



# Berkeley Scott Group Plc

Interim Results  
for the six months ended 31 March 2006



plan

attract

recruit

retain

PeopleSolutions

## **BERKELEY SCOTT GROUP PLC**

### **Half Year Results for the 6 months ended 31st March 2006**

Berkeley Scott Group Plc ("the Group" or "the Company" or "Berkeley Scott") is a market-leading provider of resourcing solutions to the hospitality and leisure sectors.

#### **Financial Highlights**

- Revenue increased by 6% to £8.77m (2005: £8.29m)
  - Permanent Recruitment revenue flat at £2.6m
  - Temporary Recruitment revenue (excluding discontinued businesses) grew by 16%
- Net fee income rose by 4% to £4.48m (2005: £4.31m)
- EBITDA loss of £0.2m (2005: £0.1m profit)
- Loss before taxation £0.63m (2005: £0.34m loss)

#### **Operational Highlights**

- Demand in the hospitality and leisure sector remains robust in most areas
- Significant operational restructuring now complete
- Permanent team productivity beginning to rise following new divisional head appointment in February
- £500k annualised cost reduction exercise completed in March
- All divisions performing ahead of last year in terms of Net Fee Income

Jeremy Hamer, Chairman of Berkeley Scott said: "Despite reporting a loss for the period, the first half has seen significant progress. In particular, the appointment of a new Operations Director of our Permanent Recruitment division completes the new strengthened senior management team. This together with the implementation of a £500K annualised cost reduction programme towards the end of this period gives us confidence that the required turnaround is well under way".

#### **Enquiries:**

##### **Berkeley Scott Group Plc**

Jeremy Hamer, Chairman

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Roddy Watt, Chief Executive Officer

Will Coker, Chief Financial Officer

##### **Cardew Group**

Tim Robertson

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## **CHAIRMAN'S STATEMENT**

During the half year, we have concluded the operational re-structuring commenced in the last financial year, and in particular, have finalised the structure of the senior management team. We have also slimmed down the overall organisation from 200 people to 167. Much of this occurred towards the end of the period when we implemented a significant cost reduction programme.

Both our Temporary Recruitment and Search divisions have performed consistently ahead of last year.

The appointment of a new Operations Director for our Permanent division has already contributed to an improvement in fee earner productivity and, although this improvement came too late to recover shortfalls that arose in the early months of the year, we believe this should continue through the second half.

### **Trading Results**

The total revenue of the business increased by 6% to £8,765,000 (2005: £8,291,000), whilst net fee income rose by 4% to £4,476,000 (2005: £4,307,000). Overhead costs were 12% higher at £4,722,000 (2005: £4,219,000) reflecting the higher staff numbers that we began the year with, but have recently reduced.

Before non-recurring costs of £40,000 (2005: £103,000) our EBITDA loss was £204,000 (2005: £197,000 profit).

The Company recorded a loss before taxation of £626,000 (2005: £335,000 loss), after charging goodwill amortisation of £95,000 (2005: £98,000) and non-recurring and exceptional items referred to above of £40,000. (2005: £103,000). Net borrowing (including invoice discounting) at the end of March was £3.0m (2005: £2.1m) being gearing of 172% (2005: 73%)

Following my statement on 21 February 2006, whilst it is obviously disappointing to be reporting a trading loss, I am nonetheless pleased to be able to tell shareholders that the actions taken since then have produced a tangible improvement and, indeed, that the trading in the ensuing period has bettered our expectations.

The Board is not recommending the payment of a dividend.

### **Operations Review**

The Group has four operating divisions: Permanent Recruitment, Temporary Recruitment, Executive Search and Resourcing Solutions.

#### *Permanent Recruitment – Net Fee Income £2,521,000 (2005: £2,516,000)*

Most of our core permanent recruitment markets remain relatively buoyant, with hotels in particular trading well. The restaurant sector has slowed down slightly, but the pubs, bars and other catering markets, whilst also having slowed a little, are still generally trading well. In this market, we continue to experience record levels of demand for our permanent recruitment services.

The half began with disappointing fee earner productivity due to continuing high turnover of consultants. However, we have now seen sustained consultant productivity improvements over recent months since the appointment of Simone Makepeace as Operations Director of this division. Whilst staff turnover remains high, this is in part as a result of planned changes in headcount. Our investment in training is now contributing to rising skill levels across the consulting teams, and will also help to reduce staff turnover.

