HYDROGEN GROUP PLC

Reports and accounts for the financial year ended 31 December 2015

Registered in England and Wales, Company No. 5563206

CHAIRMAN'S STATEMENT

2015 Performance

Net Fee Income ("NFI") for the full year was 34% lower, at £18.6m (2014: £28.2m). Despite difficult trading conditions, particularly in Oil & Gas and a high degree of change within the business, loss before taxation and exceptional items for the year to 31 December 2015 was £0.7m (2014: profit £2.4m). Reported loss before tax for the year, taking account of exceptional items, was £6.2m (2014 profit before tax: £0.4m). Cost savings resulted in administration costs for the year falling by £6.4m to £19.2m (2014: £25.6m). A key focus for management during 2015 was cash generation and the business had a very strong cash performance ending the year with net cash of £2.6m (2014: net debt £6.7m). The Group also had a Revolving Credit Facility ("RCF") of £3.0m, which was repaid and cancelled in February 2015 as it was surplus to funding requirements.

In 2015 the Board took the decision to focus more heavily on its contract business. This has impacted profitability but, the Board believes, will result in the Group having a more robust and profitable business model in the medium term. The Board appreciates the efforts of all the staff who have continued to deliver the standards of service expected by our clients and candidates, despite the changes going on within the business. In December we announced that we had signed an extension for a further two years as a supplier of Change Management staff to a FTSE100 Retail Bank. We are delighted to have renewed this contract with one of our key banking clients, which demonstrates both the strength of our proposition and our ability to deliver high-quality solutions.

Strategy

During the year a thorough review of strategy was undertaken. The business is now refocused around its core purpose: empowering the careers of our candidates and staff and powering our clients and our business. Having weathered the changes in management and the oil price drop the immediate priority is to return to profitable growth.

Dividend

The Board does not propose paying a dividend in respect of 2015 (2015: 4.6p).

The Board

Anne Baldock is today stepping down from the board which she joined in September 2012 and has been senior independent Non-Executive Director since March 2015. I would like to thank Anne for her support and guidance over the last few years.

Richard Green is joining the board with effect from today. Richard is a seasoned Non-Executive Director, is a Chartered Accountant with a successful career in Private Equity and has been an adviser and Non-Executive Director to a large number of small companies. Richard is currently Non-Executive Director on the board of Northern Venture Trust plc and Qannas Investments Ltd . Richard will be Senior Independent Director and the Chair of the Audit and Remuneration Committees.

These appointments preserve the separation of roles on the Board. They are in line with the Group's existing governance arrangements which take account of the guidelines contained in the QCA 2013 Corporate Governance Code for Small and Mid-Size Quoted Companies.

Current Trading and Outlook

Hydrogen's plan for 2016 is to remain focused on robust, profitable, business. Having invested and re-focused the business during 2015 we are beginning to see growth in our international contractor numbers which should provide a sustainable base for all of our international offices to be profitable in 2016.

Hydrogen has been through a difficult period of restructuring and cost reductions. The Group is now firmly focused on its core opportunities. The changes implemented are intended to ensure that the Board delivers on its key objectives of improving profitability, increasing cash generation and growing the Group's revenue.

Stephen Puckett
Chairman

21 March 2016

BUSINESS REVIEW

Refocusing the business in 2015

In Q1 2015 we announced the departure of our CEO and CFO and have had to deal with many challenges associated with re-basing our business and cost base as a result of the downturn in the Oil and Gas market. Since being appointed CEO I have carried out a detailed review of the marketplace and our positioning within it. There have been a number of factors affecting the business:

1. The loss of a long standing leadership team
2. The dramatic collapse of the oil price affecting nearly 40% of our business
3. An increase in demand and therefore power to candidates
4. An increase in margin pressure making recruitment more transactional
5. Digital disruption with the rise of social networking
6. Greater emphasis on diversity and compliance by our clients
7. Increases in cost pressures

As a result of this review we have re-launched our strategy. Hydrogen is a strong brand name within the marketplace that is highly recognised and our aim is to continue to grow.

We have identified our core purpose as 'Empowering careers. Powering business'. Empowering careers responds to the needs of two of our key stakeholders namely our candidates and our staff. The best people want to work with a market leading recruiter that helps them take control of their career. Powering business answers the needs of our other two key stakeholders our clients and our shareholders.

Our mission is 'The specialist recruitment consultancy built on quality relationships in a digital world'.

We deliver this through our four key ingredients:

- Ultra niche markets;
- Off-grid insights;
- People matter; and
- Global platform.

The way we do it is through living our values:

- Passionate;
- Accountable;
- Collaborative; and
- Expert.

When conducting our review we looked at each business unit from each of these perspectives. What has become clear is that when we are acting in this way we develop strong profitable businesses.

Our people

We have built a new senior operational team including Colin Adams joining as CFO in May 2015. The team was completed at the start of 2016 and is focused on executing our turnaround plan. I would like to thank our staff as they have responded to the challenges we have faced with great fortitude.

Professional Support Services

During the first half of the year we decided to withdraw from a number of unprofitable areas where the market had become commoditised and transactional which resulted in a reduction of NFI of 24% from the Professional Support Services segment. The Professional Support Services operating segment delivered 68% of total Group NFI (2014: 58%).

Technical and Scientific

The oil price drop had a dramatic effect on our business in 2015 particularly as our business was focused around exploration and production causing a 48% reduction in NFI from our Technical and Scientific operating segment.

International business

As much of our international business was in upstream oil and gas our international business was severely disrupted by the reduction in the oil price. This caused us to refocus our international operations and downsize them to enable them to be profitable in 2016. This resulted in international NFI in 2015 being 36% of total NFI (2014: 37%).

Permanent and Contract

We place candidates in both permanent and contract roles. Permanent placements play to our experience in finding rare skills and satisfying the demand for niche, specialist skills. Contract provides more predictable revenue. Contract represented 57% of total NFI in 2015 (2014: 54%) and the contract book is expected to continue to exceed 50% of total NFI going forward.

Clients and Candidates

The development of different recruitment practices from 2010 to 2014 helped the Group to reduce risk by diversifying away from a reliance on UK based financial businesses. We have strong, client relationships built on our longstanding track record of delivery and powering their businesses. We would like to thank all our clients for their support over the last year.

We have a very strong candidate database and proven methodology for building candidate relationships in our core practices. We work with highly talented candidates and contractors and would like to thank them for trusting us to empower their careers.

Current Trading

Hydrogen is coming through a difficult period and there are certainly continuing challenges, both from external factors such as the dramatic and sustained decline in the Oil and Gas market and internal factors such as management changes.

The business is well financed and cash generative, with a strong platform, hard working people and a solid client base capable of delivering profit.

The business has experienced a solid start to the year with a number of contract wins and is focused on returning to profitable growth in 2016.

FINANCIAL REVIEW

Revenue

Group revenue to 31 December 2015 totalled £122.8m (2014: £169.4m).

Net fee income (NFI)

NFI (shown as gross profit in the income statement) comprises the total placement fees of permanent candidates and the margin earned on placement of contract candidates.

Overall, there was a reduction in Group NFI of 34% (33% on a like for like basis) to £18.6m (2014: £28.2m).

As mentioned in the Interim Report, a material drop in the oil price has forced oil companies to significantly reduce their levels of hiring in upstream exploration. This has continued into the second half of the year and is the main contributor behind decline in activity levels and margins in the Oil and Gas practices in all our offices and was the main contributing factor behind the resultant fall in NFI. In addition to downsizing our Oil and Gas practices, in the early part of the year we closed our UK Technology Permanent business, which had been consistently loss making, to focus our resources on the more profitable Contract revenue. Throughout the second half of 2015 a considerable amount of resource was channelled into refocussing the niche propositions of each of the practices. This was a necessary exercise to put the business on a much stronger footing to start growing NFI in 2016. For 2015 most of the practices consolidated their positions whilst going through this process and, as a result, with the exception of Legal and Technology practices in Singapore, did not demonstrate any notable growth in NFI over the previous year.

Operating segments

NFI from the Technical and Scientific operating segment totalled £6.0m (2014: £11.7m), and contributed 33% (2014: 42%) of total NFI. The lower contribution to the Group was primarily due to the continued decline in activity levels and margins in the Oil and Gas sector.

NFI in the Professional Support Services operating segment was £12.5m (2014: £16.5m). The closure of our UK Technology Permanent Business was the main contributory factor. One customer in the Professional Support Services segment represented approximately 16% of total NFI for 2015 (2014:12%). NFI from this customer declined in the first half of the year but stabilised in the second half. A new agreement has been signed with this customer to 31 December 2017. No other customer represents more than 5% of NFI.

The decline in activity levels in the Oil and Gas sector has impacted on all our overseas offices as well. In Asia we saw a 34% NFI growth in our legal practice and 62% growth in our Technology practice although this only partially offset the decline in Oil and Gas NFI. Overall, Rest of world NFI decreased 36% to £6.6m (2014: £10.3m).

Oil and Gas NFI is predominantly contract and this is the main factor contributing to the reduction in contract NFI which reduced to £10.5m (2014: £15.2m). In our permanent business, the permanent contract market in Oil and Gas completely dried up during 2015. In addition, we closed our Technology Permanent business. Permanent NFI reduced to £8.0m (2014: £12.9m). The balance between contract and permanent business continues to move in favour of contract, with fees from contract placements representing 57% of NFI and permanent fees 43% of NFI (2014: 54%:46%).

Exceptional Costs

The Board continued its comprehensive review of the business throughout 2015 to bring operating costs down in line with the reduction in NFI, closing unprofitable practices such as the UK Tech permanent placement business, impairing leasehold improvements on the floors sub-let at our London Head Office and impairing software development that was not supported by future economic value to the Group. The carrying value of goodwill predominantly relates to the UK element of the Professional Support Services operating segment. Following a review of the carrying value and the reduced activity during 2015, the Board considers it appropriate to take an impairment charge of £3.5m (2014: £nil). In total the Group has taken an exceptional charge of £5.5m (2014: £2.0m) associated with the one-off costs of these changes.

Cost savings resulted in administration costs for the year reducing by £6.4m to £19.2m (2014: £25.6m).

Headcount

Total headcount at 31 December 2015 was 30% lower than 2014, at 199 (2014: 285). Average total headcount for the year was 227, 34% down on the previous year (2014: 343).

Finance costs

Finance costs halved from the previous year to £0.1m (2014: £0.2m).

(Loss) / Profit before taxation

Loss before taxation for the year before exceptional items was £0.6m (2014: Profit £2.4m). Adjusted EBITDA was (£0.04m), (2014: £3.15m). Adjusted EBITDA is calculated before exceptional items of £5.49m (2014: £1.99m) and a share based payment charge of £0.17m (2014: £0.02m).

Taxation

There was a nil tax charge for the year (2014: £0.5m), giving an effective tax rate of 0% (2014: 100%).

In total, at the reporting date, the Group had unutilised tax losses of £3.9m (2014: £2.4m) available for offset against future profits, for which no deferred tax assets had been recognised.

Dividend

The Board does not propose paying a dividend in respect of 2015 (2015: 4.6p).

Earnings per share

Basic loss per share was 27.52p (2014: 0.42p). Diluted loss per share was 26.12p (2014: 0.41p). Pre exceptional items, basic loss per share was 3.12p (2014: earnings, 8.47p), and diluted loss per share was 2.96p (2014: earnings, 8.25p)

Balance Sheet

Net assets at 31 December 2014 decreased by £6.8m to £18.4m (2014: £25.2m).

The carrying value of goodwill was impaired by £3.5m (2014: £nil) to £10.1m (2014: £13.7m). Impairment charges were taken on software development of £0.4m, which is included in other intangible assets. The cost of the development was not supported by any future economic value to the Group. In addition, on property, plant and equipment, an impairment charge of £0.6m on the leasehold improvements on the two floors sub-let was taken.

Trade and other receivables reduced by 50% to £15.6m (2014: £31.1m). At the end of 2014 there was a delay in payment of £5.0m from a client which resulted in a temporary increase in trade receivables to £16.2m. Trade receivables at the end of 2015 were 60% down on 2014 at £6.4m. The main reasons for the reduction were improved working capital management, lower NFI in 2015 and the receipt of the delayed payment of £5m in early 2015. Days sales outstanding decreased to 22 days (2014: 31 days).

Time worked by contractors for the month of December is accrued on a gross basis in the financial statements, with revenue to be billed included in prepayments and accrued income within current assets, and payments due to contractors included in accruals and deferred income within current liabilities. Fees recognised for permanent placements not yet invoiced or with start dates after 31 December 2015 (forward fees) are also included in prepayments and accrued income. The 38% drop in accrued income to £9.0m (2014: £14.5m) is consistent with the 34% drop in NFI during the year. The slightly higher rate of reduction can be attributed to the increased focus on reducing the time to invoice the client.

Treasury management and currency risk

Approximately 81% of the Group’s revenue in 2015 (2014: 83%) was denominated in Sterling. For contract revenue, the Group aims to pay and bill in the same currency to provide a natural hedge for the majority of its revenues. The Group has not utilised foreign currency options during the year to manage the foreign exchange risk on its non-Sterling fees.

Cash flow and cash position

The Group started 2015 with net debt of £6.7m and was cashflow positive during the year, generating £11.5m from operating activities (2014: £0.2m). There was, however, a delay in a client payment of £5.0m over the

2014 financial year end which, when adjusted for, reduces the £11.4m generated from operating activities to £6.4m.

The cash impact of exceptional items was an outflow of £1.2m (2014: £1.5m).

A final dividend for 2014 of £0.7m was paid in May 2015.

At 31st December 2015 the Group had net cash of £2.6m (2014 net debt: £6.7m).

Bank facilities

The Group has an Invoice Discounting Facility of £18.0m, which was renewed in February 2015 with a commitment to April 2018. The maximum utilisation in 2015 was 54% (2014: 71%).

The Group also had a Revolving Credit Facility ("RCF") of £3.0m, for a three year term to July 2015. In February 2015 the Group repaid and cancelled the RCF as it was surplus to funding requirements.

Reserves

As a result of the Group's trading performance and the exceptional costs incurred during the year the consolidated group balance sheet at 31st December 2015 had negative retained earnings of £2.1m (2014 retained earnings: £4.9m. However, the parent company has retained earnings of £10.0m (2014: £13.5m).

Going concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain.

The Group has two revenue streams, permanent and contract recruitment. The cash flow characteristics of the two streams interact in a complementary fashion. The permanent business, which has minimal working capital requirement, is cash generative during the growth phase, and with tight cost control, near to cash neutral in a downturn. By contrast, the contract business has a large working capital requirement, and requires significant cash investment during a period of growth, but is cash generative in the first periods of a downturn which is what we experienced in 2015.

The Group has an Invoice Discounting Facility of £18m, which was renewed in February 2015 with a commitment to April 2018. The maximum utilisation in 2015 was 54% (2014: 71%).

