

The Rethink Group Limited

Report of the Directors and Financial Statements

Year ending 31 December 2018

Company Number 05078352



The Rethink Group Limited

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The Rethink Group Limited

Company Information

DIRECTORS:	J O'Sullivan B Felton P Crystal A Lord (resigned 27th June 2018) R O'Callaghan (resigned 4th March 2019) F Mohammed G Paxton (resigned 23rd January 2019) J Zafar J Vinson M Lee (appointed 23rd January 2019)
SECRETARY:	B Felton
REGISTERED OFFICE:	1 George Yard London EC3V 9DF
REGISTERED NUMBER:	05078352
AUDITOR:	BDO LLP 3 Hardman Street Manchester M3 3AT
BANKERS:	ABN AMRO 5th Floor Anchorage 2 Anchorage Quay Salford Manchester M50 3GP Bank of Scotland 40 Spring Gardens Manchester M2 1EN

The Rethink Group Limited

Strategic Report

This report sets out the Group and Company's aims and strategies whilst also highlighting those aspects of the Financial Statements that best reflect the Group's progress and performance during the year.

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The group has applied IFRS 15 and IFRS 9 in the current year.

STRATEGY

Rethink's strategic objective is to build a global talent management and recruitment consultancy group. Our talent management business provides bespoke consultancy and outsourced talent acquisition solutions across a wide range of business sectors, whilst the on-demand recruitment division provides specialist digital and IT recruitment services to a wide range of leading technology and retail clients.

The Board believes that the most attractive growth opportunities for the Group lie in talent management where we build deep strategic relationships with clients through tailored consulting on talent attraction, assessment and on-going staff development and engagement. This consulting work often identifies opportunities to engage with the client as a Recruitment Process Outsourcing ('RPO') or contractor Managed Service Provider ('MSP'), strengthening our client relationships further and generating long term predictable income streams for the Group.

Our intention is to drive organic growth primarily in the talent management division but also by investing in our people and specific service lines within the on-demand recruitment division from where many of the future talent management opportunities will be developed.

The purpose of this strategy is to build sustainable and recurring revenue streams, accounting for over 60% of the Group's financial performance. This level of high quality earnings should in turn support a premium valuation for our equity stakeholders and greater career opportunities for our employees.

FINANCIAL REVIEW

Consolidated Group:

	Year ended 31 December 2018				Year ended 31 December 2017			
	Talent Mgmt.	Recruitment	Code Nation	Total	Talent Mgmt.	Recruitment	Code Nation	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Net Fee Income:								
Contract	2,597	6,258	-	8,855	2,790	6,430	-	9,220
Permanent	6,209	5,435	-	11,644	5,295	5,969	-	11,263
Other	(1)	30	-	29	(18)	154	-	136
Total NFI	8,805	11,723	-	20,528	8,067	12,553	-	20,619
Administrative exp.	(7,948)	(9,075)	-	(17,023)	(5,376)	(11,015)	(130)	(16,521)
Contribution	857	2,648	-	3,505	2,691	1,538	(130)	4,099
Central admin exp.	-	-	-	(2,664)	-	-	-	(3,575)
EBITDA before separately identifiable items	-	-	-	841	-	-	-	524

Revenue and gross margin from continuing operations has remained consistent compared to the prior year at £105.3m (2017: £105.7m) and £20.5m (2017: £20.6m).

Earnings before interest, tax, depreciation, amortisation and separately identifiable items ('EBITDA') was £0.8m (2017: £0.5m). This increase in EBITDA is a result of a reduction in administrative expenses in the recruitment division and the centralised back office, partly offset by continued investment in the sales and consulting functions in the talent management division.

The Rethink Group Limited

Strategic Report (continued)

Losses from Group operations before separately identifiable items reduced to £0.1m in the year compared with a loss of £0.5m in 2017, driven by the reduction in administrative costs.

During the year the Group disposed of a majority stake in Code Nation to a privately backed management buy-out. The group retains a 20% investment in this venture.

Talent Management (RTM):

The Talent Management division reported 9% year on year growth in net fee income in 2018 primarily as a result of a new multi-year contract Managed Service Agreement signed with a leading UK broadcaster in May 2018.

However, contribution from RTM reduced to £0.9m in 2018 (2017: £2.7m) due to investment in experienced sales and consulting staff as well as delivery teams in our larger, more complex RPO accounts. The management team continues to focus on finding the right balance between investing for the future whilst delivering profitable year-on-year growth. We continually monitor the level of service provided to our clients, together with the associated costs and where efficiencies can be delivered through technology or more effective processes, these changes are implemented.

Recruitment (Rethink – Digital Gurus):

Net fee income across the recruitment division declined by 7% in 2018 to £11.7m (2017: £12.6m) as the business focused on improving profit margins by removing underperforming sales consultants. Contribution from the division increased by 72% to £2.6m (2017: £1.5m) as a result of cost savings and simplified processes.

The division focuses on niche digital and technology recruitment, increasingly engaging with clients on an exclusive, retained or monthly subscription basis, which helps build longer term, more profitable relationships. These relationships often lead to opportunities for the talent management team to upsell consulting or longer term recruitment solutions.

KEY PERFORMANCE INDICATORS

Key performance indicators for the Group are factors that measure effectively the development, performance or position of the business of the company.

KPIs relevant to this business are set out below.

	2018	2017	Commentary
Revenue	£105.3m	£105.7m	Revenue has remained at similar levels to prior years, with the increase in talent management revenue offsetting a decline in the recruitment revenues.
Gross Profit/ Net Fee Income (NFI)	£20.5m	£20.6m	Gross profit has also remained at similar levels compared with the prior year.
Gross Profit %	19.50%	19.50%	Gross profit % has remained at similar levels compared with the prior year.
EBITDA Conversion	4.10%	2.50%	Earnings before interest, tax, depreciation, amortisation and non-recurring items as a percentage of gross profit has increased in the year due to a reduction in administrative expenses in the recruitment division and centralised back-office.
Total headcount (number)	234	246	Net headcount has reduced slightly due to removal of un-productive fee earners in the recruitment division.
EBITDA	£0.8m	£0.5m	EBITDA has increased in the year due to the reduction in administrative costs across the recruitment division and centralised back office.

The Rethink Group Limited

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Market and Economy

Market and economic conditions are considered to be the main risk to the business, where recruitment is significantly reduced as a result. The Group is addressing this by developing the customer base to spread and minimise the risk and also by targeting long term, retained relationships with customers through the talent management division.

Whilst the economic impact from the UK's decision to leave the EU has yet to be felt by large corporates in the UK, there is a risk that as the transition deadline approaches and uncertainty builds, companies will reduce investment and staff will be less inclined to move jobs, potentially reducing recruitment fee income.

Regulatory change

We track and contribute to regulation, via our membership of The Recruitment and Employment Confederation (REC). There are a number of industry relevant government consultations currently being undertaken, focusing particularly on how the contingent labour market is taxed and regulated. If more onerous regulation were to be introduced, it could result in increased costs of compliance and potentially a reduction in future contractor income. The Group already has strong controls in place to manage the additional compliance work and also continues to develop complementary products and services that could mitigate any loss of contractor income in the future.

Credit control

We have invested in and continue to invest in managing our credit risk and credit control processes, specifically through credit insuring receivables wherever obtainable, and improving the efficiency of the Group credit control function.

Cash requirements

Business forecasts identifying, in particular, liquidity requirements for the Group are produced regularly. These are reviewed by the Board to ensure that sufficient headroom exists within the overall facilities for at least the next 12 months, both in terms of covenants and facility availability.

FINANCIAL INSTRUMENTS

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments.

- Market risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Debt risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally at Group level, while others are managed locally following guidelines communicated from the Board. The policy for each risk is described in more detail below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

The Rethink Group Limited

Strategic Report(continued)

Interest Rate Risk

The Group's primary bank debt facilities include a £20m receivable finance agreement ('RFA') and a £1.0m, amortising term loan with ABN AMRO. The facilities attract interest at rates of 2.0% and 3.25% above base rate respectively.

The Group's external borrowings at the statement of financial position date also comprise £2.16m (2017: £2.16m) of fixed rate loan notes issued to the Business Growth Fund ("BGF"), which mature in 2020 and 2021.

The Group does not seek to fix interest on its bank borrowings as the Board considers the exposure to interest rate risk acceptable due to the relatively short term on the debt facilities.

Credit Risk

The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the statement of financial position date. However, the Group reduces its risk through appropriate use of credit insurance and through rigorous credit checks prior to invoicing new clients.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk is managed centrally at Group level by the finance function. Budgets are set locally and centrally, and are agreed by the Board annually in advance, enabling the Group's cash flow requirements to be anticipated. If facilities need to be increased, approval by the Board is needed.

Based on the Group's forecasts, the directors are comfortable that the business has sufficient headroom and availability in its facilities to meet all financial obligations as they fall due.

