

RSM Tenon

Realising the
growth potential



Interim Results

Six months to 31 December 2009

Highlights

- Acquisition of RSM Bentley Jennison in December 2009 expanding the Group's scale, geography and service offering.
- Detailed integration planning complete, savings and timetable ahead of original estimates.
- Operating profit increased to £8.8m* providing a stable platform from which to grow the enlarged business.
- Turnaround and corporate recovery turnover up 20% to £23.2m.
- £40m of equity and £35m of debt raised to fund acquisition and growth.
- Increased bank facilities of £75m less than 50% utilised.
- Adjusted basic earnings per share 3.01p.*

* Before amortisation of acquired intangibles, deferred consideration interest and exceptional items





Andy Raynor
Chief Executive

“We have again delivered profits in line with expectations whilst completing the largest acquisition in the history of the Group. Integration plans are well advanced and provide a clear opportunity for further margin and revenue enhancement over the next twelve months.”

Andy Raynor, Chief Executive 24 March 2010



Chairman's Statement

INTRODUCTION

We are pleased to report on a period that marks a substantial step forward for the Group.

During the period RSM Tenon maintained profitability whilst completing our most significant acquisition to date. This demonstrates the stability of our underlying business upon which the enlarged Group will drive future growth. A sensible mix of equity and debt finance raised during the acquisition of RSM Bentley Jennison gives us the funding headroom with which to pursue our business development strategy.

FINANCIAL AND BUSINESS PERFORMANCE OVERVIEW

	6 months to 31 December 2009 Unaudited £m	6 months to 31 December 2008 Unaudited £m
Revenue from continuing activities*	73.5	74.9
Adjusted operating profit*	8.8	8.7
Adjusted profit after tax*	5.9	5.8
Statutory profit after tax	1.2	4.7
Adjusted basic earnings per share*	3.01p	3.01p
Statutory basic earnings per share	0.63p	2.43p

* Before amortisation of acquired intangibles, deferred consideration interest and exceptional items

We believe in people and invest in their talents. The RSM Tenon Academy encourages open commercial thinking and entrepreneurial spirit. Our teams turn that into action.

SERVICE LINES AND MANAGEMENT STRUCTURE

Following the acquisition of RSM Bentley Jennison we have simplified our service line management into five key segments to lead the development of our business:

Audit, Tax and Advisory (ATA)

Is the engine room of RSM Tenon holding the majority of recurring fees/relationships with entrepreneurial and corporate clients delivering accounts, audit, tax, advisory, outsourcing and corporate finance assignments.

Turnaround and Corporate Recovery (Recovery)

Has seen significant growth over the last two and a half years, and we believe this will continue to expand with new geographical opportunities across its corporate, bankruptcy and IVA offerings.

Risk Management

A result of the acquisition, Risk management represents a substantial recurring revenue stream of compliance and advisory services relating primarily to the public sector and also larger corporate bodies. This will be separately reported in future results.

Specialist Taxation

Is a key part of our “Wealth Experience” offering which, in the current changing taxation environment, presents a significant growth opportunity.

Financial Management

Represents the full range of activities offered to individual investors and corporate and public sector pension arrangements.

Our operating board brings these services and the support functions of the Group together to drive staff sharing and joint sales initiatives across the whole business. Regional leaders will ensure the coordination of services and quality of local delivery to our core entrepreneurial market, whilst national initiatives will ensure we take the greatest opportunity from larger appointments and inbound referrals from our new RSMi network.

SERVICE LINE PERFORMANCE

The following table sets out the fees generated on a revised service line basis:

	6 months to 31 December 2009 Unaudited		6 months to 31 December 2008 Unaudited (Restated)		Year to 30 June 2009 Audited (Restated)	
	£m	% of total	£m	% of total	£m	% of total
Audit, tax and advisory	34.7	47	37.7	50	73.8	49
Turnaround and corporate recovery	23.2	32	19.3	26	43.7	29
Specialist taxation	10.2	14	12.3	17	21.6	14
Financial management	5.4	7	5.6	7	11.7	8
	73.5	100	74.9	100	150.8	100

During the period we successfully migrated resources to our growing Turnaround and corporate recovery segment from ATA, thereby improving our overall operating margin from 11.6% to 12.0%. Our mix of services exhibited highly resilient properties in a full six months of economic downturn.

