



# Berkeley Scott Group Plc

Interim Results  
for the six months ended 31 March 2007

plan

attract

recruit

retain

PeopleSolutions

## **BERKELEY SCOTT GROUP PLC INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 MARCH 2007**

### **NEW BEGINNING AT BERKELEY SCOTT UNDERWAY**

Berkeley Scott Group Plc (“the Group” or “the Company” or “Berkeley Scott”), a market-leading provider of human resource services to the hospitality and leisure sectors, announces its interim results for the six months ended 31 March 2007.

#### **Financial Highlights**

- Revenue unchanged at £8.780m (2006: £8.765m)
- Net fee income marginally lower at £4.347m (2006: £4.464m)
- Exceptional restructuring charges of £0.659m
- Loss before taxation £1.508m (2006: £0.626m loss)
- Basic loss per share 11.3p (2006: 7.4p loss)
- Basic loss per share (adjusted for exceptional items and amortisation of goodwill) improved slightly to 5.6p (2006: 5.8p loss)
- Net borrowing down substantially to £0.973m (2006: £2.971m)

#### **Operational Highlights**

- Investment of £2.5m in the business by Tony Reeves and John Bowmer through the subscription of new shares to become the two largest shareholders in the Group
- John Rose appointed CEO in May, joined from Hudson UK/Ireland where he was CEO
- Period of significant and continuing restructuring of the management organisation and property assets including announcement of a move from the expensive Head Office in Godalming
- Business now focused on; permanent recruitment, temporary recruitment and executive search and selection. Solutions business sold
- Ongoing far reaching review of costs identifying savings and priorities for future investment

Commenting on the results Tony Reeves and John Bowmer, Co-Chairmen of Berkeley Scott said:

“Berkeley Scott is a market leading brand name in the recruitment sector with a loyal customer base on which we are building the future of the company. The numbers we are reporting today reflect a troubled period in the history of the Company that we believe is now at an end. There is some excellent talent within the firm whose potential can now be fully utilised as the company moves through its restructuring and into a new chapter of development and growth. Since we came on board five months ago we have made significant progress in implementing positive changes that are beginning to unlock the potential of the firm that we envisioned when we made our investment.

“We have secured an outstanding CEO in John Rose, who joined in May from Hudson UK and Ireland. Together we have begun taking out costs, completed some internal restructuring and clarified Berkeley Scott’s service divisions and management structure. We have identified a strategy to attack our most attractive markets, our priorities for investment in the business, and our consolidation strategy. There is a long way to go but we now have a company rapidly moving towards what we believe the market and our employees want and need. We remain committed to our plans to use Berkeley Scott as a vehicle for acquiring other premium recruitment brands in this fragmented sector as well as driving profitability and excellence through Berkeley Scott itself. This is an extremely exciting time for us and everyone involved in the Company.”

**Enquiries:**

**Berkeley Scott Group Plc**

Anthony Reeves, Co-Chairman  
John Rose, Chief Executive Officer  
Will Coker, Chief Financial Officer

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## CO CHAIRMAN'S STATEMENT

Today we are reporting the interim results of the Berkeley Scott Group plc for the 6 months ended 31 March 2007.

The most significant event to report during the period was the subscription for new shares in January which led to us investing £2.5m in the Company and becoming the largest shareholders. Since then we have begun a review of the business and its operations and with a new CEO in place, John Rose, we have already made significant progress in implementing positive change for the Company. John Rose joined from Hudson UK/Ireland where he was CEO and offers the company an exceptional depth of expertise.

Berkeley Scott is a market leading brand name in the recruitment sector and there is some excellent talent within the firm whose potential can now be fully utilised as the company moves through its restructuring and into a new chapter of development and growth. We are beginning to unlock the potential of the firm that we envisioned when we made our investment. The recruitment sector is in a strong growth phase in the UK and it is a good time to be repositioning the Company to benefit from this.

