

**Morson Group PLC**  
**(“Morson” or the “Group”)**  
**Interim results for the six months ended 30 June 2010**

Morson (AIM: MRN.L) the UK's leading provider of technical contracting personnel to the aerospace and defence, nuclear and power, rail and other technical industries, is pleased to announce its interim results for the six months ended 30 June 2010.

**Highlights**

- Solid trading performance across all sectors in line with Directors' expectations:
  - revenue up 0.9% to £221.8m (H1 2009: £219.9m);
  - net fee income (gross profit) down 7.7% to £16.7m (H1 2009: £18.1m);
  - profit from operations down 0.6% to £5.4m (H1 2009: £5.5m);
  - profit before taxation up 7.7% to £5.3m (H1 2009: £4.9m);
  - adjusted profit before taxation\* down 22% to £4.2m (H1 2009: £5.4m);
  - basic EPS of 8.33 pence (H1 2009: 7.48 pence); and
  - adjusted EPS† of 7.05 pence (H1 2009 : 8.70 pence).
- Net Debt has increased during the period to £18.8m, up £7.8m from £11.0m at 31 December 2009, largely due to the acquisition of Wynnwith.
- Key new or extended contract wins including:
  - Chubb      ○ Costain
  - Ericsson    ○ Bombardier
- Acquisitions of Wynnwith (June 2010) and Acetech (July 2010) with integration progressing well.
- Overseas recruitment operations commenced in Brazil and Germany.
- Market conditions remain challenging but with positive longer term prospects.
- Interim dividend maintained at 2.0 pence per share (H1 2009: 2.0 pence per share).

\*Adjusted profit before taxation is profit before taxation of £5.3m (H1 2009: £4.9m), excluding the fair value movement on the derivative financial instrument of £0.5m (H1 2009: £0.2m), amortisation of intangible fixed assets £0.2m (H1 2009: £0.6m) and exceptional income £0.7m (H1 2009: cost £0.1m).

† Adjusted EPS is net profit attributable to equity holders adjusted for exceptional items, amortisation of intangible fixed assets and fair value movement on the derivative financial instrument values as detailed in note 5.

Gerry Mason, Non Executive Chairman, said:

“The Group has historically remained resilient in difficult economic cycles and, whilst we have been affected by the scale of the current UK economic recession, we have performed well.

“The move into our new headquarters bringing together Morson International and Morson Projects gives the business an added impetus, increasing opportunities for cross selling our services and providing a modern and efficient environment conducive to taking the Group forward in the coming years. We will continue to build on our experience and capability and plan intelligently to progress our longer term prospects and

develop future opportunities, including consideration of appropriate acquisitions. Whilst we expect market conditions to remain challenging into 2011, we firmly believe that the prospects for the Group and its long term future growth are encouraging.”

For further information please contact:  
Morson Group plc  
Ged Mason, CEO  
Paul Gilmour, Financial Director

0161 707 1516

Brewin Dolphin Investment Banking (Nomad)  
Matt Davis, Matt Cheetham

0845 270 8600

Buchanan Communications  
Diane Stewart, James Strong, Carrie Clement

0207 466 5000

## Chairman's Statement

### Introduction

As anticipated the year to date has seen the challenging underlying market conditions continue. The Board expects these trading conditions to carry on through to the year end and into 2011. Against this backdrop I am pleased to report solid interim results for Morson, in line with our expectations. The Group has also recently completed two acquisitions, adding to the client base, service offering and geographic presence of the Group and increasing our market share. Maximising the opportunities these bring by applying Morson's working practices and economies of scale will be a focus during the remainder of this year.

The move into the new Head Office premises just prior to the start of the year has given a tangible boost to our staff, provided a greatly enhanced working environment, increased business development opportunities and improved presentation of the Group to our clients.