Turnaround and corporate recovery continues to be a key growth segment, with turnover increasing organically by 20% in the period. In addition to staff transfers, we have continued to attract and invest in this service line by recruiting high quality people from our competitors.

ATA recurring services remained strong although revenues have temporarily reduced as a result of the economic impact on advisory work and staff transfers to recovery services. Cost improvements have offset the resulting profit effect.

Specialist tax and financial management maintained the performance generated in the second half of the year to 30 June 2009. These services act as key differentiators in our offering to high net worth individuals. Current changes in tax legislation will continue to ensure that they remain in demand.

Service lines work together to provide clients with complete solutions and measurable benefits. This balance maximises our opportunity for profit and growth.

FUNDING AND CASH FLOWS

Increased bank facilities were arranged during the period with Lloyds TSB in order to fund the acquisition, integration and our organic and acquisitive growth.

Total bank facilities of £75m were available at the period end of which only 48% were utilised. A new five-year revolving credit facility of £45m provided an additional £35m of debt finance. The arrangement costs including legal expenses were approximately £0.5m. Interest on the facility is charged at 250 bps above LIBOR for the drawn down element reducing to 125 bps for undrawn amounts.

Our normal working capital cycle, weighting cash outflows to the first half of our financial year, and strong growth in the Turnaround and corporate recovery business resulted in an anticipated increase in net debt to £35.8m. The increase is analysed as follows:

	£m
Acquisition and deferred consideration costs	42.6
Prior year bonuses	7.0
Turnaround and corporate recovery working capital investment	4.0
Exceptional items	2.8
Capital investment	1.6
Corporation tax	1.6
Interest	0.8
Service line cash generation pre-Recovery working capital investment	(6.6)
Equity finance	(39.0)
Net debt movement	14.8

Centrally managed initiatives, enhanced by incentive structures linked to cash generation, continue to exert close control over working capital. Excepting the investments in further growth of Turnaround and corporate recovery and in the working capital requirements of our new acquisition, the second half of the financial year is expected to provide strong positive cash flow.

ACQUISITION AND INTEGRATION

On 30 December 2009 we completed the largest single acquisition that the Group has made since its formation 10 years ago, RSM Bentley Jennison, for an estimated consideration of £76m. This confirmed our position as the seventh largest accountancy practice overall by annual fee income and as one of the largest specialist providers of internal audit and related services to the UK public sector.

As part of the acquisition, £40m (before placement costs) of equity was raised and an additional £35m of debt was put in place to appropriately fund the integration and expansion of the enlarged business.

Following the acquisition Tony Stockdale, Richard Smith and Mark Lucas were appointed to the board of Directors of the enlarged Group.

We have carefully defined the vision and management structure of the business and a detailed integration plan has been developed. A dedicated team of leading management from both legacy businesses will be responsible for the implementation of all integration processes and in ensuring that full benefits are released from the merged business. Progress reports presently indicate delivery ahead of the original estimated timescales, and cost savings in excess of £10m.

EXCEPTIONAL ITEMS

Exceptional costs in the period of £5.3m were incurred and can be analysed as follows:

	£m
Acquisition costs and operational review	3.1
FSA penalty and costs	1.1
JV start-up costs	0.4
Charged to operating profit	4.6

In February 2010 the Group received a penalty from the Financial Services Authority ("FSA") in respect of the past activities of our Financial services business. The processes of this division have been enhanced and operate under the new management structure of the Group. The cost of the FSA review included, in addition to the fine (£0.7m), a provision for client redress to the extent not covered by insurances. Our Financial management service line remains a strong generator of income and a key element of future plans.

