

HR GO PLC

**Interim Report for the six months to
30 June 2011**

CHAIRMAN'S STATEMENT

RESULTS AND OUTLOOK

The results for the first half of 2011 have been disappointing. We have increased turnover by 18% to £47.4m, due to expansion of our branch network and the success of our national sales team. There has, however, been a dilution in the gross profit percentage from 21.5% to 20% and an increased overhead base to service the additional contracts and, as a result, the operating profit has reduced to £215k in the period (2010: £620k)

OUTLOOK

In the light of this, we have decided and recently implemented a major cost cutting exercise to bring our resources back in line with current market demand. We have closed all our overseas operations with the exception of Poland, established last year, to concentrate our efforts on the UK market. We have closed a number of peripheral locations and reduced staffing levels accordingly, to enable us to concentrate on more profitable business. We are continuing to actively seek measures to reduce costs and achieve competitive pricing to increase market share and profitability in these testing times. In the last two months, temp business has improved substantially and we have several good prospects going forward.

It is with regret that I accepted Chris Harvey's resignation as Managing Director in August. Chris has made a valuable contribution to the company, but other commitments now preclude him from dedicating sufficient time to the Group. Chris will, however, remain with the Group on a part-time consultancy basis for the foreseeable future. Dr Hugh Billot, our HR Director, is acting as Managing Director until a permanent replacement is appointed.

Looking forward the Group continues to simplify its corporate structure with three more businesses merging their trade within HR GO Recruitment Limited and more envisaged in the later part of this year, saving substantial overhead costs.

We are continuing with a major investment in IT infrastructure. We have been rolling out a fully integrated front office solution, which will improve both our back office functions and our sales and marketing capabilities. We continue to refine and develop our web-based master vendor software solution, which allows us to efficiently manage clients operating from multi-site locations. We are due to launch our new interactive website by the end of 2011.

Whilst the economic recovery is slow, we remain confident that our decisive actions, sales initiatives, IT investment and commitment to identifying savings will enable us to increase market share and profitability.

Jack C Parkinson
Chairman

HR GO PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2011

| | Note | Six months to 30 June 2011 (Unaudited) | Six months to 30 June 2010 (Unaudited) | Year to 31 December 2010 (Audited) |
|--|------|---|---|---|
| | | £'000 | £'000 | £'000 |
| TURNOVER | 4 | 47,403 | 40,156 | 92,604 |
| Cost of Sales | | (37,915) | (31,523) | (73,589) |
| GROSS PROFIT | | 9,488 | 8,633 | 19,015 |
| Administrative expenses | | (9,362) | (8,059) | (17,316) |
| Other operating income | | 89 | 46 | 179 |
| OPERATING PROFIT | | 215 | 620 | 1,878 |
| Interest payable and similar charges | | (167) | (131) | (293) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 48 | 489 | 1,585 |
| Tax on ordinary activities | | (84) | (95) | (509) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | (36) | 394 | 1,076 |
| Minority interests | | (171) | (243) | (616) |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD | | (207) | 151 | 460 |
| Basic and diluted (loss)/earnings per share | 3 | (1.04p) | 0.89p | 2.52p |

1. The six months' figures to 30 June 2011 and 30 June 2010 are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.
2. The results for the year to 31 December 2010 are not statutory financial statements. A copy of the statutory financial statements for that year has been delivered to the Registrar of Companies and carries an audit report that is unqualified and includes no adverse comment.

The directors of the issuer accept responsibility for the contents of this announcement.

HR GO PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2011

| | Six months to 30 June 2011 (Unaudited) £'000 | Six months to 30 June 2010 (Unaudited) £'000 | Year to 31 December 2010 (Audited) £'000 |
|--|--|--|--|
| (Loss)/profit for the financial period | (207) | 151 | 460 |
| Currency translation differences on foreign currency net investment | 7 | (9) | (5) |
| Total recognised gains and losses relating to the period | <u>(200)</u> | <u>142</u> | <u>455</u> |