Our recruitment activity has been steady over the period with a number of pleasing contract wins, adding to a variety of renewals and contract extensions that will support and maintain revenues into the future. Contractor rate inflation remains subdued and margins remain competitively priced, as is to be expected. We continue to actively promote our offering to clients as one that can deliver cost savings through the application of efficient delivery models of engineering resource supply. Our client base is spread but biased toward the private sector; we estimate circa 70:30 private:public based revenue derivation. The strategic defence review is the area of public sector spending that holds most potential to affect our revenues and this is anticipated to become clearer in October when the government announces its proposals. The significant majority of revenue remains sourced via framework agreements with substantial clients. More marginal trade and permanent recruitment activity have both been steady during the period at a relatively low base level. The newly acquired business streams, which are discussed in more detail below, will almost entirely add to the recruitment business segment.

Engineering design consultancy and management activity delivered by Morson Projects has kept its focus on the nuclear and civil aerospace markets. The new Head Office facilities give Morson Projects greater opportunity to outsource significant client engineering projects. This design and consultancy capability differentiates us from much of our competition and gives us an understanding of client needs and the ability to be flexible in our offering. Morson Projects will promote these services to the new clients gained via the acquisitions made.

We believe that the Group is well placed and has extensive experience to trade through these difficult economic trading conditions, delivering efficient business services to clients and gaining advantage from this in terms of market share.

### Acquisitions

We have recently announced two acquisitions, completed either side of the reporting period end, and the Board is excited by the opportunities that they represent.

The acquisition of the business and assets of the Wynnwith Group from its administrator was achieved via a 51% owned new subsidiary, Morson Wynnwith Limited, on 9<sup>th</sup> June 2010, just prior to the end of the reported period. Revenue included in the Group results for the period was £5.3 million (representing circa four weeks' trade), which would infer an annualised run-rate of approximately £70 million. We are pleased to announce that all key contracts have been retained. This is the largest acquisition Morson has made to date and complements the existing operations very well with its focus on aerospace, defence and rail sectors along with several complementary niche areas. It is also pleasing to report that the acquisition has resulted in an exceptional gain being realised from the transaction as good collections of debt acquired have been achieved, reflecting the strength and retention of client relationships. The quantum of this is estimated at some £0.7 million at present (net of acquisition costs of £0.2 million) and in accordance with accounting standards this will be finalised and fully reported on within the Annual Report and Accounts. The Wynnwith business acquired had been historically loss-making and thus a period of restructuring and assessment must clearly take place and this is underway at present. There will be notable costs involved in this exercise, which will be incurred and charged to the second half of this year. The Board are confident that Morson Wynnwith will be profitable in 2011.

The acquisition of the business of Acetech Services Limited ("Acetech") was achieved just after the close of the reporting period (9<sup>th</sup> July 2010) and saw the Group take over the operations of the UK "in-house"

recruitment business of the Babcock Group. We have gained lengthy contracts to supply to the UK Babcock Marine and Rail divisions together with the staff, database and contacts, which will help this business grow and supplement our wider supply to the Babcock Group, itself recently enlarged following its acquisition of the VT Group

### Financial highlights

Net fee income for the first six months was £16.7 million, a decrease of 7.7% from 2009 levels of £18.1 million, although comparing well with the preceding six months result of £16.6 million (year to 31 December 2009: £34.8 million). Revenues of £221.8 million are slightly above the prior year comparative of £219.9 million and in line with the preceding six month period. Adjusted profit from operations of £4.9 million has been achieved, in line with our expectations. The comparatives to the prior year and preceding period are set out below:

	6mth to 30.06.10	6mth to 30.12.09	6mth to 30.06.09	Change A-B	Change A-C	Change B-C
	A	B	C			
	£m	£m	£m	%	%	%
Revenue	221.8	216.7	219.9	2.4%	0.9%	-1.4%
Net fee income	16.7	16.6	18.1	0.5%	-7.7%	-8.2%
Overheads	(11.8)	(10.5)	(12.0)	12.5%	-1.2%	-12.1%
Amortisation	(0.2)	(0.6)	(0.6)	-71.5%	-71.5%	0.0%
Exceptional net gain on acquisition	0.7	-	-			
Exceptional head office relocation cost	-	(0.3)	(0.1)			194.5%
Profit from operations	5.4	5.2	5.5	4.3%	-0.6%	-4.7%
Adjusted profit from operations (excluding amortisation of intangible fixed assets and exceptional items)	4.9	6.1	6.2	-19.9%	-20.4%	-0.7%
Interest	(0.7)	(0.8)	(0.8)	-10.3%	-9.2%	1.2%
Adjusted profit before taxation (excluding amortisation of intangible fixed assets, exceptional items and fair value adjustments)	4.2	5.4	5.4	-21.2%	-22.0%	-0.9%