In accordance with IAS 39 £0.7m has been provided for impairment of quoted investments held as available-for-sale assets below the operating profit line.

RSM Tenon always looks into the future. The integration of our enlarged group creates new opportunities and we intend to take them.

PEOPLE AND REWARDS

The recruitment, retention and development of high quality people is a key feature of our business. We have an excellent record of incentivising the best performing staff at a senior level. This has been achieved through a transparent reward structure and the swift promotion of those who demonstrate ability and a desire to progress. The enlarged Group will ensure that exceptional delivery in the areas of sales, efficiency and working capital management attracts correspondingly exceptional reward and recognition.

Consequently, we expect our service lines to perform to maximum efficiency. Regular performance reviews, together with integration restructuring opportunities, will allow management to fine-tune our teams and improve utilisation rates and margins.

INTENTION TO MOVE TO THE OFFICIAL LIST

As announced at the time of the acquisition on 9 December 2009 the Company intends to move to the Official List in the first half of 2010, subject to the receipt of the necessary approvals from the UKLA.

RSM Tenon has grown significantly since its admission to AIM in December 2000 and the Directors believe that listing provides the most appropriate platform for the continued growth of the Group. Further, the Board believes that a move to the Official List will raise the Company's profile.

OUTLOOK AND STRATEGY

We will continue to further expand our Turnaround and corporate recovery offering especially alongside our recently acquired offices in Birmingham, Bristol and Leeds. Historical insolvency statistics suggest that levels of appointments continue to rise to peak levels 2-3 years post downturn and therefore further organic growth is also expected.

The Risk management service line now has a wider geography and work across our regions has already commenced to promote the services offered by this division. The level of referral activity with our RSM international network has increased since the acquisition and will encourage further growth.

With a balanced portfolio, new geographic and service opportunities and margin improvement from integration savings, we are well placed to enhance shareholder value.



Bob Morton
Chairman



Andy Raynor
Chief Executive

24 March 2010

Independent review report to RSM Tenon Group PLC

INTRODUCTION

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2009, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM rules for Companies.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

Manchester

24 March 2010

NOTES

- The maintenance and integrity of the RSM Tenon Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

At RSM Tenon we want our business,
our people and our clients to grow.



Interim figures

Six months to 31 December 2009



CONSOLIDATED INCOME STATEMENT

for the 6 months to 31 December 2009

	Notes	Before amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Unaudited	Amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Unaudited	6 months to 31 December 2009 Total £000 Unaudited
Revenue – continuing operations		73,493	280	73,773
External charges: direct expenses		(4,310)	(110)	(4,420)
Employee benefit expense		(44,445)	(1,544)	(45,989)
Employee share scheme costs		(267)	–	(267)
Depreciation of tangible assets		(991)	(20)	(1,011)
Amortisation of intangible assets		(179)	(415)	(594)
Other operating charges		(14,479)	(3,176)	(17,655)
Operating profit		8,822	(4,985)	3,837
Finance income		18	–	18
Finance costs		(811)	(76)	(887)
Impairment of available-for-sale financial asset		–	(737)	(737)
Profit on ordinary activities before taxation		8,029	(5,798)	2,231
Tax on profit on ordinary activities	4	(2,169)	1,161	(1,008)
Profit for the period		5,860	(4,637)	1,223
Earnings per 10p share	5			
Basic		3.01	(2.38)	0.63
Diluted		2.94	(2.33)	0.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6 months to 31 December 2009

	6 months to 31 December 2009 £000 Unaudited
Profit for the period	1,223
Other comprehensive income for the period:	
Movement in valuation of cash flow hedges	74
Reversal of available-for-sale financial assets	–
Actuarial gains in defined benefit pension plans	93
Other comprehensive income for the period, net of tax	167
Total comprehensive income for the period	1,390