The Group's £3m Revolving Credit Facility RCF was repaid and cancelled in February 2015. Further details of borrowings are given in note 15 to the accounts.

The Group has prepared financial forecasts for the period to 30 June 2017 and the directors have a reasonable expectation that the Group will have sufficient cash flow and available resources to continue operating in the foreseeable future. On these grounds the Board has continued to adopt the going concern basis for the preparation of the financial statements.

RESOURCES AND RELATIONSHIPS

Systems

The investment in resilient, Cloud-based IT systems has enabled Hydrogen to become a global recruiter, with a central database of information available to all employees, no matter where they are in the world.

Clients and Candidates

The personal relationships we build with clients and candidates over time are very significant in generating sustainable value for the Group. 2015 saw the sixth year of production of the Global Professionals on the Move report, a research study on trends, influences and perceptions affecting global recruitment, undertaken in conjunction with ESCP Europe Business School. The report provides a valuable insight for companies looking to attract top talent, no matter where they are in the world and draws on the experiences of candidates who have built their careers with Hydrogen.

Employees

Continued changes to the business resulted in a further reduction of headcount in 2015. The operational support needed for sales activity was proportionally lower, so the total number of employees at 31 December 2015 reduced to 199 (2014: 285). The review of underperforming areas had consequences for all employees and the Board appreciates the support of those who have worked through a difficult year to turn around the business.

The Board recognises the importance of engaging employees and supporting them through performance management initiatives. There continue to be regular meetings and updates at all levels of the business, from daily and weekly team sessions and monthly regional sales meetings through to an Annual Global Meeting held in January, streamed to all offices around the world, in which the best sales performances are celebrated.

The Hydrogen Group Code of Conduct

The new Code of Conduct was launched in the autumn of 2014 and is available on the Group's website for all employees and potential employees, candidates, clients, suppliers and business partners. The Code sets out expectations of business behaviour, including Hydrogen's policies on anti-corruption, equal opportunities and diversity, health and safety and use of the internet and social media.

Equal opportunities and diversity

The Group is committed to the principle of hiring based purely on individual merit, both for its own staff and for clients. Job boards and social media are used to try to attract talent from a wide range of sources and we select our staff and offer career development and promotion opportunities on a non-discriminatory basis.

This includes giving equal consideration to applications for employment and onward career development at Hydrogen from people who may have a disability. In the event of an employee becoming disabled, we will make practical changes and make every effort to enable them to continue to work for us.

The focus on individual skills and capability flows through to the records we keep of applicants and employees. We hold only such information as is needed to determine a person's suitability for their role, to ensure compliance with employment law and, in respect of candidates, to meet clients' requirements for each particular role. The Group does not intend to monitor the diversity of employees in more detail but will concentrate on capturing skills, to enable us to find the best person for any role we offer.

At the end of 2015, people employed within the Hydrogen Group, including active non-UK subsidiaries, were split as follows:

	Men	**Women**	**Percentage**
Board	3	1	75%:25%
Senior Managers	3	6	33%:67%
Other employees	101	85	54%:46%
TOTAL	**107**	**92**	**54%:46%**

Health and Safety

The Health and Safety policy applies to all offices in the Group, with specific operational responsibility delegated to managers at each location to ensure compliance with relevant local laws and regulations. There have been no major incidents this year.

In 2013, a new crisis response system was introduced to reinforce the support given to contractors working on client projects, sometimes in difficult or unstable parts of the world. We are working with red24, a specialist crisis management assistance company which has wide experience of dealing with emergency situations. All contractors are issued with a red24 Crisis number at the start of their contract with Hydrogen, as well as having ongoing support from the in-house Contractor Care team. There is a clear procedure for responding quickly to situations where a contractor or employee may be in danger. There were no emergency situations of this kind in 2015.

Environment

We operate from modern, serviced offices with energy efficient power and lighting systems. We do not use combustible fuels and our electricity costs are low. As a larger UK employer, Hydrogen will comply with the Government's new regulations on energy use assessment and will be participating in the Energy Savings Opportunity Scheme in respect of the headquarters office in London. The Board believes that further disclosure is not material for shareholders.

Principal risks and uncertainties facing the Group

Hydrogen's business model and strategy are designed to increase placements and profitability without increasing risk beyond an acceptable limit. The profile of risks fluctuates from time to time and the actions being taken to manage and control risks are intended to mitigate the effects on the business, but cannot eliminate risks absolutely.

A summary of the principal risks which would affect Hydrogen's ability to continue in business appears in the following table. Any significant changes in the potential level of risk since the end of 2015 are noted in the commentary.

Type of risk	Potential impact on business	Mitigation
Macro-economic climate (e.g. UK leaving the EU)	Recruitment activity levels are strongly affected by changes in economic confidence.	The Group operates multiple practices, filling both permanent and contract roles. Exposure to industries with differing economic cycles and geographic diversification is intended to mitigate against specific sector or regional downturn. The downturn in the Oil & Gas sector has impacted on the business but this is being partially offset by growth in Hydrogen's other practices.
Client Concentration	One customer in Professional Support Services represents approximately 16% of the Group's net fee income for 2015.	Hydrogen has signed a new agreement with the major customer to 31 December 2017. It is part of Hydrogen's strategy to increase business with its existing customer base and build business with new customers across all its practices.
Competition	The recruitment industry in which Hydrogen operates is highly competitive. There is a low barrier to entry which means that many new businesses are started in this sector each year. The risk to Hydrogen is competition for quality clients and candidates. The highly competitive nature of the sector creates a downward pricing pressure.	The Group operates in tightly defined niches, where candidates are hard to find, and often passive. Building a quality candidate pool provides best levels of talent solutions to clients and minimises downward pressure on pricing. Propositions for all Practices and teams are continually being refined to remain competitive in the environment and to adapt to changes in the market.

Staff	Talent is not managed sufficiently within the Group so there is a perceived lack of career opportunity within the Group which increases staff turnover.	Training and development is provided to our people to develop them to their maximum potential. Competitive remuneration packages and incentive schemes are in place and are continually reviewed.
Candidates	The Group needs both to be able to source high quality candidates who are willing to move to a new position and to develop and maintain global relationships with clients across a range of geographies and sectors.	Hydrogen recruits for mid to senior positions in carefully selected markets where it is difficult for clients to recruit directly. It Identifies passive candidates through dedicated digital research teams. Up to date information is maintained on current candidates through regular contact by consultants.
Data security and access	IT system failure or loss of confidential data	IT systems are cloud based with tier 1 suppliers. There is ongoing staff training on data protection combined with an in-house legal and compliance function to ensure correct processes are followed.
Financial Control	Financial loss could result from procedures to maintain financial control across the business not being adequate.	A formal system of delegated authorities over payments is in place. The Finance function is managed centrally, with regular reporting to sales leaders. Material areas of financial control are audited annually.
Foreign Exchange	Fluctuations in exchange rates up to the date of settlement of invoices can have an adverse impact on reported NFI and lead to foreign exchange gains/losses impacting reported profit.	For contract placements, revenue and costs are currency matched. Credit periods are minimised and transactions are carried out in local currency where possible. The Group does not hold large currency balances. Foreign exchange policy and opportunities for risk mitigation are reviewed by the Board and the Audit Committee.
Liquidity	Insufficient working capital or a significant increase in debt would impact the Group's ability to do business.	Permanent and contract businesses have different working capital requirements. Credit terms and cash collections are managed carefully and cash balances and cashflow forecasts are reviewed on a monthly basis. The Group currently has sufficient credit facilities in place.

There is a clear framework of authorities within the business, up to and including a schedule of matters which can be agreed only by the Board. Hydrogen does not have any contractual arrangements with any single significant individual or company which are essential to the continuation of the business.

The Board has not delegated its responsibility for financial risk management, including the management of treasury activities. Further information on interest rate, credit, liquidity and foreign currency risks is given in note 25 to the financial statements.

The Strategic Report was approved by the Board of Hydrogen Group plc on 22 March 2016 and signed on its behalf by:

Ian Temple

Chief Executive

The Board

Stephen Puckett, Chairman

Member of the Board since 2012
Chartered Accountant
Significant knowledge of the global recruitment industry with over 11 years' experience as Group Finance Director of Michael Page International plc (now Page Group plc)
Chairs the Audit Committee and the Nomination Committee (from March 2015); member of the Remuneration Committee
Also a director of: ITE Group plc and Redcentric plc

Ian Temple, Chief Executive

Member of the Board since 2005
Co-founder of Hydrogen and experienced recruiter
Chartered Accountant
Experienced advisor to other growth companies
Consultant to: ByAlex Limited; Leading Edge Coaching Limited

Colin Adams

Member of the Board since May 2015
Chartered Accountant
Quoted Company CFO for nearly 20 years

Anne Baldock, Senior Independent Director

Member of the Board since 2012
Member of Audit, Remuneration and Nomination Committees
Experience of practice expansion as a former partner (and Global Head of Projects, Energy and Infrastructure) of international law firm Allen & Overy LLP
Sector experience includes power, engineering, energy and major infrastructure projects
Also a director of: Nuclear Liabilities Financial Assurance Board; Thames Tideway Tunnel Ltd; Low Carbon Contracts Company Limited and the Electricity Settlements Company Ltd; trustee of Cancer Research UK

Directors during the year to 31 December 2015

Tim Smeaton, CEO (to 4 March 2015)

John Glover, Finance Director (to 4 March 2015)

Martyn Phillips, Non Executive Director (to 30 September 2015)

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Corporate Governance report

For the year ended 31 December 2015

Statement on Corporate Governance

Hydrogen does not seek to comply with the UK Corporate Governance Code for larger listed companies. The Company's general approach has been to put in place governance structures and provide information which would be expected for companies in the top half of the Alternative Investment Market by market capitalisation.

Hydrogen's corporate governance framework adopts most, but not all, of the recommendations of the UK Corporate Governance Code and follows the principles of the 2013 QCA Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA Code"). The QCA Code recommends that smaller companies apply its twelve principles in the way best suited to their size and market capitalisation. Hydrogen has chosen to adopt best practice in terms of Board composition, the structure and operation of Board Committees, linkage between remuneration, strategy and risk, regular communication with investors and an annual evaluation of effectiveness. More limited disclosures of non-financial information take account of the fact that Hydrogen remains a small company and those disclosures are not material to the business of the Group.

Hydrogen has a concentrated share register of investors who generally have a good understanding of Hydrogen's business.

The strongest focus has therefore been given to the areas of governance intended to give assurance to shareholders that decisions are taken for the benefit of the Company as a whole. These areas include having independent challenge from Non-Executive Directors, clear Terms of Reference for both the Board and its Committees and ensuring that senior remuneration is proportionate and directly linked to the success of the Company.

The Board believes the overall governance framework is strong and suitable for Hydrogen's size.

The report which follows explains the governance arrangements in more detail and include reports from the specialist Audit and Remuneration Committees, which are presented by the directors who chaired the respective Committees during 2015.

Stephen Puckett
Chairman

Ian Temple
Chief Executive

21 March 2016

Board Composition

The Board of Directors at the beginning of 2015 comprised Ian Temple (Chairman), Tim Smeaton (CEO), John Glover (Finance Director) and three Non-Executive Directors (Anne Baldock, Martyn Phillips and Stephen Puckett).

Following the changes announced in March 2015, the current members of the Board are Stephen Puckett (Chairman), Ian Temple (Chief Executive), Colin Adams (Chief Financial Officer) and Non-Executive and Senior Independent Director Anne Baldock. Their biographies appear on page 10.

Martyn Phillips resigned as Non Executive Director with effect from 30 September 2015.

Colin Adams was appointed as Chief Financial Officer with effect from 21 May 2015.

In 2015, the skills and experience taken into account in the composition of the Hydrogen Board were:

- detailed knowledge of the recruitment industry
- financial acumen
- Board experience in listed companies and/or people businesses with international operations
- a strong understanding of the expectations of the Group’s key stakeholders – investors, clients, candidates and regulatory agencies
- for non-executive director positions, professional qualifications or experience relevant to the working of the Audit, Remuneration and Nomination Committees
- credibility with employees, clients, advisers and the City community

Board Independence

As Chairman up to 4 March 2015, Ian Temple was not considered independent because of his previous executive role, his continuing substantial shareholding and the amount of time spent within the business. With effect from 4 March 2015, Ian Temple was appointed to the full time role of Chief Executive.

Stephen Puckett, Chairman from 4 March 2015, is independent, as is Anne Baldock, the Senior Independent Director. They act independently of management and are free from any substantial business relationship that could materially interfere with the exercise of their judgement. The Company Secretary maintains a register of outside interests and any potential conflicts of interest are reported to the Board.

The Non-Executive Directors are able to meet without the presence of the Executive Directors after Board or Committee meetings or otherwise, as needed. The Non-Executive Directors met separately from the full Board on three occasions during 2015.

Senior Independent Director

Stephen Puckett was the Senior Independent Director until 4 March 2015, when he was succeeded by Anne Baldock. The Senior Independent Director is the main point of contact for shareholders if there are any concerns that cannot be addressed through the Chairman or Executive Directors.

The Senior Independent Director is also available to anyone working for Hydrogen who wishes to raise a concern under the whistle-blowing procedure. Hydrogen Group operates a positive commitment and open approach to whistleblowing. Employees can contact the Senior Independent Director at any time and anonymously if they wish, via the Company Secretary.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed, that the Company complies with company law and the AIM Rules and that the Board receives the information it needs to fulfil its duties effectively.

All directors have access to the Company Secretary and his appointment (or termination of appointment) is a matter for decision by the full Board.

The Board in 2015

A review of performance in the early part of 2015 against the 2016 strategy indicated that the Group would not be able to achieve the original targets for NFI and profit set in 2012. The strategy of diversification had proved to be successful in transforming the Group's client list and reducing the risk of concentration on UK, professional services recruitment but it was agreed that the strategy should be reviewed to focus on securing sustainable profitability. A complete review of the strategy for the Group is fully underway and will be rolled out to all its operations in the early part of 2016.

The Board believes the action taken in 2014 and in 2015 has rebased the Group and has better aligned operating costs with expected levels of NFI going forward.

Board meetings and Committees of the Board

The Board expects to meet at least six times a year. In 2015, including full Board conference calls, the Board met ten times. In addition, authority was delegated to sub-committees on an ad hoc basis to deal with statutory matters such as final approval of the interim and final accounts statements and the Notice of AGM. These short sub-committee meetings are not included in the table of attendance below.

The Board has established three specialist committees (the Audit Committee, the Remuneration Committee and the Nomination Committee), in accordance with best practice recommendations. Each Committee has a majority of Non-Executive Directors and operates with defined terms of reference which are reviewed annually and are available on the Group's website: http://www.hydrogengroup.com. Directors who are not members of a particular Committee may attend by invitation of the Committee Chairman. The matters addressed by each Committee are reported on in brief at each subsequent Board meeting so that the full Board is aware of any issues arising.