Debt Risk

Where customers are expected to exceed their credit insured limit, management look at the exposure on an individual basis giving consideration to the quality of, and the history of the relationship with, the customer together with the extent of any exposure. There is no significant concentration of credit risk on a single customer and the quality of trade receivables is viewed as high.

Board Structure & Future Developments

In April 2018 Andrew Lord stepped down as Group Chief Executive and John O'Sullivan, an original founder of the Group, was appointed Executive Chairman on an interim basis. To reflect the Group's strategic focus on building a leading talent advisory and recruitment outsourcing business, in November 2018 Mark Lee joined the business as Managing Director of RTM and has subsequently been appointed Group Chief Executive Officer. Mark has over 20 years' experience building successful outsourced recruitment and consulting businesses across EMEA and we welcome him to the Board. John O'Sullivan continues his role as Chairman. An executive with strong outsourcing and consulting experience has been identified to fill the role as Managing Director of RTM and will join the business shortly.

In November 2018, Andrew Lord led a management buy-out of Code Nation which resulted in Rethink retaining a 20% equity investment in the business, with £1.0m of new capital injected by a new investor to fund future growth.

Graeme Paxton and Robert O'Callaghan, directors of RTM and the Company, resigned during the year to pursue other interests.

The Rethink Group Limited

Strategic Report (continued)

Group Outlook

The Board were encouraged by the profitable performance of the recruitment division in 2018, albeit an unexpectedly weak performance from RTM in the final quarter of the year impacted the Group's full year results. We are pleased to report that the talent management business has recovered in the first quarter of 2019 and is expected to exceed management forecasts for the first half of the year.

The Board continued its cost rationalisation exercise in 2018, reducing non-sales related overheads and gaining greater efficiencies in the business operations. This is expected to have a beneficial impact on the Group's financial performance in 2019 which, coupled with an improved revenue run-rate, should deliver a greater level of profit.

We would like to thank all of our staff and shareholders for their continued hard work and support for the Company.

ON BEHALF OF THE BOARD:

John O'Sullivan
Executive Chairman

Date: 4 JULY 2019

The Rethink Group Limited

Report of the Directors

The directors present their report with the financial statements of the Group and Company for the year to 31 December 2018.

Review of business

The results for the year and financial position of the Group and Company are as shown in the attached financial statements, and a detailed review is set out in the Strategic Report.

Dividends

The directors have recommended no dividend for 2018 (2017 - no dividend).

The directors who served the Company during the year were as follows:

J O'Sullivan
P Crystal
B Felton
A Lord (resigned 27th June 2018)
R O'Callaghan (resigned 4th March 2019)
F Mohammed
G Paxton (resigned 23rd January 2019)
J Vinson
J Zafar

Financial instruments

Full details of the Group's financial instruments, including consideration of the main risks to the Group and the policies adopted by the directors to minimise their effects, are in note 20 to the financial statements.

Policy and practice on the payment of trade payables

It is the policy of the Group that each of the companies in the Group should agree appropriate terms and conditions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payment is then in accordance with those terms and conditions, provided that the supplier has also complied with them. At the year end creditor days were 22 days (2017 – 34 days).

Going concern

The Group's business activities together with the factors which may impact its activities are documented in the Strategic report. The notes to the financial statements fully describe the Group's policies and processes for managing financial risk including details of its financial assets and liabilities.

After making due enquiry the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts. Further detail on borrowing facilities is included within note 17.

The Rethink Group Limited

Report of the Directors (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the strategic report and the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the company and of the profit or loss of the company 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



Ben Felton

Chief Financial Officer

Date: 4 JULY 2019

The Rethink Group Limited

Independent Auditor's Report to the Members of The Rethink Group Limited For the Year Ended 31 December 2018

Opinion

We have audited the financial statements of The Rethink Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

The Rethink Group Limited

Independent Auditor's Report to the Members of The Rethink Group Limited For the Year Ended 31 December 2018 (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Rethink Group Limited

Independent Auditor's Report to the Members of The Rethink Group Limited For the Year Ended 31 December 2018 (continued)

Auditor's responsibilities for the audit of the financial statements

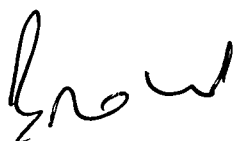
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Julien Rye (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

Date 8/7/19

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Rethink Group Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2018

	Notes	Before separately identifiable items £'000	Separately identifiable items (note 8) £'000	Total 2018 £'000	Before separately identifiable items (restated) £'000	Separately identifiable items (note 8) (restated) £'000	Total 2017 (restated) £'000
Revenue		105,295	-	105,295	105,721	-	105,721
Cost of sales		(84,767)	-	(84,767)	(85,102)	-	(85,102)
Gross profit		20,528	-	20,528	20,619	-	20,619
Administrative expenses		(20,652)	(296)	(20,948)	(21,069)	(90)	(21,159)
Earnings before interest, tax, depreciation and amortisation		841	(296)	545	524	(90)	434
Depreciation		(312)	-	(312)	(300)	-	(300)
Amortisation and impairment		(653)	-	(653)	(674)	-	(674)
Loss from operations	5	(124)	(296)	(420)	(450)	(90)	(540)
Finance expense	4	(616)	-	(616)	(596)	(267)	(863)
Finance income	4	-	-	-	240	-	240
Loss before taxation		(740)	(296)	(1,036)	(806)	(357)	(1,163)
Tax income	7	47	-	47	185	-	185
Loss from continuing operations		(693)	(296)	(989)	(621)	(357)	(978)
(Loss)/Profit on discontinued operations, net of tax	10	(53)	-	(53)	322	-	322
Loss for the year		(746)	(296)	(1,042)	(299)	(357)	(656)
Other comprehensive income/(expense)							
Foreign currency exchange differences on translation of foreign operations		11	-	11	(101)	-	(101)
Total comprehensive loss for the year		(735)	(296)	(1,031)	(400)	(357)	(757)

All of the losses for the year are attributable to equity holders of the parent company.

In accordance with International Financial Reporting Standards, the prior year figures have been restated to show the prior period effect of the current year discontinued operation (see note 10).

The notes on pages 19 to 52 form part of these financial statements

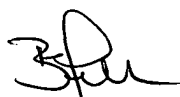
The Rethink Group Limited

Consolidated Statement of Financial Position For the Year Ended 31 December 2018

Company number 05078352

		2018	2017
	Notes	£'000	£'000
Assets			
Non-current assets			
Goodwill	11	4,949	4,949
Equity Investment in Associate	14	333	-
Property, plant and equipment	12	556	622
Intangible assets	13	639	1,261
Total non-current assets		6,477	6,832
Current assets			
Trade and other receivables	15	21,930	19,348
Cash and cash equivalents	2	1,147	1,383
Total current assets		23,077	20,731
Total assets		29,554	27,563
Liabilities			
Current liabilities			
Trade and other payables	16	(12,926)	(12,258)
Loans and borrowings	17	(11,240)	(8,016)
Deferred consideration	16	-	(389)
Corporation tax liability	7	(14)	59
Total current liabilities		(24,180)	(20,604)
Net current (liabilities)/assets		(1,103)	127
Non-current liabilities			
Loans and borrowings	17	(3,521)	(4,011)
Amounts due under finance lease and hire purchase contracts	17	(51)	(24)
Deferred consideration	16	-	-
Deferred tax liability	22	(100)	(191)
Total non-current liabilities		(3,672)	(4,226)
Net assets		1,702	2,733
Equity			
Share capital	23	152	152
Capital redemption reserve	24	31	31
Share premium account	24	5,114	5,114
Merger reserve	24	218	218
Translation reserve	24	(361)	(372)
Retained earnings	24	(3,452)	(2,410)
Total equity attributable to equity holders of the parent company		1,702	2,733

The financial statements were approved by the Board of Directors and authorised for issue on 4 JULY 2019



Ben Felton
Chief Financial Officer

The notes on pages 19 to 52 form part of these financial statements

The Rethink Group Limited

Company Statement of Financial Position For the Year Ended 31 December 2018

Company number 05078352			
	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	470	529
Intangible assets	13	46	77
Investments	14	9,771	9,438
Deferred tax asset	22	-	60
Total non-current assets		10,287	10,104
Current assets			
Trade and other receivables	15	18,855	17,843
Cash and cash equivalents	2	139	254
Corporation tax asset	22	1	-
Total current assets		18,995	18,097
Total assets		29,282	28,201
Liabilities			
Current liabilities			
Trade and other payables	16	(21,579)	(19,524)
Loans and borrowings	17	(103)	(167)
Deferred consideration	16	-	(389)
Total current liabilities		(21,682)	(20,080)
Net current liabilities		(2,687)	(1,983)
Non-current liabilities			
Loans and borrowings	17	(3,230)	(3,220)
Amounts due under finance lease and hire purchase contracts	17	(51)	(23)
Total non-current liabilities		(3,281)	(3,243)
Net assets		4,319	4,878
Equity			
Share capital	23	152	152
Capital redemption reserve	24	31	31
Share premium account	24	5,114	5,114
Merger reserve	24	218	218
Retained earnings	24	(1,196)	(637)
Total equity attributable to equity holders of the Company		4,319	4,878

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company has not been prepared in accordance with section 408 of the Companies Act 2006. The parent company loss for the year is £559k (2017 profit: £251k).

