Rethink Group

talent transformed

Report of the Directors and Financial Statements

Year ending 31 December 2016

Company Number: 05078352

Contents

The Rethink Group Limited

Company Information

DIRECTORS:	J O'Sullivan B Felton P Crystal J Wilson (resigned 20th June 2017) A Lord (appointed 1st January 2016) R Martin (resigned 1st February 2017) S Wright (resigned 30th June 2016) R O'Callaghan (appointed 1st February 2017) F Mohammed (appointed 1st February 2017) G Paxton (appointed 1st February 2017) J Zafar (appointed 1st March 2017) J Vinson (appointed 20th June 2017)
SECRETARY:	B Felton
REGISTERED OFFICE:	The Crane Building 22 Lavington Street London SE1 0NZ
REGISTERED NUMBER:	05078352
AUDITORS:	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

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 company's independent auditor is required by law to report on whether the information given in the Strategic Report is consistent with the financial statements. The auditor's report is set out on pages 8 and 9.

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 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 an RPO (Recruitment Process Outsourcing) or contractor managed service provider, strengthening our client relationships further and generating long term predictable income streams for the Group.

Expansion will come through a combination of organic growth and, where appropriate, selective acquisitions that support the Group's strategic growth objectives. During the year Rethink acquired Digital Gurus, a leading digital recruitment specialist with a strong brand and excellent client relationships across both large corporates and digital marketing agencies. As the business world changes, we are seeing an increasing number of our clients undertaking large scale digital transformation projects for which we now have an enhanced capability to support them.

Our intention is to drive organic growth primarily in our 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.

CONSOLIDATED FINANCIAL REVIEW

Revenue has increased in the year to £130.6m (2015 - £125.5m). This growth resulted from the acquisition of Digital Gurus in March 2016, contributing nine months of both contract and permanent recruitment revenues. Consolidated gross profit from continuing operations has increased by £1.4m to £20.8m (2015 – £19.8m), however the impact of Digital Gurus' post acquisition gross profit of £3.5m was partly offset by a reduction of £1.5m in annual gross profit from the existing on-demand recruitment division.

During the year the board carried out a review of the Group's operations and identified a number of business units that were underperforming and not core to the underlying strategy and also overhead costs that could be removed to drive greater efficiencies. This review resulted in the planned closure of sub-scale recruitment operations in Singapore and Dublin and also a reduction in non-fee generating management overhead across the Group. Whilst these decisions were difficult and resulted in both disruption to trading and exceptional cash costs in the period, the resulting cost efficiencies should deliver a greater conversion of income to profit in future periods.

Earnings before interest, tax, depreciation, amortisation and separately identifiable items ('EBITDA') was £0.9m (2015: £2.4m). This reduction in EBITDA was a result of the reduction in gross profit from continuing operations. The Group incurred £1.2m of non-recurring, separately identifiable costs which included professional and advisory fees pertaining to the Digital Gurus acquisition, as well as redundancy and office closure costs. As referred to in the future developments, the Group disposed of the Irish subsidiary, Berkley Recruitment. This resulted in an impairment charge of £2.0m against the carrying value of goodwill from the Berkley Recruitment acquisition in 2011. The Group also reported a loss from discontinued operations of £0.3m relating to the closure of its Singapore operation.

Following the work undertaken to restructure the Group, the Business Growth Fund ('BGF') invested a further £1.4m in December 2016, in the form of a convertible loan note. This loan provides additional working capital to support the delivery of the group's strategy.

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.

	2016	2015	Commentary
Revenue	**£130.6m**	£125.5m	Revenue has increased during the year as a result of the incremental contribution from Digital Gurus post acquisition.
Gross profit/ Net Fee Income (NFI)	**£20.8m**	£19.8m	Gross profit has increased during the year, with the incremental contribution from Digital Gurus partly offset by a reduction in gross profit from existing on-demand recruitment operations.
Gross profit %	**16.0%**	15.7%	Gross profit % has increased as a result of incremental, higher margin permanent revenues from retained talent management RPO projects sold in the year.
NFI Conversion	**4.5%**	12.2%	Earnings before interest, tax, depreciation, amortisation and non-recurring items as a percentage of gross profit has reduced in the year due to a £1.5m decline in gross profit from the on-demand recruitment business, which was impacted by the corporate restructure that took place during the year.
Total headcount (number)	**245**	174	Headcount has increased due to the acquisition of Digital Gurus.
EBITDA before separately identifiable items	**£0.9m**	£2.4m	EBITDA before separately identifiable items has decreased in comparison to the prior year, due a reduction in gross profit from the on-demand recruitment division.

