Hydrogen International Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

Company Registration No 3876449 (England and Wales)

Hydrogen International Limited
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Hydrogen International Limited
COMPANY INFORMATION

DIRECTORS

T P Smeaton
D T R Church
I Temple
J Glover

SECRETARY

M Scrafton

COMPANY NUMBER

3876449

REGISTERED AND BUSINESS OFFICE

Pountney Hill House
6 Laurence Pountney Hill
London
EC4R OBL

INDEPENDENT AUDITOR

Grant Thornton UK LLP
Chartered Accountants
Grant Thornton House
Melton Street
London
NW1 2EP

The directors present their report and financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES
The Company's principal activity is the provision of recruitment consultancy services, focusing on placing mid to senior business technologists, project managers and engineers, on a permanent and contract basis, across a wide variety of industry sectors, predominately in the UK

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS
The recovery in recruitment markets, first seen in the second half of 2009, gained further momentum in 2010 Turnover increased by 68% to £97,576,174 (2009 £58,204,055) and net fee income (NFI) by 48% to £14,662,588 (2009 £9,890,274)

The average headcount for the year increased by 15% to 165 (2009 144) to cope with the increased level of activity This together with higher levels of variable pay resulted in administration costs increasing by 33% to £12,755,404 (2009 £9,614,467)

Finance costs for the year increased to £49,401 (2009 £3,069) predominately due to higher interest charges arising from the Company's increased drawdown of its invoice discounting facility, driven by the investment in working capital required to fund the higher level of activity in contract recruitment activity

As a result the company made a profit before tax of £ 1,858,125 (2009 £290,407)

The increase in turnover inevitably resulted in a increase in trade debtors from £4,791,831 at 31 December 2009 to £8,941,684 at 31 December 2010, despite a further reduction in debtor days from 25 days at 31 December 2009 to 21 days at 31 December 2010

The tax charge for the year was a charge of £585,900 (2009 credit of £251,674)

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties facing the ultimate parent company, Hydrogen Group plc, and all its subsidiary companies (the Group) are reviewed on a regular basis by the Directors The Group's strategy is designed to assign ownership and develop plans to mitigate the effects of the identified risks The principal risks facing the business as follows

Information technology
In delivery of its service to clients the Company is highly dependent on a number of technology systems and the infrastructure on which they operate The Company is currently reviewing both systems and infrastructure to ensure that they provide appropriate functionality and resilience to support both its operations, existing and planned

People
The Company is dependent on its ability to hire, train and retain people to achieve its growth To address this risk the Group has put in place an active recruitment function, a program of training and development designed to equip leaders with the necessary skills, undertakes rigorous succession planning, and has in place long term remuneration plans (as outlined in note 17 of the consolidated financial statements of Hydrogen Group plc) targeted at retaining the best talent

Macro economic climate
The Company operates predominately in the UK, and the macro economic climate can have a major impact on the performance of the Group Steps taken to mitigate this in part are

- maintaining a flexible cost base, with levels of pay closely linked to performance,
- no exposure to public sector recruitment,
- maintaining a strong balance sheet

Regulatory environment
The recruitment industry is subject to increasing levels of regulation and compliance The Group is committed to be compliant and takes a conservative approach in areas where judgement is required

Availability of candidates

The Group operates ın a number of ındustry sectors were the avaılabılıty of hıghly skılled candıdates ıs ın short supply The abılıty to ıdentıfy suıtable candıdates can ımpact on the Group's performance

The busıness has processes to monıtor these key rısks to busıness performance and these are dıscussed on page 17 of the ultımate parent company's accounts Some of the key performance ındıcators used by the Group to monıtor progress are lısted below

KPI		2010	2009
NFI	£k	**£14,663**	£9 890
Conversıon ratıo (Profit before exceptıonal costs and tax dıvıded by gross profit)	%	**12.7**	2 9
Productıvıty (gross profit dıvıded by total average headcount)	£k	**88.9**	68 7
Days of sales outstandıng (DSO)	days	**21**	25
Ratıo of bıllıng headcount to support headcount (average for the year)		**3.1**	3 4