Before amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Unaudited	Amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Unaudited	6 months to 31 December 2008 Total £000 Unaudited	Before amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Audited	Amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000 Audited	Year ended 30 June 2009 £000 Audited
74,929	–	74,929	150,809	–	150,809
(3,879)	–	(3,879)	(8,488)	–	(8,488)
(46,116)	(375)	(46,491)	(94,144)	(2,233)	(96,377)
(261)	–	(261)	(487)	–	(487)
(821)	–	(821)	(1,806)	–	(1,806)
(179)	(1,008)	(1,187)	(357)	(1,629)	(1,986)
(15,008)	–	(15,008)	(26,519)	(566)	(27,085)
8,665	(1,383)	7,282	19,008	(4,428)	14,580
274	–	274	367	–	367
(923)	(172)	(1,095)	(1,746)	(359)	(2,105)
–	–	–	–	(871)	(871)
8,016	(1,555)	6,461	17,629	(5,658)	11,971
(2,234)	435	(1,799)	(5,099)	1,340	(3,759)
5,782	(1,120)	4,662	12,530	(4,318)	8,212
3.01	(0.58)	2.43	6.51	(2.24)	4.27
2.90	(0.55)	2.35	6.34	(2.19)	4.15
		6 months to 31 December 2008 £000 Unaudited			Year ended 30 June 2009 £000 Audited
		4,662			8,212
		(2,105)			(1,752)
		(799)			316
		–			65
		(2,904)			(1,371)
		1,758			6,841

CONSOLIDATED BALANCE SHEET

at 31 December 2009

	31 December 2009 £000 Unaudited	31 December 2008 £000 Unaudited	30 June 2009 £000 Audited
ASSETS			
Non-current assets			
Goodwill	125,454	77,980	79,086
Other intangible assets	36,073	7,565	8,343
Intangible assets	161,527	85,545	87,429
Property, plant and equipment	7,314	5,264	5,213
Available-for-sale financial assets	751	1,129	1,486
Deferred income tax assets	18,558	4,508	4,117
	188,150	96,446	98,245
Current assets			
Trade and other receivables due within one year	63,416	50,252	51,519
Cash	3,864	6,763	14,094
Total current assets	67,280	57,015	65,613
Total assets	255,430	153,461	163,858
LIABILITIES			
Non-current liabilities			
Borrowings	20,671	25,700	25,757
Deferred income tax liabilities	9,749	1,668	1,935
Provisions for other liabilities and charges	14,846	2,219	2,127
Total non-current liabilities	45,266	29,587	29,819
Current liabilities			
Trade and other payables	29,568	27,570	28,048
Corporation tax liabilities	1,979	2,719	2,721
Borrowings	19,026	4,402	9,396
Provisions for other liabilities and charges	11,780	5,067	4,383
Total current liabilities	62,353	39,758	44,548
Total liabilities	107,619	69,345	74,367
EQUITY			
Ordinary shares	31,941	19,011	19,074
Share premium	70,916	27,204	27,204
Merger reserve	26,879	26,879	26,879
Investment revaluation reserve	4	(1,111)	4
Retained earnings	18,071	12,133	16,330
Total equity	147,811	84,116	89,491
Total liabilities and equity	255,430	153,461	163,858