Attendance by each director at full meetings of the Board and Board Committees of which they were a formal member during 2015 is summarised in the table below.

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Stephen Puckett (Non-Executive Chairman)	10/10	3/3	4/4	1/1
Ian Temple	10/10	N	N	2/2
Colin Adams	6/6	N	N	N
Martyn Phillips (Non-Executive)*	5/6	N	2/2	4/4
Anne Baldock (Non-Executive)	9/10	3/3	4/4	3/4
Tim Smeaton*	1/2			
John Glover*	2/2			

N Not a member of the Committee

* *up to date of resignation from the Board*

Executive Board

Maximising the opportunities open to the Group on a day to day basis is the responsibility of the Executive Board. It acts as a separate group, under delegated authority from the Board and represents the highest level of operational management in the business. The limits of its authority are set by Terms of Reference approved by the Board.

The Executive Board is composed of the CEO, CFO, COO and IT Director.

Audit Committee

The Audit Committee's primary responsibilities are to review the financial statements and any changes in accounting policy; to have assurance that there are suitable internal controls and risk management systems in place; to consider the appointment of the external auditors and their independence; and to review audit effectiveness. Martyn Phillips was appointed to the Audit Committee with effect from 3 March 2015 and resigned with effect from 30 September 2015.

The Audit Committee is made up of independent Non-Executive Directors, Anne Baldock, the Committee Chairman and Stephen Puckett.

The Audit Committee's report on its work during the year appears on page 17.

Risk management and internal control

The Board has not delegated responsibility for risk management and internal control. In line with its focus on improving profitability, the Board supported management action to reduce ongoing costs but has continued to monitor the risks arising from the changes made. A principal risk, which has continued into 2016, arises from the need to recruit, retain and develop a high level of skills within the restructured sales teams, in order to take advantage of opportunities where there is clear client demand and productivity is already above target levels.

The Group is also affected by external economic and market factors, such as the continued fall in global oil prices. A table of the principal risks which could impact the Group's operations is set out on pages 8-9.

Internal Controls

The Group's system of internal control is designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication.

The system of controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Examples of control procedures within the business include:

- Executive Board and PLC Board reviews of performance against annual budget at each meeting
- Monthly and quarterly meetings of the Executive Board to address operational issues
- New management information systems rolled out to enable team leaders and managers to monitor live performance
- Productivity per head targets to be achieved before hiring additional headcount
- All bank accounts and balance sheet accounts reconciled monthly
- Line manager and director approval of all purchase invoices within set authority limits
- Dual bank signatories for all payments, again within pre-determined authority limits
- All expenses reclaimed by employees require director authorisation
- Independent verification of deals by a separate Quality Assurance team before revenue is recognised in financial statements
- Restriction of user access to IT and CRM systems

The independent auditor, Grant Thornton UK LLP, does not perform a comprehensive review of internal control procedures at the half year stage but reports to the Audit Committee on any deficiencies during the course of the annual audit, which covers key subsidiaries within the Group as well as the consolidated financial reporting.

Remuneration Committee

The Remuneration Committee reviews the remuneration packages for members of the Executive Board and for the Chairman, so that the Chairman does not preside over decisions about his own remuneration.

During 2015, the Chairman of the Remuneration Committee was Martyn Phillips up until his resignation on 30 September 2015 and then Anne Baldock. The other member was Stephen Puckett. The full Board has been kept up to date with changes in headcount and remuneration during the year.

Further information about the Remuneration Committee is available on the Group's website: http://www.hydrogengroup.com/en/2015-03-23-12-38-58/governance/remuneration-committee.The Directors' Remuneration Report can be found on pages 18-25.

Nomination Committee

The Nomination Committee is responsible for establishing the process for any appointment of new Directors, for making recommendations on Board composition and balance and for Board succession planning. During 2015, Stephen Puckett chaired the Committee, with Martyn Phillips and Anne Baldock as the other members. Stephen Puckett assumed Chairmanship of the Committee with effect from 3 March 2015 and Martyn Phillips resigned with effect from 30 September 2015. Ian Temple was in attendance.

Board effectiveness

The Board considers that it has shown its commitment to leading and controlling the Group by the actions taken during 2015 and into 2016. There is a statement of senior responsibilities approved by the Board, clear delegation of authorities to Committees and the Executive Board and a formal Schedule of Matters reserved for Board decision is in operation. The Schedule of Matters reserved for Board decision and Terms of Reference for all Board Committees and for the Executive Board may be downloaded from the Group's website: www.hydrogengroup.com

Performance evaluation

There was a complete change of Executive team on the PLC Board and Executive Board members in 2015. A formal evaluation of Board effectiveness will be undertaken in 2016.

Annual re-election of Directors

The Board intends that all directors should seek re-election by shareholders at each AGM. The names and details of directors who will seek election or re-election at the AGM will be confirmed in the Notice of AGM, expected to be published in April.

Dialogue with shareholders

Many of those who continue to hold shares in Hydrogen are, or have been, employed within the business. The original founders of the business still hold considerable share interests and retain a strong interest in Hydrogen's success and reputation in the market.

The split of shareholdings at the date of this report was approximately as follows:

Type of shareholder	% of total issued share capital
Hydrogen founder (current management)	16.94
Other Hydrogen founders	40.99
Other directors and employees/employee trusts	7.22
Institutional investors	27.67
Retail brokers & individuals	6.46
Other (broker holdings, stock lending etc)	0.72
TOTAL	100.0

The Board seeks to build on a mutual understanding of objectives between the Group and its shareholders by communicating regularly during the year and providing information on the Group website. Investors are encouraged to attend the AGM and ask questions to make their own assessment of the Group's position and prospects.

Audit Committee Report

For the year ended 31 December 2014

The Audit Committee's work this year was directly linked to the Group's focus on rebasing the Group's cost base and ensuring robust cut-off procedures for revenues and costs.

Meetings of the Audit Committee in 2015

The membership of the Committee and its Committee's Terms of Reference are set out on the Group's website: http://www.hydrogengroup.com/en/2015-03-23-12-38-58/governance/audit-committee.

Time was allowed at the end of each meeting for discussion without any executives being present, to allow the external auditor to raise any issues of concern. 2015 saw a high degree of staff change, mainly at senior level and the implications for the Finance team and the control environment were discussed.

Risk and internal control

The Board has not delegated responsibility for the overall task of managing risk and control. A table explaining the major risks and steps taken to mitigate them is included within the Strategic Report.

The Audit Committee reviews internal controls and risk management procedures in the context of any issues which arise during the external audit process, or if concerns are raised by a member of the Board or by an employee under the "whistle blowing" procedures. Included in the review is consideration of the need for an internal audit function.

The Board has discussed the need for a full internal audit function and will keep the matter under review. The Audit Committee can, and does, ask for particular control areas to be reviewed – whether by management, the compliance and quality assurance team, by independent accountants or by the external auditors as part of the annual audit.

External Audit

The Committee has primary responsibility for the relationship between the Company and its external auditor. Representatives from Grant Thornton are invited to attend Committee meetings and the Chairman of the Committee meets less formally with the lead audit partner, as needed.

The independence of the auditor is kept under review and is reported on twice a year, as part of the Audit findings Report presented to the Committee by the auditor.

Grant Thornton's procedures provide for regular refreshing of audit teams. A new partner has rotated onto the account for the 2015 Audit.

The Committee monitors the external auditor's proposed scope of work and the value of fees paid, to ensure that independence is not compromised. In the year to 31 December 2015, audit fees for the Group totalled £98,000 (2014: £91,000), compared with non-audit fees, including advice on the Interim Review, of £56,481 (2014: £36,000). The Corporation Tax account has been awarded to Smith & Williamson LLP.

The Committee is satisfied with the independence, objectivity and efficiency of the external auditor and the Committee has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the re-appointment of Grant Thornton UK LLP as the statutory auditor will therefore be proposed at this year's AGM.

Whistle-blowing and anti-corruption measures

There were no "whistle-blowing" (public interest) disclosures during the year. A revised Code of Conduct issued in September 2014, available on the Group website, includes an updated anti-corruption policy, and new training has been rolled out from the Executive Board downwards.

This report was approved by the Audit Committee and the Board on X March 2016 and was signed on its behalf by:

Anne Baldock
Chairman of the Audit Committee

Statement of policy on directors' remuneration

Hydrogen Group plc's remuneration policy is

i) to provide a remuneration package to attract, retain and motivate directors and senior managers with the appropriate leadership skills and experience to realise the Group's strategic objectives;

ii) to pay fairly; and

iii) to reward performance in a way which seeks to align the interests of management with those of shareholders.

The Role of the Remuneration Committee

The membership of the Committee and its Terms of Reference are made public on the Group's website: http://www.hydrogengroup.com/en/2015-03-23-12-38-58/governance/remuneration-committee. The Terms of Reference were adopted in December 2013 and were reviewed and updated in February 2015.

The Remuneration Committee's work in 2015 fell within four main headings:

The Remuneration Committee's work in 2015 consisted of:-

- Evaluating performance of senior management for the year ended 2015
- Setting remuneration for the Chairman and CEO
- Implementation of a share option scheme and the granting of options; and
- Reviewing and implementing Bonus Schemes for Senior and Executive Management

The Committee met separately on four occasions during the year in February, March and twice in December.

Contracts

Ian Temple's contract reflects his continuing employment status, with 12 months' notice of termination required from either party. Restrictive covenants apply for 9 months following termination for Mr. Temple.

The contract for Colin Adams as Chief Financial Officer provides for 6 months' notice to be given. Restrictive covenants apply for six months following termination for Mr. Adams.

On termination, any compensation payments due to a director would be calculated in accordance with normal legal principles and take into account bonuses accrued up to the final date of employment and payable by reference to the terms and performance conditions of the remuneration scheme already agreed for that year. There are no additional compensation payments and any departing director would be expected to abide by the common law duty to mitigate losses.

Share based incentives

With the Group going through its current restructuring it was considered essential to retain and motivate employees going forward. Granting options to key employees was seen as a way of improving staff retention and improving motivation. During the year 2.54m shares were granted under option with a two year vesting period. These options are part of a wider ranging review of remuneration and incentive scheme which is ongoing into 2016.

The Committee remains keen to keep the interests of senior employees and shareholders aligned and to maintain a high proportion of variable performance-related pay within executive remuneration packages.

Linking reward to business strategy

Remuneration remains the biggest single cost to the business. The business restructuring focused on improving performance and notable savings were delivered not only from headcount reduction but also incidental costs such as commissions, benefits and travel costs. In the second half of the year the management team, led by Ian Temple as CEO, began a detailed review of remuneration structures to make sure that they reward profitable growth and drive the right behaviours. The impact of changes in overall remuneration arrangements will continue to be matters for full Board discussion and approval.

Information and Advice

The Committee did not undertake formal benchmarking of directors' remuneration in 2015. The Company does not have retention agreements with any external remuneration consultants and no consultants were used by the Committee this year. Advice was taken from external lawyers Hine Legal in relation to the updating of directors' service contracts. Limited advice on taxation aspects of share schemes was provided by PricewaterhouseCoopers LLP.

The Committee does not consult with employees on remuneration policy for directors.

Executive Directors' Remuneration

The remuneration package for executive directors is made up of:

1) base salary;
2) benefits, including a company car allowance, a contribution towards a Group-sponsored defined contribution pension arrangement which meets the requirements for auto-enrolment, private medical insurance and life cover;
3) a discretionary bonus; and
4) long term, share-based incentives which are subject to performance conditions linked to the financial performance of the Group over a number of years

Base salaries in 2015

Ian Temples' pay was increased on moving from Chairman to CEO and Stephen Puckett's salary was increased in March 2015 on moving from Senior Independent Director to Chairman. The remuneration package was agreed with Colin Adams, CFO, prior to joining the business in May 2015.

Discretionary bonus

As the Group did not make a profit during 2015, no bonuses were paid to the Directors.

Pension

The Group contributes to a third party defined contribution pension scheme for senior managers and directors. The Group makes no recommendations on individual investment decisions and there is no guarantee of the final pension amount which may result from those investments.

Outside appointments

The Board's general policy is that Executive Directors may accept Non-Executive Director roles with other companies, so long as there is no conflict of interest and their effectiveness is not impaired. Any proposed new appointment must be approved by the Board. In such cases, the Executive would be permitted to retain any external director fees. Neither of the Executive Directors currently holds any external directorships.

Non-Executive Directors' Remuneration and Terms of Service

Non-Executive Directors serve under the terms of a Letter of Appointment. The standard form letter expects directors to serve for a period of one or two terms of three years, which may be extended for a further three years by mutual consent. The Letter sets out the time commitment and duties expected of each individual. A copy of a standard form of Letter is available on the Group's website at www.hydrogengroup.com.

The appointments of Anne Baldock and Stephen Puckett were all made on this basis, taking effect on 7 September 2012.

The Group's policy is to pay Non-Executive Directors at a rate which is competitive with similar companies and reflects their experience and time commitment. Additional fees are paid for Chairmanship of the Audit and Remuneration Committees. Stephen Puckett replaced Ian Temple as Chairman during the year and this is reflected in the payments made to both of them, as shown in the table on page 24.

As Non-Executive Directors are not employees, they do not receive benefits or pension contributions and they are not entitled to participate in any of the Group's short term bonus or long term incentive plans.

Directors' insurance and indemnity

Directors' and officers' liability insurance is provided at the cost of the Group for all directors and officers. Article 174 of the Articles of Association provides for the Company to indemnify directors against losses and liabilities properly incurred in the execution of their duties.

Link between Directors' Remuneration and Group Strategy

The following table sets out the key elements of the Group's remuneration policy for executive directors and the linkage between directors' remuneration and the Group's renewed strategic focus on sustainable profit.