Overheads in the period are £0.2 million lower than the comparative period in the prior year. This is despite both the new Head Office increased cost, an anticipated £0.4 million, and the recognition of £0.5 million of overhead for the Morson Wynnwith business. We have continued to focus on the overhead base throughout the business. Savings identified and delivered have helped keep costs down and achieve adjusted operating margins of 2.2% (H1 2009: 2.8%) and the costs of these actions have been absorbed within results for the period.

Exceptional income of £0.7 million relates to the acquisition of the business of Wynnwith Group Limited and comprises the net gain in the purchase of assets released to the income statement of £0.9 million less non-recurring acquisition costs of £0.2 million. Further costs in relation to the restructuring and integration of this business will be incurred through the remainder of this year.

Across the Group net fee income split across temporary recruitment, permanent recruitment and engineering design consultancy was £12.9 million, £0.4 million and £3.4 million respectively (H1 2009: £14.4 million, £0.4 million, £3.3 million).

During the last two years recruitment markets have seen several companies reporting large swings in profitability and even losses. The relative stability shown by Morson demonstrates the business model adopted and differentiates us from companies that are focused primarily on permanent recruitment, which traditionally suffers more in economic downturns.

Adjusted profit before taxation\* was £4.2 million, down 22.0% (H1 2009: £5.4 million). The Group's conversion ratio, calculated as the ratio of adjusted profit from operations to net fee income was 29.4% (H1 2009: 34.1%), which has reduced due to the more difficult trading environment and the Wynnwith acquisition. However, given current market conditions the Board feels this is a good result, firmly within the upper quartile of our sector.

Our financing requirements increased during the period in large part due to the £7.8million cash consideration paid for the Wynnwith transaction. The Group's invoice discounting facility at the period end was drawn to £20.0 million (H1 2009: £18.8 million; H2 2009: £11.1 million) against committed facilities of up to £50.0 million. Our £5 million revolving credit facility was undrawn (2009: £nil) and the overdraft was £nil (H1 2009: £0.3 million; H2 2009: £nil). Cash was £1.2million (H1 2009: £0.3 million; H2 2009 £0.1 million). Our invoice discounting facility is entirely typical for the contract recruitment industry and has proved very efficient and cost effective for the Group over the last eighteen years.

We are pleased to announce that during September 2010 negotiations with our current finance provider Barclays Bank have resulted in extension of our existing core finance facility, for invoice discounting to 31 March 2014. Our additional £5 million revolving credit facility runs to 23 March 2011 and we are currently negotiating an extension of this which we believe will be achieved on an acceptable basis.

Net assets of the Group at 30 June 2010 were £59.5 million (H1 2009: £54.6 million; H2 2009 £57.4 million).

#### **Going Concern**

The Directors are satisfied that this condensed set of financial statements should be prepared on a going concern basis – further details are included in note 1 to this half yearly report.

#### **Dividends**

The Company is maintaining an interim dividend of 2.0 pence per share (H1 2009: 2.0 pence per share) which reflects our firm confidence in the future prospects of the business. This interim dividend is proposed to be paid on 29 October 2010 to shareholders on the register on 1 October 2010. The ex-dividend date will be 29 September 2010.

#### **Board Changes**

We report that Karl Monaghan, Non-executive Director, has stepped down from the Board with effect from today, 21<sup>st</sup> September 2010. Following his resignation from the Board Karl will continue to assist the Group on a consultancy basis in the identification and assessment of acquisition opportunities. Morson intends to appoint an additional non-executive director in due course. On behalf of the Board I would like to thank Karl for his efforts and commitment since the Company's flotation in 2006 and we look forward to working with Karl in his new role as a consultant to the Company.

#### **Sector review: Morson International Temporary and Permanent Recruitment Services**

Over the first half of 2010 we have experienced more clients refocusing on cost savings and efficiencies in their human capital resourcing. Whilst this rationale can have a short term negative impact, it offers longer term opportunities to introduce our efficient managing agent and project design capabilities, creating new growth areas and potentially larger numbers of contractors on assignment. We are actively marketing these benefits to improve our market share.