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2010 are set out on page 7
The Company dıd not pay an ınterım dıvıdend for the year ended 31 December 2010 (2009 £5,000,000)
It ıs not proposed to pay a final dıvıdend for year ended 31 December 2010

GOING CONCERN

It should be recognısed that any consıderatıon of the foreseeable future ınvolves makıng a judgement, at a partıcular poınt ın tıme, about future events, whıch are ınherently uncertaın The Hydrogen Group operates a central Treasury functıon, managıng ıts cash and financıng facılıtıes on a Group basıs The Group has two busıness streams, permanent and contract recruıtment The cash flow characterıstıcs of the two streams ınteract ın a complımentary fashıon The permanent busıness, whıch has lıttle workıng capıtal requırement, ıs cash generatıve durıng the growth phase, and at worst, cash neutral ın a downturn By contract, the contract busıness has a large workıng capıtal requırement, and requıres sıgnıficant cash ınvestment durıng a perıod of growth, but ıs hıghly cash generatıve ın the first perıods of a downturn The model operated by the majorıty of recruıtment busınesses ıs to fund the ınvestment ın workıng capıtal by utılısıng the asset created as securıty for asset backed financıng The rate of cash ınvestment durıng the growth phase can be controlled by management decısıons ın acceptıng or rejectıng new busıness

The Group has experıenced sıgnıficant growth ın ıts contractor numbers durıng 2010, wıth the correspondıng ıncrease ın ıts workıng capıtal, The Group's bankers have been supportıve of the Group's growth and have ıncreased avaılable facılıtıes on two occasıons ın 2010 The Group have prepared forecasts for the perıod to March 2011, and shared these wıth ıts bankers The Dırectors have no reason to belıeve that ıts bankers wıll not contınue to support ıts plans Consequently the Dırectors have a reasonable expectatıon that the Group wıll have adequate resources to contınue operatıng ın the foreseeable future On these grounds the Board have contınued to adopt the goıng concern basıs for the preparatıon of the Company's financıal statements

DIRECTORS

The followıng dırectors have held office durıng the year

T P Smeaton
D T R Church
I Temple
J Glover

SOCIAL RESPONSIBILITY

The Company's polıcıes on socıal responsıbılıty are dısclosed ın the financıal statements of the ultımate holdıng company

FINANCIAL RISK

The company's exposure to price risk, credit risk, liquidity risk and cash flow risk are consolidated with similar information for other operating entities within the group, and the overall position managed at a group level The financial risk management and objectives of the group, together with information on risks, are set out in page 17 of the consolidated accounts of the ultimate parent company, Hydrogen Group plc

The Company's activities are financed by a combination of inter-company borrowings and invoice discounting facilities at floating interest rates, based on Bank of England Base Rate

The Company continuously monitors defaults of customers, and incorporates this information into its credit risk controls External credit ratings on customers are obtained At the balance sheet date 3 customers each represented more than 5% of total trade debtor balances Two of the customers are FTSE 100 companies, and the third a FTSE 250 company The Company has a good payment history with all three companies, and amounts due are within recommended limits from external rating agencies The Directors do not consider that this concentration represents a significant increase in credit risk

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of this financial information have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

AUDITORS

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006

By order of the board

J G Glover
Director
11 March 2011

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

a select suitable accounting policies and then apply them consistently,

b make judgements and estimates that are reasonable and prudent,

c state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial information, and

d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDROGEN INTERNATIONAL LIMITED

We have audited the financial statements of Hydrogen International Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, accounting policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Marc Summers BSc(Hons), ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 March 2011

Hydrogen International Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010 £	2009 £
TURNOVER	1	97,576,174	58,204,055
Cost of sales		(82,913,586)	(48,313,781)
GROSS PROFIT		14,662,588	9,890,274
Administrative expenses		(12,755,404)	(9,614,467)
OPERATING PROFIT	2	1,907,184	275,807
Interest receivable	3	342	17,669
Interest payable and similar charges	4	(49,401)	(3,069)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,858,125	290,407
Taxation (charge)/credit	8	(585,900)	251,674
RETAINED PROFIT FOR THE YEAR	16	1,272,225	542,081