HR GO PLC

CONSOLIDATED BALANCE SHEET 30 June 2011

| | 30 June 2011 (Unaudited) £'000 | 30 June 2010 (Unaudited) £'000 | 31 December 2010 (Audited) £'000 |
|--|---|---|---|
| FIXED ASSETS | | | |
| Intangible fixed assets | 424 | 393 | 378 |
| Tangible fixed assets | 1,240 | 1,041 | 1,074 |
| | <u>1,664</u> | <u>1434</u> | <u>1,452</u> |
| CURRENT ASSETS | | | |
| Debtors | 20,749 | 18,787 | 21,795 |
| Deferred taxation – asset | - | 47 | - |
| Cash at bank and in hand | 73 | 106 | 59 |
| | <u>20,822</u> | <u>18,940</u> | <u>21,854</u> |
| CREDITORS: amounts falling due within one year | <u>(20,473)</u> | <u>(18,588)</u> | <u>21,098</u> |
| NET CURRENT ASSETS | <u>349</u> | <u>352</u> | <u>756</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 2,013 | 1,786 | 2,208 |
| CREDITORS: amounts falling due after more than one year | <u>(569)</u> | <u>(670)</u> | <u>(573)</u> |
| TOTAL NET ASSETS | <u><u>1,444</u></u> | <u><u>1,116</u></u> | <u><u>1,635</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 198 | 170 | 197 |
| Share premium account | 907 | 760 | 868 |
| Capital reserve | 7 | 7 | 7 |
| Profit and loss account | <u>(699)</u> | <u>(697)</u> | <u>(350)</u> |
| EQUITY SHAREHOLDERS' FUNDS | 413 | 240 | 722 |
| EQUITY MINORITY INTERESTS | <u>1,031</u> | <u>876</u> | <u>913</u> |
| | <u><u>1,444</u></u> | <u><u>1,116</u></u> | <u><u>1,635</u></u> |

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

| | £'000 | £'000 | £'000 |
|--|-------------------|-------------------|-------------------|
| Opening shareholders' funds | 722 | 98 | 98 |
| (Loss)/profit for the financial period | (207) | 151 | 460 |
| Other recognised gains and losses relating to the period | 7 | (9) | (5) |
| Issue of ordinary shares | 40 | - | 135 |
| Share based payment | - | - | 34 |
| Dividend | <u>(149)</u> | <u>-</u> | <u>-</u> |
| Closing shareholders' funds | <u><u>413</u></u> | <u><u>240</u></u> | <u><u>722</u></u> |

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2011

| | Note | Six months to 30 June 2011 (Unaudited) £'000 | Six months to 30 June 2010 (Unaudited) £'000 | Year to 31 December 2010 (Audited) £'000 |
|--|------|--|--|--|
| Net cash inflow/(outflow) from operating activities | 5 | 2,299 | 1,892 | (181) |
| Returns on investments and servicing of finance | | | | |
| Interest paid | | (160) | (127) | (286) |
| Interest element of finance lease and hire purchase payments | | (7) | (4) | (7) |
| Dividend paid to minority interests | | - | - | (152) |
| Net cash outflow from returns on investments and servicing of finance | | (167) | (131) | (445) |
| Taxation | | | | |
| UK corporation tax paid | | (262) | (89) | (155) |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets | | (238) | (185) | (383) |
| Receipts from sale of tangible fixed assets | | 40 | 58 | 162 |
| Net cash (outflow)/inflow from capital expenditure and financial investment | | (198) | (127) | (221) |
| Acquisitions and disposals | | | | |
| Receipts from decrease in stake in subsidiaries | | - | - | - |
| Receipts from sale of subsidiary undertakings | | - | - | - |
| Net cash disposed of with subsidiary undertakings | | - | - | - |
| Payments to increase stake in subsidiaries | | (139) | (50) | (54) |
| Payment to acquire subsidiary | | - | - | - |
| Payments to acquire assets and trades of businesses | | - | - | - |
| Net cash balances acquired with subsidiary undertaking | | - | - | - |
| Net cash outflow from acquisitions and disposals | | (139) | (50) | (54) |
| Equity dividend paid | | (149) | - | - |
| Net cash inflow/(outflow) before financing | | 1,384 | 1,495 | (1,056) |
| Financing | | | | |
| Issue of ordinary share capital | | 40 | - | 31 |
| Receipt of loans | | - | - | 3 |
| Invoice discounting (repayments)/advances | | (1,314) | (1,134) | 1,554 |
| Repayment of loans | | (65) | (209) | (322) |
| Capital element of finance lease rental payments | | (134) | (119) | (224) |
| Net cash (outflow)/inflow from financing | | (1,473) | (1,462) | 1,042 |
| (Decrease)/increase in cash in the period | 6 | (89) | 33 | (14) |