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months to 31 December 2009

	Share capital £000 Unaudited	Share premium account £000 Unaudited	Merger reserve £000 Unaudited	Investment revaluation reserve £000 Unaudited	Retained earnings £000 Unaudited	Total £000 Unaudited
Balance at 1 July 2008	18,862	27,192	26,879	(312)	12,406	85,027
Comprehensive income						
Profit for the period	–	–	–	–	4,662	4,662
	–	–	–	–	4,662	4,662
Other comprehensive income						
Cash flow hedges, net of tax	–	–	–	–	(2,105)	(2,105)
Reversal of revaluation of available-for-sale financial assets	–	–	–	(799)	–	(799)
	–	–	–	(799)	(2,105)	(2,904)
Total comprehensive income for the period	–	–	–	(799)	2,557	1,758
Transactions with owners						
Employee share option scheme:						
– value of employee services	–	–	–	–	261	261
– proceeds from shares issued	149	12	–	–	–	161
– deferred tax on share option scheme	–	–	–	–	(433)	(433)
Dividends relating to June 2008 paid in December 2008	–	–	–	–	(2,658)	(2,658)
	149	12	–	–	(2,830)	(2,669)
Balance at 31 December 2008	19,011	27,204	26,879	(1,111)	12,133	84,116
Balance at 1 July 2009	19,074	27,204	26,879	4	16,330	89,491
Comprehensive income						
Profit for the period	–	–	–	–	1,223	1,223
	–	–	–	–	1,223	1,223
Other comprehensive income						
Cash flow hedges, net of tax	–	–	–	–	74	74
Actuarial gain recognised on pension schemes	–	–	–	–	93	93
	–	–	–	–	167	167
Total comprehensive income for the period	–	–	–	–	1,390	1,390
Transactions with owners						
Employee share option scheme:						
– value of employee services	89	–	–	–	235	324
– deferred tax on share option scheme	–	–	–	–	116	116
Proceeds from share placement	8,889	30,101	–	–	–	38,990
Shares issued for acquisitions in the period	3,889	13,611	–	–	–	17,500
	12,867	43,712	–	–	351	56,930
Balance at 31 December 2009	31,941	70,916	26,879	4	18,071	147,811

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months to 31 December 2009

	6 months to 31 December 2009 £000	6 months to 31 December 2008 £000	Year to 30 June 2009 £000
Note	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before taxation	2,231	6,461	11,971
Exceptional items	4,570	375	2,799
Net Finance Costs	869	821	1,738
Employee share scheme costs	267	261	487
Depreciation of tangible fixed assets	1,011	821	1,806
Loss on disposal of fixed assets	–	3	39
Amortisation of intangible assets	594	1,187	1,986
Impairment of available-for-sale financial asset	737	–	871
Increase in trade and other receivables	(7,453)	(3,936)	(2,784)
Decrease in trade and other payables	(5,664)	(11,145)	(12,950)
Decrease in provisions	(505)	(655)	(783)
Cash flow from trading	(3,343)	(5,807)	5,180
Cash flow from exceptional items	(2,793)	(375)	(3,246)
Cash flow from operating activities	(6,136)	(6,182)	1,934
Interest paid	(737)	(913)	(1,687)
Income tax paid	(1,634)	(1,830)	(3,562)
Net cash flows from operating activities	(8,507)	(8,925)	(3,315)
Cash flows from investing activities			
Acquisition of subsidiary undertakings and businesses	(41,161)	(49)	(1,605)
Net (overdraft)/cash acquired with subsidiary undertakings and businesses	(182)	–	33
Deferred consideration on purchase of subsidiary undertakings and businesses	(1,246)	(2,822)	(3,732)
Net consideration on disposal of group businesses	134	1,842	1,842
Purchase of property, plant and equipment	(1,581)	(2,002)	(2,957)
Interest received	18	274	367
Interest paid on finance leases	(59)	(10)	(40)
Cash flows from investing activities	(44,077)	(2,767)	(6,092)
Cash flows from financing activities			
Dividends paid to shareholders	–	(2,658)	(2,658)
Issue of ordinary share capital for cash	39,079	161	224
Loans received	8,447	–	5,000
Repayment of loans	(5,008)	–	–
Capital element of finance lease repayments	(290)	(291)	(820)
New finance lease on existing assets	126	1,162	1,674
Cash flows from financing activities – gross	42,354	(1,626)	3,420
Decrease in cash in the period	6	(10,230)	(5,987)
Cash at start of period	14,094	20,081	20,081
Cash at end of period	3,864	6,763	14,094

NOTES TO THE INTERIM RESULTS

for the 6 months to 31 December 2009

1 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with IFRS (as adopted by the European Union), in accordance with the accounting policies as set out in the financial statements for the period ended 31 December 2009 and AIM rules. The report has been prepared in accordance with AIM rule 18 rather than IAS 34.