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.

Regulatory change
We track and contribute to regulation, via our membership of The Recruitment and Employment Confederation (REC). Currently there are no proposed regulatory changes that could impact the Group's financial performance. However, given the recent decision by the UK to leave the EU it is possible that some regulation governing the recruitment industry may change in the future but this is not expected to take effect in the short term.

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 month period, 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
- Liquidity risk
- Credit 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).

Interest Rate Risk
The Group's external borrowings at the statement of financial position date comprise a residual short-term bank loan, an invoice discounting facility, finance leases and £2.76m 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.

During the year, the company received a further investment of £1.4m from the BGF in the form of a convertible loan note. The purpose of the funding was to provide further working capital to the Group. In addition, the Group secured new banking arrangements in June 2017, with ABN AMRO replacing Leumi ABL as the principal bank debt provider. The new facility includes a £25m invoice discounting facility and a £1.5m, 3 year amortising term loan, providing further working capital headroom to the Group on more favourable commercial terms than the previous Leumi ABL facility, which should result in lower debt servicing costs.

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 & CHANGES

During the financial year and in early 2017 there were a number of changes to the Board. In February 2017, Richard Martin resigned as Chairman to pursue other corporate and public sector commitments. John O'Sullivan, a founder and non-executive director of the Company was appointed Chairman following Richard's departure. Andrew Lord, also a founder of the Company, was appointed CEO following the departure of Steve Wright in June 2016.
We welcome Jane Vinson, of the Business Growth Fund and John Zafar as new non-executive directors and have appointed the three Group divisional managing directors; Graeme Paxton (RTM), Robert O'Callaghan (Rethink On-Demand) and Farooq Mohammed (Digital Gurus), as executive directors on the board.

FUTURE DEVELOPMENTS

The Group experienced considerable organisational change during 2016 in order to simplify the business structure and become more product and sales focused. This change programme culminated in the post year end disposal, via a management buy-out, of the Group's Irish subsidiary, Berkley Recruitment Group. Berkley provides recruitment services to pharma, life sciences and IT businesses in the Republic of Ireland and whilst the subsidiary continues to trade profitably, it requires further investment to scale its operations. The board thank Paddy O'Connell and his team for their significant contribution to the group since 2011 and wish them and their new business partners every success for the future.

In addition to the ABN bank refinance in June 2017, the Company reached an agreement with the Business Growth Fund to restructure their two year £1.4m convertible loan note into 53,428,000 new A-ordinary shares, with the remaining loan repayable over five years with annual fixed interest costs of 10% and no further equity conversion rights.

The enlarged share capital of the Company following the above new issue, plus the committed issue of 24,478,000 new ordinary shares for the settlement of the Recruitment Gurus deferred consideration, will be 196,500,000. BGF will remain the largest single shareholder in the Company with 39.9% of the enlarged share capital (previously 21.1%).

GROUP OUTLOOK

The Group is currently operating in an environment where the competition to attract talent in our client base and in organisations across the UK has never been more intense. Businesses are demanding solutions which are bespoke to their organisations in order to solve their talent attraction challenges. Through the investment in our talent management consultancy ('RTM') over the last 18 months, we are in a position to offer innovative and relevant products and services. In the first half of 2017, RTM has carried out consultancy work with 10 new clients, reviewing recruitment spend across these organisations of over £85 million. This approach resulted in RTM winning a multi-year, outsourced recruitment contract with a leading UK broadcaster in May 2017. This deal represents the single biggest contract signed in the history of the Group, generating permanent fee income of over £10m across the next three years.

Trading in the first half of 2017 has been broadly in line with management expectations albeit permanent contingent recruitment continues to be challenging in light of the competition for talent in the market. However, the strength of our talent management pipeline is very encouraging. Having successfully refinanced the Group's banking facilities, restructured other existing debt and introduced cash from the sale of Berkley, the Group's cash availability is healthy and provides headroom for investment and growth.

The Board continue to have confidence that the direction of travel that the Group is undertaking will be to the benefit of all stakeholders in the coming years. We would like to thank the management and staff for their loyalty and hard work over a period of significant change and for their continuing commitment as we look to build on the early successes in 2017.