All core sectors of Aerospace and Defence, Nuclear and Power and Rail and Transport have seen varying but broadly sustained demand for our services. As previously reported, the prevailing wider economic and more specific market conditions saw adverse margin pressure and volumes impacted from Q2 2009, continuing downward through to the end of that year. We feel the market has "bottomed" and over the last six months have seen broadly steady conditions. This is manifesting itself in low activity levels and margin awareness but is also something that we believe is being felt across our competitor base.

We remain confident that the provision of outsourced engineering and technical human resources is a resilient market and holds sustainable long-term prospects. In the future we believe skill shortages and ongoing investment in long-term infrastructure and engineering innovation is required in the United Kingdom, which will require the support of market leading organisations such as Morson.

#### **Aerospace and Defence**

Performance in this sector, the largest in the Group, has again been strong, benefiting from core substantial agreements with Xchanging/BAE Systems, Airbus and Thales.

Morson's strength in this sector is that it spans both military and civil aircraft programme development and we have seen somewhat of a shift in activity through this period towards the civil side. There remain notable projects requiring specialist skills such as the Queen Elizabeth carrier, Airbus 320 and Bombardier Learjet 85 programmes. In relation to the Defence Sector, we anticipate that the forthcoming UK Government's Defence Review, due October 2010, will provide greater clarity with regard to future spending focus and activity. We do not feel our current level of defence business will materially change as several projects are maintenance driven and outsourcing remains a competitive and cost effective way for projects to be discharged.

The civil aerospace market is very competitive and investment into new "green" technologies which deliver savings on fuel and engine maintenance is fundamental to its future. Morson has experience of this and is working with clients in the development and modification of existing and of conceptual aircraft and engine programmes, requiring significant specialist skills and technical engineering support.

#### **Nuclear and Power**

We have experienced slightly increasing levels of business in this area over the last six months. As explained in our 2009 report the second half of this year will however see a reduction in revenue due to our Magnox contract falling away. Nevertheless we remain excited about future opportunities. The UK nuclear new build programme has been initiated, albeit currently at low levels and with varying degrees of urgency, by some of the major power providers and consortia set up to bid for and deliver power to the market. Morson has relationships with many of these and has been providing engineering talent in this field for over thirty years. Morson supplied over 400 engineers over the project life of the last PWR nuclear plant to be built at Sizewell and is geographically very well placed to take advantage of the emerging energy markets. The potential for growth in this sector is evident and increasing and will result in demand for specialised human capital and engineering consultancy services, with the timing dependent on macro-economic factors. At present the maintenance of existing power stations is also key and this activity must continue through any build cycle, before turning into decommissioning work. Morson aims to play an important role in the support, maintenance, new build and eventual decommissioning of the UK's current nuclear power renaissance.

#### **Rail and Transport Infrastructure**

The Group provides expertise and workforce resource solutions to both the London Underground and the National Overground Networks. Activity under our core framework contracts has been slightly suppressed over the period as within the London Underground environment there has been a period of change as Transport for London has consolidated operations previously let under Metronet and Tubelines operations. We are pleased to advise that we have bid for and been awarded renewed contracts to extend our supply into this wider business. We supply a variety of white collar engineering skills and also the hands on skills of track workforces, safety critical resource and other track maintenance and enhancement skills.

Overground activity with Network Rail has been at a low level, however we anticipate this will increase over the coming periods via maintenance works and the London Cross Rail project. We continue to enhance our market position in this area and have the addition of contracts to support Babcock Rail and Thales, whilst the Wynnwith acquisition also brings several other client relationships that we can develop.

#### **Other developing markets**

The Group continues to explore a number of markets that hold potential for future growth. In particular the telecoms market holds potential with customers who have global overseas operations. The last period has seen operations commence in Brazil, together with the opening of an office in Hamburg, Germany. Other overseas investment opportunities and regions are being explored. In the period the total overseas recruitment office revenues are minor at £1.1 million and slightly loss-making, however collectively we expect these overseas operations to be a net contributor at operating level in the second half of the year.