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 30 June 2011

1. The six months figures to 30 June 2011 and 30 June 2010 are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.
2. The results for the year to 31 December 2010 are not statutory financial statements. A copy of the statutory financial statements for that year has been delivered to the Registrar of Companies and carries an audit report that is unqualified and includes no adverse comment.
3. **EARNINGS PER ORDINARY SHARE**

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

| | Six months to 30 June 2011 (Unaudited) | Six months to 30 June 2010 (Unaudited) | Year to 31 December 2010 (Audited) |
|--|---|---|---|
| | £'000 | £'000 | £'000 |
| (Loss)/profit for the financial period being basic and diluted (loss)/profit attributable to ordinary shareholders | (207) | 151 | 460 |
| Weighted average number of ordinary shares ('000) | 19,783 | 17,013 | 18,243 |
| Basic and diluted (loss)/earnings per share | (1.04p) | 0.89p | 2.52p |
| Discontinued operations loss for the financial period being Basic and Diluted loss attributable to ordinary shareholders | (61) | (26) | (85) |
| Discontinued operations Basic and Diluted loss per share | (0.31p) | (0.15p) | (0.47p) |

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 30 June 2011

4. TURNOVER AND OPERATING PROFIT

The Group's turnover and operating profit is derived from the supply of permanent and temporary staff.

| | Six months to 30 June 2011 (Unaudited) | Six months to 30 June 2010 (Unaudited) | Year to 31 December 2010 (Audited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Geographical analysis of turnover: | | | |
| EU Countries | 47,403 | 40,156 | 92,604 |
| Geographical analysis of operating profit/(loss): | | | |
| EU Countries | 215 | 620 | 1,878 |

5. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Six months to 30 June 2011 (Unaudited) | Six months to 30 June 2010 (Unaudited) | Year to 31 December 2010 (Audited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Operating profit | 215 | 620 | 1,878 |
| Loss on disposal of goodwill | - | - | 2 |
| Depreciation | 263 | 275 | 536 |
| Amortisation of goodwill | 25 | 29 | 64 |
| Impairment of goodwill | 22 | - | - |
| (Profit)/loss on sale of tangible fixed assets | 1 | (37) | (87) |
| (Increase)/decrease in debtors | 1,010 | (2,951) | (5,867) |
| Increase/(decrease) in creditors | 763 | 3,958 | 3,260 |
| Other non cash movements | - | (2) | (1) |
| Share based payment | - | - | 34 |
| Net cash inflow/(outflow) from operating activities | 2,299 | 1,892 | (181) |

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 30 June 2011

6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | Six months to 30 June 2011 (Unaudited) | Six months to 30 June 2010 (Unaudited) | Year to 31 December 2010 (Audited) |
|---|--|--|---|
| | £'000 | £'000 | £'000 |
| (Decrease)/increase in cash in the period | (89) | 33 | (14) |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease finance | 1,513 | 1,462 | (1,011) |
| Change in net debt resulting from cash flows | 1,424 | 1,495 | (1,025) |
| Other non-cash items: | | | |
| New finance leases | (232) | (125) | (273) |
| Movement in net debt in the period | 1,192 | 1,370 | (1,298) |
| Net debt at 1 January | (11,717) | (10,419) | (10,419) |
| Net debt at 30 June/31 December | (10,525) | (9,049) | (11,717) |

7. ANALYSIS OF CHANGES IN NET DEBT

| | At 1 January 2011 | Cash flow | Other non-cash changes | At 30 June 2011 |
|--------------------------|----------------------|--------------|------------------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 59 | 14 | - | 73 |
| Overdrafts | - | (103) | - | (103) |
| Debt due after one year | 59 | (89) | - | (30) |
| Debt due within one year | (457) | 52 | - | (405) |
| Finance leases | (11,080) | 1,327 | - | (9,753) |
| | (239) | 134 | (232) | (337) |
| | (11,717) | 1,424 | (232) | (10,525) |