The financial statements were approved by the Board of Directors and authorised for issue on 4 JULY 2019



Ben Felton
Chief Financial Officer

The notes on pages 19 to 52 form part of these financial statements

The Rethink Group Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

Group	Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Translation Reserve £'000	Total £'000
At 31 December 2016	100	(1,754)	4,411	31	218	(271)	2,735
Changes in equity for the year ended 31 December 2017							
Loss for the year	-	(656)	-	-	-	-	(656)
Other comprehensive income for the year	-	-	-	-	-	(101)	(101)
Total comprehensive loss for the year	-	(656)	-	-	-	(101)	(757)
Contributions by and distributions to owners							
Shares issued in the year	78	-	1,086	-	-	-	1,164
Shares reclassified as debt	(26)	-	(383)	-	-	-	(409)
Total contributions by and distributions to owners	52	(656)	703	-	-	(101)	(3)
At 31 December 2017	152	(2,410)	5,114	31	218	(372)	2,733
Changes in equity for the year ended 31 December							
Loss for the year	-	(1,042)	-	-	-	-	(1,042)
Other comprehensive income for the year	-	-	-	-	-	11	11
Total comprehensive loss for the year	-	(1,042)	-	-	-	11	(1,031)
Contributions by and distributions to owners							
Shares issued in the year	-	-	-	-	-	-	-
Shares reclassified as debt	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	(1,042)	-	-	-	11	(1,031)
At 31 December 2018	152	(3,452)	5,114	31	218	(361)	1,702

The notes on pages 19 to 52 form part of these financial statements

The Rethink Group Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2018

Company number: 05078352

Company	Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Capital Redemption £'000	Merger Reserve £'000	Total £'000
At 31 December 2016	100	(888)	4,411	31	218	3,872
Changes in equity for the year ended 31 December 2017						
Profit for the year	-	251	-	-	-	251
Total comprehensive loss for the year	-	251	-	-	-	251
Contributions by and distributions to owners						
Shares issued in the year	78	-	1,086	-	-	1,164
Shares reclassified as debt	(26)	-	(383)	-	-	(409)
Total contributions by and distributions to owners	52	251	703	-	-	1,006
At 31 December 2017	152	(637)	5,114	31	218	4,878
Changes in equity for the year ended 31 December 2018						
Loss for the year	-	(559)	-	-	-	(559)
Total comprehensive loss for the year	-	(559)	-	-	-	(559)
Contributions by and distributions to owners						
Shares issued in the year	-	-	-	-	-	-
Shares reclassified as debt	-	-	-	-	-	-
Total contributions by and distributions to owners	-	(559)	-	-	-	(559)
At 31 December 2018	152	(1,196)	5,114	31	218	4,319

The notes on pages 19 to 52 form part of these financial statements

The Rethink Group Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss before tax from continuing operations		(1,036)	(1,163)
Adjustments for:			
Depreciation charges	12	312	300
Amortisation and impairment	13	653	674
Disposal of property, plant and equipment	12	124	36
Finance expense	4	606	596
Net change in fair value of preferred A-ordinary shares	4	10	(240)
Non-cash consideration for disposal of subsidiary	10	(333)	-
(Loss)Profit from discontinued operations (excl. dep'n)	10	(53)	322
		282	525
(Increase)/Reduction in trade and other receivables		(2,549)	1,509
Increase/(Reduction) in trade and other payables		667	(1,621)
Cash (absorbed by)/generated from operations		(1,600)	413
Finance costs paid	4	(605)	(596)
Corporation tax paid		8	(18)
Net cash absorbed by operating activities		(2,197)	(614)
Cash flows from investing activities			
Purchase of property, plant and equipment		(341)	(210)
Purchase of intangible assets		(60)	(55)
Proceeds from sale of subsidiary	10	-	1,624
Payment of deferred consideration on acquisition of subsidiary undertaking		(389)	(1,172)
Net cash (absorbed)/generated by investing activities		(790)	187
Cash flows from financing activities			
Net change in advances on invoice discounting facility		3,287	(504)
Repayment of finance leases		(36)	(170)
Advance of term loan		-	1,500
Repayment of term loan		(500)	(500)
Net cash generated by financing activities		2,752	326
Net change in cash and cash equivalents		(235)	312
Cash and cash equivalents at start of year		1,383	1,071
Cash and cash equivalents at end of year		1,147	1,383

Changes in liabilities arising from financial activities are all in relation to cashflows

The notes on pages 19 to 52 form part of these financial statements.

The Rethink Group Limited

Company Statement of Cash Flows For the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
(Loss)/Profit before tax		(499)	251
Adjustments for:			
Depreciation charges	12	250	206
Amortisation and impairment	11,13	36	52
Finance expense		256	471
Disposal of property, plant and equipment		69	10
Non-cash consideration for disposal of subsidiary		(333)	-
Write off of inter-company balance		470	-
Net change in fair value of preferred A-ordinary shares		11	(240)
		260	750
Increase in trade and other receivables		(1,483)	(390)
Increase in trade and other payables		2,054	1,928
Cash generated from operations		831	2,288
Finance costs paid		(256)	(471)
Tax paid		-	6
Net cash generated by operating activities		574	1,823
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(234)	(297)
Purchase of intangible assets	13	(30)	(54)
Payment of deferred consideration on acquisition of subsidiary undertaking		(389)	(1,172)
Net cash absorbed by investing activities		(653)	(1,523)
Cash flows from financing activities			
Repayment of finance leases		(36)	(170)
Net cash absorbed by financing activities		(36)	(170)
Net change in cash and cash equivalents		(115)	130
Cash and cash equivalents at start of year	2	254	124

Changes in liabilities arising from financial activities are all in relation to cashflows.

The notes on pages 19 to 52 form part of these financial statements

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1 Accounting policies

The Company and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom and Ireland.

The Rethink Group is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office changed during the year to 2nd Floor, 1 George Yard, London, EC3V 9DF.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed for the use in the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies have been applied consistently by the Group, with the exception of the adoption of IFRS 15, Revenue from Contracts with Customers and IFRS 9, Financial Instruments, from 1 January 2018.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Adoption of new and revised standards

a) New standards, interpretations and amendments effective from 1 January 2018

New standards have been adopted in the annual financial statements for the year ended 31 December 2018 and which have given rise to changes in the Group's accounting policies are:

IFRS 9 Financial Instruments (IFRS 9); and

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

The group evaluated the impact of IFRS 15 and IFRS 9 and in practice, the amounts of revenue recognised under IAS 18 and IFRS 15 in this respect are not materially different.

As a provider of manpower services, the Group earns its revenues through the provision of contractors and placement of direct hires as well as executives. On transition, there is no material impact as the point at which control passes and performance obligations are satisfied, and these have been determined to be the same point risks and rewards passed under IAS 18.

IFRS 9 has impacted the way in which the Group accounts for certain financial assets and liabilities. The standard has introduced an expected credit loss model when assessing impairment of financial assets. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables.

The application of IFRS 9 and the expected credit loss impairment model has not had a material effect on the Group.

b) New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 16: This sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

If the standard were to be adopted during the current financial period and applied to the operating leases currently in the Group, it would bring all operating leases onto the balance sheet in line with the accounting treatment for finance leases. The impact would be an increase in the assets of the company by the amounts showing in note 18. It is envisaged that, as the Group expands, the use of operating leases will increase.

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments. The group has not fully progressed with its assessment of IFRIC 23.

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

b) New standards, interpretations and amendments not yet effective (continued)

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group, being:

Amendments to IFRS 9: Prepayment Features with Negative Compensation Annual Improvements to IFRSs (2015-2017 Cycle) Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 Business Combinations – Definition of a Business
Definition of Material - Amendments to IAS 1 and IAS 8.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions are therefore eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group; they are de-consolidated from the date when control ceases.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of non-wholly owned subsidiaries are included in the consolidated statement of comprehensive income from the date on which control is obtained. The total comprehensive income of non-wholly owned subsidiaries is attributed to the parent and to the non-controlling interests in proportion to their relative ownership interests.

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed, and equity instruments issued.

Revenue and revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue from the sale of services is recognised when the Group has satisfied its performance obligations to the buyer. The criteria are considered to be met when the services are delivered to the buyer.

