

30 September 2014

**The Rethink Group plc**  
("Rethink" or the "Group")

**Interim Results**

The Rethink Group plc (AIM: RTG), a leading Talent Management and Recruitment Services company, is pleased to announce its interim results for the six month period ended 30 June 2014.

**H1 2014 Financial Highlights**

- Group revenue from continuing operations increased 4.5% to £56.5m (H1 2013: £54.0m)
- Net Fee Income\* ("NFI") from continuing operations increased 4.5% to £10.0m (H1 2013: £9.6m) with Talent Management NFI increasing 32.7% to £2.4m (H1 2013: £1.8m).
- Operating profit from continuing operations increased 18.4% to £0.81m (H1 2013: £0.68m)
- Net borrowings\*\* decreased to £9.3m (2013 year end: £11.7m).
- Cash generated by operations £2.8m (H1 2013: cash absorbed £1.1m)
- Basic earnings per share 0.479 pence (H1 2013: 0.374 pence)

*\* Net Fee Income (NFI) represents gross revenue less direct cost of sales*

*\*\* Net borrowings consist of cash at bank less bank borrowings under the Group's revolving invoice discounting facility.*

**Operational Highlights**

- Won a new three year Talent Management contract with a UK listed multichannel marketing and communications business.
- Secured a Talent Management contract renewal for a further three years with M&S plc.
- Increased investment in experienced business development executives within the Talent Management division.
- Restructured PLC Board and a new Executive Board created.

**Steve Wright, Chief Executive Officer of Rethink, commented:**

"I am satisfied with the performance of the Group in the first half of the year as we continue to implement our strategy. Our Talent Management division is growing in line with our expectations, winning new clients and repeat business from existing clients. We will continue to invest in this division building long term sustainable revenues for the Group.

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**The Rethink Group plc**

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## **About The Rethink Group plc**

Rethink Group (AIM: RTG) provides business transformation services through Talent Management and Recruitment Services. These mutually supported activities work in synergy and support our growing customer base.

The Group supports clients across the UK, Europe, US, Middle East and Asia Pacific.

For more information please visit our website: [www.rethinkgroupplc.com](http://www.rethinkgroupplc.com)

## Chairman and CEO's Statement

In the six month period to 30 June 2014, the Group steadily grew revenues and net fee income ("NFI") from continuing operations by 4.5% and generated a profit from operations of £0.81m, 18.4% ahead of the same period in 2013. The growth in NFI continues to be driven by our Talent Management division which reported a 32.7% increase in NFI to £2.4m in the period (2013: £1.8m).

The Group continues to build strong, long term relationships with major UK and overseas corporates across both the Talent Management and Recruitment divisions. During the period Rethink secured a Talent Management contract renewal with M&S plc for a further three years and also signed a new three year agreement with a large UK listed multi-channel marketing and communications business.

Not only do these new contracts provide the Group with sustainable future revenues, they also highlight the excellent work of all our staff and the continued trust our clients have in Rethink.

## Financial Review

The Group grew both permanent and contract revenues in the six month period to 30 June 2014, to a total of £56.5m (2013: £54.0m). NFI from permanent recruitment increased 11.5% to £4.3m (2013: £3.9m), reflecting growing business confidence in the UK and Irish markets as clients invest in their permanent workforce.

Group EBITDA (before separately identifiable items) decreased by 18.4% to £0.91m (H1 2013: £1.11m) as a result of investment in the Talent Management Division and the cost of the recent move to a new head office in London; a combined investment of £0.4m in the period. Operating profit from continuing operations (after separately identifiable items) increased 18.4% to £0.81m (H1 2013: £0.68m) and profit before tax increased by 15.8% to £0.61m (2013: £0.53m).

The Group reported basic earnings per share for the period of 0.479 pence (H1 2013: 0.374 pence).

### *Working Capital and Invoice Discounting*

The Group continued to focus on its working capital management resulting in net cash generated from operation of £2.8m in the period (H1 2013: outflow of £1.1m).

Net borrowings, which represents cash and cash equivalents less the Group's revolving invoice discounting facility, reduced to £9.3m from £11.7m at 31 December 2013 as the Group took advantage of surplus cash generated from operations to pay down its borrowings.