#### **Morson Projects: Provision of Engineering Design Consultancy and Management Services**

This business segment has also seen a challenging environment with reduced workloads and competitive pressure on margins. However Morson Projects has the diversity across Aerospace, Nuclear and our expanding Energy and Power offering to adapt and exploit opportunities. The current lower level of military aerospace activity is therefore balanced by our groundbreaking work with Bombardier Canada in assisting them on the Learjet 85 programme. This involves significant levels of design using lightweight composite materials and we feel this expertise is something that will be embraced in most future aircraft design and modification. Within the Nuclear offering we continue to bid for and win substantial levels of design engineering works for the Sellafield site, this being transferrable skills and knowledge which we believe will

also be needed for new build sites. Morson Projects remains a key differentiator for the Group and as clients seek cost effective solutions to deliver programme efficiencies we will be promoting this outsourcing option.

#### **Growth strategy**

The difficult economic environment has undoubtedly played a part in slowing the growth pattern of the Group. However the business remains strong and Morson's growth strategy remains unchanged. This is to combine organic growth from our long-term embedded client relationships and the demonstrable savings and efficiencies that Morson can deliver to its clients with the consideration of selective acquisitions with the right prospects, opportunities and business synergies.

#### **Trading and outlook**

The Group has historically remained resilient through difficult economic cycles and, whilst we have been affected by the scale of the current UK economic recession, we have performed well. This reflects our strategic focus on temporary rather than permanent recruitment; the diversity of sectors covered and their infrastructure bias; Morson Projects' outsourcing capacity; and Morson's core resource skills capability. We will continue to build on these using our experience and, as in prior periods, plan intelligently to progress our longer term prospects and develop future opportunities.

Morson provides scarce engineering talent to specialised engineering sectors, mostly related to long-term infrastructure projects and the maintenance of some of the UK's prime assets. We have continued to win new contracts and tenders. We have won new business with clients in and connected to all our specialist sectors, particularly Nuclear, Rail, Aerospace and Defence and expect to announce further progress over the next twelve months.

Bringing together the headquarters of the two operating business segments gives Morson an added impetus, a more united business development approach and great benefit, providing a modern and efficient environment conducive to taking the Group forward in the coming years. We aim to increase market share and sustain growth through a variety of organic initiatives and other business opportunities. Whilst we are well aware that the present economic environment might provide acquisition opportunities we will be disciplined when evaluating these.

Current trading conditions remain challenging, however the executive management team at Morson, and indeed many of our key staff who play an important role, have been with the Group for a considerable time and have seen Morson's ability to grow and meet the challenges faced over several economic cycles. We will use this experience and firmly believe that the prospects for the Group and its long term future growth are encouraging.

#### **Gerry Mason**

Non-executive Chairman

21 September 2010

**Condensed consolidated  
income statement**  
for the six months ended 30  
June 2010

		<b>Unaudited six months ended 30 June 2010 £'000</b>	Unaudited six months ended 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
	Note			
<b>Continuing operations</b>				
Revenue		<b>221,841</b>	219,892	436,627
Cost of sales		<b>(205,110)</b>	(201,759)	(401,854)
<b>Gross profit</b>		<b>16,731</b>	18,133	34,773
Administrative expenses:				
-amortisation of intangible fixed assets		<b>(174)</b>	(611)	(1,222)
-exceptional items				
net gain on acquisition	2	<b>681</b>	-	-
head office relocation cost	3	-	(110)	(434)
-other administrative expenses		<b>(11,813)</b>	(11,954)	(22,456)
<b>Profit from operations</b>		<b>5,425</b>	5,458	10,661
Fair value movements on derivative financial instrument		<b>512</b>	172	530
Finance cost		<b>(682)</b>	(751)	(1,511)
<b>Profit before taxation</b>		<b>5,255</b>	4,879	9,680
Taxation	4	<b>(1,285)</b>	(1,487)	(2,434)
<b>Net profit for the period</b>		<b>3,970</b>	3,392	7,246
Attributable to:				
Equity holders of the parent		<b>3,712</b>	3,350	7,193
Minority interests		<b>258</b>	42	53
		<b>3,970</b>	3,392	7,246
<b>Earnings per share</b>				
From continuing operations				
Basic (pence)	5	<b>8.33</b>	7.48	16.07
Diluted (pence)	5	<b>8.19</b>	7.42	15.91

The Group has no recognised gains or losses in the current and prior period or prior year other than those reported above and therefore no separate condensed consolidated statement of comprehensive income has been presented.