The profit and loss account has been prepared on the basis that all operations are continuing operations

No separate statement of Total Recognised Gains or Losses has been prepared as all such gains and losses have been dealt with in the profit and loss account

Hydrogen International Limited
BALANCE SHEET
As at 31 December 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	9	656,182	271,582
Investments	10	-	10,000
		656,182	281,582
CURRENT ASSETS			
Debtors	11	19,322,099	11,328,506
Cash at bank and in hand		239,512	2,081,558
		19,561,611	13,410,064
CREDITORS amounts falling due within one year	12	(15,362,434)	(10,180,125)
NET CURRENT ASSETS		4,199,177	3,229,939
TOTAL ASSETS LESS CURRENT LIABILITIES		4,855,359	3,511,521
PROVISIONS	13	(84,000)	-
		4,771,359	3,511,521
CAPITAL AND RESERVES			
Called up share capital	15	3,749	3,749
Translation Reserve	16	5,399	-
Capital contribution reserve	16	465,151	482,937
Profit and loss account	16	4,297,060	3,024,835
SHAREHOLDERS' FUNDS	17	4,771,359	3,511,521

The financial statements on pages 7 to 19 were approved by the board of directors and authorised for issue on 11 March 2011 and are signed on its behalf by

I Temple
Director

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with UK Accounting Standards The principal accounting policies of the company are set out below and remain unchanged from the prior period

GOING CONCERN

The factors considered by the Directors in exercising their judgment of the Group's and Company's ability to continue to operate in the foreseeable future are set out on page 3 On these grounds the Board consider it reasonable to continue to adopt the going concern basis for the preparation of the financial statements

TURNOVER

Turnover, which excludes value added tax, comprises the value of services undertaken by the company under its principal activity, which is the provision of recruitment consultancy services This broadly consists of

- Turnover from contractor placements, representing fees billed for the services of contractor staff including the salary cost of these staff, is recognised when the service has been provided,

- Turnover from permanent placements, representing fees billed as a percentage of the candidate's remuneration package, is recognised on the date the offer is accepted by a candidate and a start date determined

Turnover not invoiced at the balance sheet date is included within accrued income A provision is made against accrued income on account of possible cancellations of placements before the commencement of employment

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computers and office equipment	33% straight line
Motor vehicles	25% straight line
Leasehold improvements	Remaining life of lease (or five years if shorter)

LEASED ASSETS AND OBLIGATIONS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of the charge on the net obligation outstanding in each period

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value

PENSIONS

The company makes contributions to the personal pension plans of certain directors The pension costs charged in the financial statements represent the contributions payable by the company during the year

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to profit and loss account

GROUP ACCOUNTS

The financial statements present information about the Company as an individual undertaking and not about its group The company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare group accounts as it is a subsidiary undertaking of Hydrogen Group plc and is included in the consolidated accounts of that company

DIVIDENDS

Under FRS 21 "Post Balance Sheet Events" dividends can only be recognised once they have been passed at a General Meeting of the members, in the case of final dividends, and the period in which they were paid in the case of interim dividends

SHARE BASED PAYMENTS

Where options are awarded after 7 November 2002, the fair value of the share options on the date of grant is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable A corresponding adjustment is made to equity At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable and recognises the impact of any revision of original estimates in the profit and loss account

CASH FLOW STATEMENT

The company has utilised the exemption provided under FRS 1 (Revised) not to present a cash flow statement A consolidated cash flow statement has been presented in the group financial statements of Hydrogen Group plc

INVOICE DISCOUNTING

When debts are invoice discounted the separate presentation treatment proposed by FRS 5 has been adopted In accordance with FRS 5 the gross amount of debts due from customers is included within trade debtors with the advances received from the financier shown as a liability

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument

PROVISIONS

Expected dilapidation costs on leasehold property incurred at the end of the lease period are provided evenly over the life of the lease

1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity Sales were made in the following geographical markets

	2010 £	2009 £
United Kingdom	88,522,751	52,803,700
Europe	8,018,054	4,782,759
Rest of World	1,035,369	617,596
	97,576,174	58,204,055

