

Cpl Resources plc

Report for the Half Year Ended 31 December 2013

Chairman's statement

I am pleased to report that in the six months to 31 December 2013 the Group delivered a strong operating performance, with improved revenues, gross profits and earnings per share.

Highlights

- Strong operating performance
- 14% increase in revenue to €184.3 million
- 18% increase in operating profit to €6.9 million
- 17% increase in profit before tax to €7.0 million
- 17% increase in earnings per share to 19.8 cent
- 19% increase in interim dividend per share to 4.75 cent

Half Year Highlights	Half Year Ended	Half Year Ended	% change
	31-Dec-13	31-Dec-12	
	€ 000's	€ 000's	
Revenue	184,327	161,671	14%
Gross profit	27,002	23,713	14%
Operating profit	6,855	5,811	18%
Profit before tax	6,956	5,954	17%
Earnings per share	19.8 cent	16.9 cent	17%
Dividend per share	4.75 cent	4.0 cent	19%
Conversion Ratio*			
Operating profit	25.4%	24.5%	
Profit before tax	25.8%	25.1%	
Permanent gross profit	10,043	7,521	34%
Temporary gross profit	16,959	16,192	5%
Permanent gross profit as % of the total gross profit	37%	32%	
Temporary gross profit as % of the total gross profit	63%	68%	

* as % of gross profit.

During the six months to 31 December 2013 the Group continued the delivery of strong growth across the business, resulting in record revenues of €184.3 million for the half year. The Group's operating profit of €6.9 million for the six months to 31 December 2013 is 18% higher than the same period last year. Profit before tax increased by €1.0 million to €7.0 million. Earnings per share of 19.8 cent for the six months to 31 December 2013, represents a 17% increase when compared to 16.9 cent for the half year to 31 December 2012.

We have continued our policy of controlling costs tightly and improving productivity across the Group in order to maximise profitability. This has delivered an improvement in the Group's conversion ratio of gross profit to operating profit to 25.4% up from 24.5% in the same period last year.

We continue to experience a degree of positive momentum in our principal markets, although significant economic challenges remain in many of those markets. There is a general oversupply of people available for work, but at the same time there is a shortage of specific skills that are in demand. The Cpl team has continued to work closely with our clients to understand their specific requirements, and with our candidates in order to match their skills to those client requirements. As a result our gross profit generated from permanent placements in the six months to December 2013 was €10.0 million, an increase of 34%. I am particularly pleased to report strong growth in our international business, reflected by the fact that 40% of our permanent fees were generated outside of Ireland in the six months to 31 December 2013

We continue to see many companies opting for temporary employment offering that enables them to recruit personnel based on the variable demands of their businesses. In the six months to 31 December 2013 the Group has continued to develop our competence in the provision of fully outsourced services, which require specific technical skills and multiple European languages. Revenue generated from temporary assignments was €174.2 million, representing 13% growth over same period last year. The corresponding gross profit was €17.0 million, 5% higher than the six months to 31 December 2012. 9% of temporary gross profit was generated outside of Ireland.

Margin pressure continues across the temporary staffing market and this market segment remains highly competitive. We are very pleased to have increased the average number of people placed with our clients to in excess of 9,150 for the period ended 31 December 2013.

We continue to enjoy the benefits of having highly talented and energetic people within the Group. On behalf of the Board I wish to express my gratitude for the continuing hard work and dedication of our people and for their commitment to our core values - customer focus, accountability, respect, effective communication and empowerment.

Cash

The Group has a cash balance of €22.1 million as at 31 December 2013. In the six months to 31 December 2013 €7.1 million was generated in cash flow from operating activities before changes in working capital and provisions. Strong organic growth in our temporary business requires significant investments in working capital, and this has given rise to a net cash outflow from operations of €3.2 million in the period.

Dividend

The Board has decided that the Company will pay an interim dividend of 4.75 cent per share, an increase of 19% on the corresponding period last year. The dividend will be payable on 7th March 2014 to shareholders on the company's register at the close of business on the record date of 7th February 2014. The Group has a progressive dividend policy which reflects underlying earnings growth and the continued strength of the Group's balance sheet.