All activity has arisen from continuing operations.

**Condensed consolidated balance sheet**  
at 30 June 2010

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
<b>Non-current assets</b>			
Goodwill	32,945	32,945	32,945
Other intangible assets	565	1,350	739
Property, plant and equipment	3,790	2,526	3,282
Deferred tax asset	106	486	252
	<b>37,406</b>	<b>37,307</b>	<b>37,218</b>
<b>Current assets</b>			
Trade and other receivables	90,781	74,523	69,485
Cash and cash equivalents	1,238	271	130
	<b>92,019</b>	<b>74,794</b>	<b>69,615</b>
<b>Total assets</b>	<b>129,425</b>	<b>112,101</b>	<b>106,833</b>
<b>Current liabilities</b>			
Trade and other payables	(47,968)	(35,007)	(36,098)
Current tax liabilities	(1,373)	(1,928)	(1,176)
Obligations under finance leases	(47)	(100)	(61)
Bank overdrafts and loans	(19,991)	(19,078)	(11,064)
Derivative financial instrument	(551)	(1,421)	(1,063)
<b>Current and total liabilities</b>	<b>(69,930)</b>	<b>(57,534)</b>	<b>(49,462)</b>
<b>Net current assets</b>	<b>22,089</b>	<b>17,260</b>	<b>20,153</b>
<b>Net assets</b>	<b>59,495</b>	<b>54,567</b>	<b>57,371</b>
<b>Equity</b>			
Issued capital	2,267	2,267	2,267
Share premium account	37,607	37,607	37,607
Retained earnings	20,074	15,126	18,087
Other reserves	(815)	(526)	(694)
<b>Equity attributable to equity holders of the parent</b>	<b>59,133</b>	<b>54,474</b>	<b>57,267</b>
Minority interest	362	93	104
<b>Total equity</b>	<b>59,495</b>	<b>54,567</b>	<b>57,371</b>

**Condensed consolidated  
cash flow statement**  
for the six months ended 30  
June 2010

	Note	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
<b>Net cash inflow from operating activities</b>	7	<b>3,168</b>	11,465	21,277
<b>Investing activities</b>				
Purchases of property, plant and equipment		<b>(1,350)</b>	(744)	(1,566)
Proceeds on disposal of property, plant and equipment		<b>30</b>	16	36
Acquisition of subsidiaries		<b>(7,749)</b>	—	—
<b>Net cash used in investing activities</b>		<b>(9,069)</b>	(728)	(1,530)
<b>Financing activities</b>				
Dividends paid		<b>(1,783)</b>	(1,792)	(2,686)
Purchase of own shares		<b>(121)</b>	-	(204)
Repayments of obligations under finance leases		<b>(14)</b>	(71)	(110)
<b>Net cash used in financing activities</b>		<b>(1,918)</b>	(1,863)	(3,000)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,819)</b>	8,874	16,747
<b>Cash and cash equivalents at beginning of period/year</b>		<b>(10,934)</b>	(27,681)	(27,681)
<b>Cash and cash equivalents at end of period/year</b>		<b>(18,753)</b>	(18,807)	(10,934)

**Condensed  
consolidated statement  
of changes in equity**  
for the six months ended  
30 June 2010

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Own shares £'000	Minority interests £'000	Total equity £'000
<b>At 1 January 2009 (audited)</b>	2,267	37,607	13,520	(526)	51	52,919
Retained profit for the period	-	-	3,350	-	42	3,392
Dividends paid	-	-	(1,792)	-	-	(1,792)
Share-based payments	-	-	48	-	-	48
<b>At 1 July 2009 (unaudited)</b>	2,267	37,607	15,126	(526)	93	54,567
Retained profit for the period	-	-	3,843	-	11	3,854
Dividends paid	-	-	(894)	-	-	(894)
Share-based payments	-	-	48	-	-	48
Purchase of own shares	-	-	-	(204)	-	(204)
Exercise of share options	-	-	(36)	36	-	-
<b>At 1 January 2010 (audited)</b>	2,267	37,607	18,087	(694)	104	57,371
Retained profit for the period	-	-	3,712	-	258	3,970
Dividends paid	-	-	(1,783)	-	-	(1,783)
Share-based payments	-	-	58	-	-	58
Purchase of own shares	-	-	-	(121)	-	(121)
<b>At 30 June 2010 (unaudited)</b>	<b>2,267</b>	<b>37,607</b>	<b>20,074</b>	<b>(815)</b>	<b>362</b>	<b>59,495</b>