## Operational Review

Rethink's ongoing structure is aligned to two interconnected business units of Talent Management, where our involvement with a client is deeper and is typically underpinned by longer term managed service agreements, and Open-Market Recruitment, characterised by transactional client relationships. The Group provides its services to clients in two primary vertical markets - Business and Technology and Pharmaceuticals and Life Sciences, and operates through offices in the UK and overseas.

### *Talent Management Division*

NFI for our Talent Management Division increased 32.7% to £2.4m (H1 2013: £1.8m) and contribution from operations of the division, after accounting for direct investment costs of £0.3m, grew slightly to £1.3m (H1 2013: £1.2m).

In line with our stated strategy the Group has focused significant investment in the Talent Management division during the period, through engaging more experienced business development executives, building a new dedicated website and increased marketing. This investment has started to bear fruit with the recent contract win, announced in July 2014, and contract renewal with M&S plc after the period end. We will continue to invest significantly in this area of the business as we develop a portfolio of products that will deepen and broaden our service offerings to clients.

### *Recruitment Division*

Our Open-Market Recruitment business experienced a modest decline in NFI of 2.2% to £7.6m (H1 2013 £7.7m), impacting the contribution from this division which reduced slightly to £1.2m from £1.3m in the same period of 2013. The division continues to deliver excellent repeat business across its blue chip client base and importantly also provides a steady flow of introductions to the Talent Management division.

### **Board Changes**

As disclosed in April 2014, the Group restructured its board of directors ("PLC Board") and established a new operational board ("Executive Board"). The Executive Board continues to focus on executing the Group's three year growth strategy, through the development and delivery of Talent Management and Recruitment services. Its central responsibility is on business development across all Group brands.

The PLC Board, which has been streamlined to five members, concentrates on supporting the Executive Board in the formulation and review and execution of Group strategy, investor relations and maintaining strong standards of corporate governance.

### **Outlook**

The Group is steadily building momentum in its Talent Management division with new contract wins and repeat business from major blue chip clients. Encouragingly, the majority of our Talent Management income originates from long term client relationships which were nurtured and developed in the core Open-Market Recruitment division. The investment in new Talent Management business development executives and marketing collateral in the period is expected to augment this revenue stream by generating incremental business from both new and existing clients.

Despite the cost of investment in the period, the Group still expects to report an increase in EBITDA for the full year to 31 December 2014, however, this is expected to be marginally below current market expectations.

While we expect revenues and NFI to grow in the long term, it is in the very nature of long term client relationships built on trust that investment costs will take longer than traditional recruitment investment to yield returns. However, it is our firm belief that the returns will not only be greater but also more sustainable over time, and hence expected to create greater shareholder value due to the improved quality of earnings.

**John O'Sullivan**  
Chairman

**Stephen Wright**  
Chief Executive Officer

30 September 2014

**INTERIM CONSOLIDATED INCOME STATEMENT 2014**

		<b>Unaudited Six months ended 30-Jun-14 £'000</b>	Unaudited Six months ended 30-Jun-13 £'000	Audited Year ended 31-Dec-13 £'000
<b>REVENUE</b>		<b>56,464</b>	54,027	111,693
Cost of sales		<b>(46,444)</b>	(44,437)	(92,133)
<b>GROSS PROFIT</b>		<b>10,020</b>	9,590	19,560
Administrative expenses		<b>(9,211)</b>	(8,907)	(18,153)
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS</b>	5	<b>809</b>	683	1,407
Analysed as:				
Earnings before interest, tax, depreciation, amortisation and non-recurring items		<b>910</b>	1,113	2,225
Amortisation and depreciation		<b>(101)</b>	(130)	(176)
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE NON-RECURRING ITEMS</b>		<b>809</b>	983	2,049
Separately identifiable items	3	-	(300)	(642)
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS</b>		<b>809</b>	683	1,407
Finance costs		<b>(199)</b>	(158)	(579)
Finance income		-	-	2
<b>PROFIT BEFORE TAXATION</b>		<b>610</b>	525	830
Tax expense		<b>(52)</b>	(95)	(172)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>558</b>	430	658
Profit on discontinued operations		-	2	198
<b>PROFIT FOR THE PERIOD</b>		<b>558</b>	432	856
<b>Other comprehensive income</b>				
Foreign currency exchange differences on translation of foreign operations		<b>(204)</b>	131	112
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>354</b>	563	968
<b>Earnings per share:</b>				
- Basic	2	<b>0.479p</b>	<b>0.374p</b>	<b>0.742p</b>
- Diluted	2	<b>0.479p</b>	<b>0.374p</b>	<b>0.738p</b>