2 OPERATING PROFIT

	2010 £	2009 £
Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets	240,010	274,176
Loss/(profit) on foreign exchange transactions	159,134	(4,092)
Operating lease rentals on land and buildings	422,214	432,645
The analysis of auditor's remuneration is as follows		
Audit fees		
- Fees payable to the Company's auditors for audit of the accounts	18,500	16,598
Non-audit fees		
- Tax services (compliance and general tax advice)	7,750	-

3 INTEREST RECEIVABLE

	2010 £	2009 £
Bank interest receivable	204	1,767
Other interest receivable	138	15,902
	342	17,669

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Invoice discounting interest	48,641	1,994
Bank interest and charges	14	142
Other interest payable	746	933
	49,401	3,069

5 DIVIDENDS

	2010 £	2009 £
Interim dividend for the year ended 31 December 2010 of £Nil per share (2009 £1,333 69 per share)	-	5,000,000
	-	5,000,000

6 DIRECTORS' EMOLUMENTS

	2010 £	2009 £
Emoluments for qualifying services	692,338	348,448
	692,338	348,448

Emoluments disclosed above include the following amounts paid to the highest paid director

	2010 £	2009 £
Emoluments for qualifying services	197,372	105,587
	197,372	105,587

7 EMPLOYEES

Number of employees

	Average no 2010	Average no 2009
Client services	125	111
Administration	40	33
	165	144

Employment costs	2010 £	2009 £
Wages and salaries	8,557,564	6,461,133
Social security costs	939,276	696,839
Other pension costs	18,376	14,219
Share-based payments	(17,784)	183,357
	9,497,432	7,355,548

The credit to profit and loss for share based costs relates to the reversal of charges made in previous periods for options that have been forfeit

8 TAXATION	2010 £	2009 £
CURRENT TAX		
UK corporation tax on profits of the year	518,947	111,085
Adjustment in respect of previous periods	42,135	(307,166)
TOTAL CURRENT TAX	561,082	(196,081)
DEFERRED TAX		
Origination and reversal of timing differences	24,818	(55,593)
Tax on profit on ordinary activities	585,900	(251,674)

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax assessed for the period is lower/higher than the standard rate of corporation tax in the UK of 28% (2009 28%)

The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before taxation	1,858,125	290,407
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	520,275	81,314
Effects of		
Non deductible expenses	25,395	18,441
Depreciation in excess of capital allowances	(4,142)	30,464
Group relief	-	(70,474)
Adjustments to tax charge in respect of previous periods	42,135	(307,166)
Differences re share-based payments	(11,565)	26,213
Other timing differences	(14,816)	25,127
Differences in tax rates	3,800	-
	40,807	(277,395)
TOTAL CURRENT TAX	561,082	(196,081)

9 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office Equipment £	Motor Vehicles £	Total £
COST				
At 1 January 2010	140,181	1,129,540	113,812	1,383,533
Additions	396,113	182,436	59,708	638,257
Disposals	-	-	(44,631)	(44,631)
At 31 December 2010	536,294	1,311,976	128,889	1,977,159
DEPRECIATION				
At 1 January 2010	101,845	951,226	58,880	1,111,951
Disposals	-	-	(30,984)	(30,984)
Charge for the year	38,746	166,210	35,054	240,010
At 31 December 2010	140,591	1,117,436	62,950	1,320,977
NET BOOK VALUE				
At 31 December 2010	395,703	194,540	65,939	656,182
At 31 December 2009	38,336	178,314	54,932	271,582

10 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings 2010 £	Shares in subsidiary undertakings 2009 £
COST		
At 31 December	-	10,000

HOLDINGS OF MORE THAN 20%
The company holds 100% of the share capital of the following companies