*Temporary Recruitment – Net Fee Income £1,371,000 (2005: £1,248,000)*

The temporary business has performed strongly during the first half, with NFI up 10% (16% after excluding discontinued operations). There has been no erosion in margin, and the (continuing) cost base has only increased by 9% so the contribution from the division is well ahead of last year. This growth is particularly encouraging as we have also consolidated the business in this period, terminating operations in both Leeds and Southampton, which were under-performing.

*Executive Search – Net Fee Income £231,000 (2005: £127,000)*

Our executive search business, ISIS, has had an excellent start to the year which is continuing in the second half. We have not expanded our team as originally planned and so the contribution from this division has moved considerably ahead of last year.

*Resourcing Solutions – Net Fee Income £332,000 (2005:£329,000)*

Although net fee income is marginally ahead of 2005 this has been a frustrating half for our Solutions division. Despite a strong pipeline of prospects, many decisions have been delayed, or at least have taken considerably longer to conclude than predicted. This is true of Sourcerer, our ASP e-recruitment software tool, which whilst gaining acclaim, is taking longer to sell than envisaged. However, we have a strong qualified prospect list and hope, therefore, that the second half will see a greater conversion rate.

**Staff**

On behalf of the Board I would like to take this opportunity to thank our staff for their efforts and support during what has been a difficult period. We have a number of new staff from whom much is expected in the coming months.

I should also like to take this opportunity to thank Roger Taylor for his valued contribution to the Group over a number of years. Roger stepped down as a Non-Executive Director from the Board in May 2006. We are seeking a suitable replacement.

**Outlook**

Over the six months under review, we have taken decisive action to address the issues facing the Company. As a result, we have significantly reduced the Group's cost base, strengthened the senior management team and overseen improvement in trading in key areas. We have started the second half positively and enter the critical summer trading months with evidence that the continuing productivity gains required to deliver the revised market expectations are achievable.

Jeremy Hamer  
Chairman

## GROUP PROFIT AND LOSS ACCOUNT

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2005</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2005</b> <b>£'000</b>
Turnover		<b>8,765</b>	8,291	17,064
Cost of Sales		<b>(6,966)</b>	(6,527)	(12,983)
Gross Profit		<b>1,799</b>	1,764	4,081
Operating expenses	4	<b>(2,285)</b>	(1,933)	(4,686)
Operating (loss)/profit		<b>(486)</b>	(169)	(605)
Interest receivable		—	—	1
Interest payable		<b>(140)</b>	(166)	(300)
Loss on ordinary activities before taxation		<b>(626)</b>	(335)	(904)
Tax charge/(credit) on loss on ordinary activities	2	—	—	(64)
Loss on ordinary activities after taxation		<b>(626)</b>	(335)	(840)
Dividends Payable		—	—	—
Loss on ordinary activities transferred to reserves		<b>(626)</b>	(335)	(840)
Loss per share in pence (Basic and Diluted)	3	<b>(7.4)</b>	(4.8)	(10.8)

All recognised gains and losses are included in the profit and loss account. All amounts for the period ending 31 March 2006 relate to continuing activities

## GROUP BALANCE SHEET

		<i>Unaudited</i> <b>31 March</b> <i>2006</i> <b>£'000</b>	<i>Unaudited</i> <i>31 March</i> <i>2005</i> <b>£'000</b>	<i>Audited</i> <i>30 September</i> <i>2005</i> <b>£'000</b>
	<i>Notes</i>			
<b>FIXED ASSETS</b>				
Intangible Assets		2,423	2,703	2,517
Tangible Assets		700	755	750
		<b>3,123</b>	3,458	3,267
<b>CURRENT ASSETS</b>				
Debtors	5	3,070	3,067	3,624
Cash at bank and in hand		3	137	3
		<b>3,073</b>	3,204	3,627
<b>CURRENT LIABILITIES</b>				
Creditors falling due within one year	6	<b>(4,191)</b>	(3,435)	(4,195)
<b>NET CURRENT LIABILITIES</b>				
		<b>(1,118)</b>	(231)	(568)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<b>2,005</b>	3,227	2,699
<b>CREDITORS: amounts falling due after one year</b>				
	6	<b>(275)</b>	(412)	(343)
<b>NET ASSETS</b>				
		<b>1,730</b>	2,815	2,356
<b>CAPITAL AND RESERVES</b>				
Called up share capital	7	170	170	170
Share Premium Account	7	3,572	3,526	3,572
Capital redemption reserve	7	2	2	2
Profit and Loss Account	7	<b>(2,014)</b>	(883)	(1,388)
<b>EQUITY SHAREHOLDERS' FUNDS</b>				
		<b>1,730</b>	2,815	2,356