Revenue from the provision of manpower resources included Direct Hire placements and Temporary Worker placements. Revenue arising from the placement of Direct Hire candidates is recognised at the time the candidate commences employment. Revenue arising from temporary placements is recognised over the period that temporary workers are provided. Where the Group is acting as a principal, revenue represents the amounts billed for the services of the temporary workers, including the remuneration costs and recoverable travel expenses of the temporary workers.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts are repayable on demand and form part of the Group's cash management system and are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Share-based payment

Share-based payment expenses are included in administrative expenses in the statement of comprehensive income with the credit entry to equity. All share-based payments are equity-settled.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that actually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the statement of comprehensive income over their useful economic lives as follows:

Computer equipment	10 - 33% per annum
Improvements to property	10 - 33% per annum
Fixtures and fittings	10 - 33% per annum

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
 - adequate resources are available to complete the development;
 - there is an intention to complete and sell the product;
 - the Group is able to sell the product;
 - sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Development costs (continued)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income as follows:

Development expenditure:

33% per annum

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Software licences

The cost of acquired computer software licences is capitalised. These costs are amortised on a straight-line basis, using the straight-line method to allocate the depreciable value of software licences to the statement of comprehensive income over their useful economic lives as follows:

Software licences:

10 – 33% per annum

Costs associated with maintaining computer software programs are recognised as an expense to the statement of comprehensive income when incurred.

Externally acquired intangibles are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Customer Relationships

The Group recognises an intangible in respect of customer relationships. The recoverable amount of customer relationships has been arrived at by preparing value in use calculations to calculate the present value of future cash flows based on the current trading profitability for the top customers. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and the useful economic life of the relationships. The carrying value is amortised over the expected economic life of the Customer Relationship as follows:

Customer relationships:

20% - 33% per annum

Brand Value

The Group recognises an intangible in respect of the acquired brands. The recoverable amount has been arrived at by preparing value in use calculations to calculate the present value of future cash flows based on the current trading profitability of the business units that trade under the respective brands. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and brand charge. The brand value is amortised as follows:

Digital Gurus brand value:

20% per annum

Investments

Fixed asset investments within the Company statement of financial position are stated at cost less provision for impairment. Any impairment is charged to the statement of comprehensive income as it arises. For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the fair value of the shares.

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Impairment of non-financial assets (continued)

impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment losses in respect of goodwill are not reversed.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the consolidated statement of comprehensive income over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payments is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable.

All other leases are treated as operating leases. Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which that subsidiary operates (its 'functional currency'). The consolidated financial statements of the Group are presented in Pounds Sterling which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Group companies

The results and financial position of all of the Group's subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group's presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the rate ruling at the statement of financial position date;

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Foreign currency (continued)

- income and expenses for each statement of comprehensive income are translated using the average rate of exchange (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the directors.

Financial instruments

In relation to the adoption of IFRS 9, no expected credit loss provision has been included following the assessment. The amount is not higher due to the fact that the Group's customers are primarily major blue chip organisations and bad debts within this population are rare historically and no change to this position is expected.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9, the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). IFRS 9 has had no effect on the classification of financial instruments held by the Group.

Financial assets

The Group's financial assets comprise primarily cash, bank deposits and trade receivables that arise from its business operations. Financial assets are a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A provision for impairment is calculated using an expected credit loss impairment model.

Under this impairment model approach under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

Trade receivables

Trade receivables include all sales invoiced up to the statement of financial position date and sales relating to work completed in December, for which invoices are raised within the normal year end processing cut-off period following the statement of financial position date. Trade receivables do not carry any interest, are stated at fair value and are reduced by appropriate allowances for estimated irrecoverable amounts.

The Group makes judgements on an entity by entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. Trade receivable balances are written off when the Group determines that it is unlikely that future remittances will be received.

Accrued income

Accrued income includes income relating to services provided by the statement of financial position date where no invoices had been raised at or during the normal year end processing cut-off following the statement of financial position date. The Group has contractual relationships in place for all such services provided.

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Financial liabilities and equity

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 Group and Company after deducting all of the liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges are accounted for on an accrual basis to the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Trade and other payables

Trade payables are not interest-bearing and are stated at their nominal value.

Invoice discounting

The Group funds operations by way of an invoice discounting facility. Trade receivables are recognised as the Group retains the significant risks and benefits. The related funding is shown as a financial liability and accounted for under the amortised cost basis.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are declared and paid to shareholders. In the case of final dividends this is when approved by the shareholders.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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 excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using tax rules that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the tax liability accounting method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pension contributions

Obligations for pension contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred. The Group has no defined benefit arrangements in place.

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Provisions

Provisions are recognised in the statement of financial position when the Group and Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material. Provisions are reviewed on a regular basis and released to the statement of comprehensive income where changes in circumstances indicate that a provision is no longer required.

Profit from operations

Profit from operations is stated after charging all operating costs and income including those separately disclosed by virtue of their size or unusual nature or to facilitate a more helpful understanding of the Group and Company's results. It is stated before investment income and finance costs.

Separately identifiable items

Certain income and expenses are recognised as separately identifiable items when they are one off items that are unlikely to occur in the future.

Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below.

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate net present value. Details of the impairment review are set out in note 11.

Any change in estimates could result in an adjustment to recorded amounts.

2. Notes to the cash flow

Cash and Cash Equivalents

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

	2018 £ 000's	2017 £ 000
Group		
Cash available on demand	1,147	1,383
Company		
Cash available on demand	139	254

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

3. Employees and Directors

Group	2018 £'000	2017 £'000
Wages and salaries	13,311	12,686
Social security contributions and similar taxes	1,486	1,553
Pension costs	400	427
	15,197	14,666

Company	2018 £'000	2017 £'000
Wages and salaries	1,316	107
Social security contributions and similar taxes	142	8
Pension costs	69	-
	1,527	115

From 2018 onwards the company wages and salaries will include all of the Group support functions, which were previously accounted for in a subsidiary of the Group.

Group	2018 Number	2017 Number
Sales	191	197
Administrative	33	40
Directors	10	9
	234	246

Company	2018 Number	2017 Number
Sales	3	-
Administrative	25	34
Directors	6	7
	34	41

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. These are considered to be the directors of the primary trading subsidiary undertakings and Company directors.

All Key Management Personnel	2018 £'000	2017 £'000
Wages and salaries	1,231	1,141
Social security contributions and similar taxes	134	130
Compensation for loss of office	-	81
Pension costs	16	28
	1,381	1,380

Company Directors only	2018 £'000	2017 £'000
Wages and salaries	1,083	990
Social security contributions and similar taxes	134	119
Pension costs	16	28
	1,233	1,137

Highest paid director	2018 £'000	2017 £'000
Salary and bonuses	245	230

The Rethink Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

3. Employees and Directors (continued)

During 2018 there was one director in the Group's defined contribution pension scheme (2017: one). This scheme is administered by an independent pension provider and the assets of the scheme are held separately to those of the Group.

During 2018 no share options (2017: Nil) were exercised by the directors.

4. Finance income and expense

	2018 £'000	2017 £'000
Finance income:		
Net change in fair value of preferential A-ordinary shares (Note 17)	-	240
	-	240
Finance expense:		
Bank charges and interest	33	113
Net change in fair value of preferential A-ordinary shares (Note 17)	11	-
Redemption premium on convertible loan note	-	267
Loan note interest	234	124
Term loan interest	36	24
Invoice discounting charges and interest	302	334
	616	863

5. Loss from operations

This is stated after charging/(crediting)	2018 £'000	2017 £'000
Other operating leases – property	727	728
Depreciation of property, plant and equipment (Note 12)	312	300
Amortisation of intangible assets (Note 13)	653	674
Auditor's remuneration – audit services – parent	12	11
– UK and Ireland subsidiaries	34	47
Auditor's remuneration – non-audit services	26	55
Foreign exchange losses	(21)	(152)

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

6. Segment information

Reportable Segments

Factors that management use to identify the Group's reportable segments

The Group's two current reportable segments, being Recruitment and Talent Management, are sectors that offer different products and services. They are managed separately having a dedicated director, and separate reporting within the internal information provided to the management team.

Measurement of operating segment profit and assets

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Recruitment and Talent Management are evaluated for performance on the basis of contribution.

Recruitment is represented by the subsidiaries, Rethink Recruitment Solutions Limited, Digital Gurus Recruitment Limited, Digital Gurus MENA DMCC and Digital Gurus Australia PTY Limited. All subsidiaries are involved in both permanent and contract recruitment. Permanent recruitment involves the placing of candidates in permanent employment roles. Contract recruitment involves the placing of candidates in fixed term roles.

Talent Management is currently represented by Rethink Professional Services Limited, TM Management Solutions Limited, IT Consort Limited, Recruitment Consort Limited and parts of Rethink Recruitment Solutions Limited. The Talent Management division provides clients with managed service solutions for their permanent and contract recruitment needs as well as providing employee attraction, retention and development consultancy services.