These interim results for the period ended 31 December 2009, which are not audited, have been prepared in accordance with IFRS and do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative financial information for the year ended 30 June 2009 has been extracted from the full audited accounts of the Group in respect of that financial period. These accounts received an unqualified audit opinion and did not contain a statement under section 498 (2) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The Group has adopted new and amended IFRS as of 1 July 2009 being, IAS 1 (revised) 'Presentation of financial statements', IFRS 3 (revised) 'Business combinations' and IAS 27 (revised) 'Consolidated and separate financial statements'.

2 EMPLOYEES

The average number of persons (including executive directors) employed by the Group was as follows:

	6 months to 31 December 2009 Unaudited	6 months to 31 December 2008 Unaudited	Year to 30 June 2009 Audited
Management and professional staff	1,522	1,611	1,531
Support and administrative staff	339	336	389
	1,861	1,947	1,920

3 EXCEPTIONAL ITEMS

Exceptional costs in the period of £5.3m were incurred and can be analysed as follows:

	6 months to 31 December 2009 £000 Unaudited	6 months to 31 December 2008 £000 Unaudited	Year to 30 June 2009 £000 Audited
Acquisition costs and operational review	3,111	375	2,799
FSA penalty and costs	1,100	–	–
Joint venture start-up costs	365	–	–
Charged to operating profit	4,576	375	2,799

In February 2010 the Group received a penalty from the Financial Services Authority (FSA) in respect of the past activities of our Financial Services business. The processes of this division have been enhanced and operate under the new management structure of the Group. The cost of the FSA review included, in addition to the fine, a provision for client redress to the extent not covered by insurances. The business remains a strong generator of income and a key element of future plans.

In accordance with IAS 39 £0.7m has been provided for impairment of quoted investments held as available-for-sale assets below the operating profit line.

NOTES TO THE INTERIM RESULTS

for the 6 months to 31 December 2009 continued

4 INCOME TAX

The tax charge accrued in these interim results reflects an actual tax rate of 45% (6 months to 31 December 2008: 28%; year to 30 June 2009: 31%). The higher rate in the six months ended 31 December 2009 is as a result of certain exceptional and acquisition costs not being allowable for tax.

5 EARNINGS PER SHARE

	6 months to 31 December 2009		Restated 6 months to 31 December 2008		Restated Year to 30 June 2009	
	Earnings £000	Earnings per share p	Earnings £000	Earnings per share p	Earnings £000	Earnings per share p
Basic earnings per share	1,223	0.63	4,662	2.43	8,212	4.27
Dilutive share options	–	(0.02)	–	(0.08)	–	(0.12)
Diluted earnings per share	1,223	0.61	4,662	2.35	8,212	4.15
Basic earnings per share	1,223	0.63	4,662	2.43	8,212	4.27
Amortisation of intangibles, deferred consideration interest, exceptional items net of tax effect	4,637	2.38	1,120	0.58	4,318	2.24
Adjusted earnings per share	5,860	3.01	5,782	3.01	12,530	6.51
Dilutive share options	–	(0.07)	–	(0.11)	–	(0.17)
Adjusted diluted earnings per share	5,860	2.94	5,782	2.90	12,530	6.34

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the six month period. The weighted average number of shares in issue during the six months to 31 December 2009 was 194,800,000 (6 months to 31 December 2008: 191,997,000; year to 30 June 2009: 189,437,000).

There are 19,639,000 share options and warrants that give rise to a dilution during the 6 months to 31 December 2009 (6 months to 31 December 2008: 15,638,000; year to 30 June 2009: 6,824,000). There are 11,570,000 options and warrants in issue that do not give rise to dilution during the 6 months to 31 December 2009 (6 months to 31 December 2008: 10,700,000; year to 30 June 2009: 18,955,000).

The adjusted earnings per share are calculated and shown in order to demonstrate earnings per share before amortisation of intangibles, deferred consideration interest and exceptional items, as the Directors believe this figure more accurately reflects the performance of the Group.