Outlook

Recent months have seen some indicators in our principal markets move tentatively into positive territory. We see opportunities for growth but we still face challenges in many markets arising from economic uncertainty and competitive pressures. Our strong financial position provides use with the resources to capitalise on growth opportunities as they arise. We expect further profitable growth in the second half of our financial year.

John Hennessy
Chairman
30 January 2014

Condensed Group Statement of Comprehensive Income
for the period ended 31 December 2013

	Half Year ended 31 Dec 2013 €'000 (Unaudited)	Half Year ended 31 Dec 2012 €'000 (Unaudited)	Year ended 30 Jun 2013 €'000 Audited
Revenue	184,327	161,671	330,758
Cost of sales	(157,325)	(137,958)	(281,915)
Gross profit	27,002	23,713	48,843
Distribution expenses	(1,650)	(1,399)	(2,930)
Administrative expenses	(18,497)	(16,503)	(34,193)
Operating profit	6,855	5,811	11,720
Financial income	107	145	573
Financial expenses	(6)	(2)	(9)
Profit before tax	6,956	5,954	12,284
Income tax expense	(904)	(773)	(1,591)
Profit for the financial period / year - all attributable to equity shareholders	6,052	5,181	10,693
Other Comprehensive Income			
Foreign currency translation differences - foreign operations	(70)	(11)	(67)
Total comprehensive income for the period / year all attributable to equity shareholders	5,982	5,170	10,626
Basic earnings per share	19.8 cent	16.9 cent	35.0 cent
Diluted earnings per share	19.8 cent	16.9 cent	35.0 cent

Condensed Group Statement of Changes in Equity
for the period ended 31 December 2013

	Share Capital €'000	Share Premium €'000	Capital redemption reserve fund €'000	Capital conversion reserve fund €'000	Merger reserve €'000	Currency translation reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 July 2012	3,053	1,705	667	57	(3,357)	77	52,722	54,924
<i>Total comprehensive income for the period</i>								
Profit for the financial period	-	-	-	-	-	-	5,181	5,181
Foreign currency translation	-	-	-	-	-	(11)	-	(11)
<i>Total Comprehensive income for the period</i>	-	-	-	-	-	(11)	5,181	5,170
<i>Transactions with owners</i>								
Dividends paid	-	-	-	-	-	-	(1,069)	(1,069)
Balance at 31 December 2012	3,053	1,705	667	57	(3,357)	66	56,834	59,025
Balance at 1 July 2013	3,053	1,705	667	57	(3,357)	10	61,124	63,259
<i>Total comprehensive income for the period</i>								
Profit for the financial period	-	-	-	-	-	-	6,052	6,052
Foreign currency translation	-	-	-	-	-	(70)	-	(70)
<i>Total Comprehensive income for the period</i>	-	-	-	-	-	(70)	6,052	5,982
<i>Transactions with owners</i>								
Dividends paid	-	-	-	-	-	-	(1,375)	(1,375)
Balance at 31 December 2013	3,053	1,705	667	57	(3,357)	(60)	65,801	67,866

Condensed Group Balance Sheet
at 31 December 2013

	31 Dec 2013 €'000 (Unaudited)	31 Dec 2012 €'000 (Unaudited)	30 Jun 2013 €'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	1,268	1,250	1,168
Goodwill and intangible assets	11,679	12,880	11,701
Deferred tax asset	507	483	457
Total non-current assets	13,454	14,613	13,326
Current assets			
Trade and other receivables	71,335	58,034	61,920
Cash and cash equivalents	22,097	22,416	27,931
Short-term bank deposits	-	4,176	-
Current tax recoverable	702	727	756
Total current assets	94,134	85,353	90,607
Total assets	107,588	99,966	103,933
Equity			
Issued share capital	3,053	3,053	3,053
Share premium	1,705	1,705	1,705
Other reserves	(2,693)	(2,567)	(2,623)
Retained earnings	65,801	56,834	61,124
Total equity	67,866	59,025	63,259
Liabilities			
Non-current liabilities			
Financial liabilities	-	8	-
Provisions	-	1,740	-
Total non-current liabilities	-	1,748	-
Current liabilities			
Financial liabilities	-	5	-
Bank overdraft	-	17	-
Trade and other payables	39,648	38,633	40,524
Current tax payable	-	256	-
Provisions	74	282	150
Total current liabilities	39,722	39,193	40,674
Total liabilities	39,722	40,941	40,674
Total equity and liabilities	107,588	99,966	103,933