INTERIM CONSOLIDATED BALANCE SHEET 2014

		Unaudited 30-Jun-14 £'000	Unaudited 30-Jun-13 £'000	Audited 31-Dec-13 £'000
	Note			
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	4	3,919	4,121	4,050
Investment		12	5	12
Property, plant and equipment		619	515	381
Intangible assets		77	74	54
Deferred tax asset		63	56	62
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,690</b>	4,771	4,559
<b>CURRENT ASSETS</b>				
Trade and other receivables		25,328	29,017	22,270
Cash and cash equivalents		1,473	449	1,600
Corporation tax asset		-	11	-
<b>TOTAL CURRENT ASSETS</b>		<b>26,801</b>	29,477	26,870
<b>TOTAL ASSETS</b>		<b>31,491</b>	34,248	31,429
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(13,861)	(14,561)	(11,860)
Advances on invoice discounting facility		(10,667)	(13,756)	(13,304)
Finance leases		(107)	-	(35)
Corporation tax liability		(250)	-	(105)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(24,885)</b>	(28,317)	(25,304)
<b>NET CURRENT ASSETS</b>		<b>1,916</b>	1,160	1,566
<b>NON-CURRENT LIABILITIES</b>				
Finance leases		(134)	-	(7)
Deferred tax liability		(50)	(43)	(50)
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(184)</b>	(43)	(57)
<b>NET ASSETS</b>		<b>6,422</b>	5,888	6,068
<b>EQUITY</b>				
Share capital		117	117	117
Share premium account		3,238	3,238	3,238
Merger reserve		218	218	218
Translation reserve		(448)	(225)	(244)
Retained earnings		3,297	2,540	2,739
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		<b>6,422</b>	5,888	6,068

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014**

	Share capital	Retained earnings	Share premium	Merger reserve	Translation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2013</b>	114	2,108	3,145	218	(356)	5,229
<b>Changes in equity for the six months ended 30 June 2013</b>						
Profit for the year	-	432	-	-	-	432
Other comprehensive income	-	-	-	-	131	131
Total comprehensive income in the year	-	432	-	-	131	563
Share options exercised	3	-	93	-	-	96
<b>At 30 June 2013</b>	117	2,540	3,238	218	(225)	5,888
<b>Changes in equity for the six months ended 31 December 2013</b>						
Profit for the period	-	424	-	-	-	424
Other comprehensive income	-	-	-	-	(19)	(19)
Total comprehensive income in the year	-	424	-	-	(19)	405
Recognition of share based payment expense	-	5	-	-	-	5
Own shares held	-	(230)	-	-	-	(230)
<b>At 31 December 2013</b>	117	2,739	3,238	218	(244)	6,068
<b>Changes in equity for the six months ended 30 June 2014</b>						
Profit for the period	-	558	-	-	-	558
Other comprehensive income	-	-	-	-	(204)	(204)
Total comprehensive income in the year	-	558	-	-	(204)	354
<b>At 30 June 2014</b>	<b>117</b>	<b>3,297</b>	<b>3,238</b>	<b>218</b>	<b>(448)</b>	<b>6,422</b>