	Objective and link to strategy	**Key features**	**Comments and performance criteria and assessment**
Service contracts	Contracts provide clarity for both parties and protect both the individual and the Group's interests.	Contracts were updated in 2014. Executive directors' contracts specify a 12 month notice period for I Temple and 6 months notice period for C Adams and contain restrictive covenants to protect the Group's interests.	The Group will not normally make non-contractual payments on termination.
Base salary	Level of base salary recognises individual responsibilities, leadership and significant contribution to the business.	Contractual obligation - reviewed annually by the Remuneration Committee.	Annual salary review takes account of the current and forecast financial performance of the Group, individual performance and published remuneration information for similar companies. Base salaries were not increased in 2015.
Benefits	Benefits are competitive and promote continued service. The costs of providing benefits are reviewed regularly.	Contractual benefits include a company car allowance, life assurance and private health insurance.	Benefits are also available to managers below Board level, depending on seniority.
Pension contribution	Encourages provision for the future in a cost efficient way which meets auto-enrolment requirements and does not increase risk to the Group.	Contribution of up to 5% of salary into an externally provided defined contribution pension arrangement.	Matching contribution is also available to managers below Board level. No difference in operation for directors.
Annual bonus	Every employee participates in some form of short term incentive scheme. The schemes aim to focus attention on short term actions which will drive improved performance.	Awarded at the discretion of the Remuneration Committee subject to achievement of performance conditions.	Profit target applies to all Executive Board bonuses. The target for 2015 profit was not achieved and therefore no performance related bonus was paid to any member of the Executive Board.
Share options	The Company historically used EMI and Unapproved share option schemes to retain and reward employees and directors. 2013 LTIP options have been awarded only to Executive Board members who have	Awards are made by the Remuneration Committee on behalf of the Board. The level of awards made was within dilution limits. Awards were planned to vest in two tranches, split equally to avoid a cliff edge	Vesting of awards depends on compound annual growth in Group NFI and PBT over the performance period and achievement of a relevant Key Performance Indicator ("KPI") for each individual. Awards could start to vest from March 2017, at the discretion of the Committee,

	direct influence over Group performance. Performance criteria for the exercise of these awards were directly aligned with the 2016 strategic goals but profit remains the key driver.	effect. The rules of the 2013 LTIP permit the Committee to clawback amounts from participants in certain limited circumstances.	if performance reaches target levels by 31 December 2016. However, significant growth in both profit and NFI would need to be made in 2015 and 2016 for these targets to be achieved. The Board's assessment at 31 December 2015 is that no options will vest at 31 December 2016. On that basis no provision has been made for share-based costs relating to the 2013 LTIP. The Board will continue to assess the need for such a provision. A sustained improvement in performance would be needed up to 31 December 2017 to enable participants to reach the lower "Threshold" level required for vesting of a reduced number of options in March 2018.
Shareholding Policy	The policy is intended to align the interests of executive directors and Executive Board members with those of external shareholders.	The Remuneration Committee will take into account the value of each individual's personal holding of Hydrogen Group shares when making any future share-based awards.	Executive Board members will be expected to hold shares equivalent in value to 50% of their base salary in order to qualify for any future grant of share options.

Directors' interests in shares

Directors' beneficial interests in the shares of the Company at 31 December 2015 were as follows:

	Ordinary shares of 1p each held at 31 Dec 2015	Percentage of issued share capital at 31 Dec 2015	Ordinary shares of 1p each held at 31 Dec 2014	Percentage of issued share capital at 31 Dec 2014
Ian Temple	4,048,726	16.95%	4,048,726	17.07%
Stephen Puckett	50,000	0.21%	50,000	0.21%

There were no changes in the share interests of Directors between 31 December 2015 and 21 March 2016.

Share option schemes

As part of the ongoing incentivisation and retention programme a new EMI Share Option Scheme was set up in 2015 for senior leaders and key individuals within the Group.

In 2013 the Group introduced a long term incentive plan (2013 LTIP) for senior leaders within the Company. The participants included the two executive directors of the Company at the time, Tim Smeaton and John Glover. The purpose of the 2013 LTIP was to align long term incentives for senior executives and directors with Hydrogen's 2016 strategy and performance targets (see note 17).

Details of share options granted to directors of the Company and outstanding at the year end are set out in the table below:

	Year of issue	Options outstanding 1 January	Granted during the year	Forfeit during the year	Options outstanding 31 December	Earliest exercise date	Latest exercise date	Exercise price per option (£)
2015								
EMI Options								
Ian Temple	2009	12,000	-	-	12,000	31/03/13	20/10/19	0.01
Colin Adams	2015	-	330,000	-	330,000	31/05/17	31/05/25	0.01
Tim Smeaton	2006	124,200	-	-	124,200	29/09/06	29/09/16	0.805
	2009	6,709	-	-	6,709	31/03/13	20/10/19	0.01
John Glover	2007	26,404	-	(26,404)	-	01/09/10	12/07/17	0.01
	2009	28,808	-	(28,808)	-	31/03/13	20/10/19	0.01
		198,121	330,000	(55,212)	472,909			
Unapproved options								
Ian Temple	2012	38,000	-	(38,000)	-	31/03/15	03/04/22	0.01
Tim Smeaton	2009	5,291	-	-	5,291	31/03/13	20/10/19	0.01
	2011	138,000	-	-	138,000*	31/03/17	21/02/21	0.01
	2012	138,000	-	-	138,000*	31/03/17	05/06/23	0.01
	2013	74,000	-	-	74,000	31/03/17	05/06/23	0.01
John Glover	2007	4,312	-	(4,312)	-	01/09/10	12/07/17	0.01
	2009	9,192	-	(9,192)	-	31/03/13	20/10/19	0.01
	2011	38,000	-	(38,000)	-	31/03/17	21/02/21	0.01
	2012	38,000	-	(38,000)	-	31/03/17	03/04/22	0.01
	2013	174,000	-	(174,000)	-	31/03/17	05/06/23	0.01
		656,795	-	(301,504)	355,291			
		854,916	**330,000**	**(356,716)**	**828,200**			
2014								
EMI Options								
Tim Smeaton	2006	124,200	-	-	124,200	29/09/06	29/09/16	0.805
	2009	6,709	-	-	6,709	31/03/13	20/10/19	0.01
Ian Temple	2009	12,000	-	-	12,000	31/03/13	20/10/19	0.01
John Glover	2007	26,404	-	-	26,404	30/09/10	30/09/17	0.01
	2009	28,808	-	-	28,808	31/03/13	20/10/19	0.01
		198,121	-	-	198,121			
Unapproved options								
Tim Smeaton	2009	5,291	-	-	5,291	31/03/13	20/10/19	0.01
	2011	138,000	-	-	138,000*	31/03/17	21/02/21	0.01
	2012	138,000	-	-	138,000*	31/03/17	05/06/23	0.01
	2013	74,000	-	-	74,000	31/03/17	05/06/23	0.01
Ian Temple	2011	38,000	-	(38,000)	-	31/03/14	21/02/21	0.01

	2012	38,000	-	-	38,000	31/03/15	03/04/22	0.01
John Glover	2007	4,312	-	-	4,312	01/09/10	12/07/17	0.01
	2009	9,192	-	-	9,192	31/03/13	20/10/19	0.01
	2011	38,000	-	-	38,000*	31/03/17	21/02/21	0.01
	2012	38,000	-	-	38,000*	31/03/17	03/04/22	0.01
	2013	174,000	-	-	174,000	31/03/17	05/06/23	0.01
		694,795	-	(38,000)	656,795			
		892,916	**-**	**(38,000)**	**854,916**			

*Performance conditions and earliest vesting date extended to align with options issued in 2013

Performance criteria
The performance criteria for executive directors' share options are as follows:

Options issued in 2006:
Options vested in full on admission of Hydrogen Group plc to the AIM market in 2006.

Options issued in 2007:
Options vested in three tranches in the period 2008-2011 dependent on the profitability of Hydrogen Group plc in each of these three years. The performance criteria were met on 60% of the options, the remaining 40% lapsed.

Options issued in 2009:
Options vested in 2013 dependent on the profitability of Hydrogen Group plc in the period 2011 to 2012. The performance criteria were met on 53% of the options; the remaining 47% lapsed.

Options issued in 2011:
Options issued to Ian Temple in 2011 were due to vest in 2014 dependent on Group NFI and profitability in 2013. As these targets were not met, the options lapsed.

Options issued in 2011 to Tim Smeaton and John Glover had their vesting date and performance criteria extended during 2013. The earliest vesting date was extended to March 2017, dependent on performance conditions for the financial year 2016, consistent with options issued in 2013 under the Hydrogen Executive Long Term Incentive Plan.

Options issued in 2012:
Options issued to Ian Temple in 2012 were dependent on the achievement of performance criteria linked to growth in Group NFI and profitability up to 2014. As the targets were not met, these options will not vest in 2015.

Options issued in 2012 to Tim Smeaton and John Glover had their vesting date and performance criteria extended during 2013. The earliest vesting date was extended to March 2017, dependent on performance conditions for financial year 2016, consistent with options issued in 2013 under the Hydrogen Executive Long Term Incentive Plan.

Emoluments

The aggregate emoluments of the directors for the year were as follows:

	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pension £'000	Total £'000
2015						
Executive Directors:						
Ian Temple	210	6	-	216	11	227
Colin Adams	109	2	-	111	5	116
Tim Smeaton†	56	1	-	57	3	60
John Glover†&	63	-	-	63	2	65
Non-Executive Directors:						
Stephen Puckett	73	-	-	73	-	73
Anne Baldock*	27	-	-	27	-	27
Martyn Phillips†	26	-	-	26	-	26
Aggregate emoluments	**564**	**9**	**-**	**573**	**21**	**594**
2014						
Executive Directors:						
Tim Smeaton	225	2	-	227	11	238
Ian Temple	139	4	-	143	-	143
John Glover	167	-	-	167	8	175
Non-Executive Directors:						
Martyn Phillips*	36	-	-	36	-	36
Stephen Puckett*	36	-	-	36	-	36
Barbara Anderson†	21	-	-	21	-	21
Anne Baldock	27	-	-	27	-	27
Aggregate emoluments	**651**	**6**	**-**	**657**	**19**	**676**

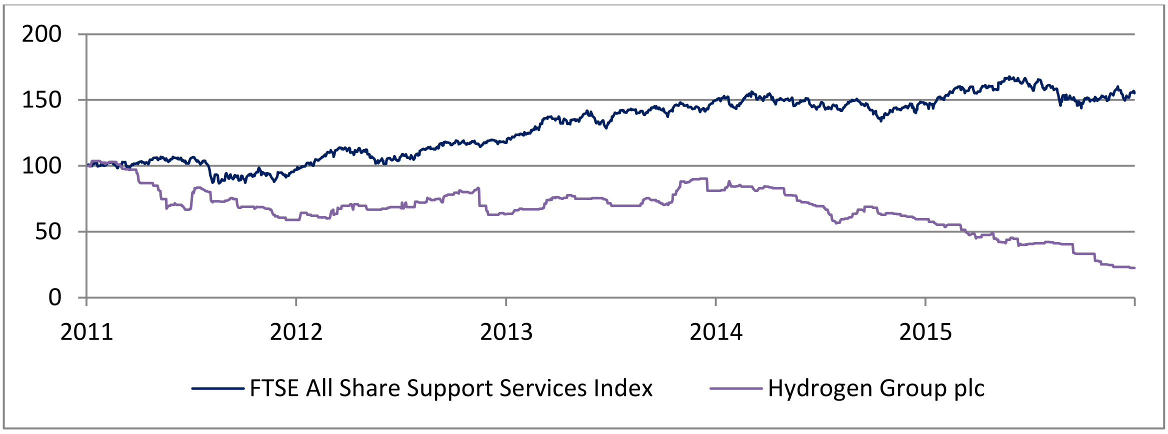
**Committee Chair*

† Up to date of resignation

& Includes severance pay of £21,667

Share price chart

Set out below is a graph of the Company's share price performance over the last five years, benchmarked against the FTSE All Share Support Services index.



Source: London Stock Exchange provided by Datastream

Shareholder resolution at the AGM

Shareholders will be given the opportunity to vote on the directors' remuneration report at the AGM. The Company's Remuneration Policy will not be put to a vote as this is not yet required under the AIM Rules.

The Directors' Remuneration Report was approved by the Remuneration Committee and by the Board on 21 March 2016 and was signed on its behalf by:

A Baldock
Chairman, Remuneration Committee

Directors' Report

The directors submit their report and the audited Group financial statements of Hydrogen Group plc for the year ended 31 December 2015. Hydrogen Group is a public listed company, incorporated and domiciled in England, and its shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange.

Substantial shareholders

At 9 March 2016, other than the directors' interests shown in the Directors' Remuneration Report, the Company was aware of, or had been notified under the Disclosure and Transparency Rules, of the following interests:

Shareholder	Interest in issued share capital at 9 March 2016
Tim Smeaton	12.03%
Chris Cole	10.31%
AXA Investment Managers SA	9.62%
Nicola Parker	6.51%
Charles Marshall	6.48%
Miton Asset Management	5.51%
Daniel Church	5.46%
Hydrogen Group Employee Benefit Trust (EBT)	4.86%
Church House Investments	4.06%

The factors important for shareholders to understand the development, performance and position of the Company's business are set out in the Strategic Report. The following table shows where other information required by the Companies Act 2006 to be shown in the directors' report can be found in this document:

Names of directors	Biographies of current directors appear on page 10; the names of directors during the year are listed in the Corporate Governance Report on page 13.
Directors' interests and indemnity provisions	Directors' Remuneration Report, page 20.
Results and dividends	Financial Review, pages 4-6.
Going concern confirmation	Financial Review, pages 4-6.
Subsidiaries	Notes to the parent company accounts, pages 64-69.
Capital structure	Note 18 to the accounts, page 54.
Expected future developments	Strategic Report, pages 2-6.
Use of financial instruments	Note 25 to the Accounts, page 59-61.
Information on employees, environment and community activities and confirmation that no political donations have been made	Strategic Report, pages 7-9.

AGM

The AGM will be held on Friday 20 May 2016 at 12 noon at 30 Eastcheap, London, EC3M 1HD. All shareholders are encouraged to attend. The resolutions to be put forward are detailed in the Notice of AGM, which will be published on the website and circulated to shareholders in April 2016.

Authority to purchase own shares

The directors were given authority at last year's AGM to purchase through the market up to 10% of the Company's issued share capital, subject to restrictions on price as recommended by investor institutions. No shares were purchased during the year. A request for renewal of the authority is included in the resolutions for this year's AGM. The Company has no current intention to use this authority.

There were no transactions in 2015 between the Company and the Employee Benefit Trust.

Auditors

Grant Thornton UK LLP offer themselves for re-appointment in accordance with Section 489 of the Companies Act 2006.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. The directors have confirmed that they have taken appropriate steps to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

By order of the Board

Colin Adams
Company Secretary

Hydrogen Group plc
Registered office: 30-40 Eastcheap
London EC3M 1HD
Registered in England and Wales, no: 5563206

21 March 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the directors' report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable law), including FRS101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and its Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Hydrogen Group plc

We have audited the group financial statements of Hydrogen Group plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the parent company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 "Reduced Disclosure Framework".