The numbers we are reporting today reflect a troubled period in the history of the Company that we believe is now at an end. There is a similarity between the results for the period this year as the same period the previous year, where temporary & ISIS have maintained their growth but permanent recruitment has shown a small decline.

### Trading Results

The total revenue of the business remained static at £8,780,000 (2006: £8,765,000), whilst net fee income fell by 2.6% to £4,347,000 (2006: £4,464,000). Administrative costs, excluding exceptional costs were similar at £5,078,000 (2006: £4,910,000).

Exceptional costs of £659,000 arose due to termination costs and associated restructuring provisions following the equity subscription.

The Company recorded a loss before taxation of £1,508,000 (2006: £626,000 loss), after charging goodwill amortisation of £93,000 (2006: £95,000) and exceptional items referred to above of £659,000. (2006: £40,000). Net borrowing (including invoice discounting) at the end of March was £973,000 (2006: £2,970,000) being gearing of 35% (2006: 172%).

The Board is not recommending the payment of a dividend (2006: £Nil).

### Operations Review

The Group operated four divisions: Permanent Recruitment, Temporary Recruitment, Executive Search and Solutions during the period. The service divisions are now refocused covering; permanent recruitment, and temporary recruitment and executive search and selection. The Solutions business has been sold although its results have been included as ongoing operations within this interim statement.

#### *Permanent Recruitment – Net Fee Income £2,242,000 (2006: £2,521,000)*

The market in general remained buoyant, particularly in the Hotels sector but nevertheless the six months represented a disappointing half year for the Permanent division.

Our strategy to boost the Permanent Recruitment business includes implementing a sales culture with an associated remuneration structure that rewards high performance. Reducing staff turnover is critical and boosting productivity overall as well as focusing on developing a premium client base for our business. This is a priority area for development and investment for the Company in the coming period.

*Temporary Recruitment – Net Fee Income £1,465,000 (2006: £1,371,000)*

The Temporary Division maintained a top line growth of 7% over the prior year through improved productivity, maintaining its cost base in line with 2006. Installation of the new IT platform was substantially completed and has already resulted in further efficiencies.

*Executive Search (branded ISIS) – Net Fee Income £310,000 (2006: £231,000)*

The Division built on the solid platform it generated in 2006. The team supplemented its existing Hospitality and Leisure sector offering with a strengthening presence in gaming and casinos. A specialist travel sector consultant was recruited towards the end of the half year, further expanding delivery capability.

*Solutions – Net Fee Income £316,000 (2006: £332,000)*

This division has now been exited although its results have been included as ongoing operations within this interim statement. Whilst it delivered a net fee income for the period, it is not a core business for the future of Berkeley Scott.

In addition to the above, the Company had other income of £14,000 (2006: £9,000).

## **Staff**

We would like to thank our employees for their hard work and commitment in helping to deliver these results. In recognising the importance of the team we have prioritised the reorganisation of the remuneration structure and operating environment to allow the Company to attract new talent and retain and sustain existing employees. We are continuing to review our operations towards this goal. There is a lot of work to be done, however this is a very exciting time for everyone involved with the Company.

## **Outlook**

We are pleased to report that good progress is being made in reorganising Berkeley Scott, towards setting new priorities for investment and marketing, and creating an environment to attract and retain good quality talent. John Rose is now on board as CEO and has the expertise to work with us to achieve our goals for the business and above all shares our passion for this industry which he will instil throughout the Company. We are working hard to position Berkeley Scott for profitable growth in what is a very exciting time for the recruitment industry.

At the same time we are pursuing our stated acquisition strategy of targeting niche, premium recruitment brands for acquisition. The UK recruitment market remains extremely fragmented and we will be targeting the niche high value sectors IT, finance and accounting and other professional disciplines, which offer the Berkeley Scott brand huge scope for growth and profitability in the short term. We will look to raise as little equity as possible to fund our acquisitions to sustain an efficient, manageable capital structure. There is a lot of work underway in the near term but we look forward to reporting the positive effects of the restructuring in the longer term. We're confident and ambitious about the future of Berkeley Scott.