## INTERIM CASHFLOW STATEMENT 2014

	Unaudited Six months ended 30-Jun-14 £'000	Unaudited Six months ended 30-Jun-13 £'000	Audited Year ended 31-Dec-13 £'000
<b>Profit before tax</b>	<b>610</b>	525	830
Adjustments for:			
Share based payment charge	-	-	5
Depreciation charges	<b>85</b>	95	153
Amortisation	<b>16</b>	35	22
Disposal of property, plant and equipment	-	-	150
Disposal of intangible assets	-	-	35
Finance costs	<b>199</b>	158	579
Finance income	-	-	(2)
	<b>910</b>	813	1,772
Increase in trade and other receivables	<b>(58)</b>	(6,158)	(2,411)
Increase in trade and other payables	<b>1,927</b>	4,241	1,417
<b>Cash generated/(absorbed) by operations</b>	<b>2,779</b>	(1,104)	776
Corporation tax refunded/(paid)	<b>92</b>	-	(46)
<b>Net cash generated from/(absorbed by) operating activities</b>	<b>2,871</b>	(1,104)	732
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	<b>(322)</b>	(80)	(153)
Purchase of intangible assets	<b>(40)</b>	(29)	(32)
Disposal of subsidiary undertaking net of cash disposed	-	2	220
Finance income	-	-	2
<b>Net cash (absorbed by)/generated from investing activities</b>	<b>(362)</b>	(107)	37
<b>Cash flows from financing activities</b>			
Finance costs paid	<b>(199)</b>	(158)	(579)
Net change in advances on invoice discounting facility	<b>(2,637)</b>	1,319	868
Payment for redemption of preference shares	-	(628)	(628)
Purchase/(repayment) of finance leases	<b>199</b>	(89)	(47)
Proceeds from issue of share capital	-	95	96
<b>Net cash (absorbed by)/ generated from financing activities</b>	<b>(2,637)</b>	539	(290)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(127)</b>	(672)	479
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,600</b>	1,121	1,121
<b>Cash and cash equivalents at the end of the period</b>	<b>1,473</b>	449	1,600



**Notes to the unaudited financial information  
For the six months ended 30 June 2013**

**1. Basis of Preparation**

The financial information presented in this document has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are expected to be applicable for the year ending 31 December 2014. The principle accounting policies used in preparing these Interim Results are unchanged from those adopted and disclosed in the audited financial statements for the year ended 31 December 2013

The financial information in this statement relating to the six months ended 30 June 2014 and the six months ended 30 June 2013 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The financial information for the period ended 31 December 2013 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2013 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

**2. Earnings per share**

Basic earnings per share of 0.479 pence (2013 H1: 0.374 pence) are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue.

Fully diluted earnings per share of 0.479 pence (2013 H1: 0.374 pence) is calculated by adjusting the weighted average number of ordinary shares by existing share options, share incentive plans and the contingent share consideration on business combinations, assuming dilution through conversion of all existing options and shares held in share plans that are not underwater.

	<b>Unaudited</b>	Unaudited	Audited
	<b>30-Jun</b>	30-Jun	31-Dec
	<b>2014</b>	2013	2013
	<b>£'000</b>	£'000	£'000
<b>Numerator</b>			
Profit for the period – used in basic and diluted EPS	558	432	856
<b>Denominator</b>			
Weighted average number of shares used in basic EPS	116,518	115,385	115,385
Effects of:			
Employee share options	5	-	571
Weighted average number of shares used in diluted EPS	<b>116,523</b>	115,385	115,956

**3. Separately identifiable items**

Included within separately identifiable items are:-	<b>Unaudited</b>	Unaudited	Audited
	<b>30-Jun</b>	30-Jun	31-Dec
	<b>2014</b>	2013	2013
	<b>£'000</b>	£'000	£'000
Banking exit fee	-	40	40
Company reorganisation costs	-	260	602
<b>Total</b>	<b>-</b>	<b>300</b>	<b>642</b>

During 2013 the Group incurred certain restructuring and reorganisation costs. These costs include compromise agreements associated with a Board restructure, bank exit fees, office closure costs and termination costs relating to a software project.

#### 4. 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 is tested for impairment in each financial period and carried at cost less accumulated impairment losses. The movement in the carrying value of goodwill in each of the reporting periods covered in this interim statement solely reflects the impact of revaluation of goodwill on overseas subsidiaries due to movements in foreign exchange.

#### 5. Segment Information

##### Reportable Segments

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

The Group's three reportable segments during the reported periods, being Recruitment, Talent Management and Technology Services (discontinued in 2013), 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 including the Directors.