## GROUP CASH FLOW STATEMENT

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2005</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2005</b> <b>£'000</b>
	<i>Notes</i>			
<b>Net cash (outflow)/inflow from operating activities</b>	8	<b>(371)</b>	(291)	130
Returns on investment and servicing of finance		<b>(125)</b>	(158)	(401)
Equity dividends paid		—	(110)	—
Taxation		<b>42</b>	—	(42)
Capital expenditure and financial investment		<b>(97)</b>	(149)	(286)
<b>Cash (outflow)/inflow before management of liquid resources and financing</b>		<b>(551)</b>	(708)	(599)
Cash inflow/(outflow) from financing	9	<b>(93)</b>	759	713
<b>Increase/(Decrease) in cash in period</b>		<b>(644)</b>	51	114

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2005</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2005</b> <b>£'000</b>
	<i>Notes</i>			
<b>Increase/(Decrease) in cash in period</b>		<b>(644)</b>	51	114
Cash outflow from decrease in debt and lease financing		<b>79</b>	1,373	1,465
Change in net debt resulting from cash flows		<b>(565)</b>	1,424	1,579
New Finance Lease		—	4	(7)
Movement in net debt in period		<b>(565)</b>	1,428	1,572
Net Debt at start of period		<b>(599)</b>	(2,171)	(2,171)
<b>Net Debt at end of period</b>		<b>(1,164)</b>	(743)	(599)

In addition, invoice discounting at 31 March 2006 amounted to £1,806k (31 March 2005: £1,338k)

## NOTES TO THE INTERIM REPORT

### For the 6 months ended 31 March 2006

#### 1. Basis of Preparation

The financial information in this report for the 6 months ended 31 March 2006 represents the consolidated results of Berkeley Scott Group plc and its subsidiary undertakings. It has been prepared on a consistent basis using the same accounting policies as the audited financial statements for the year ended 30 September 2005.

The financial information contained in this interim report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The comparative figures for the year to 30 September 2005 were extracted from the accounts filed with the Registrar of Companies, which carried an unqualified auditors' report.

The comparative figures for the 6 months to 31 March 2005 were unaudited. Dividends in that period paid re non-equity interests have been reclassified within interest payable as an expense. In addition, £124K of cost of sales has been reclassified as operating expenses to comply with treatment applied in the year end audited accounts.

All shareholders will receive a copy of this report, which is also available from the company's registered office at Berkeley House, 11-13 Ockford Road, Godalming, Surrey GU7 1QU.

#### 2. Taxation

The taxation charge for the 6 months ended 31 March 2006 has been calculated by applying the projected effective tax rate for the full year ended 30 September 2006.

#### 3. Basic Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue was 8,518,615 (2005: interim 7,023,322; 2005: full year 7,770,968) and the loss, being loss after tax and non equity dividends, was £(626,000) (2005: interim £(335,000); 2005: full year £(840,000))

#### *Diluted Loss per share*

Options held in respect of the ordinary shares of the Company do not have a dilutive effect on the loss per share calculation in any of the periods covered by these accounts.

#### 4. Operating Expenses

	<i>Unaudited 6 months ended 31 March 2006 £'000</i>	<i>Unaudited 6 months ended 31 March 2005 £'000</i>	<i>Audited year ended 30 September 2005 £'000</i>
Operating Profit	(486)	(169)	(605)
includes:			
Depreciation	147	165	324
Amortisation of Goodwill	95	98	284
<b>EBITDA</b>	<b>(244)</b>	94	3
Non-recurring costs			
– Termination payments	40	103	274
– Exceptional item	—	—	47
<b>Adjusted EBITDA</b>	<b>(204)</b>	197	324

## 5. Debtors

	<i>Unaudited</i> <b>31 March</b> <i>2006</i> <i>£'000</i>	<i>Unaudited</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Audited</i> <i>30 September</i> <i>2005</i> <i>£'000</i>
Trade debtors	2,321	2,114	2,717
Other debtors	119	197	160
Prepayments and accrued income	630	756	747
Corporation tax	—	—	—
	<b>3,070</b>	3,067	3,624