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 Statement of directors' responsibilities on page 28, the directors are responsible for the preparation of the group 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 Group 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS, as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the group 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 by the parent company; or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Simon Bevan, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, London
21 March 2016

HYDROGEN GROUP PLC

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Revenue	1	**122,765**	169, 430
Cost of sales		**(104,200)**	(141,279)
Gross profit	1	**18,565**	28,151
Administration expenses		**(19,193)**	(25,599)
Operating (loss)/profit before exceptional items	1	**(628)**	2,552
Exceptional items	4	**(5,493)**	(1,988)
Operating (loss)/profit		**(6,121)**	564
Finance costs	2	**(80)**	(196)
Finance income	3	**5**	17
(Loss)/profit before taxation	5	**(6,196)**	385
Income tax expense	7	**-**	(479)
Loss for the year	20	**(6,196)**	(94)
Other comprehensive losses:			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(136)**	(69)
Other comprehensive losses for the year, net of tax		**(136)**	(69)
Total comprehensive loss for the year		**(6,332)**	(163)
Attributable to:			
Equity holders of the parent		**(6,332)**	(163)
Loss per share:			
Basic loss per share (pence)	20	**(27.52p)**	(0.42)p
Diluted loss per share (pence)	20	**(26.12p)**	(0.41)p

The above results relate to continuing operations.

HYDROGEN GROUP PLC

Consolidated statement of financial position

As at 31 December 2015

	Note	**2015 £'000**	2014 £'000
Non-current assets			
Goodwill	8	**10,141**	13,658
Other intangible assets	9	**778**	1,212
Property, plant and equipment	10	**687**	1,536
Deferred tax assets	11	**138**	52
Other financial assets	12	**108**	278
		11,852	16,736
Current assets			
Trade and other receivables	12	**15,631**	31,114
Cash and cash equivalents	13	**3,034**	5,975
		18,665	37,089
Total assets		**30,517**	53,825
Current liabilities			
Trade and other payables	14	**11,527**	15,416
Borrowings	15	**454**	12,704
Current tax liabilities		**5**	80
Provisions	16	**-**	308
		11,986	28,508
Non-current liabilities			
Deferred tax liabilities	11	**98**	34
Provisions	16	**68**	60
		166	94
Total liabilities		**12,152**	28,602
Net assets		**18,365**	25,223
Equity			
Called-up share capital	18	**239**	239
Share premium account	21	**3,520**	3,520
Merger reserve	21	**16,100**	16,100
Own shares held	19	**(1,338)**	(1,338)
Share option reserve	21	**2,213**	2,041
Translation reserve	21	**(332)**	(196)
Retained earnings	21	**(2,037)**	4,857
Total equity		**18,365**	25,223

The financial statements on pages 30 to 61 were approved by the Board of Directors and authorised for issue on 21 March 2016 and were signed on its behalf by:

Ian Temple
Chief Executive

Consolidated statement of changes in equity

As at 31 December 2015

	Called-up share capital £'000	Share premium account £'000	Merger reserve £'000	Own shares held £'000	Share option reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 December 2013	237	3,519	16,100	(1,338)	2,184	(127)	5,986	26,561
Dividends	-	-	-	-	-	-	(1,032)	(1,032)
Share option charge reversal	-	-	-	-	(143)	-	-	(143)
Tax on share option charge	-	-	-	-	-	-	(3)	(3)
New shares issued	2	1	-	-	-	-	-	3
Transactions with owners	2	1	-	-	(143)	-	(1,035)	(1,175)
Loss for the year	-	-	-	-	-	-	(94)	(94)
Other comprehensive loss:								
Foreign currency translation	-	-	-	-	-	(69)	-	(69)
Total comprehensive loss for the year	-	-	-	-	-	(69)	(94)	(163)
At 31 December 2014	239	3,520	16,100	(1,338)	2,041	(196)	4,857	25,223
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(698)**	**(698)**
Share option charge reversal	**-**	**-**	**-**	**-**	**172**	**-**	**-**	**172**
Tax on share option charge	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
New shares issued			**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners	**-**	**-**	**-**	**-**	**172**	**-**	**(698)**	**(526)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(6,196)**	**(6,196)**
Other comprehensive loss:								
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**(136)**	**-**	**(136)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(136)**	**(6,196)**	**(6,332)**
At 31 December 2015	**239**	**3,520**	**16,100**	**(1,338)**	**2,213**	**(332)**	**(2,037)**	**18,365**

Consolidated statement of cash flows

For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Net cash generated from/(used in) operating activities	23a	**10,255**	(1,296)
Investing activities			
Finance income		**4**	17
Proceeds from disposal of property, plant and equipment		**23**	23
Purchase of property, plant and equipment	10	**(3)**	(18)
Purchase of software assets	9	**(138)**	(348)
Net cash used in investing activities		**(114)**	(326)
Financing activities			
Proceeds on issuance of ordinary shares		**-**	3
(Decrease)/Increase in borrowings	15	**(12,250)**	5,130
Equity dividends paid	6	**(698)**	(1,032)
Net cash (used by)/generated from financing activities		**(12,948)**	4,101
Net (decrease)/increase in cash and cash equivalents		**(2,807)**	2,479
Cash and cash equivalents at beginning of year	13	**5,975**	3,559
Effect of foreign exchange rate changes		**(134)**	(63)
Cash and cash equivalents at end of year	13	**3,034**	5,975

Nature of operations

Hydrogen Group plc ("the Company") and its subsidiaries' (together "the Group") principal activity is the provision of recruitment services for mid to senior level professional staff. The Group consists of two operating segments offering both permanent and contract specialist recruitment consultancy for large and medium sized organisations. The Group recruits for roles in Professional Support Services (including legal, finance, technology and business transformation placements) and in Technical and Scientific market sectors (power, mining, oil and gas and life sciences). The Group has operated predominantly in the United Kingdom, but has international operations in Australia, Singapore, Malaysia and the USA, plus a number of internationally focused teams based in the UK.

Basis of preparation

Hydrogen Group plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The registered office address and principal place of business is 30 Eastcheap, London, EC3M 1HD, England. Hydrogen Group plc's shares are listed on the AIM Market.

The consolidated financial statements of Hydrogen Group plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and also comply with IFRIC interpretations and Company Law applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The Group's accounting policies, as set out below, have been consistently applied to all the periods presented.

The factors considered by the Directors in exercising their judgement of the Group's ability to continue to operate in the foreseeable future are set out in the Financial Review on pages 4-6 and in the table of principal risks on pages 8-9. The Group has prepared financial forecasts for the period to 30 June 2017 and the directors have a reasonable expectation that the Group will have sufficient cash flow and available resources to continue operating in the foreseeable future. Consequently, the Board has continued to adopt the going concern basis for the preparation of the financial statements (see page 6).

The consolidated financial statements for the year ended 31 December 2015 (including comparatives) are presented in GBP '000, and were approved and authorised for issue by the Board of Directors on 21 March 2016.

International Accounting Standards (IAS/IFRS) and interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group (except for the Amendments to IAS1 noted above):

New standards and interpretations currently in issue (as at 30 January 2016) but not effective for accounting periods commencing on 1 January 2015 are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements

Basis of consolidation

The consolidated financial information incorporates information concerning Hydrogen Group plc and all of its subsidiary undertakings made up to 31 December each year. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. Inter-company transactions and balances on transactions between Group companies are eliminated on consolidation.

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs of acquisition are recognised as an expense when incurred. Goodwill arising on business combinations prior to 1 January 2006, the date of transition to IFRS, is stated at the previous UK GAAP carrying amount.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date at which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account within the consolidated statement of comprehensive income.

On consolidation, the results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each year end presented are translated at the closing rate of that year end;

(ii) income and expenses for each statement of comprehensive income are translated at the average rates;

(iii) all resulting exchange differences are recognised in other comprehensive income.

Segment reporting

Operating segments have been identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker to allocate resources and assess performance.

Revenue

Revenue, which excludes value added tax, comprises the fair value of the consideration received or receivable for services undertaken by the Group under its principal activity, which is the provision of recruitment consultancy services. This broadly consists of:

- revenue from contractor placements, representing fees received and receivable for the services of contractor staff including the salary cost of these staff, being recognised when the service has been provided;
- revenue from permanent placements, representing fees received and receivable as a percentage of the candidate's remuneration package, being recognised when a candidate accepts an offer of employment

In the supply of contractors the Group's contractual arrangements mean that it operates as principal and not in an agency capacity. As such, it bears all the risks and rewards of the income derived from placements, and accordingly includes in turnover both commission and salary costs of staff supplied.

Revenue not invoiced at the year end is included within accrued income. An adjustment or back out provision, based on past experience, is made against accrued income on account of possible cancellations of placements before the commencement of employment.

Cost of sales

Cost of sales consists of charges from contractors and other direct costs, principally advertising costs.

Gross profit

Gross profit is represented by revenue less cost of sales.

Finance costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Goodwill

Goodwill, comprising the difference between the fair value of consideration transferred and the fair value of the identifiable net assets acquired, is capitalised at cost and is subsequently measured at cost less any accumulated impairment losses. It is reviewed annually for impairment, and any impairment is recognised immediately in profit and loss and is not subsequently reversed. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Other intangible assets

Software costs are stated at cost less accumulated amortisation less provision for impairment. Amortisation is calculated to write off the cost in equal annual instalments over three years.

Internal costs incurred on the projects relating to the introduction or design of new systems or improvement of the existing systems are only capitalised as intangible assets if capitalisation criteria under IAS 38 'Intangible Assets' are met, i.e. where the related expenditure is separately identifiable, the costs are measurable and management are satisfied as to the ultimate technical and commercial viability of the project such that it will generate future economic benefits based on all relevant available information. Capitalised development costs are amortised from the date the system is available for use over their expected useful lives.

Other costs linked to development projects that do not meet the above criteria are recognised as an expense as incurred.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation less provisions for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value on a straight line basis over their estimated useful lives, as follows:-

Computer and office equipment	33% straight line
Motor vehicles	25% straight line
Leasehold improvements	Remaining life of lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Intangible assets

Computer software

Costs incurred on the development and enhancement of computer systems in operation in the Group are only capitalised as intangible assets if the criteria laid out in IAS 38 'Intangible Assets' are met. Capitalised software costs, included with Computer Software, are amortised from the date that the system is commissioned over their expected useful life, which is currently estimated at 7 years.

Impairment of assets

At each year end, the Group reviews the carrying amounts of its other intangible and tangible assets to determine whether there is any evidence that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except those arising from the initial recognition of goodwill.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the tax rates that are expected to apply in the periods in which temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the reporting date. Deferred income tax is measured on a non-discounted basis. Deferred income tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred income tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Leased assets and obligations

All of the Group's leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term. The benefit of rent-free periods received for entering into an operating lease is spread evenly over the lease term.

Pensions

The Group operates a defined contribution pension scheme for UK based managers and senior employees. The Group matches employee contributions up to a maximum of 5% of annual basic salary. The pension costs charged to profit or loss represent the contributions payable by the Group during the year.

Share Incentive Plan

Under the Hydrogen Group plc Share Incentive Plan (the SIP) shares are held in trust on behalf of employees for a minimum of three years.

The finance costs and administration costs relating to the SIP are charged to the profit or loss account. Dividend income arising on own shares is excluded in arriving at profit before taxation and deducted from aggregate dividends paid and proposed. The shares are ignored for the purposes of calculating the Company's earnings per share.

Other share-based payments

The fair value of the employee services received in exchange for the grant of the share options is charged to the profit or 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 the share option reserve. Fair value is measured by use of a binomial model. At each year end, the Group 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 profit or loss with a corresponding adjustment to equity.

When the options are exercised the proceeds received are credited to share capital and share premium, where appropriate.

Where the conditions attached to share options are modified but without any change to the value of the award to the employee then the Group recognises the amount that would have been recognised for the award if it had remained in place on its original terms. Where the modification increases the value of the award to the employee then the increase is spread over the period from the date of the modification until the vesting date of the modified award.

Employee Benefit Trust

The Hydrogen Group plc Employee Benefit Trust (EBT) is funded by contributions from the Company. Under the terms of the EBT, shares are held in trust for the benefit of employees.

Administration costs and the assets and liabilities of the EBT are consolidated into the Hydrogen Group plc financial statements. Shares in the EBT are held at acquisition cost and deducted from shareholders' equity. Any assets held by the EBT cease to be recognised on the Group statement of financial position when the assets vest unconditionally to identified beneficiaries. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group profit or loss.

If there is deemed to be a permanent diminution in value this is reflected by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the EBT.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets comprise cash and various other receivable balances that arise from its operations. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each balance sheet date, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss account. If in a subsequent period the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents includes cash in hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified with current liabilities in the statement of financial position.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire; or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are initially measured at fair value and are classified according to the substance of the contractual arrangements entered into. Financial liabilities are subsequently measured at amortised cost.

The Group's financial liabilities comprise trade payables, borrowings, bank overdrafts and other payable balances that arise from its operations. They are classified as 'financial liabilities measured at amortised cost'. Finance charges are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the investment to the extent they are not settled in the period in which they arise. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Dividends

A final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. Interim dividend distributions are recognised in the period in which they are approved and paid.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the year end, and are discounted to present value where the effect is material. Where the Group has entered into contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it then a provision has been recognised based on the Directors' best estimate of future unavoidable costs.

Net cash

Net cash comprises cash and cash equivalents as defined in note 13, less long and short term borrowings.

Invoice discounting

When trade receivables are discounted the gross amount receivable from customers is included as a current asset within trade receivables with the advances received from the financier included as borrowings within current liabilities.

Equity and reserves

A detailed description of all components of equity is given in note 21.

Exceptional items

Material and non-recurring items of income and expense are disclosed in the consolidated statement of total comprehensive income as 'exceptional items'. Examples of items which may give rise to disclosure as exceptional items include disposal of assets, costs of restructuring and reorganisation and asset impairment.

Significant management judgement in applying accounting policies

In the process of applying the Group's accounting policies the subjects requiring management estimation and judgement that have the most significant risk of causing material adjustments to the amounts recognised in the financial statements are described below:

Judgement and estimation:

Goodwill impairment

The Group's determination of whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate.

Accrued income

In making an accrual for time worked by contractors in December, management have had to estimate the time worked based on the number of working days in the month, and experience in previous years.

Revenue recognition

Revenue from permanent placements is recognised when a candidate accepts an offer of employment and a start date has been determined. There are circumstances where a candidate never takes up the offer of employment and the revenue has to be backed out in subsequent periods. A provision for back-outs is made at the time of revenue recognition, based on an estimate of the number of employment offers that will not be taken up, and deducted from reported revenue.

Deferred tax

The Group has not recognised a deferred tax asset for any losses incurred to date. The decision to recognise the deferred tax asset is dependent on the Group's forecasts on future profitability.

Share based payments

The fair value of equity settled share based payments involves estimation of such factors as lapse rates and achievement of performance criteria.

Bad debt provision

In deciding the level of bad debt provision required management exercises judgement based on the age of the debt, knowledge of any known disputes surrounding the debt, the credit rating and Group's past trading experience of trading with the client.

Provisions

Provisions are held for obligations relating to dilapidations and onerous contracts for surplus property. Significant management judgement has been involved in assessing the likely outcome of various events and future cash flows, and the provisions recognised represent management's best estimates of the current value of the obligations.