2018	Recruitment £'000	Talent Management £'000	Unallocated £'000	Total £'000
Contract revenue	47,269	44,928	-	92,197
Permanent revenue	5,478	7,592	-	13,070
Other revenue	29	(1)	-	28
Total revenue from external customers	52,776	52,519	-	105,295
Group's revenue per consolidated statement of comprehensive income	52,776	52,519	-	105,295
Gross profit	11,723	8,805	-	20,528
Administrative expenses	(9,075)	(7,948)	-	(17,023)
Contribution	2,648	857	-	3,505
Central administrative expenses	-	-	(3,629)	(3,629)
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	2,648	857	(2,664)	841
Amortisation, depreciation and impairment	-	-	(965)	(965)
Profit/(loss) from continuing operations before separately identifiable items	2,648	857	(3,629)	(124)
Finance costs	-	-	(616)	(616)
Finance income	-	-	-	-
Profit/(loss) from continuing operations before tax and separately identifiable items	2,648	857	(4,245)	(740)
Separately identifiable items	-	-	(296)	(296)
Profit/(loss) from continuing operations before tax	2,648	857	(4,541)	(1,036)
Tax expense	-	-	47	47
Profit on discontinued operations (net of tax)	-	-	(53)	(53)
Profit/(loss) for the year	2,648	857	(4,547)	(1,042)
Statement of financial position				
Reportable segment assets	18,552	11,002	-	29,554
Reportable segment liabilities	(15,086)	(12,766)	-	(27,852)

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

2017	Recruitment £'000	Talent Management £'000	Unallocated £'000	Total £'000
Contract revenue	49,833	44,490	-	94,323
Permanent revenue	5,968	5,295	-	11,263
Other revenue	154	(19)	-	135
Total revenue from external customers	55,955	49,766	-	105,721
Group's revenue per consolidated statement of comprehensive income	55,955	49,766	-	105,721
Gross profit	12,552	8,067	-	20,619
Administrative expenses	(11,013)	(5,377)	-	(16,390)
Contribution	1,539	2,690	-	4,229
Central administrative expenses	-	-	(4,679)	(4,679)
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	1,539	2,690	(3,705)	524
Amortisation, depreciation and impairment	-	-	(974)	(974)
Profit from continuing operations before separately identifiable items	1,539	2,690	(4,679)	(450)
Finance costs	-	-	(863)	(863)
Finance income	-	-	240	240
Gain on revaluation of financial instruments	-	-	-	-
Profit/(loss) from continuing operations before tax and separately identifiable items	1,539	2,690	(5,302)	(1,073)
Separately identifiable items	-	-	(90)	(90)
Profit/(loss) from continuing operations before tax	1,539	2,690	(5,392)	(1,163)
Tax expense	-	-	185	185
Loss on discontinued operations (net of tax)	-	-	322	322
Profit/(loss) for the year	1,539	2,690	(4,885)	(656)
Statement of financial position				
Reportable segment assets	18,937	8,626		27,563
Reportable segment liabilities	(14,860)	(9,970)		(24,830)

Segment reportable administrative expenses consist primarily of staff salaries, office and general expenses.

Segment reportable assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash.

Segment reportable liabilities consist primarily of trade and other payables, bank loans and finance leases and tax payable.

	External revenue by location of customers		Non-current assets by location of assets	
Geographical information:	2018 £'000	2017 £'000	2018 £'000	2017 £'000
United Kingdom	97,910	101,242	6,410	6,810
Other	7,385	4,479	67	22
	105,295	105,721	6,477	6,832

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

7. Taxation

	2018 £'000	2017 £'000
Current tax expense		
UK corporation tax on profit for the year	-	35
Foreign tax for the year	44	-
Adjustments in respect of prior years	-	(111)
	44	(76)
Deferred tax (note 22)		
Origination and reversal of timing differences	(22)	(116)
Adjustments in respect of prior years	(69)	7
Total Tax Income	(47)	(185)

Factors affecting the tax charge

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2018 £'000	2017 £'000
Loss from continuing operations	(989)	(979)
Total tax income	(47)	(185)
Loss before taxation	(1,036)	(1,164)
Expected tax income based on the standard rate of corporation tax in the UK of 19.25% (2017: 20%)	(199)	(224)
Lower rates of tax on overseas earnings	(2)	(48)
Items disallowed for tax	30	21
Corporation tax – adjustments in respect of prior years	-	(111)
Deferred tax – adjustments in respect of prior years	(69)	7
Movement on unrecognised deferred tax	193	170
Total tax income	(47)	(185)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and a further reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. Neither of these reductions are expected to have a significant impact on the group.

Estimates and assumptions

This assessment relies on estimates and assumptions and may involve a series of judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The Group is subject to income tax in several jurisdictions and judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

8. Separately identifiable items

	2018 £'000	2017 £'000
Restructuring and reorganisation costs	286	107
Legal Settlement	6	116
Sale of subsidiary	-	(133)
Closure of subsidiary	4	-
Redemption premium on convertible loan note	-	267
	296	357

During the year the Group incurred certain one-off expenses which are unlikely to recur in the future. These costs include reorganisation costs in relation to the board restructure.

9. Dividends

The directors have not recommended a dividend for 2018

10. Discontinued operations

The entire share capital of Code Nation Solutions Limited (previously known as Code Nation Limited) was sold to I4Thrive Limited on 16th November 2018. The Company received 200 A-ordinary shares in I4Thrive Limited as consideration for the sale, valued at £333k. This equity stake represents 20% of the issued share capital of I4Thrive Limited.

Code Nation Solutions Limited had net assets of £63k at the date of disposal, broken down as follows:

	2018 £'000
Cash consideration received	-
Other consideration received	333
Total consideration received	333
Cash disposed of	-
Net cash inflow on disposal of discontinued operation	-
Net assets disposed (other than cash):	
Property Plant and Equipment	66
Intangibles	14
Trade and other receivables	48
Trade and other payables	(65)
	63
Gain on disposal of discontinued operation	270

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Notes to the financial statements For the Year Ended 31 December 2018

10. Discontinued operations (continued)

The post-tax loss on disposal of discontinued operations (included in the statement of comprehensive income) was determined as follows:

	2018 £'000	2017 £'000
Revenue	73	4,856
Cost of sales	(1)	(4,065)
Expenses other than finance costs	(346)	(621)
Finance costs	-	(2)
Gain on disposal of discontinued operation	270	1,266
Legal fees	(29)	-
Carrying value of goodwill de-recognised	-	(1,112)
Exchange differences on the closure of Berkley Recruitment (Asia)	(20)	-
(Loss)/profit on discontinued operations (attributable to the owners of the company)	(53)	322

The profit on discontinued operation for the prior year is in relation to the disposal of the Group's Irish subsidiary, Berkley Recruitment (Group) Ltd.

11. Goodwill

	Total £'000
Cost	
At 1 January 2017	5,433
Additions	-
Disposal	-
Foreign exchange movements	-
At 31 December 2018	5,433
At 31 December 2017	5,433
Accumulated Impairment	
At 1 January 2018	(484)
Disposal	-
Impairment charge	-
At 31 December 2018	(484)
At 31 December 2017	(484)
Net Book Value	
At 31 December 2018	4,949
At 31 December 2017	4,949

Details of goodwill allocated to cash-generating units (CGUs) are as follows:

	Goodwill carrying amount	
	At 31 December 2018	At 31 December 2017
	£'000	£'000
Rethink Recruitment Solutions Limited/Recruitment	3,432	3,432
Consort Group Limited/Rethink Talent Management	1,517	1,517
	4,949	4,949

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

11. Goodwill (continued)

Goodwill has been allocated to internal CGUs which have been deemed to be the applicable legal entities acquired. Goodwill has been tested for impairment at 31 December 2018 by reference to the recoverable amount of the CGU.

The recoverable amount of each CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a one year period to 31 December 2018 and then extrapolated to 2020 and in perpetuity (with zero growth rate) thereafter.

Key assumptions included in the extrapolated projections are as follows:

	2018 All investments	2017 All investments
Discount rate	13.00%	13.00%
Growth rate and inflation	5.00%	5.00%

The value in use calculations use a pre-tax discount rate which has been derived from a post tax discount rate of 13% based on the Group's weighted average cost of capital. The growth rate and inflation have been based on independent economic data and reflect management's assessment of specific risks related to the CGUs, specifically in the geographic regions and market sectors of the acquisitions made in the current year.

