Kellan Group plc

Half year interim report 2009

creating opportunities/ developing brands/ working from experience/

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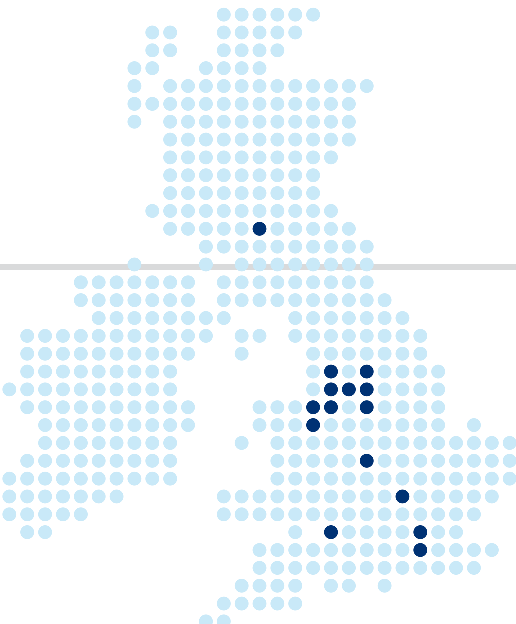
Kellan Group is a market leading recruitment business operating across a wide range of functional disciplines and industry sectors. The Group's stated strategy is to grow into a significant business in the UK market, achieved both by acquisition and organic growth.

Kellan Group currently comprises **18** UK offices, **7** businesses and **3** brands.



Offices in:

- ALTRINCHAM
- BIRMINGHAM (2)
- BRISTOL
- CHESTER
- ELLAND
- GLASGOW
- GUILDFORD
- LEEDS
- LIVERPOOL
- LONDON (2)
- MANCHESTER (2)
- MILTON KEYNES
- PRESTON
- SHEFFIELD
- WARRINGTON

Highlights/

Financial highlights

Revenue of £15.2m to 30 June 2009 (June 2008: £25.4m) and a loss for the period of £3.2m (June 2008: profit £1.3m) reflecting the general decline in the recruitment sector in the first half of 2009 and the Group's historical dependence on permanent recruitment revenue.

Net fee income ("NFI"; revenue less the cost of wages and fees paid to temporary workers and contractors) of £6.6m, representing a decrease of 49% on the first six months of 2008.

Adjusted EBITA (note 3) loss of £1.6m (June 2008: profit £2.0m).

Significant cost-cutting measures undertaken to reflect the drop in demand for services. Exceptional costs booked in respect of staff redundancies of £0.6m and onerous leases of £0.7m.

Basic loss per share of 3.7p (June 2008: profit 1.5p)

Net £0.8m cash outflow after utilising £1.1m of previously undrawn working capital facilities.

Cautiously confident about Group prospects for the second half of the year with EBITDA anticipated to move towards a monthly breakeven position during the period.

Operational highlights

Half year with **continued focus on consolidation and cost base rationalisation** to reflect the effect of the general decline in the UK recruitment market on the Group.

Continued **reduction in staff numbers** – from 320 to 220 during the period to reflect the reduction in NFI being generated by the Group.

New CEO appointed at the end of April and a further industry-experienced Non-Executive Director joined in July.

New Group head office – three offices consolidated into a new single head office in the West End of London in March.

Centralisation of the head office enabled the remaining staffing synergies from the Quantica plc acquisition to be realised.

Property consolidation resulting in significant reduction in our office portfolio.

Re-launches of the **RK Accountancy** and **RK Supply Chain** brands.

Chief Executive Officer's statement/

Ross Eades Chief Executive Officer

Although our longer-term strategic aims remain the same, the focus for the Group in the short term is clearly returning the business to profitability.

It is paramount that we are exerting all our efforts towards weathering the economic storm whilst ensuring we are well positioned for the upturn.

Introduction

The six months ended 30 June 2009 has been a period of considerable change and challenge for the Kellan Group. It is not surprising that a Group like ours, which has historically been heavily dependent on the permanent recruitment market for the bulk of its net fee income ("NFI"), has suffered due to the reduction in demand for these services arising from the economic downturn. This has also been the case with many of our competitors. Following my appointment as CEO in late April 2009 it was necessary to both continue and accelerate the existing cost reduction initiatives as well as streamline the management structure in order to stem the tide of NFI decline and further lower the cost base. That said, I have been pleased with the way in which the divisional management teams have continually reacted to the challenge of cutting their cloth to match current market demands.

Although our longer-term strategic aims remain the same, the focus for the Group in the short term is clearly returning the business to profitability and it is paramount that we are exerting all our efforts towards weathering the economic storm whilst ensuring we are well positioned for the upturn. I am pleased to be able to report that the management team has continued to develop and implement the corrective actions and our operating cost base (excluding exceptional items, depreciation, amortisation and share-based payment charges), which is £8.1m in the current six month period (June 2008: £10.8m), is anticipated to be below £6.5m for the second half of 2009. This back to basics approach, focusing more on our core business using costs-to-income ratios as the key target measurement, has already started to produce better results at the EBITDA level, which we anticipate will move us very close to a monthly breakeven position midway through the latter half of this year.

Whilst we are cutting back to the core within many of our business units, we all understand the importance of ensuring that we don't cut too deeply in to the fabric of each business. As a services business the majority of the cost-cutting exercises have been focused on reducing headcount and scaling back positions which are no longer required. This has mainly been non-revenue generating positions which don't "ring the till". Although it has been far from pleasant to have to disassemble and unpick areas of our Group, I have been extremely pleased with the understanding, resilience and positive nature shown by our staff.

Although recently we have experienced a slight rise in job vacancy traffic we remain cautious about the overall economic outlook. We will continue to structure and invest for the future during the second half of this year, as well as continue to look for potential value enhancing acquisitions. We will work hard to ensure that the short-term economic environment does not deter our longer-term ability to build a successful, durable Company that will be a significant force in recruitment in the coming years.

Financial highlights

The Group's revenue for the six months ended 30 June 2009 was £15.2m (June 2008: £25.4m) producing NFI of £6.6m, representing a decrease of 49% on the first six months of 2008 (June 2008: £13.1m).

We are reporting a loss for the period of £3.2m (June 2008: profit £1.3m) after charging exceptional costs in respect of staff redundancies of £0.6m (June 2008: £nil) and onerous leases of £0.7m (June 2008: £nil). These non-recurring items were necessary to rationalise the cost base following the decline in income resulting from the impact of the economic downturn on our business. Staff and property costs represent nearly 90% of the total cost base, and so unfortunately we are left with little option as to where we are able to seek reductions.

Losses for the six months combined with debt servicing and capital expenditure have collectively generated a cash outflow of £0.8m after utilising £1.1m of previously undrawn working capital facilities. Our credit collection team was able to return Days' Sales Outstanding at 39 (June 2008: 41).

Gearing (face value of loans and borrowings as a percentage of total equity) worsened to 21.4% from a December 2008 year end 13.9% (June 2008: 12.4%).

We have maintained the original planned repayment schedules for loans taken out as part of the Quantica acquisition, serviced all interest on that debt as well as the working capital facility. The projected covenant breaches on our facilities highlighted in the 2008 year end accounts crystallised during the period, however the facilities themselves have not been breached.

We have worked very closely and proactively with our bankers and they have maintained their support for the Group whilst we continue to rationalise our cost base and stabilise our income streams to reach a break even trading (EBITDA) position. We are cautiously optimistic of returning to this position on a monthly basis in the back half of 2009, nevertheless it is likely we will seek some form of additional funding to bolster working capital headroom as the economic storm continues to be weathered.

Operating review

Berkeley Scott

Berkeley Scott, our hospitality and leisure recruitment brand, has experienced the largest drop in NFI across the Group when compared to H1 last year. This has resulted in the need to reduce the headcount from 79 heads in Q1 to 46 heads at the start of H2. We also took decisions to remove the branch presence in Leeds and cover it from the office in Manchester as well as close Southampton but continue to service clients from Guildford. NFI has been relatively flat during H1 but the reduced cost base has produced an improvement in the contribution line and we are well positioned for the turn in this sector. We have a market leading brand in Berkeley Scott with a good experienced management team and lately it has been encouraging to see an increase in job vacancy traffic. A good indicator for this has been the return of vacancies coming specifically from the hotels business.

RK Accountancy

This company has experienced a steady but continual decline in NFI throughout the period, which we believe has mainly been a reflection of the markets on which we focus and is in line with our competitors in this space. In June, we completed the brand refresh which allowed us to maintain the heritage of the brand whilst at the same time repositioning it to reflect both the current visions and values, and act as the bedrock for future growth. Estimates for H2 will see this business return to a more reasonable level of NFI generation. We currently have nine branches and, once the market turns, we still believe that the strategy of geographical expansion of RK Accountancy, especially in the south-east, is the correct one.

Chief Executive Officer's statement/continued

"I can now see a clear route to returning the Group back to a profitable trading position."

Operating review continued

RK Supply Chain

The heavy investment made in RK Supply Chain during the latter months of 2008 has not produced the predicted returns. After failing to produce sufficient NFI to cover staff costs by the end of May, it became clear that if this business was to meet this target in H2 then changes would have to take place. The leadership for this division has changed and the strategy, for the time being, is focused on its core service offering. The Manchester operation has been closed after a very disappointing performance in the year to date and the teams in Canada and London have been reduced down to the key revenue generating staff. That said, since these changes have been implemented, the initial signs are good, with the staff responding positively to the changes made, with an increase in work ethics which have started to filter through in the recent numbers. The Canadian office is now beginning to generate sufficient revenue/NFI in order to cover its costs and more. The change in focus away from planning jobs in to the procurement space and government related business has started to deliver more opportunities across the team in Canada. Earlier this year we completed the brand refresh and the result is a clean, precise projection of the services RK Supply Chain offers and a reflection on the work we conduct.

RK Search/Robinson Keane

Our niche search businesses had a tough first half and saw an NFI drop which meant the need to cut costs accordingly. Moving in to H2 we have experienced an increase in NFI which is encouraging for the future as most of the assignments worked on are for senior appointments. We continue to drive the strategy within niche, focused areas of the search market and fully expect growth going forward with a number of new opportunities coming from some of the 64 NHS Trusts within the north-west.

Quantica Search & Selection

Overall Quantica Search & Selection experienced a good first half with healthy results being produced from both the manufacturing and retail business units. The business has also successfully managed to consistently reduce its cost base to match the current demand for services.

In 2009 we have seen the split of our business, at NFI level, move to more of a contingent fee structure as the demand for retained assignments has decreased. We recognise that these will be our market conditions for the foreseeable future. However, we will continue to supplement contingent work with higher margin retained work wherever possible, whilst also focusing on growing our managerial interim fees.

Our core strategy is currently focused on retaining what we have and building back revenues on an individual basis until we are in a position of strength to expand again. We have a good team of experienced recruiters and now need to see our organic revenues per head return to higher levels before we look to hire externally. Pleasingly the second half of the year has started very positively with the business on target to overachieve the quarterly forecast at NFI level.

Quantica Technology

The contract numbers in Quantica Technology appear now to be relatively flat after a decline in the early months of 2009, nevertheless we have not been able to win enough new client opportunities and have relied too heavily on existing clients. The risk here is that higher than usual permanent fees will have to be achieved during H2 if we are to achieve the desired results. We have a number of potential opportunities with a number of health sector clients which, if successful will make sure that we have a significantly better H2. We are fully committed to the technology sector and envisage modest growth in the short term with the need to acquire complementary businesses in this space in the future in order to create a division with real critical mass.

Integration of Quantica and further development of Kellan head office functions

With the move to a single head office in London, we were able to consolidate our finance and IT departments into one location and realise the previously identified staff synergies from the acquisition of Quantica in September 2007. The final piece of our jigsaw will be to consider merging IT networks when the respective contracts expire at the end of 2010.

Aside from the synergies referred to above that had always been planned, the corporate cost base; staff, property, IT, marketing and general costs, were also rationalised in line with the rest of the business. Overall "corporate" headcount ended the period on 28, a reduction of 30 from June 2008.

We have, where possible and appropriate, consolidated brands into single geographical premises and taken onerous lease charges (the residual rent, rates, service charge and dilapidation costs) on vacant buildings to cover the cost through to the end of lease terms. Naturally we try to sublet or assign all of our unwanted properties but the market and general surplus of such premises makes this a slow process to execute.

Although the processes above have been painful, and were not in line with our plans prior to the downturn, we believe the rationalisation will position us more strongly for when the market returns.

Summary and outlook

After my initial "baptism of fire" on joining the Kellan Group earlier this year, I'm pleased to say that I can now see a clear route to returning the Group back to a profitable trading position.

Companies are still trying to benefit from the poor market conditions by requesting reductions in fees to agencies. The reduction in fees, the dismissal of contractors/temps and the seizure of permanent recruitment has left companies on core teams of staff and with minimal flexibility. In H2 I envisage that we will be fighting to grow our temp numbers and permanent revenue will start to edge up with a more correctly aligned Group cost base to support this.

The immediate plan is to focus on organic growth; especially the execution of the H2 business plans and the good news is that the outlook for every business in the Group is positive against a back drop of slightly negative sentiment within the recruitment marketplace. The market is still considerable and some shrinkage does not inevitably mean our share cannot grow. The key is aligning with active clients with real needs and ensuring that we outperform the competition. We will still keep a keen eye on potential acquisitions/mergers which are cash generative and can be creatively funded.

I would like to thank our management and staff as well as business associates and investors for their continued confidence in our Group. I genuinely appreciate the efforts being made by everyone right across our business and am delighted by the high level of professionalism and commitment shown in each of our offices to grow the business and achieve new successes.

RD Eades

Ross Eades
Chief Executive Officer
30 September 2009

Consolidated statement of comprehensive income/
for the 6 months ended 30 June 2009

	Note	**Unaudited 6 months ended 30 June 2009 £000**	Unaudited 6 months ended 30 June 2008 £000	Audited 12 months ended 31 December 2008 £000
Revenue		**15,226**	25,352	46,720
Cost of sales		**(8,579)**	(12,277)	(23,908)
Gross profit		**6,647**	13,075	22,812
Administrative expenses		**(9,744)**	(11,346)	(26,817)
Operating (loss)/profit before impairment charge	3	**(3,097)**	1,729	1,044
Impairment of goodwill	7	**—**	—	(5,049)
Operating (loss)/profit	3	**(3,097)**	1,729	(4,005)
Financial income		**10**	45	77
Financial expenses		**(159)**	(182)	(510)
(Loss)/profit before tax		**(3,246)**	1,592	(4,438)
Tax credit/(charge)	2	**62**	(311)	(18)
(Loss)/profit for the period		**(3,184)**	1,281	(4,456)
Attributable to:				
Equity holders of the parent		**(3,184)**	1,281	(4,456)
Basic (loss)/profit per share in pence	4	**(3.7)**	1.5	(5.1)
Diluted (loss)/profit per share in pence	4	**(3.7)**	1.3	(5.1)

The above results relate to continuing operations.

There are no adjustments between the (loss)/profit for the period and the total comprehensive (expense)/income for the period or the comparative periods.