1 Segment reporting

Segment operating profit is the profit earned by each operating segment excluding the allocation of central administration costs, and is the measure reported to the Group's Board, the Group's Chief Operating Decision Maker (CODM), for performance management and resource allocation purposes.

(a) Revenue, gross profit and operating profit by discipline

For management purposes, the Group is organised into the following two operating segments:

- **Professional Support Services** (the operating segment includes legal, finance, business transformation and technology recruitment),
- **Technical and Scientific** (the operating segment includes oil and gas, power and life sciences recruitment).

The operating segments noted reflect the information that is regularly reviewed by the Group's Chief Operating Decision Maker which is the Board of Hydrogen Group plc. Both of these operating segments have similar economic characteristics.

	2015				2014			
	Professional support services £'000	**Technical and scientific £'000**	**Non-allocated £'000**	**Total £'000**	Professional support services £'000	Technical and scientific £'000	Non-allocated £'000	Total £'000
Revenue	**88,814**	**33,951**	**-**	**122,765**	116,586	52, 844	-	169,430
Gross profit (Net Fee income)	**12,525**	**6,040**	**-**	**18,565**	16,456	11,695	-	28,151
Depreciation and Amortisation	**251**	**162**	**-**	**413**	325	250	-	575
Operating (loss)/profit before exceptional items	**1,686**	**(1,201)**	**(1,113)**	**(628)**	3,685	302	(1,435)	2,552
Finance costs				**(80)**				(196)
Finance income				**5**				17
(Loss)/profit before tax and exceptional items				**(703)**				2,373

Non-allocated costs represent central management costs that are not allocated to operating segments.

Revenue reported above represents revenue generated from external customers. There were no sales between segments in the year (2014: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described above. Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and finance income.

There is one external customer that represented 32% of the entity's revenues, with revenue of £39.4m, and approximately 16% of the Group's NFI, included in the Professional Support Services segment (2014: one customer, revenue £53.8m, Professional Support Services segment).

(b) Revenue and gross profit by geography:

	Revenue		Gross profit	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
UK	**100,992**	136,393	**11,923**	17,888
Rest of world	**21,773**	33,037	**6,642**	10,263
	122,765	169,430	**18,565**	28,151

(c) Revenue and gross profit by recruitment classification:

	Revenue		Gross profit	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Permanent	**8,079**	12,897	**8,044**	12,897
Contract	**114,686**	156,533	**10,521**	15,254
	122,765	169,430	**18,565**	28,151

The information reviewed by the Chief Operating Decision Maker, or otherwise regularly provided to the Chief Operating Decision Maker, does not include information on total assets and liabilities. The cost to develop this information would be excessive in comparison to the value that would be derived.

2 Finance costs

	2015 £'000	2014 £'000
Interest on invoice discounting	**57**	122
Interest on bank overdrafts and loans	**23**	74
	80	196

3 Finance income

	2015 £'000	2014 £'000
Bank interest receivable	**5**	10
Other income	**-**	7
	5	17

4 Exceptional items

Exceptional items are costs that are separately disclosed due to their material and non-recurring nature. They have arisen as a result of the comprehensive review of the Group's operations and actions taken to reduce the Group's administration costs:

	2015 £'000	2014 £'000
Goodwill impairment	**3,517**	-
Tangible asset write down and disposal	**988**	69
Employee restructuring costs	**939**	1,186
Property costs	**223**	199
Onerous lease provision (release)/charge	**(212)**	435
Advisor's costs	**31**	66
Other	**7**	33

Total	**5,493**	1,988

5 (Loss)/profit on ordinary activities before taxation

(Loss)/profit before taxation for the year has been arrived at after charging/(crediting):

	2015 £'000	2014 £'000
Amortisation of software assets	**218**	233
Depreciation of property, plant and equipment (owned assets)	**195**	342
Staff costs (note 22)	**13,403**	16,465
Operating lease rentals on land and buildings	**669**	1,115
Foreign exchange (gains)/losses	**(53)**	267
Gain on disposal of assets	**(4)**	(24)

The analysis of auditor's remuneration is as follows:		
Audit fees		
Fees payable to the Company's auditor:		
- for the audit of the Company and Group annual accounts	**40**	40
- for the audit of the Company's subsidiaries pursuant to legislation	**56**	51
Total audit fees	**96**	91
Non-audit fees		
- Other services	**17**	-
- Tax services (compliance and general tax advice)	**40**	36
Total non-audit fees	**57**	36

6 Dividends

	2015 £'000	2014 £'000
Amounts recognised and distributed to shareholders in the year		
Interim dividend for the year ended 31 December 2015 of Nil p per share (2014: 1.5p per share)	**-**	337
Final dividend for the year ended 31 December 2014 of 3.1p per share (2013: 3.1p per share)	**698**	695
	698	1,032

No interim dividend during the year was paid in respect of the year ended 31 December 2015 (2014: 1.5p per share).

The final dividend in relation to 2014 was recommended on 3 March 2015, and was not recognised as a liability in the year ended 31 December 2014.

The Board does not propose a final dividend for the year ended 31 December 2015 (2014: 3.1p per share).

7 Tax

(a) Analysis of tax charge for the year:

The charge based on the profit for the year comprises:	**2015 £'000**	2014 £'000
Corporation tax:		
UK corporation tax on profits for the year	**76**	171
Adjustment to tax charge in respect of previous periods	**(42)**	(20)
	34	151
Foreign tax:		
Current tax	**4**	201
Prior year tax	**(19)**	-
Total current tax	**19**	352
Deferred tax:		
Origination and reversal of temporary differences	**(19)**	108
Adjustments in respect of previous periods	**-**	19
Total deferred tax	**(19)**	127
Tax charge on profit for the year	**-**	479

UK corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(b) The charge for the year can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows:

(Loss)/profit before tax	**(6,196)**	385
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	**(1,255)**	83
Effects of:		
Goodwill impairment	**712**	-
Expenses not deductible for tax purposes	**188**	97
Tax losses arising in the year not relieved	**465**	131
Profits charged at (lower) rates of tax	**(85)**	(46)
Adjustment to tax charge in respect of prior periods	**(42)**	1
Share-based payments	**35**	5
Other	**1**	7
Foreign tax suffered	**(19)**	201
Tax charge for the year	**-**	479

There has been no deferred tax charge relating to share options charged directly to equity (2014: £3,000) (see note 11).

In total, at the reporting date, the Group had tax losses of £3.9m (2014: £2.4m) available for offset against future profits, for which no deferred tax assets have been recognised.

8 Goodwill

	2015 £'000	2014 £'000
Cost		
At 1 January and 31 December	**19,228**	19,228
Accumulated impairment losses		
At 1 January	**(5,570)**	(5,570)
Impairment charge for the year	**(3,517)**	-
At 31 December	**(9,087)**	(5,570)
Carrying amount at 31 December	**10,141**	13,658
Allocation of goodwill to cash generating units (CGU):		
Professional Support Services	**10,141**	13,658

Goodwill arising on business combinations is tested annually for impairment or more frequently if there are indications that the value of goodwill may have been impaired. Goodwill has been tested for impairment by comparing the carrying value with the recoverable amount.

The recoverable amount is determined on a value-in-use basis utilising the value of cash flow projections over eight years, which is estimated by management to be the duration of the recruitment cycle. The first year of the projections is based on detailed budgets prepared as part of the Group's performance and control procedures. Subsequent years are based on extrapolations using the key assumptions listed below. Cash flows are discounted by the cash generating unit's weighted average cost of capital. Management believes that no reasonably possible change to the key assumptions given below would cause the carrying value to materially exceed the recoverable amount.

Management determines that there has been no further impairment in the carrying value of goodwill.

The key assumptions for revenue growth rates and discount rates used in the impairment review are stated below:

	Growth rates		
Professional Support Services	**2016 %**	**2017-2023 %**	**Discount rate %**
Net fee income growth rate	0%	0%	11.1%

For the purposes of the goodwill impairment review the Board consider it prudent to assume no revenue growth for 2016-23. However, the Group's internal detailed operating budgets do assume net fee income growth of 7% for 2016. Overall growth rate assumptions have not been utilised in generating revenue forecasts.

The revenue growth rates for 2016-23 are the Group's own internal forecasts, supported by external industry reports predicting improving conditions in the industry, with demand for the industry's services anticipated to pick up.

The discount rate used is an estimate of the Group's weighted average cost of capital, based on the risk adjusted average weighted cost of its debt and equity financing.

9 Other intangible assets

	Computer software £'000
Cost	
At 1 January 2014	1,636
Additions	348
Disposals	(1)
At 31 December 2014	1,983
Additions	**138**
Disposals	**-**
Exchange Difference	**(20)**
At 31 December 2015	**2,101**
Amortisation	
At 1 January 2014	538
Charge for the year	233
Disposals	-
At 31 December 2014	771
Charge for the year	**218**
Disposals	**-**
Impairment	**355**
Exchange Difference	**(21)**
At 31 December 2015	**1,323**
Net book value at 31 December 2015	**778**
Net book value at 31 December 2014	1,212

Amortisation on intangible assets is charged to Administration expenses in the Consolidated Statement of Comprehensive Income.

10 Property, plant and equipment

	Computer and office equipment £'000	Motor vehicles £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 January 2014	835	107	1,976	2,918
Additions	15	-	3	18
Disposals	(27)	(66)	(269)	(362)
Exchange difference	(4)	-	(2)	(6)
At 31 December 2014	819	41	1,708	2,568
Additions	**1**	**-**	**-**	**1**
Disposals	**(6)**	**(41)**	**-**	**(47)**
Exchange difference	**(46)**	**-**	**(6)**	**(52)**
At 31 December 2015	**768**	**-**	**1,702**	**2,470**
Accumulated depreciation and impairment				
At 1 January 2014	479	67	436	982
Charge for year	143	16	183	342
Disposals	37	-	-	37
Exchange difference	(28)	(59)	(242)	(329)
At 31 December 2014	631	24	377	1,032
Charge for the year	**123**	**-**	**72**	**195**
Impairment loss	**-**	**-**	**633**	**633**
Disposals	**(4)**	**(24)**	**-**	**(28)**
Exchange Differences	**(44)**	**-**	**(5)**	**(49)**
At 31 December 2015	**706**	**-**	**1,077**	**1,783**
Net book value at 31 December 2015	**62**	**-**	**625**	**687**
Net book value at 31 December 2014	188	17	1,331	1,536

Depreciation on property, plant and equipment is charged to Administration expenses in the Consolidated Statement of Comprehensive Income.

The impairment loss on computer and office equipment and leasehold improvements relate to surplus facilities at the Group's Eastcheap premises.

11 Deferred tax

Deferred tax asset	Other £'000	Unutilised losses £'000	Accelerated depreciation £'000	Share based payments £'000	Total £'000
At 1 January 2014	21	-	(38)	199	182
Charged to profit or loss	(6)	-	(61)	(60)	(127)
Charged to reserves	-	-	-	(3)	(3)
At 31 December 2014	15	-	(99)	136	52
Credited/(Charged) to profit or loss	**4**	**-**	**99**	**(17)**	**86**
Charged to reserves	**-**	**-**	**-**	**-**	**-**
At 31 December 2015	**19**	**-**	**-**	**119**	**138**

Deferred tax (liability)	Accelerated capital allowances £'000
At 1 January 2014 and 1 January 2015	(34)
Credited/(charged) to profit or loss	(64)
At 31 December 2015	**(98)**

No reversal of deferred tax is expected within the next twelve months (2014: Nil).

In total, at the reporting date, the Group had unutilised tax losses of £3.9m (2014: £2.4m) available for offset against future profits, for which no deferred tax assets had been recognised.

12 Trade and other receivables

Trade and other receivables are as follows:	**2015 £'000**	2014 £'000
Trade receivables	**6,428**	16,186
Allowance for doubtful debts	**(319)**	(109)
Accrued income	**8,994**	14,537
Prepayments	**372**	445
Other receivables:		
- due within 12 months	**156**	55
- due after more than 12 months	**108**	278
Total	**15,739**	31,392
Current	**15,631**	31,114
Non current	**108**	278

As at 31 December 2015, the average credit period taken on sales of recruitment services was 22 days (2014: 31 days) from the date of invoicing, and the receivables are predominantly non-interest bearing. An allowance of £93,000 (2014: £109,000) has been made for estimated irrecoverable amounts. Due to the short-term nature of trade and other receivables, the Directors consider that the carrying value approximates to their fair value. Bad debt expense recognised in the year was £48,000 (2014: £102,000).

Accrued income principally comprises accruals for amounts to be billed for contract staff for time worked in December, and amounts to be billed for permanent placements with a start date in 2016. Other receivables due after more than 12 months are predominantly rental deposits on leasehold properties.

The Group does not provide against receivables solely on the basis of the age of the debt, as experience has demonstrated that this is not a reliable indicator of recoverability. The Group provides fully against all receivables where it has positive evidence that the amount is not recoverable.

The Group uses an external credit scoring system to assess the creditworthiness of new customers. The Group supplies mainly FTSE 100 and other major companies and major professional partnerships.

Included in the Group's trade receivable balances are receivables with a carrying amount of £1.2m (2014: £6.5m) which are past due date at the reporting date for which the Group has not provided as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables: (Number of days overdue)	**2015 £'000**	2014 £'000
0-30 days	**332**	3,790
30-60 days	**348**	1,192
60-90 days	**212**	706
90+ days	**271**	848
31 December	**1,163**	6,536

Movement in allowance for doubtful debts:	**2015 £'000**	2014 £'000
1 January	**(109)**	(111)
Impairment losses recognised on receivables	**(274)**	(102)
Previous impairment losses reversed	**64**	84
Amounts written off the trade receivables ledger as uncollectable	**-**	20

31 December	**(319)**	(109)

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors believe that there is no further credit provision required.

There are no individually impaired trade receivables that have been placed in administration or liquidation included in the allowance for doubtful debts. (2014: £nil).

Ageing of impaired trade receivables:	**2015 £'000**	2014 £'000
30-60 days	**-**	-
60-90 days	**-**	-
90+ days	**319**	109
31 December	**319**	109

As at 31 December trade receivables to a value of £3.4m were subject to an invoice financing facility (2014: £9.3m).

13 Cash and cash equivalents

Cash and cash equivalents are as follows:	**2015 £'000**	2014 £'000
Short-term bank deposits	**3,034**	5,975
	3,034	5,975

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, less bank overdrafts repayable on demand. The carrying amount of these assets approximates their fair value.

14 Trade and other payables

Trade and other payables are as follows:	**2015 £'000**	2014 £'000
Trade payables	**613**	310
Other taxes and social security costs	**489**	928
Other payables	**1,121**	805
Accruals	**9,304**	13,373
	11,527	15,416

Accruals principally comprise accruals for amounts owed to contract staff for time worked in December.