ON BEHALF OF THE BOARD:

John O'Sullivan
Executive Chairman

Date: 28 July 2017

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 2016.

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 2016 (2015 - no dividend).

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

J O'Sullivan
P Crystal
B Felton
J Wilson (resigned 20th June 2017)
A Lord (appointed 1st January 2016)
R Martin (resigned 1st February 2017)
S Wright (resigned 30th June 2016)

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 28 (2015 - 33).

Going concern
The Group's business activities together with the factors which may impact its activities are 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.

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

Company law requires the directors to prepare financial statements for each financial year. 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.

Auditors
The auditors, BDO LLP, will be proposed for reappointment at the Annual General Meeting.

ON BEHALF OF THE BOARD:

Ben Felton
Chief Financial Officer

Date: 28 July 2017

Independent Auditor's Report To The Members Of The Rethink Group Limited For The Year Ended 31 December 2016 (continued)

We have audited the financial statements of The Rethink Group Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and the related notes. 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

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 2016

	Notes	Before separately identifiable items £'000	Separately identifiable items (note 8) £'000	Total 2016 £'000	Before separately identifiable items £'000	Separately identifiable items (note 8) £'000	Total 2015 £'000
Revenue		**130,573**	**-**	**130,573**	125,487	-	125,487
Cost of sales		**(109,727)**	**-**	**(109,727)**	(105,732)	-	(105,732)
Gross profit		**20,846**	**-**	**20,846**	19,755	-	19,755
Administrative expenses		**(20,801)**	**(3,162)**	**(23,963)**	(17,754)	(967)	(18,721)
Earnings before interest, tax, depreciation and amortisation		**929**	**(1,162)**	**(233)**	2,414	(671)	1,743
Depreciation		**(280)**	**-**	**(280)**	(207)	-	(207)
Amortisation and impairment		**(604)**	**(2,000)**	**(2,604)**	(206)	(296)	(502)
(Loss)/Profit from operations	5	**45**	**(3,162)**	**(3,117)**	2,001	(967)	1,034
Finance expense	4	**(869)**	**-**	**(869)**	(768)	-	(768)
Finance income	4	**102**	**-**	**102**	263	-	263
(Loss) / Profit before taxation		**(722)**	**(3,162)**	**(3,884)**	1,496	(967)	529
Tax income/(expense)	7	**62**	**-**	**62**	(127)	-	(127)
(Loss)/Profit from continuing operations		**(660)**	**(3,162)**	**(3,822)**	1,369	(967)	402
(Loss) on discontinued operations, net of tax	10	(267)	-	(267)	(231)	-	(231)
(Loss) / Profit for the year		**(927)**	**(3,162)**	**(4,089)**	1,138	(967)	171
Other comprehensive expense							
Foreign currency exchange differences on translation of foreign operations		**353**	**-**	**353**	(157)	-	(157)
Total comprehensive (loss) / income for the year		**(574)**	**(3,162)**	**(3,736)**	981	(967)	14

All of the profit and comprehensive income for the year is attributable to equity holders of the parent.

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 17 to 50 form part of these financial statements

The Rethink Group Limited

Consolidated Statement of Changes In Equity
For the Year Ended 31 December 2016

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 2014	86	2,048	3,238	31	218	(467)	5,154
Changes in equity for the year ended 31 December 2015							
Profit for the year	-	171	-	-	-	-	171
Other comprehensive income for the year	-	-	-	-	-	(157)	(157)
Total comprehensive income for the year	-	171	-	-	-	(157)	14
Contributions by and distributions to owners							
Shares issued in the year	27	-	1,049	-	-	-	1,076
Recognition of share based payment credit	-	(63)	-	-	-	-	(63)
Share issue costs	-	-	(89)	-	-	-	(89)
Proceeds from the sale of own shares	-	180	-	-	-	-	180
Shares reclassified as debt	(25)	-	(1,225)	-	-	-	(1,250)
Total contributions by and distributions to owners	2	117	(265)	-	-	-	(146)
At 31 December 2015	**88**	**2,336**	**2,973**	**31**	**218**	**(624)**	**5,022**
Changes in equity for the year ended 31 December 2016							
Loss for the year	-	(4,089)	-	-	-	-	(4,089)
Other comprehensive income for the year	-		-	-	-	353	353
Total comprehensive income for the year	-	(4,089)	-	-	-	353	(3,736)
Contributions by and distributions to owners							
Shares issued in the year	12	-	1,438	-	-	-	1,450
Total contributions by and distributions to owners	12	(4,089)	1,438	-	-	353	(2,286)
At 31 December 2016	**100**	**(1,753)**	**4,411**	**31**	**218**	**(271)**	**2,736**