Consolidated statement of financial position/
at 30 June 2009

	Note	**Unaudited 30 June 2009 £000**	Unaudited 30 June 2008 £000	Audited 31 December 2008 £000
Non-current assets				
Property, plant and equipment		**1,057**	872	970
Intangible assets	7	**23,423**	29,180	23,644
		24,480	30,052	24,614
Current assets				
Trade and other receivables	5	**5,024**	9,432	7,096
Other financial assets		**—**	2	—
Cash and cash equivalents		**570**	1,803	1,379
		5,594	11,237	8,475
Total assets		**30,074**	41,289	33,089
Current liabilities				
Other loans and borrowings		**3,820**	840	767
Trade and other payables	6	**2,997**	5,823	3,986
Corporation tax payable		**207**	753	207
Other financial liabilities		**124**	—	135
Provisions		**511**	22	326
		7,659	7,438	5,421
Non-current liabilities				
Other loans and borrowings		**—**	2,630	2,320
Provisions		**462**	178	59
Deferred tax liabilities		**1,048**	1,174	1,110
		1,510	3,982	3,489
Total liabilities		**9,169**	11,420	8,910
Net assets		**20,905**	29,869	24,179
Equity attributable to equity holders of the parent				
Share capital		**1,742**	1,742	1,742
Share premium		**13,728**	13,728	13,728
Merger reserve		**16,081**	16,081	16,081
Capital redemption reserve		**2**	2	2
Retained earnings		**(10,648)**	(1,684)	(7,374)
Total equity		**20,905**	29,869	24,179

Consolidated statement of changes in equity/
for the 6 months ended 30 June 2009

	Share capital £000	Share premium £000	Merger reserve £000	Redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	**1,742**	**13,740**	**16,081**	**2**	**(3,050)**	**28,515**
(Loss)/profit for the period	—	—	—	—	1,281	1,281
Total comprehensive income for the 6 month period ended 30 June 2008	—	—	—	—	1,281	1,281
Share issue costs	—	(12)	—	—	—	(12)
Share-based payment charge	—	—	—	—	85	85
Balance at 30 June 2008	**1,742**	**13,728**	**16,081**	**2**	**(1,684)**	**29,869**
(Loss)/profit for the period	—	—	—	—	(5,737)	(5,737)
Total comprehensive income for the 6 month period ended 31 December 2008	—	—	—	—	(5,737)	(5,737)
Share-based payment charge	—	—	—	—	47	47
Balance at 31 December 2008	**1,742**	**13,728**	**16,081**	**2**	**(7,374)**	**24,179**
(Loss)/profit for the period	—	—	—	—	(3,184)	(3,184)
Total comprehensive income for the 6 month period ended 30 June 2009	—	—	—	—	(3,184)	(3,184)
Share-based payment release	—	—	—	—	(90)	(90)
Balance at 30 June 2009	**1,742**	**13,728**	**16,081**	**2**	**(10,648)**	**20,905**

Consolidated statement of cash flows/
for the 6 months ended 30 June 2009

	Unaudited 6 months ended 30 June 2009 £000	Unaudited 6 months ended 30 June 2008 £000	Audited 12 months ended 31 December 2008 £000
Cash flows from operating activities			
(Loss)/profit for the period	**(3,184)**	1,281	(4,456)
Adjustments for:			
Depreciation, amortisation and impairment	**455**	437	867
Financial income	**(10)**	(45)	(77)
Financial expense	**134**	186	339
Amortisation of loan cost	**36**	36	73
Net (profit)/loss on measurement of interest rate swap to fair value	**(11)**	(40)	98
Loss on sale of property, plant and equipment	**18**	9	37
Impairment of goodwill	**—**	—	5,049
Equity-settled share-based payment (release)/charge	**(90)**	85	132
Taxation	**(62)**	311	18
	(2,714)	2,260	2,080
Decrease in trade and other receivables	**2,072**	1,140	3,349
Decrease in trade and other payables	**(989)**	(363)	(2,200)
Adjustment to goodwill for pre-acquisition accruals not required	**—**	—	272
Increase/(decrease) in provisions	**588**	(45)	140
	(1,043)	2,992	3,641
Tax receivable/(paid)	**—**	1	(189)
Net cash (outflow)/inflow from operating activities	**(1,043)**	2,993	3,452
Cash flows from investing activities			
Interest received	**10**	45	77
Acquisition of property, plant and equipment	**(339)**	(258)	(599)
Net cash outflow from investing activities	**(329)**	(213)	(522)
Cash flows from financing activities			
Proceeds from the issue of share capital, net of issue costs	**—**	(12)	(12)
Drawdown/(repayment) of invoice discounting balances	**1,117**	(978)	(979)
Interest paid and loan costs	**(134)**	(182)	(339)
Repayment of borrowings	**(420)**	(423)	(840)
Payment of the capital element of finance lease liabilities	**—**	(1)	—
Net cash inflow/(outflow) from financing activities	**563**	(1,596)	(2,170)
Net (decrease)/increase in cash and cash equivalents	**(809)**	1,184	760
Cash and cash equivalents at the beginning of the period	**1,379**	619	619
Cash and cash equivalents at the end of the period	**570**	1,803	1,379

Notes to the financial statements/
(forming part of the financial statements)

1 Accounting policies
Accounting periods
The accounting reference date of the Group is 31 December. The current half year interim results are for the six months ended 30 June 2009. The comparative half year interim results are for the six months ended 30 June 2008. The comparative period end's results are for the twelve months ended 31 December 2008.

Financial information
The financial information for the six months ended 30 June 2009 and the six months ended 30 June 2008 are unaudited and unreviewed and do not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2008 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory accounts for that period has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under s237(2) or (3) of the Companies Act 1985 but did include an emphasis of matter paragraph as a result of the Group's likely breaches of debt covenants in the forthcoming year and the agreement of amended terms with the respective lender, and the consequent existence of a material uncertainty which may have cast doubt about the Group's ability to continue as a going concern.

Basis of preparation
The half year interim financial statements have been prepared on a going concern basis using the recognition and measurement principles of IFRS as endorsed for use in the European Union.

The accounting policies used in the preparation of these condensed financial statements are set out in the statutory financial statements for the period ended 31 December 2008 which are also the policies that are expected to be applicable at 31 December 2009.

The accounts for the twelve month period ended 31 December 2008 highlighted that due to the recent decline in the UK recruitment market, the Group expected to breach some of the financial covenants contained in its borrowing agreement with its lender during the first half of 2009. Covenants on these borrowings, which comprise a term loan taken out to acquire Quantica Plc in September 2007 and an invoice discounting facility used for working capital, are tested quarterly using the twelve month period to the date of the respective test. As predicted, some of the covenants have been breached during the current period. The facilities themselves have not been breached.

The Group's lender continues to be supportive. Positive discussions around future banking terms and the Group's existing and projected working capital requirements are ongoing. However, if the Group is unable to agree amended terms the lender could request early repayment of all outstanding borrowing.

It is also likely that the existing facilities alone will be insufficient to meet the Group's working capital requirements and further funding will be required. The Directors are confident that alternative sources of funding could be obtained although this can not be guaranteed.

Having assessed the position of the bank and the possible options for additional funding, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the Directors consider it appropriate to prepare the Group's interim financial statements on a going concern basis.

However for the reasons described above, the Directors recognise that there are material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These material uncertainties comprise the ongoing availability of the existing facilities given the covenant breaches and the ability to obtain additional funding from alternative sources should it be required.

2 Taxation

Recognised in the income statement

	6 month period ended 30 June 2009 £000	6 month period ended 30 June 2008 £000	12 month period ended 31 December 2008 £000
Current tax expense			
Current period	—	374	145
Deferred tax expense			
Origination and reversal of temporary differences	(62)	(63)	(127)
Tax (credit)/charge	(62)	311	18

The current period tax charge has been based on the estimated tax rate for the full year to 31 December 2009.

3 Reconciliation of operating (loss)/profit to adjusted EBITA and adjusted EBITDA

	6 month period ended 30 June 2009 £000	6 month period ended 30 June 2008 £000	12 month period ended 31 December 2008 £000
Operating (loss)/profit as per accounts	(3,097)	1,729	(4,005)
Add back			
Impairment of goodwill	—	—	5,049
Amortisation of intangible assets	221	227	442
Share-based payments (release)/charge	(90)	85	132
Onerous leases	726	—	185
Restructuring costs	594	—	415
Adjusted EBITA	(1,646)	2,041	2,218
Depreciation of assets	234	210	425
Adjusted EBITDA	(1,412)	2,251	2,643

4 Earnings per share

Basic earnings per share

The calculation of basic earnings per share is as follows:

Weighted average number of shares	30 June 2009	30 June 2008	31 December 2008
Issued ordinary shares brought forward	87,086,336	87,086,336	87,086,336
Weighted average number of shares at end of period	87,086,336	87,086,336	87,086,336
Dilutive effect of potential shares	—	7,980,916	—
Diluted weighted average number of shares at end of period	—	95,067,252	—
(Loss)/profit for the period	(3,184,000)	1,281,000	(4,456,000)
Basic (loss)/earnings per share in pence	(3.7)	1.5	(5.1)
Diluted (loss)/earnings per share in pence	(3.7)	1.3	(5.1)
Adjusted basic (loss)/earnings per share in pence (i)	(3.7)	1.5	0.7
Adjusted diluted (loss)/earnings per share in pence (i)	(3.7)	1.3	0.7

There was no dilution in the current period or the comparative period ended 31 December 2008 due to the losses in these periods.

(i) Adjusted (loss)/earnings per share is after eliminating the impairment of goodwill of £nil during the period (six months ended June 2008: £nil; year ended 31 December 2008: £5,049,000).

Notes to the financial statements/continued
(forming part of the financial statements)

5 Trade and other receivables

	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
Trade receivables	**3,635**	7,150	5,532
Other receivables	**168**	77	96
Prepayments and accrued income	**1,221**	2,205	1,468
	5,024	9,432	7,096

6 Trade and other payables

	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
Trade payables	**410**	737	446
Social security and other taxes	**673**	2,082	1,364
Other creditors	**435**	346	627
Accruals and deferred income	**1,479**	2,658	1,549
	2,997	5,823	3,986

7 Intangible assets

The intangible assets balance at the period ended 30 June 2009 of £23,423,000 includes an amount of £19,668,000 relating to goodwill acquired through business combinations. Further impairment of this balance has been considered in the current period but none has been booked (£5,049,000 impaired at year ended 31 December 2008). The Directors believe the assumptions used in testing impairment at 31 December 2008; projected contribution, rates of growth and discount rates, are still valid and have not materially changed. These assumptions will continue to be reassessed on a six monthly basis.

Directors, advisers, financial calendar and shareholder information/

Directors

J Bowmer – Co-Chairman
A Reeves – Co-Chairman
R Eades – Chief Executive Officer (appointed 22/07/09)
W Coker – Chief Financial Officer
M Jackson – Non-executive Director
J McHugh – Non-executive Director (appointed 22/07/09)

Advisers

Broker/Nomad
Strand Partners Ltd
26 Mount Row
London W1K 3SQ

Bank
Barclays Bank plc
1 Churchill Place
London E14 5HP

Auditors
BDO Stoy Hayward LLP
Emerald House
East Street
Epsom KT17 1HS

Solicitor/Company Secretary
Irwin Mitchell/IMCO Secretary Ltd
2 Wellington Place
Leeds LS1 4BZ

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Registered office
4th Floor
27 Mortimer Street
London W1T 3BL

Registered number
2228050

Shareholder information

London Stock Exchange
The ordinary shares of the Company are traded on AIM, part of the London Stock Exchange, with the code KLN.L.

Website
The Group operates a website which can be found at www.kellangroup.co.uk. This site is regularly updated to provide information about the Group. In particular, all of the Group's press releases and announcements can be found on this site.

Financial calendar

Announcement of interim results	30 September 2009
Financial year end	31 December 2009
Announcement of final results	March 2010
Annual report posted to shareholders	April 2010
Annual General Meeting	May 2010

Mixed Sources
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