Condensed Group Cash Flow statement
for the period ended 31 December 2013

	Half year ended 31 Dec 2013 €'000 (Unaudited)	Half year ended 31 Dec 2012 €'000 (Unaudited)	Year ended 30 Jun 2013 €'000 (Audited)
Cash flows from operating activities			
Profit for the financial period / year	6,052	5,181	10,693
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	245	165	327
Amortisation of intangible assets	40	59	124
Financial income	(107)	(145)	(573)
Financial expense	6	2	9
Income tax expense	904	773	1,591
Loss on sale of subsidiary	-	-	167
Operating cashflows before changes in working capital	7,140	6,035	12,338
(Increase) in trade and other receivables	(9,471)	(6,547)	(10,748)
(Decrease)/Increase in trade and other payables and provisions	(876)	1,452	3,702
Net Cash generated from operations	(3,207)	940	5,292
Interest paid	(6)	(2)	(9)
Income tax paid	(900)	(517)	(2,086)
Interest received	92	130	329
Net cash (outflow)/inflow from operating activities	(4,021)	551	3,526
Cash flows from investing activities			
Deferred consideration paid	(76)	(548)	(799)
Disposal of business net of cash disposed of	-	-	25
Purchase of property, plant and equipment	(342)	(182)	(260)
Purchase of intangible assets	(20)	(187)	(267)
Transfer from short term deposits	-	-	4,176
Net cash (used in) / from investing activities	(438)	(917)	2,875
Cash flows from financing activities			
(Decrease) in finance leases	-	(20)	(33)
Dividends paid	(1,375)	(1,069)	(2,291)
Net cash (used in) financing activities	(1,375)	(1,089)	(2,324)
Net (decrease)/increase in cash and cash equivalents	(5,834)	(1,455)	4,077
Cash and cash equivalents at beginning of period / year	27,931	23,854	23,854
Cash and cash equivalents end of period / year	22,097	22,399	27,931

Notes supporting condensed interim financial statements

1. Basis of preparation

The consolidated financial information of the Group has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including interpretations issued by the International Accounting Standards Board ("IASB") and its committees and adopted by the EU.

The figures for the half year ended 31 December 2013 are unaudited. The comparative figures for the half year ended 31 December 2012 are also unaudited. The amounts for the year ended 30 June 2013 represent an abbreviated version of the Group's full financial statements for the year on which the auditors issued an unqualified audit report. The financial statements for the year ended 30 June 2013 have been filed with the registrar of companies.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

2. Dividends to equity shareholders

	Half Year ended 31 Dec 2013 €'000	Half Year ended 31 Dec 2012 €'000	Year ended 30 June 2013 €'000
Ordinary dividends:			
Interim dividends paid	-	-	1,222
Final dividend paid	1,375	1,069	1,069
	<u>1,375</u>	<u>1,069</u>	<u>2,291</u>

3. Earnings per ordinary share

The earnings per ordinary share is calculated on the basis that the weighted average number of shares in issue for the half year ended 31 December 2013 is 30,545,159 (*period ended 31 December 2012 - 30,545,159; year ended 30 June 2013 - 30,545,159*). It has been calculated based on the profit for the financial period ended 31 December 2013 of €6,052,000 (*period ended 31 December 2012 - €5,181,000; year ended 30 June 2013 - €10,693,000*).