## 6. Creditors

	<i>Unaudited</i> <b>31 March</b> <i>2006</i> <i>£'000</i>	<i>Unaudited</i> <i>31 March</i> <i>2005</i> <i>£'000</i>	<i>Audited</i> <i>30 September</i> <i>2005</i> <i>£'000</i>
<b>Amounts falling due within one year</b>			
Bank Loans and overdrafts (secured)	856	409	211
Bank invoice discounting facility	1,806	1,338	2,071
Trade Creditors	280	439	494
Corporation tax	—	65	—
Other taxation and social security	627	565	748
Finance Leases and Hire Purchase	37	60	48
Proposed Dividend	—	—	—
Other creditors	134	24	165
Accruals and deferred income	451	535	458
	<b>4,191</b>	3,435	4,195
<b>Amounts falling due after one year</b>			
Bank Loans	267	367	317
Finance Leases and Hire Purchase	8	45	26
Loan Stock	—	—	—
	<b>275</b>	412	343

The loan falling due after one year of £266,667 is part of the loan arranged on 6 December 2004 of £500,000. The amount of this loan due for repayment in less than one year is £100,000, the remaining £133,333 having already been repaid. Bank loans are secured on deeds of composite guarantees and mortgage debentures granted by the Berkeley Scott Group plc group companies.

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

## 7. Reserves and reconciliation of movements in shareholders' funds

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Redemption £'000</i>	<i>Profit &amp; Loss £'000</i>	<i>Total Shareholders' Funds £'000</i>
At 30 September 2005	170	3,572	2	(1,388)	2,356
Shares issued in AIM listing	—	—	—	—	—
Loss attributable to shareholders	—	—	—	(626)	(626)
At 31 March 2006	170	3,572	2	(2,014)	1,730

## 8. Net cash flow from operating activities

	<i>Unaudited 6 months ended 31 March 2006 £'000</i>	<i>Unaudited 6 months ended 31 March 2005 £'000</i>	<i>Audited year ended 30 September 2005 £'000</i>
Operating profit/(loss)	(486)	(169)	(605)
Depreciation	147	165	324
Amortisation of Goodwill	95	98	284
(Increase)/Decrease in debtors	577	283	(232)
Increase/(Decrease) in creditors	(704)	(668)	365
Profit on sale of fixed assets	—	—	(6)
Net cash (outflow)/inflow from operating activities	(371)	(291)	130

## 9. Cash inflow / (outflow) from financing

	<i>Unaudited 6 months ended 31 March 2006 £'000</i>	<i>Unaudited 6 months ended 31 March 2005 £'000</i>	<i>Audited year ended 30 September 2005 £'000</i>
Issue of ordinary share capital	—	3,071	3,071
Repayment of loan notes	(50)	(1,858)	(1,908)
Capital element of finance lease payments	(29)	(15)	(56)
Expenses paid in connection with share issue	(14)	(939)	(894)
New Loans	—	500	500
Cash inflow/(outflow) from financing	(93)	759	713

## DIRECTORS AND KEY CONTACTS

Directors	JJ Hamer – Non-executive Chairman DRB Watt – Chief Executive WJ Coker – Chief Financial Officer R Leefe – Non-executive Director
Company Secretary/Solicitors	IMCO Secretary Limited/Irwin Mitchell 21 Queen Street Leeds LS1 2TW
Registered and Head Office	Berkeley House 11–13 Ockford Road Godalming Surrey GU7 1QU
Nominated Advisor and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Auditors	BDO Stoy Hayward LLP Connaught House Alexandra Terrace Guildford Surrey GU1 3DA
Bankers	Royal Bank of Scotland Benwell House Green Street Sunbury-on-Thames Middlesex TW16 6QT
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham BR3 4TU

### TIMETABLE FOR COMMUNICATION TO SHAREHOLDERS

Announcement of interim results:	30 June 2006
Interim report posted to shareholders:	Week commencing 3 July 2006
Financial Year End:	30 September 2006
Announcement of final results and annual report posted to shareholders:	expected during December 2006
Annual General Meeting:	expected in February 2007







Berkeley Scott  
Group Plc

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