Anthony Reeves  
Co-Chairman

John Bowmer  
Co-Chairman

## GROUP PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <i>6 months ended</i> <i>31 March</i> <i>2006</i> <i>(Restated)</i> <i>£'000</i>	<i>Audited</i> <i>year ended</i> <i>30 September</i> <i>2006</i> <i>(Restated)</i> <i>£'000</i>
Turnover		<b>8,780</b>	8,765	17,977
Cost of Sales		<b>(4,433)</b>	(4,301)	(8,390)
Gross Profit/Net Fee Income		<b>4,347</b>	4,464	9,587
Administrative expenses	4	<b>(5,737)</b>	(4,950)	(9,667)
Operating loss		<b>(1,390)</b>	(486)	(80)
Interest receivable		<b>2</b>	—	3
Interest payable		<b>(120)</b>	(140)	(311)
Loss on ordinary activities before taxation		<b>(1,508)</b>	(626)	(388)
Tax credit on loss on ordinary activities	2	<b>—</b>	—	1
Loss on ordinary activities after taxation		<b>(1,508)</b>	(626)	(387)
Dividends Payable		<b>—</b>	—	—
Loss on ordinary activities transferred to reserves		<b>(1,508)</b>	(626)	(387)
Loss per share in pence (Basic and Diluted)	3	<b>(11.3)</b>	(7.4)	(4.5)
Adjusted loss per share (Basic and Diluted)	3	<b>(5.6)</b>	(5.8)	(1.5)

All recognised gains and losses are included in the profit and loss account. All amounts for the period ended 31 March 2007 relate to continuing activities

## GROUP BALANCE SHEET

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2006</b> <b>£'000</b>
	<i>Notes</i>			
<b>FIXED ASSETS</b>				
Intangible Assets		<b>2,240</b>	2,423	2,332
Tangible Assets		<b>709</b>	700	808
		<b>2,949</b>	3,123	3,140
<b>CURRENT ASSETS</b>				
Debtors	5	<b>3,070</b>	3,070	3,343
Cash at bank and in hand		<b>3</b>	3	3
		<b>3,073</b>	3,073	3,346
<b>CURRENT LIABILITIES</b>				
Creditors falling due within one year	6	<b>(3,062)</b>	(4,191)	(4,300)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>11</b>	(1,118)	(954)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<b>2,960</b>	2,005	2,186
<b>CREDITORS: amounts falling due after one year</b>				
	6	<b>(167)</b>	(275)	(217)
<b>NET ASSETS</b>		<b>2,793</b>	1,730	1,969
<b>CAPITAL AND RESERVES</b>				
Called up share capital	7	<b>456</b>	170	170
Share Premium Account	7	<b>5,549</b>	3,572	3,572
Capital redemption reserve	7	<b>2</b>	2	2
Share Based Payment Reserve	7	<b>69</b>	—	—
Profit and Loss Account	7	<b>(3,283)</b>	(2,014)	(1,775)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>2,793</b>	1,730	1,969

## GROUP CASH FLOW STATEMENT

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2006</b> <b>£'000</b>
	<i>Notes</i>			
<b>Net cash (outflow)/inflow from operating activities</b>	8	<b>(1,420)</b>	(371)	330
Returns on investment and servicing of finance		<b>(119)</b>	(139)	(308)
Taxation		—	42	1
Capital expenditure and financial investment		<b>(117)</b>	(97)	(356)
<b>Cash outflow before management of liquid resources and financing</b>		<b>(1,656)</b>	(565)	(333)
Cash inflow/(outflow) from financing	9	<b>2,195</b>	(79)	(148)
<b>Increase/(Decrease) in cash in period</b>		<b>539</b>	(644)	(481)