Sensitivity to changes in assumptions

The actual total recoverable amounts for the appropriate CGUs exceed their carrying values by £6.6m (2017: £11.5m), with positive cash flows projected in all years.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

12. Property, Plant and Equipment

	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Group				
Cost				
At 1 January 2018	126	815	248	1,189
Additions	6	241	94	341
Disposals	-	(57)	(209)	(266)
At 31 December 2018	132	999	133	1,264
Depreciation				
At 1 January 2018	(36)	(319)	(212)	(567)
Charge for year	(38)	(219)	(55)	(312)
Disposals	-	14	158	172
At 31 December 2018	(74)	(524)	(109)	(707)
Net book value				
At 31 December 2018	58	475	24	557
At 31 December 2017	90	496	36	622
	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Group				
Cost				
At 1 January 2017	32	753	257	1,042
Additions	108	206	89	403
Disposals	(14)	(144)	(98)	(256)
At 31 December 2017	126	815	248	1,189
Depreciation				
At 1 January 2017	(21)	(223)	(251)	(495)
Charge for year	(22)	(218)	(60)	(300)
Disposals	7	122	99	228
At 31 December 2017	(36)	(319)	(212)	(567)
Net book value				
At 31 December 2017	90	496	36	622
At 31 December 2016	11	530	6	547

The net book value of tangible fixed assets for the Group includes an amount of £313k (2017: £330k) in respect of assets held under finance leases and hire purchase contracts. All these assets are classified as improvements to property and fixtures and fittings.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

12. Property, Plant and Equipment (continued)

Company	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	124	795	155	1,074
Additions	6	144	84	234
Disposals	-	(10)	(51)	(61)
At 31 December 2018	130	928	188	1,248
Depreciation				
At 1 January 2018	(23)	(457)	(65)	(545)
Charge for year	(38)	(164)	(48)	(250)
Disposals	-	1	16	17
At 31 December 2018	(61)	(620)	(97)	(779)
Net book value				
At 31 December 2018	69	309	91	469
At 31 December 2017	4	393	45	442

The net book value of tangible fixed assets for the Company includes an amount of £313k (2017: £330k) in respect of assets held under finance leases and hire purchase contracts.

Company	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2017	20	684	93	797
Additions	108	116	73	297
Disposals	(4)	(5)	(11)	(20)
At 31 December 2017	124	795	155	1,074
Depreciation				
At 1 January 2016	(16)	(291)	(48)	(355)
Charge for year	(11)	(169)	(26)	(206)
Disposals	4	3	9	16
At 31 December 2017	(23)	(457)	(65)	(545)
Net book value				
At 31 December 2017	101	338	90	529
At 31 December 2016	4	393	45	442

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

13. Intangible Assets

Group	Brand Value £'000	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost					
At 1 January 2018	756	1,672	285	77	2,790
Additions	-	-	59	1	60
Disposals	-	-	(73)	-	(73)
At 31 December 2018	756	1,672	271	78	2,777
Amortisation					
At 1 January 2018	(277)	(1,010)	(175)	(67)	(1,529)
Charge for year	(163)	(450)	(25)	(15)	(653)
Disposals	-	-	44	-	44
At 31 December 2018	(440)	(1,460)	(156)	(82)	(2,138)
Net book value					
At 31 December 2018	316	212	115	(4)	639
At 31 December 2017	479	662	110	10	1,261

Customer relationships have been recognised as part of the acquisition of the Consort Group and are being amortised over five years.

Customer relationships have been recognised as part of the acquisition of Recruitment Gurus and being amortised over a period of 3-5 years.

The Digital Gurus brand value has been recognised as part of the acquisition of Recruitment Gurus and is being amortised over 5 years.

Software licences are acquired separately and are leased to clients. Development costs are all internally generated and in relation to new software products.

Group	Brand Value £'000	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost					
At 1 January 2017	756	1,672	269	83	2,780
Additions	-	-	54	-	54
Disposals	-	-	(38)	(6)	(44)
At 31 December 2017	756	1,672	285	77	2,790
Amortisation					
At 1 January 2017	(126)	(548)	(178)	(40)	(892)
Charge for year	(151)	(462)	(33)	(27)	(674)
Disposals	-	-	36	-	36
At 31 December 2017	(277)	(1,010)	(175)	(67)	(1,529)
Net book value					
At 31 December 2017	479	662	110	10	1,261
At 31 December 2016	630	1,124	91	43	1,888

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

13. Intangible Assets (continued)

Company	Development Costs £'000
Cost	
At 1 January 2018	237
Additions – internally developed	30
Disposals	(73)
At 31 December 2018	194
Amortisation	
At 1 January 2018	160
Charge for the year	37
Disposals	(48)
At 31 December 2018	148
Net book value	
At 31 December 2018	46
At 31 December 2017	77
Company	Development Costs £'000
Cost	
At 1 January 2017	189
Additions – internally developed	54
Disposals	(6)
At 31 December 2017	237
Amortisation	
At 1 January 2017	108
Charge for the year	52
At 31 December 2017	160
Net book value	
At 31 December 2017	77
At 31 December 2016	81

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Notes to the financial statements For the Year Ended 31 December 2018

14. Investments

Group	Subsidiaries £'000	Associated companies £'000	Total £'000
Cost			
At 1 January 2018	-	-	-
Additions	-	333	333
At 31 December 2018	-	333	333
Impairment			
At 1 January 2018	-	-	-
Impairment charge for the year	-	-	-
At 31 December 2018	-	-	-
Net Book Value			
At 31 December 2018	-	333	333

Company	Subsidiaries £'000	Associated companies £'000	Total £'000
Cost			
At 1 January 2018	9,708	-	9,708
Additions	-	333	333
At 31 December 2018	9,708	333	10,041
Impairment			
At 1 January 2018	(270)	-	(270)
Impairment charge for the year	-	-	-
At 31 December 2018	(270)	-	(270)
Net Book Value			
At 31 December 2018	9,438	333	9,771

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

14. Investments (continued)

Company	Subsidiaries	Other investments	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	9,708	-	9,708
Additions	-	-	-
At 31 December 2017	9,708		9,708
Impairment			
At 1 January 2017	(270)	-	(270)
Impairment charge for the year	-	-	-
At 31 December 2017	(270)		(270)
Net Book Value			
At 31 December 2017	9,438		9,438

The principal subsidiaries of the Rethink Group Limited, all of which have been included in the consolidated financial statements are as follows:

Name of Subsidiary	Registered office address	Nature of business	Country of incorp.	Ownership of ordinary share
Rethink Professional Services Limited	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
Rethink Recruitment Solutions Limited	19 Spring Gardens, Manchester, M2 1FB	Recruitment Services	England	100%
Otravida Search Limited	19 Spring Gardens, Manchester, M2 1FB	Dormant	England	100%
Rethink Acquisitions Limited	19 Spring Gardens, Manchester, M2 1FB	Holding Company	England	100%
TM Management Solutions Limited	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
Consort Group Limited	19 Spring Gardens, Manchester, M2 1FB	Holding Company	England	100%
Recruitment Consort Limited*	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
IT Consort Limited*	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
Energy Consort Limited	19 Spring Gardens, Manchester, M2 1FB	Recruitment Services	England	100%
JP Banking Solutions Limited*	19 Spring Gardens, Manchester, M2 1FB	Dormant	England	100%
Recruitment Gurus Limited	1 George Yard, London EC3V 9DF	Holding Company	England	100%
Digital Gurus Recruitment Limited	1 George Yard, London EC3V 9DF	Recruitment Services	England	100%
Digital Gurus Dubai MENA DMCC	Unit 4005, BB2 Tower, Mazaya Business Ave.	Recruitment Services	UAE	100%
Digital Gurus Australia PTY Limited	Level 2, Suite 2C/255, Broadway, NSW, 2007	Recruitment Services	Australia	100%

* The shareholding in these companies are indirect via a subsidiary undertaking.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

15. Trade and other receivables

amounts due in less than 1 year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	19,869	17,943	-	-
Amounts owed by Group undertakings	-	-	18,473	17,548
Other receivables	137	275	70	190
Social Security and other taxes	196	79	191	79
Prepayments and accrued income	1,728	1,051	121	25
	21,930	19,348	18,855	17,843

The fair value of trade and other receivables is not materially different to the carrying amount.

Included within Group trade receivables is an amount of £19,408k (2017: £17,592k) subject to invoice discounting.

Trade receivables subject to invoice discounting are recognised as the Group retains the significant risks and benefits. Payments received from invoice discounting providers are shown as advances on invoice discounting facility (note 21).

Amounts owed by group undertakings are due on demand and interest free.

16. Trade and other payables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Current:				
Trade payables	5,366	7,482	316	438
Amounts owed to Group undertakings	-	-	20,860	18,982
Social security and other taxes	3,105	2,181	45	63
Other payables	233	254	68	41
Accruals	4,222	2,341	290	-
Deferred consideration	-	389	-	389
	12,926	12,647	21,579	19,913

Book values of trade and other payables approximate to fair value.