## Notes to the condensed set of financial statements

### 1. Basis of preparation

This unaudited condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements except for IFRS 3 (Revised 2008) "Business Combinations" which has been adopted in the period. Whilst the financial figures included in this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim report as that term is defined in IAS 34.

The comparative figures are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006.

Those financial statements for the year ended 31 December 2009 have been delivered to the Registrar of Companies and include an auditors' report which was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

### *Going Concern*

The Directors are required to satisfy themselves as to whether the condensed set of financial statements of the Group should be prepared on a going concern basis. As part of the ongoing duties and activities of the Board there is continual assessment of the Group's financial and commercial performance. This review does consider business risks and uncertainties that exist and takes account of how wider economic circumstances can impact these. It includes due consideration and assessment of potentially adverse and testing situations. The Board looks forward and appropriate forecasts of financial performance and assessment of future business opportunities and challenges are regularly made. The Directors have also considered the financial support required for these anticipated income streams and note that during the period the Group's financing arrangements have been successfully extended until 31 March 2014 for its invoice discounting facility. The additional £5 million revolving credit facility runs to 23 March 2011 and is currently being renegotiated. The directors believe this will be achieved on an acceptable basis. Having properly considered the matter the Directors conclude that they are satisfied that this condensed set of financial statements should be prepared on a going concern basis.

### 2. Acquisition of a subsidiary

On 9 June 2010 the Group announced the formation of a 51% owned subsidiary, Recruit Now Ltd, since renamed to Morson Wynnwith Limited. This subsidiary acquired the business and assets of Wynnwith Group Limited ('Wynnwith') and the issued share capital of Wynnwith SRL, its Italian trading subsidiary, out of administration for a total cash consideration of £7,749,000.

Wynnwith provides technical and engineering personnel to a range of blue chip clients in the aerospace, defence, marine, electronics and rail industries.

Management have adopted IFRS 3 (revised 2008) "Business Combinations" during the current period. Initial assessment of the fair value of assets acquired is in excess of the consideration paid and the resultant negative goodwill of £898,000 has been released in full to the income statement.

As the business combination described took place in the final month of the period the initial assessment of fair value is considered to be provisional and further assessments are expected to be made and will be reported in full at the year end.

Exceptional costs relating to the acquisition were £217,000, consisting largely of professional fees. These exceptional costs, combined with the release of negative goodwill, result in net exceptional income of £681,000. Further significant costs are expected to be incurred throughout the second half of 2010 as reorganisation and integration with the wider Morson Group continues.

### 3. Exceptional head office relocation costs 2009

In the prior periods, operating costs of £434,000 (H1 2009: £110,000; H2 2009 £324,000) were presented as exceptional in relation to the relocation of the Group's head office, which occurred in December 2009. This comprised £271,000 (H1 2009: £110,000; H2 2009: £161,000) relating to the accelerated depreciation and final write down of fixed assets at the previous premises at Darwen House and Stableford Hall and £163,000 (H1 2009: £nil; H2 2009 £163,000) of costs directly associated with the move. This included an accrual for professional fees, relocation costs and overtime costs incurred which were directly related to the relocation and would not otherwise have been incurred. No further move costs have been recognised as exceptional in the current period.

#### 4. Taxation

Tax for the six month period is charged at 28% (six months ended 30 June 2009: 28%; year ended 31 December 2009: 28%). The effective rate of current tax for the six months ended 30 June 2010 is 22.5% (six months ended 30 June 2009: 30.5%; year ended 31 December 2009: 22.9%) after taking into consideration expenses not deductible for tax purposes and income not taxable. The effective tax rate is also impacted by the recognition of research and development tax credits.