##### Measurement of operating segment profit

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

Recruitment is represented by the subsidiaries, Rethink Recruitment Solutions Limited, ReBuild Recruitment Services Limited, Integritas Recruitment Limited, Rethink Recruitment (Southend) Limited, Rethink MEA FZCO, Berkley Recruitment (Group) Limited and Berkley Recruitment Group (Asia) Pte. Limited with all subsidiaries 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 and involves certain elements of recruitment as set out above.

Technology Services was represented by Aiimi Limited and TrustTech Limited. The segment was involved in providing technical advice, support and project management. This business service was discontinued in 2013.

Segmental view	2014 H1			
	Talent Management £'000	Recruitment £'000	Unallocated £'000	Total £'000
<b>Revenue</b>				
Contract revenue	22,355	29,791	-	52,146
Permanent revenue	493	3,825	-	4,318
Total revenue	22,848	33,616	-	56,464
Gross profit	2,445	7,575	-	10,020
Administrative expenses	(1,162)	(6,359)	-	(7,521)
Contribution from operations	1,283	1,216	-	2,499
Central administrative expenses	-	-	(1,690)	(1,690)
Operating profit from continuing operations	1,283	1,216	(1,690)	809
Analysed as:				
EBITDA				910
Amortisation and depreciation				(101)
Operating profit from continuing operations				809

Segmental view	2013 H1				
	Technology Services	Talent Management	Recruitment	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Contract revenue	-	17,086	33,068	-	50,154
Permanent revenue	-	362	3,511	-	3,873
Business Transformation and Technology Services	2,156	-	-	-	2,156
Total revenue	2,156	17,448	36,579	-	56,183
Discontinued operations	(2,156)	-	-	-	(2,156)
Revenue per consolidated statement of comprehensive income	-	17,448	36,579	-	54,027
Gross profit from continuing operations	-	1,843	7,747	-	9,590
Gross profit from discontinued operations	879	-	-	-	879
Total gross profit	879	1,843	7,747	-	10,469
Administrative expenses	(877)	(604)	(6,491)	-	(7,973)
Contribution from continuing operations	-	1,239	1,256	-	2,495
Contribution from discontinued operations	2	-	-	-	2
Central administrative expenses	-	-	-	(1,812)	(1,812)
Operating profit from continuing operations	-	1,239	1,256	(1,812)	683
Analysed as:					
EBITDA before non-recurring items					1,113
Amortisation and depreciation					(130)
Non-recurring items					(300)
Operating profit from continuing operations					683

Segmental view	2013 FY				
	Technology Services	Talent Management	Recruitment	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Contract revenue	-	44,768	58,872	-	103,640
Permanent revenue	-	1,208	6,845	-	8,053
Business Transformation and Technology Services	3,113	-	-	-	3,113
Total revenue		45,976	65,717	-	114,806
Discontinued operations	(3,113)	-	-	-	(3,113)
Revenue per consolidated statement of comprehensive income	-	45,976	65,717	-	111,693
Gross profit from continuing operations	-	5,256	14,304	-	19,560
Gross profit from discontinued operations	1,442	-	-	-	1,442
Total gross profit	1,442	5,256	14,304	-	21,002
Administrative expenses	(1,574)	(1,365)	(12,262)	-	(15,201)
Contribution from ongoing operations	-	3,891	2,042	-	5,933
Discontinued operations	(132)	-	-	-	(132)
Central administrative expenses	-	-	-	(4,526)	(4,526)
Operating profit from continuing operations	-	3,891	2,042	(4,526)	1,407
Analysed as:					
EBITDA before non-recurring items					2,225
Amortisation and depreciation					(176)
Non-recurring items					(642)
Operating profit from continuing operations					1,407

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

### Geographical information

The Group's operations are located in the UK, Ireland, Singapore and the Middle East.

### 5. Distribution of the Interim Report

Copies of this announcement may be obtained from the Company Secretary at the registered office: The Crane Building, 22 Lavington Street, London SE1 0NZ. In addition, an electronic version will be available on the Group's website – [www.rethinkgroupplc.com](http://www.rethinkgroupplc.com).