The notes on pages 17 to 50 form part of these financial statements

The Rethink Group Limited

Company Statement of Changes In Equity
For the Year Ended 31 December 2016

Company	Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Capital redemption £'000	Merger Reserve £'000	Total £'000
At 31 December 2014	86	142	3,238	31	218	3,715
Changes in equity for the year ended 31 December 2015						
Loss for the year	-	(226)	-	-	-	(226)
Total comprehensive loss for the year	-	(226)	-	-	-	(226)
Contributions by and distributions to owners						
Shares issued in the year	27	-	1,049	-	-	1,076
Recognition of share based payment credit	-	(63)	-	-	-	(63)
Share issue costs	-	-	(89)	-	-	(89)
Proceeds from the sale of own shares	-	180	-	-	-	180
Shares re-classed as debt	(25)	-	(1,225)	-	-	(1,250)
Total contributions by and distributions to owners	2	117	(265)	-	-	(146)
At 31 December 2015	**88**	**33**	**2,973**	**31**	**218**	**3,343**
Changes in equity for the year ended 31 December 2016						
Loss for the year	-	(921)	-	-	-	(921)
Total comprehensive loss for the year	-	(921)	-	-	-	(921)
Contributions by and distributions to owners						
Shares issued in the year	12	-	1,438	-	-	1,450
Total contributions by and distributions to owners	12	(921)	1,438	-	-	529
At 31 December 2016	**100**	**(888)**	**4,411**	**31**	**218**	**3,872**

The notes on pages 17 to 50 form part of these financial statements

The Rethink Group Limited

Consolidated Statement of Financial Position
For the Year Ended 31 December 2016

Company number 05078352

	Notes	**2016 £'000**	2015 £'000
Assets			
Non-current assets			
Goodwill	11	**6,061**	4,887
Investment	14	**-**	-
Property, plant and equipment	12	**547**	340
Intangible assets	13	**1,888**	771
Deferred tax asset	7	**36**	70
Total non-current assets		**8,532**	6,068
Current assets			
Trade and other receivables	15	**20,957**	20,501
Cash and cash equivalents	2	**1,071**	2,523
Total current assets		**22,028**	23,024
Total assets		**30,560**	29,092
Liabilities			
Current liabilities			
Trade and other payables	16	**(13,335)**	(12,946)
Loans and borrowings	17	**(8,510)**	(8,050)
Deferred consideration	26	**(1,539)**	-
Corporation tax liability		**-**	(218)
Total current liabilities		**(23,384)**	(21,214)
Net current (liabilities)/assets		**(1,356)**	1,810
Non-current liabilities			
Loans and borrowings	17	**(3,650)**	(2,698)
Amounts due under finance lease and hire purchase contracts	17	**(104)**	(6)
Deferred consideration	26	**(389)**	-
Deferred tax liability	22	**(297)**	(152)
Total non-current liabilities		**(4,440)**	(2,856)
Net assets		**2,736**	5,022
Equity			
Share capital	23	**100**	88
Capital redemption reserve	23	**31**	31
Share premium account	24	**4,411**	2,973
Merger reserve	24	**218**	218
Translation reserve	24	**(271)**	(624)
Retained earnings	24	**(1,753)**	2,336
Total equity attributable to equity holders of the parent company		**2,736**	5,022

The financial statements were approved by the Board of Directors and authorised for issue on 28th July 2017.

Ben Felton
Chief Financial Officer

The notes on pages 17 to 50 form part of these financial statements.