The average credit period taken on trade purchases, excluding contract staff costs, by the Group is 29 days (2014: 13 days), based on the average daily amount invoiced by suppliers. Interest is charged by suppliers at various rates on payables not settled within terms. The Group has procedures to ensure that payables are paid to terms wherever possible. Due to the short-term nature of trade and other payables, the Directors consider that the carrying value approximates to their fair value.

15 Borrowings

	2015 £'000	2014 £'000
Invoice discounting (repayable on demand)	**454**	9,704
Revolving credit facility	**-**	3,000
	454	12,704

All borrowing is at floating interest rates. Interest on the invoice discounting facility is charged at 1.7% over UK Base Rate on actual amounts drawn down, and the margin is fixed to April 2018. The weighted average interest rate for the year charged on amounts drawn down on invoice discounting was 1.7% (2014: 2.35%).

In September 2012 the Group agreed a £3.0 million revolving credit facility (RCF) with its bankers for a three year period. The facility was repaid and cancelled in February 2015.

16 Provisions

	Leasehold dilapidations £'000	Onerous contracts £'000	Total £'000
At 1 January 2014	276	-	276
New provision	40	435	475
Unutilised provision released	(203)	-	(203)
Utilised	(53)	(127)	(180)
At 31 December 2014	60	308	368
New provision	**28**	**-**	**28**
Unutilised provision released	**-**	**(212)**	**(212)**
Utilised	**(20)**	**(96)**	**(116)**
At 31 December 2015	**68**	**-**	**68**
Current	**-**	**-**	**-**
Non-current	**68**	**-**	**68**

The dilapidations provisions relate to the Group's current leased offices in London and Singapore.

The onerous lease contracts relate to surplus accommodation within the Group's London HQ at 30 Eastcheap. In 2014, the Group made an exceptional charge for 18 months' costs, starting from 1 July 2014, relating to this space to cover the marketing void and rent free incentive that is assumed would be required to sublet this space. No rent shortfall/surplus was assumed for the duration of any sub-lease eventually granted. The space was sub-let during 2015 and the unutilised portion of the provision was released and is included within exceptional items (see note 4).

17 Share-based payments

All share-based payment arrangements are equity-settled.

Grants in 2015

In 2015 1,910,000 options were granted under the 2015 EMI Scheme and 630,000 under the 2015 Unapproved Share Option Scheme.

In 2013 the Group introduced a long term incentive plan (2013 LTIP) for senior executives and Directors (the Hydrogen Executive Long Term Incentive Plan). The purpose of the 2013 LTIP was to align long term incentives for senior executives and Directors with Hydrogen's 2016 strategy and performance targets.

The number of outstanding options that will vest is dependent on the achievement of a number of key performance measures of the Group, primarily profit, measured at a regional and consolidated level, for the financial years 2016 and 2017.

Achievement of 'target' performance level is required for 100% vesting of options granted in 2013, measured for financial year 2016 and, if not achieved, again for financial year 2017. The earliest date options can vest, subject to achievement of 'target' performance for financial year 2016, is the date following announcement of the Group's audited results for the year ended 31 December 2016. The maximum number of options that can vest on this date is 50% of the 2013 grant, with any balance vesting one year later. If 'target' performance is not achieved until financial year 2017 then both vesting dates will be a year later.

There were no awards under this scheme during 2015.

Based on the Group's current level of performance it is unlikely that any options under the 2013 scheme will vest.

A summary of the share options outstanding at the end of the year under all Group share option schemes and the movements in options during the year are shown below:

	Number of shares 2015 No.	**Weighted average exercise price 2015 £**	Number of shares 2014 No.	Weighted average exercise price 2014 £
Outstanding at 1 January	**1,524,618**	**0.087**	2,449,624	0.087
Granted during the year	**2,540,000**	**0.010**	50,000	0.010
Forfeited during the year	**(1,476,617)**	**0.010**	(808,150)	0.010
Exercised during the year	**(34,019)**	**0.010**	(166,856)	0.013
Outstanding at 31 December	**2,553,981**	**0.055**	1,524,618	0.134
Exercisable at 31 December	**218,982**	**0.538**	436,618	0.441

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

	31 December 2015				31 December 2014			
	Range of exercise price (p)	**Number of Options**	**Weighted average exercise price(p)**	**Weighted average remaining life**	Range of exercise price (p)	Number of Options	Weighted average exercise price (p)	Weighted average remaining life
2006 award	**73p-81p**	**145,383**	**80.5**	**0 years**	73p-81p	236,883	80.5p	1.0 years
2007 award	**1p**	**7,848**	**1p**	**1.5 years**	1p	43,685	1p	2.5 years
2009 award	**1p**	**62,000**	**1p**	**3.5 years**	1p	140,000	1p	4.5 years
2011 award	**1p**	**141,750**	**1p**	**6.6 years**	1p	250,050	1p	7.6 years
2012 award	**1p**	**138,000**	**1p**	**7.3 years**	1p	272,000	1p	8.3 years
2013 award	**1p**	**24,000**	**1p**	**7.5 years**	1p	532,000	1p	8.5 years
2014 award	**1p**	**-**	**1p**	**8.5 years**	1p	50,000	1p	9.5 years
2015 award	**1p**	**2,035,000**	**1p**	**9.5 years**	1p	-	-	-
		2,553,982				1,524,618		

The weighted average share price at the date of exercise for share options exercised during the period was £0.71 (2014: £0.99).

For options issued in 2006, the fair value of employee services received in exchange for share options was valued using a binomial option pricing model. The inputs into the binomial model are given below.

Options issued in 2006	
Share price at date of grant (p)	251p
Exercise price (p)	80.5p
Fair value per option at grant date (p)	16p - 18p
Expected volatility	20% - 50%
Expected option life at date of grant	2/3 year - 21/2 years
Risk free interest rate	4.08% - 4.75%
Expected dividend yield	1% - 2%

Options issued in subsequent years were all granted at nominal value:

Year of issue	Exercise price p	Fair value per option at grant date p
2015 award	1p	30p – 60p
2014 award	1p	97p
2013 award	1p	99p – 116p
2012 award	1p	92p
2011 award	1p	132p
2009 award	1p	56p – 90p
2008 award	1p	203p
2007 award	1p	293p

As Hydrogen was not a listed share when 2006 options were valued, expected volatility was determined by reference to the average historical volatility of the share price of a number of competitors.

18 Share capital

The share capital at 31 December 2015 and 2014 was as follows:

	2015		2014	
Ordinary shares of 1p each	Number of shares	£'000	Number of shares	£'000
Authorised				
At 1 January and 31 December	**40,000,000**	**400**	40,000,000	400
Issued and fully paid:				
At 1 January	**23,881,094**	**239**	23,714,238	237
Issuance of new shares for employee share schemes	**10,619**	**-**	166,856	2
31 December	**23,891,713**	**239**	23,881,094	239

During 2015, 10,619 options were exercised (2014: 166,856), as set out in note 17, all of which were satisfied by the issuance of new shares (2014: 166,856).

At 31 December 2015, 1,162,051 (2014: 1,185,451) shares were held in the EBT (see note 19).

At 31 December 2015, 211,414 (2014: 211,414) ordinary shares were held in the Hydrogen Group plc Share Incentive Plan trust for employees (see note 17).

Capital structure

The Company has one class of ordinary shares which carry no right to fixed income, and which represent 100% of the total issued nominal value of all share capital. Each share carries the right to one vote at general meetings of the Company. No person has any special rights of control over the Company's share capital and all its issued shares are fully paid.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 17. 10,619 shares were issued during the year following exercises of options under the Company's share option plans. No votes are cast in respect of shares held in the Hydrogen Employee Share Trust or the Hydrogen Group Share Incentive Plan.

Pursuant to shareholder resolutions at the AGM of the Company held on 21st May 2015, the Company has the following authorities during the period up to the next AGM:

- to issue new/additional ordinary shares to existing shareholders through a rights issue up to a maximum nominal amount of £79,620, representing one third of the then current issued share capital of the Company;
- to issue new/additional ordinary shares to new shareholders up to a maximum nominal amount of £79,620, representing one third of the then current issued share capital of the Company;
- to allot equity securities for cash, without the application of pre-emption rights, up to a maximum nominal amount of £11,943, representing 5% of the then current issued share capital of the Company; and
- to purchase through the market up to 10% of the Company's issued share capital, subject to restrictions on price as recommended by investor institutions.

Shareholders will be asked to renew and update these authorities at the AGM in 2016.

19 Own shares

During the year there was no movement in the number of shares held by the EBT.

At 31 December 2015, the total number of ordinary shares held in the EBT and their values were as follows:

Shares held for share option schemes	**2015**	2014
Number of shares	**1,162,051**	1,185,451
	£'000	£'000
Nominal value	12	12
Carrying value	1,338	1,338
Market value	349	925

20 (Loss)/earnings per share

(Loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue.

Fully diluted (loss)/ earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options and share incentive plans, assuming dilution through conversion of all existing options and shares held in share plans.

From continuing operations	**2015 £'000**	2014 £'000
Earnings		
Loss attributable to equity holders of the parent	**(6,196)**	(94)
Adjusted earnings		
Loss for the year	**(6,196)**	(94)
Add back: exceptional costs	**5,493**	1,988
	(703)	1,894
Number of shares		
Weighted average number of shares used for basic and adjusted earnings per share	**22,516,021**	22,361,997
Dilutive effect of share plans	**1,207,033**	588,529
Diluted weighted average number of shares used to calculate diluted and adjusted diluted earnings per share	**23,723,054**	22,950,526
Basic loss per share (pence)	**(27.52p)**	(0.42p)
Diluted loss per share (pence)	**(26.12p)**	(0.41p)
Adjusted basic (loss)/earnings per share (pence)	**(3.12p)**	8.47p
Adjusted diluted (loss)/earnings per share (pence)	**(2.96p)**	8.25p

21 Equity

Share capital

The balance of share capital represents the aggregate nominal value of all ordinary shares in issue.

Share premium

The balance on the share premium reserve represents the amounts received in excess of the nominal value of the ordinary shares.

Merger reserve

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of Hydrogen International Limited and Professionals Group Limited.

Own shares

The balance on the own shares reserve represents the cost of shares in Hydrogen Group plc purchased by the Employee Benefit Trust to meet the Group's future requirements under its share option schemes.

Share option reserve

This reserve represents the cumulative amounts charged to profit or loss in respect of employee share-based payment arrangements for employees, and includes amounts previously disclosed in 'other reserve'.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translations of the financial statements of foreign operations into the presentation currency of the group accounts.

Retained earnings

The balance held on this reserve is the accumulated retained profits of the Group.

22 Employees

The monthly average number of employees (including Directors) during the year and the total number of employees at 31 December 2015 was as follows:

	Average no. 2015	Average no. 2014	**31 December 2015**	31 December 2014
Client services	**159**	260	**144**	211
Administration	**63**	79	**51**	70
Management	**5**	4	**4**	4
	227	343	**199**	285

Staff costs (including Directors' costs) are as follows and have been included in Administration Expenses in the Consolidated Statement of Comprehensive Income.

	2015 £'000	2014 £'000
Wages and salaries	**11,731**	14,601
Social security costs	**1,198**	1,572
Other pension costs	**302**	435
Share-based payments/(income) (see note 17)	**172**	(143)
	13,403	16,465

Directors' emoluments

	2015 £'000	2014 £'000
Emoluments for qualifying services	**479**	676
	479	676

Information on Directors' emoluments and interests, which form part of these audited financial statements, is given in the Directors' Remuneration Report.

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2015 £'000	2014 £'000
Emoluments for qualifying services	**227**	238
	227	238

The Directors did not exercise any share options during the year (2014: nil).

Remuneration of key management

	2015 £'000	2014 £'000
Short term employee benefits (excluding social security costs)	**1,365**	2,487
Share-based (income)/payments	**172**	(144)
Post-employment benefits	**22**	51
	1,559	2,394

Key management includes Executive Directors above and senior divisional managers.

23 Notes to the cash flow statement

a. Reconciliation of profit before tax to net cash inflow from operating activities

	2015 £'000	2014 £'000
(Loss)/profit before taxation and exceptional items	**(703)**	2,373
Adjusted for:		
Depreciation and amortisation	**414**	575
Decrease in provisions	**(88)**	(343)
Gain on sale of property, plant and equipment	**(4)**	(24)
Share-based (income)/payments	**172**	(143)
Net finance costs	**76**	179
Operating cash flows before movements in working capital	**(133)**	2,617
Decrease/(increase) in receivables	**15,683**	(1,445)
Decrease in payables	**(3,924)**	(481)
Cash generated from operating activities	**11,626**	691
Income taxes paid	**(89)**	(308)
Finance costs	**(80)**	(196)
Net cash inflow from operating activities before exceptional items	**11,457**	187
Cash flows arising from exceptional costs	**(1,202)**	(1,483)
Net cash inflow/(outflow) from operating activities	**10,255**	(1,296)

b. Reconciliation of net cash flow to movement in net debt:

	2015 £'000	2014 £'000
(Decrease)/increase in cash and cash equivalents in the year	**(2,940)**	2,416
Decrease/(increase) in net debt resulting from cash flows	**12,250**	(5,130)
Decrease/(increase) in net debt during the year	**9,310**	(2,714)
Net debt at the start of the year	**(6,730)**	(4,015)
Net cash/(debt) at the end of the year	**2,580**	(6,729)

24 Operating lease commitments

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**958**	513
Between one and five years	**2,165**	3,186
After five years	**918**	1,254
	4,041	4,953

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 13.1 years and rentals are fixed for an average of 4.7 years. The Group has a small amount of serviced office space, on annual agreements, excluded from the above.

25 Financial risk management

Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as set out in note 21.

The Group monitors capital on the basis of the gearing ratio.

The Board of Directors regularly reviews the capital structure of the Group. Over the long term the Group has a target gearing ratio in the range of 25%-30% (i.e. net debt to equity), but makes adjustments to it in the light of changes in economic circumstances or Group structure. There have been no other significant changes in capital structure implemented in the year ended 31 December 2015.

The gearing ratio at the year end is as follows	**2015 £'000**	2014 £'000
Debt	**(454)**	(12,704)
Cash and cash equivalents	**3,034**	5,975
Net cash/(debt)	**2,580**	(6,729)
Equity	**21,947**	25,223
Net cash/(debt) to equity ratio	**11.8%**	(26.7%)

Debt is defined as long and short-term borrowings.
Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirements

Other than the covenants over term debt (see note 15), the Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies section of the financial statements. There have been no significant changes in accounting policy in the year ended 31 December 2015.

Categories of financial instruments

The Group's financial instruments are summarised below. The purpose of these instruments is to finance the Group's operations, from which they arise. They are predominately short term in nature, and hence their carrying value approximates to their fair value.