#### 5. Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	<b>Unaudited six months ended 30 June 2010 £'000</b>	Unaudited six months ended 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
Profit for the financial period/year used for the calculation of basic earnings per share	<b>3,712</b>	3,350	7,193
Exceptional items			
- net gain on acquisition (minority interest excluded)	<b>(323)</b>	-	-
- head office relocation cost	-	110	434
Amortisation of intangible assets	<b>174</b>	611	1,222
Fair value movements on derivative financial instruments	<b>(512)</b>	(172)	(530)
Tax effect of adjustments at 28% (2009: 28%)	<b>90</b>	—	(46)
Earnings for the purposes of adjusted earnings per share	<b>3,141</b>	3,899	8,273
Weighted average number of shares:			
	<b>Unaudited six months ended 30 June 2010 Number</b>	Unaudited six months ended 30 June 2009 Number	Audited year ended 31 December 2009 Number
Weighted average number of shares for the purposes of basic earnings per share	<b>44,580,399</b>	44,808,750	44,766,798
Effect of potentially dilutive ordinary shares:			
– share options	<b>730,325</b>	342,000	453,760
For diluted earnings per share	<b>45,310,724</b>	45,150,750	45,220,558
Earnings per share:			
– basic (pence)	<b>8.33</b>	7.48	16.07
– diluted (pence)	<b>8.19</b>	7.42	15.91
Adjusted earnings per share:			
– basic (pence)	<b>7.05</b>	8.70	18.48
– diluted (pence)	<b>6.93</b>	8.64	18.30

The adjusted earnings per share has been calculated on the basis of continuing operations pre-amortisation, fair value movement on derivative financial instrument and exceptional items (see notes 2 and 3). The Directors consider that the adjusted earnings per share calculation gives a better understanding of the Group's underlying earnings per share.

## 6. Dividends on equity shares

	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
Amounts recognised as distributions to equity holders in the period:			
– final dividend for the year ended 31 December 2009 of 4.0 pence per ordinary share	1,783	—	—
– interim dividend for the year ended 31 December 2009 of 2.0 pence per ordinary share	—	—	894
– final dividend for the year ended 31 December 2008 of 4.0 pence per ordinary share	—	1,792	1,792
	<b>1,783</b>	<b>1,792</b>	<b>2,686</b>

The Directors have proposed an interim dividend of 2.0 pence per share in respect of the six months ended 30 June 2010

## 7. Notes to the Group Cash Flow Statement

### *Reconciliation of profit from operations to net cash from operations*

	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
Profit from operations	5,425	5,458	10,661
Depreciation of property, plant and equipment	381	440	1,075
Amortisation of intangible assets	174	611	1,222
Exceptional items			
- net gain on acquisition (see note 2)	(681)	-	-
- head office relocation cost (accelerated depreciation amount included in depreciation line) (see note 3)	-	110	163
Share option charge	58	48	96
(Profit)/loss on sale of fixed assets	(17)	4	(2)
Operating cash flows before movements in working capital	<b>5,340</b>	6,671	13,215
(Increase)/decrease in receivables	(11,006)	718	5,565
Increase in payables	11,273	5,436	5,893
(Increase)/decrease in inventories	(815)	343	534
Cash generated by operations	<b>4,792</b>	13,168	25,207
Income taxes paid	(942)	(952)	(2,419)
Interest paid	(682)	(751)	(1,511)
Net cash generated from operating activities	<b>3,168</b>	11,465	21,277

## 8. Post balance sheet event

On 9 July 2010 the business, contracts and fixed assets of Acetech Personnel Limited (“Acetech”) were acquired for a cash consideration of £2.35 million.

Acetech is a wholly-owned subsidiary of Babcock International Group PLC (“Babcock”) and provides recruitment and workforce services, on a preferred supplier basis, to Babcock’s UK Marine and Rail businesses. Acetech currently engages approximately 450 contractors providing services under these contracts.

Contracts have been agreed with Babcock for a minimum five year term for the continuation of supply of contractor

## **Independent review report to Morson Group PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditors  
Manchester, United Kingdom  
21 September 2010