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

		<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2006</b> <b>£'000</b>
	<i>Notes</i>			
<b>Increase/(Decrease) in cash in period</b>		<b>539</b>	(644)	(481)
Cash outflow from decrease in debt and lease financing		<b>68</b>	79	148
Change in net debt resulting from cash flows		<b>607</b>	(565)	(333)
Movement in net debt in period		<b>607</b>	(565)	(333)
Net Debt at start of period		<b>(932)</b>	(599)	(599)
<b>Net Debt at end of period</b>		<b>(325)</b>	(1,164)	(932)

In addition, invoice discounting at 31 March 2007 amounted to £648k (31 March 2006: £1,806k)

## **NOTES TO THE INTERIM REPORT**

### **For the 6 months ended 31 March 2007**

#### **1. Basis of Preparation**

The financial information in this report for the 6 months ended 31 March 2007 is unaudited and represents the consolidated results of Berkeley Scott Group plc and its subsidiary undertakings. It has been prepared in a form consistent with that which will be adopted in the financial statement company's annual accounts having regard to the accounting standards applicable to those accounts.

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 2006 were extracted from the accounts filed with the Registrar of Companies, which carry an unqualified auditors' report. The comparative figures for the 6 months to 31 March 2006 were unaudited.

In prior years, Gross Profit was stated after attributing the remuneration costs of certain consultants and operating staff. The interim accounts above have been restated to include these costs within administrative expenses in accordance with industry practice.

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 2007 has been calculated by applying the projected effective tax rate for the full year ended 30 September 2007.

#### **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 13,385,177 (2006: interim 8,518,615; 2006: full year 8,518,615) and the loss after tax and non equity dividends, was £(1,508,000) (2006: interim £(626,000); 2006: full year £(387,000)).

#### **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.

#### **Adjusted Loss per share**

The Adjusted loss per share has been calculated using the loss for the period after adding back Exceptional costs of £659,000 (2006: interim £40,000; full year £73,000) and Goodwill Amortisation £93,000 (2006: interim £95,000; full year £186,000). The adjusted loss was £(756,000) (2006: interim £(491,000); full year £(129,000)).

#### 4. Operating (loss)

	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2006</b> <b>£'000</b>
Operating (loss) includes			
Depreciation	<b>158</b>	147	294
Amortisation	<b>93</b>	95	186
Share Based Payments	<b>69</b>	—	—
Exceptional Items	<b>659</b>	40	73

Exceptional items related to termination payments in respect of the previous Chief Executive Officer (£194,000) in addition to restructuring costs consequential to the subscription (£465,000).

#### 5. Debtors

	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <b>6 months ended</b> <b>31 March</b> <b>2006</b> <b>£'000</b>	<i>Audited</i> <b>year ended</b> <b>30 September</b> <b>2006</b> <b>£'000</b>
Trade debtors	<b>2,388</b>	2,321	2,489
Other debtors	<b>65</b>	119	98
Prepayments and accrued income	<b>617</b>	630	756
	<b>3,070</b>	3,070	3,343

## 6. Creditors

	<b>Unaudited</b> <b>6 months ended</b> <b>31 March</b> <b>2007</b> <b>£'000</b>	<i>Unaudited</i> <i>6 months ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>	<i>Audited</i> <i>year ended</i> <i>30 September</i> <i>2006</i> <i>£'000</i>
<b>Amounts falling due within one year</b>			
Bank Loans and overdrafts (secured)	152	856	692
Bank invoice discounting facility	648	1,806	1,838
Trade Creditors	601	280	298
Other taxation and social security	596	627	658
Finance Leases and Hire Purchase	8	37	26
Other creditors	155	134	162
Accruals and deferred income	902	451	626
	<b>3,062</b>	<b>4,191</b>	<b>4,300</b>
<b>Amounts falling due after one year</b>			
Bank Loans	167	267	217
Finance Leases and Hire Purchase	—	8	—
	<b>167</b>	<b>275</b>	<b>217</b>