COMPANY	COUNTRY OF REGISTRATION OR INCORPORATION	CLASS OF SHARES
Reflect Ltd	England and Wales	Ordinary
Commerce Partners Ltd	England and Wales	Ordinary
Timetorecruit Ltd	England and Wales	Ordinary
Finance Partners Ltd	England and Wales	Ordinary
Target Partners Ltd	England and Wales	Ordinary
Project Partners Ltd	England and Wales	Ordinary
Partners Search & Selection Ltd	England and Wales	Ordinary
Hydrogen Recruitment Ltd	England and Wales	Ordinary
Pro Partners Ltd	England and Wales	Ordinary
Hydrogen Business Solutions Ltd	England and Wales	Ordinary

All of these subsidiaries are dormant and have never traded and have capital and reserves of £1,000 each

11 DEBTORS

	2010	2009
	£	£
Due within one year		
Trade debtors	8,941,684	4,791,831
Amounts owed by group companies	91,680	589,724
Other debtors	45,645	32,247
Prepayments and accrued income	9,973,683	5,657,888
	19,052,692	11,071,690
Due after more than one year		
Other debtors	269,407	256,816
	19,322,099	11,328,506

At 31 December 2010 the value of invoices discounted included within trade debtors was £6,049,178 (2009 £3,710,416)

Included in other debtors due after more than one year is a deferred tax asset of £102,598 (2009 £127,416), rent deposits of £124,569 (2009 £87,160), and staff loans of £42,240 (2009 £42,240)

Deferred tax asset	2010	2009
	£	£
At 1 January	127,416	71,823
(Debit)/credit to profit and loss account	(24,818)	55,593
At 31 December	102,598	127,416

The deferred tax asset is made up as follows

	2010	2009
Accelerated capital allowances	58,380	66,382
Share options	44,218	59,034
At 31 December	102,598	127,416

12 CREDITORS amounts falling due within one year

	2010	2009
	£	£
Invoice discounting facility	2,691,901	-
Trade creditors	1,072,268	129,153
Amount owed to group undertakings	434,847	3,345,946
Corporation tax	238,247	111,114
Other taxes and social security costs	982,623	390,724
Other creditors	1,048,183	1,250,895
Accruals and deferred income	8,894,365	4,952,293
	15,362,434	10,180,125

Bank loans disclosed above are secured by a fixed charge over trade debtors

13 PROVISIONS

	2010 £	2009 £
At 1 January	-	-
New or increased provision	84,000	-
At 31 December	84,000	-
Of which – expected to be incurred within 1 year	-	-
– expected to be incurred in more than 1 year	84,000	-

The provision relates to dilapidation costs associated with leasehold property

14 SHARE BASED PAYMENTS

All share-based payment arrangements are equity-settled

No share options were issued during the year

Details of the movements in unapproved share options and the EMI scheme during the years and the number outstanding at the end of the years in the share option schemes was as follows

	Number of shares 2010	Weighted average exercise price 2010 £	Number of shares 2009	Weighted average exercise price 2009 £
Outstanding at 1 January	724,816	0 172	598,370	0 217
Granted during the year	-	-	340,000	0 000
Forfeited during the year	(185,992)	0 000	(209,458)	0 025
Exercised during the year	(28,521)	0 073	(4,096)	0 000
Outstanding at 31 December	510,303	0 240	724,816	0 172
Exercisable at 31 December	183,100	0 669	163,914	0 760

The range of exercise prices for options outstanding in all share option schemes at the end of the year was as follows

	31 December 2010				31 December 2009			
Year of award	Range of exercise price	Number of Options	Weighted average exercise price	Weighted average remaining life	Range of exercise price	Number of Options	Weighted average exercise price	Weighted average remaining life
2006	81p	152,116	81p	5 0 years	81p	154,699	81p	6 0 years
2007	Nil	108 187	Nil	6 5 years	Nil	222 175	Nil	7 5 years
2008	Nil	-	Nil	7 5-8 years	Nil	7,942	Nil	8 5-9 years
2009	Nil	250,000	Nil	8 5 years	Nil	340,000	Nil	9 5 years

510,303	724,816

The weighted average share price at the date of exercise for share options exercised during the year was £1 34 (2009 £0 88)

The fair value of employee services received in exchange for share options in both schemes was valued using a binominal option pricing model The inputs into the binomial model are as follows