The Rethink Group Limited

Company Statement of Financial Position
For the Year Ended 31 December 2016

Company number 05078352

	Notes	**2016** **£'000**	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**442**	281
Intangible assets	13	**81**	78
Investments	14	**9,438**	4,108
Total non-current assets		**9,961**	4,467
Current assets			
Trade and other receivables	15	**17,453**	14,095
Cash and cash equivalents	2	**124**	82
Corporation tax asset		**6**	-
Total current assets		**17,583**	14,177
Total assets		**27,544**	18,644
Liabilities			
Current liabilities			
Trade and other payables	16	**(17,765)**	(12,962)
Loans and borrowings		**(89)**	(79)
Deferred consideration	26	**(1,539)**	-
Corporation tax liability		**-**	(7)
Total current liabilities		**(19,393)**	(13,048)
Net current (liabilities)/assets		**(1,810)**	1,129
Non-current liabilities			
Loans and borrowings	17	**(3,760)**	(2,240)
Amounts due under finance lease and hire purchase contracts	17	**(104)**	(6)
Deferred consideration	26	**(389)**	-
Deferred tax liability	22	**(26)**	(7)
Total non-current liabilities		**(4,279)**	(2,253)
Net assets		**3,872**	3,343
Equity			
Share capital	23	**100**	88
Capital redemption reserve	24	**31**	31
Share premium account	24	**4,411**	2,973
Merger reserve	24	**218**	218
Retained earnings	24	**(888)**	33
Total equity attributable to equity holders of the Company		**3,872**	3,343

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 loss for the year is £549k.

The financial statements were approved by the Board of Directors and authorised for issue on 28th July 2017.

Ben Felton
Chief Financial Officer

The notes on pages 17 to 50 form part of these financial statements.

The Rethink Group Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2016

	Notes	**2016** **£'000**	2015 £'000
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		**(3,884)**	527
Adjustments for:			
Share-based payment (income)/ expense		**-**	(63)
Depreciation charges	12	**281**	207
Amortisation and impairment	11,13	**2,604**	502
Disposal of property, plant and equipment	12	**6**	28
Finance expense	4	**869**	768
Finance income	4	**(2)**	(3)
Net change in valuation of preferred ordinary shares	4	**(100)**	(260)
Loss from discontinued operations	10	**(267)**	(229)
		(493)	1,477
Reduction in trade and other receivables		**1,299**	6,651
Reduction in trade and other payables		**(370)**	(1,126)
Cash generated from operations		**436**	7,002
Corporation tax paid		**(241)**	(376)
Net cash generated from operating activities		**195**	6,626
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(212)**	(132)
Purchase of intangible assets	13	**(70)**	(45)
Acquisition of subsidiary undertaking net of cash acquired	26	**(1,810)**	(2,952)
Finance income	4	**2**	3
Net cash absorbed by investing activities		**(2,090)**	(3,126)
Cash flows from financing activities			
Finance costs paid	4	**(869)**	(768)
Net change in advances on invoice discounting facility		**382**	(3,540)
Finance leases - capital		**(141)**	(88)
Finance leases - interest		**(49)**	(16)
Repayment of loans		**(500)**	(500)
Issue of preferred A-ordinary shares	23	**-**	870
Issue of Loan Notes	17	**1,620**	1,250
Proceeds from issue of ordinary share capital net of issue costs		**-**	117
Proceeds from sale of own shares held		**-**	180
Net cash generated/(absorbed) by financing activities		**443**	(2,495)
Net change in cash and cash equivalents		**(1,452)**	1,005
Cash and cash equivalents at start of year	2	**2,523**	1,518
Cash and cash equivalents at end of year	2	**1,071**	2,523

The notes on pages 17 to 50 form part of these financial statements.

The Rethink Group Limited

Company Statement of Cash Flows
For the Year Ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss)/Profit before tax		**(921)**	(219)
Adjustments for:			
Share-based payment (income)/ expense		**-**	(63)
Depreciation charges	12	**178**	102
Amortisation and impairment	13	**44**	38
Impairment of investment	14	**-**	282
Disposal of property, plant and equipment		**5**	-
Gain on revaluation of financial instruments	4	**(100)**	(260)
		(794)	(120)
Increase in trade and other receivables		**(3,358)**	(2,306)
Increase in trade and other payables		**4,903**	3,818
Cash generated from operations		**751**	1,392
Tax received		**(6)**	-
Net cash generated by operating activities		**745**	1,392
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(134)**	(105)
Purchase of intangible assets	13	**(47)**	(40)
Purchase of fixed asset investment	26	**(1,952)**	(3,819)
Net cash absorbed by investing activities		**(2,133)**	(3,964)
Cash flows from financing activities			
Net movement on finance leases – capital		**(141)**	(88)
Net movement on finance leases - interest		**(49)**	(16)
Proceeds from issue of share capital net of issue costs		**-**	117
Proceeds from sale of own shares held		**-**	180
Issue of preferred A-ordinary shares	23	**-**	870
Issue of Loan Notes	17	**1,620**	1,250
Net cash (absorbed by) financing activities		**1,430**	2,313
Net change in cash and cash equivalents		**42**	(259)
Cash and cash equivalents at start of year	2	**82**	341
Cash and cash equivalents at end of year	2	**124**	82

The notes on pages 17 to 50 form part of these financial statements.