The loan falling due after one year of £166,667 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 £233,333 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</i> <i>Capital</i> <i>£'000</i>	<i>Share</i> <i>Premium</i> <i>£'000</i>	<i>Capital</i> <i>Redemption</i> <i>£'000</i>	<i>Profit &amp; Loss</i> <i>£'000</i>	<i>Share Based</i> <i>Payment</i> <i>£'000</i>	<i>Total</i> <i>Shareholders</i> <i>Funds</i> <i>£'000</i>
At 30 September 2006	170	3,572	2	(1,775)	—	1,969
Shares issued – consideration	286	2,214	—	—	—	2,500
Shares issued – associated costs	—	(237)	—	—	—	(237)
Share based payment	—	—	—	—	69	69
Loss attributable to shareholders	—	—	—	(1,508)	—	(1,508)
At 31 March 2007	456	5,549	2	(3,283)	69	2,793

## 8. Net cash flow from operating activities

	<b>Unaudited</b>	<i>Unaudited</i>	<i>Audited</i>
	<b>6 months ended</b>	<i>6 months ended</i>	<i>year ended</i>
	<b>31 March</b>	<i>31 March</i>	<i>30 September</i>
	<b>2007</b>	<i>2006</i>	<i>2006</i>
	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>
Operating (loss)	<b>(1,390)</b>	<i>(486)</i>	<i>(80)</i>
Share based payment charge	<b>69</b>	<i>—</i>	<i>—</i>
Depreciation	<b>158</b>	<i>147</i>	<i>294</i>
Amortisation of Goodwill	<b>93</b>	<i>95</i>	<i>186</i>
(Increase)/Decrease in debtors	<b>273</b>	<i>577</i>	<i>281</i>
Increase/(Decrease) in creditors	<b>(681)</b>	<i>(704)</i>	<i>(354)</i>
Loss on sale of fixed assets	<b>58</b>	<i>—</i>	<i>3</i>
Net cash (outflow)/inflow from operating activities	<b>(1,420)</b>	<i>(371)</i>	<i>330</i>

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

	<b>Unaudited</b>	<i>Unaudited</i>	<i>Audited</i>
	<b>6 months ended</b>	<i>6 months ended</i>	<i>year ended</i>
	<b>31 March</b>	<i>31 March</i>	<i>30 September</i>
	<b>2007</b>	<i>2006</i>	<i>2006</i>
	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>
Issue of ordinary share capital	<b>2,500</b>	<i>—</i>	<i>—</i>
Repayment of loan notes	<b>(50)</b>	<i>(50)</i>	<i>(100)</i>
Capital element of finance lease payments	<b>(18)</b>	<i>(29)</i>	<i>(48)</i>
Expenses paid in connection with share issue	<b>(237)</b>	<i>—</i>	<i>—</i>
Cash inflow/(outflow) from financing	<b>2,195</b>	<i>(79)</i>	<i>(148)</i>

## DIRECTORS AND KEY CONTACTS

Directors	A Reeves – Co-Chairman J Bowmer – Co-Chairman J Rose – Chief Executive W Coker – Chief Financial Officer M Jackson – 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	Daniel Stewart & Company Becket House 36 Old Jewry London EC2R 8DD
Auditors	BDO Stoy Hayward LLP Connaught House Alexandra Terrace Guildford Surrey GU1 3DA
Bankers	Royal Bank of Scotland 2nd Floor Turnpike House 123 High Street Crawley West Sussex RH10 1DQ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham BR3 4TU

### TIMETABLE FOR COMMUNICATION TO SHAREHOLDERS

Announcement of interim results:	29 June 2007
Interim report posted to shareholders:	Week commencing 2 July 2007
Financial Year End:	30 September 2007
Announcement of final results and annual report posted to shareholders:	expected during December 2007
Annual General Meeting:	expected in February 2008



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Group Plc

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