	Options issued in 2009	Options issued in 2008
Share price at date of grant	56 - 90p	203p
Exercise price	0 00p	0 00p
Expected volatility	81%	30 4%
Expected option life at date of grant	4 3 years	4 3 years
Risk free interest rate	3 75%	3 75%
Expected dividend yield	2 5%	2 5%
Fair value per option at grant date	56p - 90p	203p

Expected volatility was determined by calculating the historical volatility of the shares of Hydrogen Group plc

c. Restricted Share Plan

A restricted share plan was adopted in April 2006 for certain senior employees The vesting of these shares is dependent upon the Group's share price and performance criteria for the divisions managed by these senior employees over a three year period, starting in 2006 On 12 April 2006 1,100 restricted ordinary shares of Hydrogen Group plc were issued to an employee of Hydrogen International Ltd at 0 1p per share These have converted into 220,000 restricted ordinary 1p shares as a result of the bonus issue and share consolidation in September 2006 The fair value of employee services received in exchange for the share options were valued using a binomial option pricing model, with inputs into the binomial as per the table above

No shares were issued during the year under the restricted share plan During the year the performance criteria were met and the restrictions were lifted on the remaining 66,000 shares
At 31 December 2010 there were no shares remaining under restriction (2009 66,000)

d. Share Incentive Plan (SIP)

On 31 August 2006, the Group adopted The Hydrogen Group plc Share Incentive Plan ('the SIP') which satisfies the provisions of schedule 2 to ITEPA and aims to promote employee ownership of shares in a tax efficient manner All shares allotted pursuant to the SIP must be held for a minimum of five years to obtain full tax advantage The ordinary shares which are subject to the SIP are to be held in trust in the Hydrogen Employee Share Group Trust ('the Trust')

No award of shares was made in 2010 under the SIP scheme, 19,206 (2009 288) shares were exercised, leaving 105,803 (2009 173,360) shares outstanding at the year end

The Company recognised a credit of £17,784 (2009 charge of £183,358) relating to equity-settled share based payment transactions, in the year

15 SHARE CAPITAL

	2010	2009
	£	£
AUTHORISED		
1,500 Ordinary 'A' shares of £1 each	1,500	1,500
8,500 Ordinary 'B' shares of £1 each	8,500	8,500
	10,000	10,000
ALLOTTED, ISSUED AND FULLY PAID		
1,500 Ordinary 'A' shares of £1 each	1,500	1,500
2,249 Ordinary 'B' shares of £1 each	2,249	2,249
	3,749	3,749

Apart from the rights set out below, the voting rights of each class of share are the same

The chairman, if there is one, has no casting vote A majority of 'A' and 'B' shareholders is entitled to appoint and remove 'B' directors, 'B' shareholders alone cannot remove 'A' directors

There is no distinction between classes when voting dividends, but 'B' shareholders may only be voted dividends at general meetings

'A' and 'B' shares rank equally in a winding up

16 STATEMENT OF MOVEMENT ON RESERVES

	Translation reserve	Capital contribution £	Profit and loss account £
At 1 January 2010	-	482,937	3,024,835
Retained profit for the year	-	-	1,272,225
Translation reserve	5,399	-	-
Capital contribution	-	(17,786)	-
At 31 December 2010	5,399	465,151	4,297,060

The capital contribution is in respect of share options, the obligation for which will be settled by Hydrogen Group plc

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Profit for the financial year	1,272,225	542,081
Dividends paid	-	(5,000,000)
Share option (credit)/charge	(17,786)	183,358
Foreign currency translation	5,399	-
Net addition to shareholders' funds	1,259,838	(4,274,561)
Opening shareholders' funds	3,511,521	7,786,082
Closing shareholders' funds	4,771,359	3,511,521

18 FINANCIAL COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Expiry date		
Within one year	42,900	-
Between two and five years	586,412	466,709
	629,312	466,709

19 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

20 ULTIMATE PARENT COMPANY

The ultimate parent company is Hydrogen Group plc, a company registered in England and Wales The smallest and largest set of accounts into which these accounts are consolidated is Hydrogen Group plc Copies of the financial statements of Hydrogen Group plc which include the company for which group accounts have been prepared are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