Amounts owed to group undertakings are due on demand and interest free.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

Financial Liabilities - Loans and Borrowings

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Current:				
Advances on invoice discounting facility	10,637	7,349	-	-
Bank Term Loan	500	500	-	-
Finance lease	103	167	103	167
	11,240	8,016	103	167
Non-Current:				
Bank term loan	291	791	-	-
Loan notes	2,160	2,160	2,160	2,160
Preferred A-ordinary shares	1,070	1,060	1,070	1,060
Finance lease	51	24	51	23
	3,572	4,035	3,281	3,243

Preferred A-ordinary shares

During 2015 the company undertook a share reclassification exercise. This resulted in a new class of A-ordinary share which is entitled to receive future preferential dividends (see note 23). The company issued a further 53,428,000 A-ordinary shares in 2017.

The company is required to split the fair value of these A-ordinary shares into debt, being the present value of the future dividends, and equity, being any remaining fair value. At 31 December 2018 the present value of the debt element of the A-ordinary shares was deemed to be £1,070,000. The fair value was determined by reviewing future financial forecasts of the company, determining the expected future dividend levels in perpetuity and then discounting to present value using the company's weighted average cost of capital (13%). The movement in fair value of £11,000 (2017: £240,000) was taken as a credit through the Statement of Comprehensive Income.

Finance Leases

The total minimum amount of future finance lease payments are due as follows:

	2018 £'000	2017 £'000
Not later than one year	104	168
Later than one year and not later than five years	80	75
	184	243

The difference between the total minimum amount of future finance lease payments and total liability are future interest payments. An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 20.

The present value of future lease payments approximates to the book value.

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Notes to the financial statements For the Year Ended 31 December 2018

18. Operating Lease Agreements

The Group leases its properties. The terms of property leases vary from location to location, although they all tend to be tenant repairing with rent reviews every two to five years, and typically have break clauses.

The total future minimum lease payments are due as follows:

	Non-cancellable operating leases	
	2018	2017
	£'000	£'000
Group		
Not later than one year	579	771
Later than one year and not later than five years	1,562	1,453
Later than five years	522	568
	2,663	2,792
Company		
Not later than one year	290	610
Later than one year and not later than five years	1,158	888
Later than five years	522	568
	1,970	2,066

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Notes to the financial statements For the Year Ended 31 December 2018

19. Share-based payment

The Group operates a share option scheme for employees, being an Enterprise Management Incentive scheme (EMI). The EMI options are subject to the employee being employed at the vesting qualification point. Share options were also issued outside of the EMI.

The total options vest as set out below:

	31 December 2018		31 December 2017	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at beginning of year	0.062	3,397,500	0.062	5,047,500
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	0.042	(187,500)	0.062	(1,650,000)
Outstanding at end of year	0.064	3,210,000	0.062	3,397,500

Of the total number of options outstanding at the end of the year 3,272,500 (2017: 3,397,500) had vested and were exercisable at the end of the year.

The exercise price of options outstanding at the end of the year ranged 6.12 pence and 6.5 pence (2017: ranged between 6.12 pence and 6.5 pence).

Options granted during 2009 vest as follows:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

Options granted during 2010 vest as follows:

For 7,370,000 options granted during 2010:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

At the year end 2,652,500 options were still outstanding.

Options granted during 2011 vest as follows:

For 7,375,000 options granted during 2011:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

At the year end 2,495,000 options were still outstanding.

For 4,809,000 options granted during 2011:

100% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

At the year end 4,809,000 options were still outstanding.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

19. Share-based payment (continued)

Options granted during 2012 vest as follows:

For 4,552,864 options granted during 2012:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

50% of options 48 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

At the year end 1,790,441 options were still outstanding.

Options granted during 2013 vest as follows:

For 2,182,423 options granted during 2013:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

For 300,000 options granted during 2013:

100% of options 36 months after grant, with any options not exercised within 10 years, to lapse subject to performance criteria.

For 3,250,000 options granted during 2013:

33% of options 12 months after grant, with any options not exercised within 10 years, to lapse.

33% of options 24 months after grant, with any options not exercised within 10 years, to lapse.

33% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

During the 2013 any options outstanding considered to be underwater, priced at more than 6.75 pence were modified and re-priced at 6.12 pence

There were no options granted or modified during the year or prior year.

The Group did not enter into any share-based payment transactions with parties other than employees during 2017, 2016 or 2015.

No share-based payment has been debited to the statement of comprehensive income (Group and Company) £Nil (2017: £Nil). The weighted average contractual life of options is 3.1 years (2017: 4.3 years).

20. Financial Instruments - risk exposure and management

All financial assets are held as loans and receivables. The preferred ordinary shares are held at fair value. The remaining financial liabilities are held at amortised cost.

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments.

- Market risk
- Foreign currency risk
- Credit risk
- Liquidity risk
- Interest rate risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the Board. The policy for each risk is described in more detail below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

20. Financial Instruments - risk exposure and management (continued)

Foreign currency risk

Foreign currency risk arises due to contractors and/or clients being based in countries whose functional currency is not the same as the Group's primary functional currency (sterling). Transactions involving overseas contractors and clients are exposed to currency risk giving rise to gains or losses on translation into sterling. Currencies the Group transacts in are US dollars, Singapore dollars, euros and Arab Emirate dirhams. Risk is mitigated by ensuring wherever possible sales transactions are in the same currency as the relevant costs of sale transactions.

As the Group mitigates foreign currency risk by offsetting gains and losses on sales and cost of sales transactions, the impact on the financial statements of a 1% change in the exchange rates during the year would have been negligible (2017: negligible).

Credit risk

The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the statement of financial position date. However, the Group reduces its risk through appropriate use of credit insurance, when available, with a maximum insured balance per individual claim of the applied credit limit. The credit limit is £4m for the Group's largest customer (2017: £4m).

The Group also maintains invoice discounting facilities which enable its receivables to be financed. At the statement of financial position date £2,893k (2017: £3,284k) of trade receivables was considered overdue and not impaired. Ageing of the trade receivables considered overdue is as follows:

Days from date of invoice	2018 £'000	2017 £'000
16–30	41	15
30–60	1,633	1,661
60–90	316	820
90–120	602	498
>120	301	290
	2,893	3,284

Of the trade receivables considered overdue £2,575k (2017: £3,021k) is subject to credit insurance.

Regular management review is made to assess the recoverability of gross receivables and provision is made accordingly. No provision has been made against trade receivables in the current and prior year. The Group has a wide range of customers and seeks to constantly develop and broaden its relationships. Current active customer numbers exceed 866. The top 10 customers of the Group account for 48% of revenue in 2018 (2017: 52%).

Trade receivables at the statement of financial position date relating to the top 10 customers are as follows:

	2018 £'000	2017 £'000
Balance at 31 December	9,511	7,607

Having considered concentrations of credit risk, the Group believes risk across trade receivables to be low (and hence the quality of debtors as high) for the following reasons:

- The customer portfolio, whilst including a number of individually significant accounts, largely comprises of substantial 'blue chip' companies operating in a variety of sectors where the historic incidence of bad debt has been negligible.
- Year end bad debt provisioning, after detailed review is negligible.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

20. Financial Instruments - risk exposure and management (continued)

Additional analysis of our year end trade receivables is:

	2018 £'000	2017 £'000
Commercial	18,564	16,804
Public sector bodies	1,305	1,139
	19,869	17,943

The Board do not consider there to be significant concentrations of commercial customers with shared characteristics, other than predominantly operating in the UK, with the only other concentration of risk potentially being the public sector where the Board believes credit risk to be low.

The Group's total exposure to debt risk is trade debtors of £19,869k (2017: £17,943k).

At the year end, the Company was owed £18,473k (2017: £17,548k) by its subsidiaries. The Company has made no provision for impairment of this debt (2017: £nil).

Liquidity risk

Liquidity risk arises from the Group's management of working capital and finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk is managed centrally by the finance function. Budgets are set locally and centrally, and are agreed by the Board annually in advance, enabling the Group's cash flow requirements to be anticipated. Where facilities of Group entities need to be increased, approval of the Chief Financial Officer must be sought. When the amount of the facility is above a certain level the agreement of the Board is needed.

Interest rate risk

The Group's external borrowings at the statement of financial position date comprise a short-term bank loan, an invoice discounting facility and £2.16m of Loan Notes issued to the Business Growth Fund, which matures in 2020 and 2021. The Group does not seek to fix interest on its bank borrowings, as the Board considers the exposure to interest rate risk acceptable, due to the low levels of debt.

The interest profile of the Group's financial assets and liabilities are as follows:

Invoice discounting liabilities incur interest at 2% (2017: 2%) above LIBOR.

The term loan liability incurs interest on the balance outstanding at 3.5% (2017: 2.75%) above LIBOR.

The Loan Note incurs interest at a fixed rate of 10% per annum.

There was no overdraft facility during 2018 or 2017.

If during the year base rates had been 0.5% higher, interest charges would have been £75k higher (2017: £75k), with a corresponding decrease in net assets.