6 ANALYSIS AND RECONCILIATION OF MOVEMENT IN NET DEBT

	1 July 2009 £000 Audited	Cash flow £000	Non-cash Items £000	31 December 2009 £000 Unaudited
Cash balances				
Cash at bank and in hand	14,094	(10,230)	–	3,864
Debt				
Bank loans due within one year	(8,903)	(3,000)	(4,388)	(16,291)
Bank and other loans due after one year	(24,803)	–	4,800	(20,003)
Other borrowings	–	(439)	–	(439)
Finance leases due within one year	(493)	89	(1,892)	(2,296)
Finance leases due after one year	(954)	75	211	(668)
	(35,153)	(3,275)	(1,269)	(39,697)
Net debt	(21,059)	(13,505)	(1,269)	(35,833)

7 DIRECTORS' INTERESTS IN SHARES

The number of ordinary shares of 10p each in the Company held by the Directors was as follows:

	31 December 2009	31 December 2008	30 June 2009
ALR Morton	855,555	300,000	300,000
AH Martin	27,777	–	–
JA Newman	27,777	–	–
AP Raynor	2,180,176	1,954,768	1,956,451
RS McBurnie	131,966	20,855	20,855
CS Jackson	649,006	537,895	537,895
MW Lucas	288,374	–	–
RG Smith	3,079,772	–	–
ALC Stockdale	5,255,103	–	–

AP Raynor participates in the Company's share incentive scheme where shares are purchased monthly, by a trustee, on behalf of RSM Tenon Group's employees and directors. In the period from 1 January 2010 to 23 March 2010 AP Raynor became interested in an additional 800 shares, under the Company's All Employee Share Ownership Plan, and RS McBurnie became interested in an additional 623 shares following reinvestment of the Company's dividend.

All directors' interests are beneficially held. ALR Morton's adult children are interested in 22,175,000 ordinary shares.

NOTES TO THE INTERIM RESULTS

for the 6 months to 31 December 2009 continued

8 BUSINESS COMBINATIONS

The Group purchased RSM Bentley Jennison on 30 December 2009 for an estimated total consideration of circa £76m. An adjustment was required to the book value of the assets and liabilities of the business acquired in order to present the net assets of the business at a fair value in accordance with the group's accounting policies. The purchase was treated as an acquisition and a summary of the resultant goodwill arising is set out below:

	Provisional fair value to Group £000
RSM Bentley Jennison	
Intangible assets	28,324
Net assets purchased	1,516
Net assets	29,840
Goodwill	46,502
	76,342
Satisfied by	
Cash	41,161
Share capital	17,500
Contingent deferred cash consideration (discounted)	17,681
	76,342

The net assets purchased include £1,420,000 relating to a minority holding requiring settlement. Management fully expect this to be settled by 30 June 2010 and therefore it has been accounted for as an amount payable in relation to additional consideration to reflect the substance of the transaction.

9 COPIES OF THE INTERIM REPORT

Copies of the interim report will be sent to shareholders and copies will also be available for inspection at the Company's registered office at 66 Chiltern Street, London, W1U 4GB.

Why choose RSM Tenon?

- We provide tailored client solutions, we are not generalists like many market players.
- We challenge traditional approaches to client focus and service delivery. We are commercial and entrepreneurial in our approach, focused on delivering high-value solutions.
- We believe in growth through people, investing substantially in the development of our talent-base, developing leading-edge technical methodologies and support tools. We operate our own in-house Academy and aim to be an employer of choice.
- We invest in our client relationships. We generate more new business by recommendation than any other source.
- We have an exceptional tender and re-tender track record of success.
- We are committed to the efficient use of natural resources and corporate social responsibility.
- We are a PLC, offering transparency of our operations and a proven track record of delivering value to all our stakeholders - our clients, our team and our shareholders.



www.rsmtenon.com

RSM Tenon is committed to the effective use of natural resources. This document has been produced using environmentally friendly papers.

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