these financial liabilities is given below:

	Group	Group	Company	Company
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade and other payables	4,174	4,743	7,162	6,851
Loan notes	-	10	-	10
Total financial liabilities	4,174	4,753	7,162	6,861

	Group	Group	Company	Company
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Amortised cost*	-	10	-	10

*Loan notes had been issued to certain directors and employees of Armstrong Craven Limited, a related party. All loan notes were repayable upon demand and bore interest at a fixed rate of 2 per cent. The loan notes were shown within trade and other payables (note 17) and had been fully repaid at 31 December 2009.

Notes to the financial statements (continued)

For the year ended 31 December 2009

Undrawn facilities were as follows:

Group	2009 £'000	2008 £'000
Bank Overdraft	2,500	2,500
Company		
Bank Overdraft	2,500	2,500

During 2009 the overdraft facility was undrawn and no interest was payable (2008: 3% - 7.25%).

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

17 Trade and other payables

	2009 Group £'000	2008 Group £'000	2009 Company £'000	2008 Company £'000
Trade creditors	1,252	1,493	1,227	1,380
Taxation and social security costs	633	559	633	415
Other creditors	621	817	611	788
Finance lease agreements (note 18)	-	2	-	2
Loan notes	-	10	-	10
Accruals and deferred income	1,668	1,872	1,605	1,619
Amounts owed to Group undertakings (note 25)	-	-	3,086	2,647
	4,174	4,753	7,162	6,861

The amounts owed to Group undertakings relate to the hive up of RCCHR (£1,178,000) in 2007 and the hive up of Armstrong Craven Limited (£1,908,000) in 2009. No interest is applied on these balances which are repayable on demand.

18 Commitments under finance leases

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

Group and company	2009 £'000	2008 £'000
In one year or less	-	2

It is the Group's policy to minimise the leasing of its plant and equipment under finance leases. There were no outstanding finance leases at 31 December 2009. For the year ended 31 December 2009, the average effective interest rate was 2.2% (2008: 7.3%).

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.

Notes to the financial statements (continued)

For the year ended 31 December 2009

19 Ordinary shares

Group and company	2009 £'000	2008 £'000		
Authorised				
75,000,000 ordinary shares of 2p each	1,500	1,500		
Issued and fully paid				
	2009 Number	2009 £'000	2008 Number	2008 £'000
At beginning of year	28,622,473	572	27,091,793	542
Issued during the year	-	-	1,530,680	30
	28,622,473	572	28,622,473	572

No new shares were issued during the year.

20 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. 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 have been 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 2009, 72 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 now no longer be met.

Notes to the financial statements (continued)

For the year ended 31 December 2009

Grant Date	16 May 2003	1 Oct 2003	17 Sep 2004	16 Feb 2005	30 Jun 2005	2 Nov 2005	1 Oct 2007
	EMI Plan	EMI Plan	EMI Plan	EMI Plan	EMI Plan	EMI Plan	EMI Plan 2
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	16	4	19	1	7	38	23
Shares under option	247,575	105,000	352,800	5,000	67,500	247,500	549,784
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%
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%

The above table does not include 825,613 share options which were granted before 7 November 2002. These share options are fully vested and exercisable at 31 December 2009.

Share options	2009 Number '000	2008 Number '000
Outstanding at 1 January	2,712	2,915
Granted	-	-
Exercised	-	(47)
Lapsed	(311)	(156)
Outstanding 31 December	2,401	2,712
Exercisable at 31 December	1,851	2,048

On 14 January 2010 further share options were granted, see post balance sheet events (note 26)

Notes to the financial statements (continued)

For the year ended 31 December 2009

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

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

22 Cash and cash equivalents

	Group 2009	Group 2008	Company 2009	Company 2008
	£'000	£'000	£'000	£'000
Cash & cash equivalents	2,265	1,566	2,089	1,229

Notes to the financial statements (continued)

For the year ended 31 December 2009

23 Leases

Operating leases

The Group and company leases all of its properties. 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	Vehicles plant and equipment		Vehicles plant and equipment	
	Property 2009 £000	2009 £000	Property 2008 £000	2008 £000
Total commitments under non cancellable operating leases:				
Payable within one year	990	9	907	20
Payable between one and five years	2,202	4	2,694	10
Payable in more than five years	1,680	-	2,581	1
	4,872	13	6,182	31

Company	Vehicles plant and equipment		Vehicles plant and equipment	
	Property 2009 £000	2009 £000	Property 2008 £000	2008 £000
Total commitments under non cancellable operating leases:				
Payable within one year	887	7	567	18
Payable between one and five years	2,134	4	1,976	9
Payable in more than five years	1,680	-	2,581	-
	4,701	11	5,124	27

24 Employee benefit trust

The Resourceful Group Ltd Employee Benefit Trust 1995 holds £4,059 (2008: £8,729) in cash offshore for the benefit of employees.

The cash has been recognised in the consolidated balance sheet 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.

During the year an interest free loan of £350,000 was made by the company to the EBT. At 31 December 2009 the EBT held 3,571,473 shares in Work Group plc.

Notes to the financial statements (continued)

For the year ended 31 December 2009

25 Related party transactions

The company conducts numerous transactions each year with its subsidiaries: RCCHR, Work Group Inc, Work Group Limited and Armstrong Craven Limited. At 1 November 2007, RCCHR was hived up into Work Group plc and at 1 April 2009, Armstrong Craven Limited was hived up into Work Group plc. Consequently a balance owing to The Recruitment Communications Company Limited of amount £1,178,000 (2008: £1,178,000) and a balance owing to Armstrong Craven Limited of amount £1,908,000 (2008: £nil) exists.

For the year ended 31 December 2009, total sales of £nil (2008: £1,110) were made to Armstrong Craven Limited, Work Group Inc and Work Group Limited. Recharges relating to operating activities amounting to £92,000 (2008: £370,000) were made to Work Group Inc, £209,000 to Work Group Limited (2008: £370,000) and a loan was made to the EBT (£350,000) during the year. In total, £1,552,000 (2008: £901,000) was owing to Work Group plc at 31 December 2009.

All transactions related to directors during the year can be found in the Directors' remuneration report on pages 13-14.

26 Post balance sheet events

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

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

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

27 Company income statement

The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 from publishing a separate income statement. A loss of £227,000 (2008: profit of £819,000) before dividends has been reported for the current year.

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Michael Warren

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