Capital Disclosures

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders commensurate with the level of risk.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

20. Financial Instruments - risk exposure and management (continued)

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Total capital is categorised as follows:

	2018 £'000	2017 £'000
Share capital	152	152
Capital redemption reserve	31	31
Share premium account	5,114	5,114
Merger reserve	218	218
Translation reserve	(361)	(372)
Retained earnings	(3,452)	(2,410)
	1,702	2,733

To the extent financial assets and liabilities are not carried at fair value in the statements of financial position, book value approximates to fair value at 31 December 2018 and 2017.

21. Financial assets and liabilities – other disclosures

Maturity of financial liabilities

The following table illustrates the contractual maturity of the Group's financial liabilities, excluding bank borrowing and finance leases that must be settled gross, based where relevant, on interest rates and exchange rates prevailing at the statement of financial position date.

	At 31 December 2018 £'000	At 31 December 2017 £'000
In less than one year	23,576	19,937
	At 31 December 2018 £'000	At 31 December 2017 £'000
The maturity of trade and other payables is as follows:		
Days from date of invoice		
0–30	4,983	6,934
30–60	183	239
60–90	1	105
90–120	6	18
>120	193	186
	5,366	7,482

Finance facilities

The Group's principal bankers during the year were ABN AMRO, through whom there is an invoice discounting facility of £20m (2017: £25m) and a £1.5m 3 year term loan with a residual value at the year end of £792k. The principal terms of the invoice discounting facility are that it is an umbrella Group facility with 90% availability against sales invoices. This facility replaces the Leumi ABL's debt facilities that were in place until June 2017. Interest is charged at 1.5% on the new invoice discounting facility and 2.75% on the new term loan.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

21. Financial assets and liabilities – other disclosures (continued)

In addition, the Group issued a £1.4m convertible loan note to the Business Growth Fund ('BGF') in December 2016. In July 2017, BGF converted 37% of the principal and interest of the loan note into 53,428,000 new A-ordinary shares in the Company, with the remaining loan note of £0.91m reverting to a standard, non-convertible loan note maturing in December 2021, with an annual interest rate of 10%.

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 31 December 2018. All bank borrowings are secured by fixed and floating charges in favour of the Group's bankers. All bank borrowings are on a floating rate fixed above base rate. The carrying value of assets pledged as security at 31 December 2018 is £30.0m (2017: £27.8m).

Subject to the above, the invoice discounting facility takes first security over the trade receivables.

Facilities available but not utilised at statement of financial position date are as follows:

	At 31 December 2018 £'000	At 31 December 2017 £'000
Invoice discounting – expiry within one year	9,364	17,651

Invoice discounting is available within the overall limits as set out above but is further restricted by conditions including total value of sales invoices raised, percentage entitlement and specific debt exclusion.

22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 19%).

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets only to the extent that the Directors believe that it is probable that these assets will be recovered.

There is an unrecognised deferred tax asset of £169k (2017: £162k) in relation to tax losses which are not expected to be utilised in the foreseeable future.

Deferred tax liabilities have been recognised in respect of temporary differences with regard to capital allowances in advance of depreciation giving rise to deferred tax liabilities because it is probable that these amounts will become payable.

The movements in deferred tax assets and liabilities during the year are shown below.

Details of the deferred tax asset, amounts charged to the consolidated statement of comprehensive income and amounts charged to reserves are as follows:

Group	31 December 2018 £'000	31 December 2017 £'000
At start of year	(191)	(261)
Deferred tax credit for the year	91	108
Disposal of deferred tax balance with discontinued operation	-	(38)
At end of year	(100)	(191)
Deferred tax asset	-	28
Deferred tax liability	(100)	(219)
	(100)	(191)

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

22. Deferred tax (continued)

The deferred tax asset relates to fixed asset timing differences.

The deferred tax liability relates to deferred tax arising on the business combination and fixed asset timing differences.

The Company has a deferred tax liability of £nil (2017 tax liability: £60k).

23 Share Capital

Issued ordinary shares of 0.1p each (number)	Ordinary Shares	A-Ordinary Shares	B-Ordinary Shares	C-Ordinary Shares	Total
At 1 January 2017	35,032,059	-	6,670,000	58,615,363	100,317,422
Issued during the year	2,367,800	53,428,000	740,000	22,110,258	78,646,058
Shares re-classified as debt	-	(27,333,333)	-	-	(27,333,333)
At 31 December 2017	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147
At 1 January 2018	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147
Issued during the year	-	-	-	-	-
Shares re-classified as debt	-	-	-	-	-
At 31 December 2018	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147

Allotted, issued and fully paid (0.1p per share)	Ordinary Shares	A-Ordinary Shares	B-Ordinary Shares	C-Ordinary Shares	Re-classed as Debt	Total
At 31 December 2017:						
No of shares	37,399,859	78,428,000	7,410,000	80,725,621	(52,333,333)	151,630,147
Nominal val. (£'000)	38	78	7	81	(52)	152
At 31 December 2018:						
No. of shares	37,399,859	78,428,000	7,410,000	80,725,621	(52,333,333)	151,630,147
Nominal val. (£'000)	38	78	7	81	(52)	152

During 2017 the company issued 2,367,800 ordinary shares and 22,110,258 C-ordinary shares as part of the deferred consideration for the Recruitment Gurus acquisition. Also during 2017 the Company issued 53,428,000 A-ordinary to the Business Growth Fund as part settlement of an existing convertible loan note. The Company also issued 740,000 new B-ordinary shares to certain key employees of the Company.

During the prior year the company issued 10,875,210 new C-ordinary shares and 1,207,482 Ordinary shares as part of the upfront consideration for the Recruitment Gurus acquisition.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

23. Share Capital (continued)

A-Ordinary Shares

These shares hold certain additional rights over and above those of the ordinary shares in the company. Firstly, the holders of A-ordinary shares as a class shall be entitled to receive, in priority to the holders of all other equity shares, in respect of each financial year from and including the financial year commencing or current on 31 December 2020, a cumulative preferential net cash dividend equal to the higher of 10% of the paid up A-ordinary share capital or 8.5% of the net profits of the company in the financial year. Secondly, on a return of capital of the company or on an exit, the surplus assets and retained profits available for distribution will first be allocated to the A-ordinary shareholders up to the value of the paid up A-ordinary share capital and any arrears on long term dividends, before the remaining proceeds are then allocated to other shareholders. Finally, if an "Enhanced Voting Event" is triggered, as defined under the Articles, the holders of A-Ordinary shares may serve notice on the company requiring that the A-ordinary share rights shall be increased to 51% of the voting rights attached to all shares in the capital of the company.

B-Ordinary Shares

These shares hold no voting rights, are not entitled to receive dividends and only benefit from a return of capital or an exit to the extent that i) there is a deemed change of control, i.e. over 50% of the voting shares in the company have been transferred and, ii) the net proceeds from the return of capital exceed £12,500,000. These shares are issued to senior employees within the Group and are non-transferable. They are also repurchased at par (0.1p) in the event that the employee leaves the Group.

C-Ordinary Shares

These shares are held by certain current and former senior executives of the Group. These shares hold the same rights to dividends and other capital distributions and, subject to the shares being disenfranchised, hold the same voting rights as the ordinary shares. In the event that a C-ordinary shareholder is no longer employed by the Group, the C-ordinary shares no longer hold any voting rights; they become "disenfranchised". The C-ordinary shareholder is also required, on leaving the Group, to offer up to 50% of their shares for repurchase by other existing shareholders, the total number of shares and value being determined by whether they are deemed to be a Good Leaver or Bad Leaver as defined under the Articles. However this obligation to offer shares for sale may be removed at the discretion of the Board and with A-ordinary shareholder consent.

24. Reserves

Reserves consist of the following:

Share capital – Share capital records the nominal value of shares in issue.

Share premium account – Amounts subscribed for share capital in excess of nominal value.

Capital redemption reserve – records the nominal value of shares repurchased by the Company and cancelled.

Merger reserve – Amounts subscribed for share capital in excess of nominal value on acquisition of another company.

Translation reserve – Represents the gain or loss arising on the translation of the foreign subsidiary.

Shares to be issued – Shares for which consideration has been received but which are not yet issued.

Retained earnings – Represents total comprehensive income less any amounts dealt with in other reserves.

The Rethink Group Limited

Notes to the financial statements For the Year Ended 31 December 2018

25.Related party disclosures

Details of key management's emoluments are given in note 3. Directors are considered to be the only key management personnel.

There are no trading transactions between the parent and subsidiaries other than recharges of costs incurred. Amounts outstanding at 31 December 2018 and 2017 are disclosed within notes 15 and 16.

At the year end there were no loans due to the directors of the Company or Group subsidiaries. During the year the company paid £66k to Business Growth Fund in management fees and £100k in interest payments (2017: £58k in management fees and £99k in interest payments)

26. Ultimate Controlling Party

The Directors do not consider any one party to exercise ultimate control over the Group.

The Rethink Group Limited

Company information

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