	2015 **£'000**	2014 £'000
Financial assets		
Loans and receivables		
Trade and other receivables net of impairment provision	**6,109**	16,077
Other receivables	**264**	333
Accrued income	**8,994**	14,537
Cash and cash equivalents	**3,034**	5,975
	18,401	36,922
Financial liabilities at amortised cost		
Trade and other payables	**1,589**	1,115
Borrowings	**454**	12,704
	2,043	13,819

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risks

The Group publishes its consolidated financial statements in Sterling and approximately 80% of its revenues are in Sterling. For the contract business, the Group endeavours to pay and bill in the same currency to provide a natural hedge. The Group periodically uses currency options to manage any remaining exposure to foreign currency risk.

The functional currencies of the Group's main operating subsidiaries are Sterling, the Singapore, Hong Kong, Australian and US dollar and the Norwegian Krone. The Group's subsidiaries generally raise invoices and incur expenses in their local currencies.

The Group is exposed to foreign currency translation differences in accounting for its investment in overseas operations. The settlement of intercompany balances held with foreign operations is neither planned nor likely to occur in the foreseeable future. Therefore, exchange differences arising from the translation of the net investments are recognised in Other Comprehensive Income.

Interest rate risk

The Group's exposure to interest rate risk arises on its drawdown on its UK invoice discounting facility. Given the current low level of interest rates, and the high level of variability in the amount and duration of its drawdown, the Group does not actively manage its exposure to interest rate fluctuations.

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit losses.

The Group does not hold any security as collateral against these financial assets.

The Group's credit risk arises primarily on its trade receivables. The Group transacts with a large number of customers across a variety of industry sectors. On-going credit evaluation and management of exposures is undertaken, utilising external credit ratings. No customer represented more than 5% of the total balance of trade receivables.

It is the Directors' opinion that no further provision for doubtful debts is required.

Liquidity risk

The Group manages its liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows on a regular basis and matching the maturity profiles of financial assets and liabilities to determine whether the Group has sufficient cash and credit facilities to meet future working capital requirements and to take advantage of business opportunities.

The Group has a £18m invoice discounting facility committed to April 2018 and this is considered adequate to meet the Group's funding requirements.

Apart from its bank borrowings disclosed in note 15, the Group has no financial liabilities other than short-term trade payables and accruals disclosed in note 14, all due within one year of the year end.

26 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Directors receive remuneration from the Company, which is disclosed in the Directors' Remuneration Report. Total remuneration for members of key management, which includes the Directors, is given in note 22. As shareholders, the Directors who are shareholders also receive dividends from the Company:

	2015 **£'000**	2014 £'000
Dividends paid to Directors	**127**	317

No single party has ultimate control of the company.

HYDROGEN GROUP PLC

Parent company statement of financial position

As at 31 December 2015

	Note	**2015 £'000**	2014 £'000	2013 £'000
Non-current assets				
Investments	4	**7,273**	7,273	7,088
Deferred tax asset	5	**72**	79	69
Amounts owed by subsidiary undertakings		**6,467**	7,064	5,389
		13,812	14,416	12,546
Current assets				
Trade and other receivables	6	**430**	341	310
Current tax receivable		**28**	-	-
Cash at bank and in hand		**178**	3,109	114
		636	3,450	424
Total assets		**14,448**	17,866	12,970
Current liabilities				
Trade and other payables		**205**	180	107
Current tax liabilities		**-**	-	40
		205	180	147
Non-current liabilities				
Deferred tax liabilities		**1**	-	-
Amounts owed to subsidiary undertakings		**1,884**	1,856	2,213
		1,885	1,856	2,213
Total liabilities		**2,090**	2,036	2,360
Net assets		**12,358**	15,830	10,610
Called up share capital	7	**239**	239	237
Own shares held	8	**(1,338)**	(1,338)	(1,338)
Share premium account		**3,520**	3,520	3,519
Share option reserve		**484**	311	406
Translation reserve		**(516)**	(373)	(330)
Retained earnings		**9,969**	13,471	8,116
Equity shareholders' funds		**12,358**	15,830	10,610

The financial statements on pages 62 to 69 were approved by the Board of Directors and authorised for issue on 21 March 2016 and were signed on its behalf by:

Ian Temple
Director

Hydrogen Group plc
Registered office: 30-40 Eastcheap, London.
EC3M 1HD
Registered in England and Wales no: 5563206

HYDROGEN GROUP PLC

Parent company statement of changes in equity

As at 31 December 2015

	Share capital £'000	Share premium £'000	Own shares held £'000	Share option reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013	235	3,512	(1,338)	319	272	8,986	11,986
Dividends paid	-	-	-	-	-	(1,003)	(1,003)
Share option charge	-	-	-	87	-	-	87
New shares issued	2	7	-	-	-	-	9
Transactions with owners	2	7	-	87	-	(1,003)	(907)
Profit for the year	-	-	-	-	-	133	133
Other comprehensive losses:							
Exchange loss	-	-	-	-	(602)	-	(602)
Total comprehensive loss for the year	-	-	-	-	(602)	133	(469)
Balance at 31 December 2013	237	3,519	(1,338)	406	(330)	8,116	10,610
Dividends paid	-	-	-	-	-	(1,032)	(1032)
Share option charge reversal	-	-	-	(95)	-	-	(95)
New shares issued	2	1	-	-	-	-	3
Transactions with owners	2	1	-	(95)	-	(1,032)	(1,124)
Profit for the year	-	-	-	-	-	6,387	6,387
Other comprehensive losses:							
Exchange loss	-	-	-	-	(43)	-	(43)
Total comprehensive loss for the year		-	-	-	(43)	6,387	6,344
Balance at 31 December 2014	**239**	**3,520**	**(1,338)**	**311**	**(373)**	**13,471**	**15,830**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(698)**	**(698)**
Share option charge	**-**	**-**	**-**	**173**	**-**	**-**	**173**
Transactions with owners	**-**	**-**	**-**	**173**	**(373)**	**(698)**	**(525)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,804)**	**(2,804)**
Other comprehensive losses:							
Exchange loss	**-**	**-**	**-**	**-**	**(143)**	**-**	**(143)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(143)**	**(2,804)**	**(2,947)**
Balance at 31 December 2015	**239**	**3,520**	**(1,338)**	**484**	**(516)**	**9,969**	**12,358**

1 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The principal accounting policies used in the preparation of the Company financial statements are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. The Company has adopted FRS 101 early which is permitted under the Standard. Transition tables showing all material adjustments are disclosed in note 26. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of paragraphs 45;
b) and 46-52 of IFRS 2 Share based Payment:
c) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations
d) the requirements of IFRS 7 Financial Instruments: Disclosures,
e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture.
g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*
h) the requirements of IAS 7 Statement of Cash Flows;
i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
j) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Investments

Fixed asset investments in subsidiaries are stated at cost less provision for impairment.

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 Group'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.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. An interim dividend distribution is recognised in the period in which it is approved and paid.

Foreign exchange

The Company has advanced intercompany loans to a number of subsidiaries, which are not intended to be settled in the foreseeable future, as part of the net investment in the relevant subsidiary. These loans are denominated in the functional currency of the relevant subsidiary, and exchange gains or losses arising on their period revaluation are taken direct to reserves.

Share-based payments

Where options were awarded after 7 November 2002 and were unvested as of 1 January 2006, the fair value of the employee services received in exchange for the grant of the share options is charged to profit and loss 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. Fair value is measured by use of a binomial model. 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 with a corresponding adjustment to equity.

Where the conditions attached to share options are modified but without any change to the value of the award to the employee then the Group recognises the amount that would have been recognised for the award if it had remained in place on its original terms.

When the options are exercised the proceeds received are credited to share capital and share premium.

Where options are issued to employees of subsidiary companies the expense and corresponding adjustment to equity are recorded in the financial statements of the relevant subsidiary.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to profit and loss reserves.

Significant management judgement in applying accounting policies

In the process of applying the Company's accounting policies the subjects requiring management estimation and judgement that have the most significant risk of causing material adjustments to the amounts recognised in the financial statements are described below:

Judgement and estimation:

Recoverability of intercompany receivables

Determining the recoverability of intercompany receivables required management to exercise judgement based on the future trading performance of each subsidiary undertaking..

2 Profit for the year

As permitted by Section 408 of the Companies Act 2006 the profit and loss account for the Company is not presented as part of these financial statements. Hydrogen Group plc reported a loss for the financial year ended 31 December 2015 of £2,804,000 (2014: profit £6,387,000).

The auditor's remuneration for audit of the Company is £10,000 (2014: £10,000).

Fees payable to Grant Thornton UK LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Notes to the parent company financial statements

3 Dividend

	2015 £'000	2014 £'000	2013 £'000
Amounts recognised and distributed to shareholders in the year			
Interim dividend for the year ended 31 December 2015 of Nil p per share (2014: 1.5p per share)	**-**	337	335
Final dividend for the year ended 31 December 2014 of 3.1p per share (2013: 3.1p per share)	**698**	695	668
	698	1,032	1,003

No interim dividend was paid in respect of the year ended 31 December 2015 (2014: 1.5p per share).

The final dividend in relation to 2014 was recommended on 3 March 2015, and was not recognised as a liability in the year ended 31 December 2014.

The Board does not propose a final dividend for the year ended 31 December 2015 (2014: 3.1p per share).

4 Non-current investments

	2015 £'000	2014 £'000	2013 £'000
Subsidiary undertakings at cost			
At 1 January	**7,273**	7,088	7,088
Additions	**-**	185	-
At 31 December	**7,273**	7,273	7,088

Subsidiaries

The principal trading subsidiaries are Hydrogen UK Limited and Hydrogen International Limited in the UK, Hydrogen Group Pty Ltd in Australia, Hydrogen Group Pte Ltd in Singapore, Hydrogen Group Ltd in Hong Kong, Hydrogen Norge AS in Norway and Hydrogen Group LLC in USA.

Subsidiary:	Country of incorporation	Nature of activities	% ordinary share capital and voting rights
Hydrogen UK Limited*	United Kingdom	Recruitment	100%
Hydrogen International Limited	United Kingdom	Recruitment	100%
Hydrogen Group Pty Limited	Australia	Recruitment	100%
Hydrogen Group GmbH	Germany	Recruitment	100%
Hydrogen Group Limited	Hong Kong	Recruitment	100%
Hydrogen Group Sdn. Bhd	Malaysia	Recruitment	100%
Hydrogen Oil & Gas Sdn. Bhd*	Malaysia	Recruitment	40%
Hydrogen Agency Sdn Bhd*	Malaysia	Recruitment	40%
Hydrogen Group BV	Netherlands	Recruitment	100%
Hydrogen Norge AS	Norway	Recruitment	100%
Hydrogen Group Pte Limited	Singapore	Recruitment	100%
Hydrogen Group AG	Switzerland	Recruitment	100%
Hydrogen Group LLC	USA	Recruitment	100%
Hydrogen Group Staffing LLC*	USA	Recruitment	100%
Hydrogen Employee Share Company Limited	United Kingdom	Trustee of Share Incentive Plan	100%

*held indirectly

5. Deferred tax

Deferred tax asset	Other £'000	Unutilised losses £'000	Accelerated depreciation £'000	Share based payments £'000	Total £'000
At 1 January 2013			2	9	11
Charged to profit or loss			-	58	58
At 31 December 2013	-	-	2	67	69
(Credited)/charged to profit or loss	-	-	(1)	11	10
At 31 December 2014	-	-	1	78	79
Charged/(credited) to profit or loss	**2**	**-**	**(1)**	**(8)**	**(7)**
At 31 December 2015	**2**	**-**	**-**	**70**	**72**

Deferred tax (liability)	Accelerated capital allowances £'000
At 1 January 2013 and 1 January 2014	-
Charged to profit or loss	-
At 31 December 2013 and 31 December 2014	-
Charged to profit or loss	**1**
At 31 December 2015	**1**

No reversal of deferred tax is expected within the next twelve months (2014: Nil).

In total, at the reporting date, the company had unutilised tax losses of £6,574 (2014: Nil) available for offset against future profits, for which no deferred tax assets had been recognised.

6. Trade and other receivables

Trade and other receivables are as follows:	**2015 £'000**	2014 £'000	2013 £'000
Other taxation and social security	**247**	301	289
Other debtors and prepayments	**183**	40	21
Current	**430**	341	310
Amounts owed by Group companies	**10,215**	9,217	5,389
Less: impairment provision	**(3,748)**	(2,153)	-
Non-current	**6,467**	7,064	5,389
	6,897	7,405	5,699

Notes to the parent company financial statements

7. Share capital

	2015		2014		2013	
Ordinary shares of 1p each	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
Authorised						
At 1 January and 31 December	**40,000,000**	**400**	40,000,000	400	40,000,000	400
Issued and fully paid:						
At 1 January	**23,881,094**	**239**	23,714,238	237	23,714,238	235
Issuance of new shares for employee share schemes	**10,619**	**-**	166,856	2	166,856	2
31 December	**23,891,713**	**239**	23,881,094	239	23,881,094	237

The Company has one class of ordinary shares which carries no right to fixed income.

8. Own shares

During the year there were was no movement in the number of shares held by the EBT.

At 31 December 2015, the total number of ordinary shares held in the EBT and their values were as follows:

Shares held for share option schemes	2015	2014	2013
Number of shares	**1,162,051**	1,185,451	1,185,451
	£'000	£'000	£'000
Nominal value	**12**	12	12
Carrying value	**1,338**	1,338	1,338
Market value	**349**	925	925

9. Contingent liabilities

The Company has entered into a cross guarantee in respect of the banking facilities of its subsidiary undertakings which amounted to £0.5m (2014: £12.7m) at the balance sheet date.

10. Related parties

As permitted by FRS 8 the Company has not disclosed transactions with subsidiaries in its own accounts as these accounts are presented together with the consolidated group financial statements.

The Directors receive remuneration from the Company, which is disclosed in the Directors' Remuneration Report. As shareholders, the Directors who are shareholders also receive dividends from the Company:

	2015 £'000	2014 £'000	2013 £'000
Dividends paid to Directors	**127**	317	309

11. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with applicable United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101, and has considered those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. The Company is satisfied that there are no adjustments requiring a restatement of its balance sheet as at 1 January 2013 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

IFRS 2 *Share based payment* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This is treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.

Directors and advisors

Directors

Stephen Puckett (Chairman)

Ian Temple (Chief Executive)

Colin Adams (Chief Financial Officer)

Anne Baldock (Non-Executive) - Senior Independent Director

Secretary

Colin Adams

Company number

5563206

Registered office

30-40 Eastcheap, London EC3M 1HD

Auditor

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

Solicitor

Travers Smith 10 Snow Hill London EC1A 2AL

Banker

HSBC 60 Queen Victoria Street London EC4N 4TR

Registrar

Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Nominated adviser and broker

Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU