

WYATT GROUP PLC

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

CHAIRMAN'S STATEMENT

I am reporting on what has been a challenging period for the Group. In the 6 months to 30 September 2008 the Group made an operating loss on continuing activities before joint venture losses and interest of £332,195 (2007: £567,602 profit). This was on a turnover of £468,288 (2007: £1,557,818). The marked decline in results is due to the partial withdrawal of a highly lucrative tax scheme administered by Group company, Premier Employer Solutions Limited ('PES'), which is detailed further below.

Employment Services

The main trading companies in the Group are PES, PES Employee Benefits Limited, Health & Safety Department Limited and TEBC Limited. These businesses work closely together to provide a range of integrated employment services to organisations across the UK.

TEBC was acquired on 1 August 2008 for an initial consideration of £150,000 that could rise to £600,000 dependant upon performance. It is authorised to provide support to businesses on pensions and other regulated employee benefits. This will be fully integrated with our existing regulated business, PES Employee Benefits Limited and will trade under this name going forward. This integration process will be completed by the end of this calendar year.

I am delighted with the progress that TEBC has made since joining the Group. The business is profitable and the management has integrated well with that of PES. There are some very exciting opportunities in the pipeline working with some high quality blue chip clients. Current market conditions are leading companies to review their employee benefits arrangements and the combined TEBC and PES Employee Benefits team is well placed to offer support. This, coupled with the opportunities presented by the current PES client bank, gives us every reason to be optimistic about the growth potential of this business.

PES provides a range of employment related consultancy and support services focused around human resources, reward and employment tax. On 31 July, I reported that a change in tax legislation had had an adverse effect on this business. This, coupled with the current economic climate has led to a particularly challenging period for PES. A number of its SME clients have been casualties of the tough economic climate and one or two areas have under performed.

We are however seeing a drive towards outsourcing and we remain confident about the Group's long term prospects. The management team has been working hard to rebuild the core business. We have recently completed a cost reduction exercise across the whole business and have made some progress in growing the recurring income streams. As a whole, our Employment Services business is on target to show a much improved trading performance in the early part of 2009.

Some of the recent developments to note include:

- Partnership with GP Care to provide an exclusive HR service to GP Practices in the South West.
- Partnership with Vision Risk Management to exclusively provide their clients with HR and Health & Safety support in the South West. Vision Risk Management is part of Liberty Group and provides a range of Legal Expenses Insurance Products.
- Launch of our HR Franchise. We believe that it is a perfect time to expand our franchise business giving us:
 - A wider geographical coverage
 - Additional revenue streams
 - Routes to market for the wider range of PES / PES Employee Benefits products and services

We have partnered with a national recruitment business and have already had a tremendous response; with a large number of potential franchisees already in the pipeline.

- We are now one of only 3 preferred partners of GWE Business West, giving us access to 5,000 SME clients all across the South West.

The **Health & Safety Department Limited** is being integrated into PES and by the end of this current financial year there will be just 2 operating divisions in the Employment Services business namely PES and PES Employee Benefits.

Prospects

Despite the challenging market conditions the Group continues to make progress following its recent divestment of non-performing activities. However, the Board recognises the need for growth and to start to reward the patience of our shareholders. In addition to the improvements in our existing businesses, we are still actively investigating acquisition opportunities and anticipate further news in this area in the fourth quarter of our financial year.

R Holt
Chairman
15 December 2008

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UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the period ended 30 September 2008

	Note	6 months to 30 September 2008 £	6 months to 30 September 2007 £	12 months to 31 March 2008 £
Continuing operations				
Revenue		468,288	1,557,818	2,249,136
Cost of sales		<u>(279,688)</u>	<u>(358,856)</u>	<u>(661,571)</u>
Gross profit		188,600	1,198,962	1,587,565
Administrative expenses		<u>(520,795)</u>	<u>(631,360)</u>	<u>(1,096,023)</u>
Operating (loss)/profit		(332,195)	567,602	491,542
Share of operating loss in joint venture		(1,193)	(16,114)	(37,891)
Finance costs		<u>(37,510)</u>	-	<u>(38,625)</u>
(Loss)/profit from continuing operations before taxation		(370,898)	551,488	415,026
Income tax expense		-	(12,908)	-
(Loss)/profit after taxation		(370,898)	538,580	415,026
Discontinued operations				
Profit/(loss) for the period from discontinued operations		4,306	(364,782)	(935,461)
(Loss)/profit for the period		(366,592)	173,798	(520,435)
Attributable to:				
Equity holders of the company		(366,592)	188,955	(450,694)
Minority interests		-	(15,157)	(69,741)
(Loss)/profit for the period		(366,592)	173,798	(520,435)
Basic and diluted earnings/(loss) per share on discontinued activities	2	0.03p	(2.88p)	(6.49p)
Basic and diluted (loss)/earnings per share on continuing activities	2	(2.64p)	4.25p	3.11p
Basic and diluted (loss)/earnings per share on all activities	2	(2.61p)	1.37p	(3.38p)

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 30 September 2008

Note	As at 30 September 2008 £	As at 30 September 2007 £	As at 31 March 2008 £
ASSETS			
Non-current assets			
Intangible assets	770,585	1,285,007	1,223,578
Property, plant and equipment	65,183	183,121	101,449
Investments	-	24,127	-
	<u>835,768</u>	<u>1,492,255</u>	<u>1,325,027</u>
Current assets			
Inventories	20,759	33,274	31,516
Trade and other receivables	315,770	748,446	628,850
Total current assets	<u>336,529</u>	<u>781,720</u>	<u>660,366</u>
Total assets	<u>1,172,297</u>	<u>2,273,975</u>	<u>1,985,393</u>
LIABILITIES			
Current liabilities			
Trade and other payables	(704,591)	(900,447)	(705,926)
Share of joint venture net liabilities	(35,423)	-	(34,230)
Current tax liabilities	(27,238)	(12,908)	-
Borrowings	(835,169)	(527,680)	(821,058)
Provisions	-	(200,000)	-
Total current liabilities	<u>(1,602,421)</u>	<u>(1,641,035)</u>	<u>(1,561,214)</u>
Non-current liabilities			
Borrowings	(132,912)	-	(29,128)
Provisions	(329,340)	(920,835)	(920,835)
Total non-current liabilities	<u>(462,252)</u>	<u>(920,835)</u>	<u>(949,963)</u>
Total liabilities	<u>(2,064,673)</u>	<u>(2,561,870)</u>	<u>(2,511,177)</u>
Net liabilities	<u>(892,376)</u>	<u>(287,895)</u>	<u>(525,784)</u>
EQUITY			
Share capital	140,654	126,594	140,654
Share premium account	1,902,700	1,902,700	1,902,700
Merger reserve	227,742	41,802	227,742
Other reserve	-	(45,640)	-
Profit and loss account	(3,163,472)	(2,157,231)	(2,796,880)
	<u>(892,376)</u>	<u>131,775</u>	<u>(525,784)</u>
Minority interests	-	(156,120)	-
Total Equity	<u>(892,376)</u>	<u>(287,895)</u>	<u>(525,784)</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
For the period ended 30 September 2008

	Note	6 months to 30 September 2008 £	6 months to 30 September 2007 £	12 months to 31 March 2008 £
Cash flows from operating activities				
(Loss)/profit after taxation		(366,592)	173,798	(520,435)
Depreciation & Impairment charges		46,145	133,796	575,696
Share of JV operating loss		1,193	16,114	37,891
Interest expense		39,709	20,016	79,130
Decrease/(increase) in trade and other receivables		330,359	(161,542)	(31,377)
Decrease/(increase) in inventories		10,757	(17,774)	(16,016)
(Decrease)/increase in trade and other payables		(19,354)	52,084	(146,994)
Loss on disposal of fixed assets		-	-	20,010
Cash generated from operations		<u>42,217</u>	<u>216,492</u>	<u>(2,095)</u>
Interest paid		(39,709)	(20,016)	(79,130)
Income taxes paid		-	-	-
Net cash from operating activities		<u><u>2,508</u></u>	<u><u>196,476</u></u>	<u><u>(81,225)</u></u>
Cash flows from investing activities				
Acquisition of subsidiary		(177,720)	(24,127)	(29,807)
Net cash acquired with subsidiary		57,317	-	(30,604)
Purchase of property, plant and equipment		-	(42,031)	(50,552)
Net cash used in investing activities		<u><u>(120,403)</u></u>	<u><u>(66,158)</u></u>	<u><u>(110,963)</u></u>
Cash flows from financing activities				
Proceeds from long term borrowings		101,035	(26,569)	(23,543)
Net cash used in financing activities		<u><u>101,035</u></u>	<u><u>(26,569)</u></u>	<u><u>(23,543)</u></u>
Net increase/(decrease) in cash and cash equivalents	3	(16,860)	103,749	(215,731)
Cash and cash equivalents at beginning of the period		<u>(794,418)</u>	<u>(578,687)</u>	<u>(578,687)</u>
Cash and cash equivalents at end of the period		<u><u>(811,278)</u></u>	<u><u>(474,938)</u></u>	<u><u>(794,418)</u></u>

UNAUDITED NOTES TO THE ACCOUNTS

For the period ended 30 September 2008

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements are for the six months ended 30 September 2008. They have been prepared in accordance with the requirements of International Financial Reporting Standards. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2008.

These condensed consolidated interim statements have been prepared under the historical cost convention.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU).

2. EARNINGS PER SHARE

The basic earnings per share is based upon an equity loss of £366,592 (2007: £188,955 profit) and 14,050,013 (2007: 12,659,446) ordinary shares of 1p each, being the weighted average number of shares in issue during the period.

The diluted earnings per share is identical to the basic earnings per share because the exercise price of all the share options in issue during the period was greater than the average market price of the share throughout the period. Therefore, the share options are not considered to be dilutive.

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

	6 months to 30 September 2008 £	6 months to 30 September 2007 £	12 months to 31 March 2008 £
(Decrease)/increase in cash and cash equivalents in the period	(16,860)	103,749	(215,731)
Cash (inflow)/outflow from borrowings	(101,035)	26,569	23,543
Change in net debt resulting from cash flows	(117,895)	130,318	(192,188)
Net debt at 1 April 2008	(850,186)	(657,998)	(657,998)
Net debt at 30 September 2008	<u>(968,081)</u>	<u>(527,680)</u>	<u>(850,186)</u>

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES UNDER IFRS

The significant accounting policies adopted in the preparation of the Group's IFRS financial information are set out in the consolidated financial statements of the Group for the year ended 31 March 2008.

5. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in the report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

6. INTERIM FINANCIAL STATEMENTS

Further copies of the interim statements are available from the registered office of Wyatt Group PLC at Parkway House, Hambrook Lane, Stoke Gifford, Bristol BS34 8QB and on the Group's website, www.wyattgroup.co.uk.