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 is The Crane Building, 22 Lavington Street, London SE1 0NZ.

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC) interpretations and Standing Interpretations Committee (SIC) interpretations as adopted and endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group's financial statements have been prepared on the same basis and as permitted by Section 408 of the Companies Act 2006, no statement of comprehensive income is presented for the Company. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain liabilities, and in accordance with applicable accounting standards. The Group's accounting policies, as set out below, have been consistently applied to all the periods presented, unless otherwise stated.

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 9 – Financial Instruments (effective for accounting periods on or after 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective for accounting periods on or after 1 January 2018)
- IFRS 16 – Leases (effective for accounting periods on or after 1 January 2019)
- Future amendments to existing standards – IAS 12, IAS17, IFRS 2, IFRS 4, IFRIC 22 and IAS 40.

The directors have not yet fully evaluated the impact that IFRS 9, IFRS 15 or IFRS 16 standards will have on the financial statements of the Group. The directors believe that the amendments to the existing standards will have little or no impact on the Group.

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 acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. 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, plus any direct costs of acquisition.

Revenue and revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax and other sales taxes, returns, and rebates and after elimination of sales within the Group.

Revenue from temporary placements is recognised over the period that temporary staff are provided to customers. Where the Company is acting as principal, revenue represents the amounts billed for the services of temporary staff which includes the salary costs of those staff. Where the Company is acting as an agent, revenue represents commission receivable relating to the supply of temporary staff and does not include the salary costs of the temporary staff.

Revenue arising from the placement of permanent candidates is recognised at the time the candidate commences full time employment.

Revenue and revenue recognition (continued)
Technology Services revenue is recognised on a straight-line basis under the terms of the contract. Revenue additional to the original contract is recognised in the period the staff or services are provided .This part of the business was discontinued during the prior year.

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset.

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.

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 date.

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.

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 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;
- 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
Financial assets and liabilities are recognised at fair value in the statement of financial position when the Group or Company becomes a party to the contractual provisions of the instrument. The Group classifies its financial instruments into loans and receivables (comprising cash and cash equivalents and trade receivables) and other liabilities (comprising bank borrowings, finance leases, invoice discounting advances and trade payables). Disclosure of financial instruments is included within note 20.

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

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.

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 at the Annual General Meeting.

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.

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.

- **Identification and valuation of intangibles acquired in business combinations**
  Identifying and determining the fair value of intangibles acquired in business combinations requires estimation and judgement of the value of the cash flows related to the identified intangibles and a suitable discount rate in order to calculate the present value. As a result of this assessment, no intangibles other than goodwill have been recognised on acquisitions in the current and prior year. Judgement and estimation is also required in determining contingent consideration payable in respect of acquisitions.

- **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 statements

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:

Group	**2016 £'000**	2015 £'000
Cash available on demand	**1,071**	2,523

Company	**2016 £'000**	2015 £'000
Cash available on demand	**124**	82

3. Employees and Directors

Group	**2016 £'000**	2015 £'000
Wages and salaries	**12,777**	11,528
Social security contributions and similar taxes	**1,541**	1,103
Pension costs	**370**	213
Share-based payment	**-**	(63)
	14,688	12,781

Company	**2016 £'000**	2015 £'000
Wages and salaries	**72**	112
Social security contributions and similar taxes	**7**	7
	79	119

3. Employees and Directors (continued)

The average number of employees during the year was as follows:

Group	**2016 Number**	2015 Number
Sales	**191**	134
Administrative	**36**	29
Directors	**18**	11
	245	174

Company	**2016 Number**	2015 Number
Administrative	**34**	25
Directors	**9**	7
	43	32

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	**2016 £'000**	2015 £'000
Wages and salaries	**895**	1,831
Social security contributions and similar taxes	**170**	220
Compensation for loss of office	**496**	349
Pension costs	**29**	131
Share based payment expense	**-**	
	1,590	2,541

Company Directors only	**2016 £'000**	2015 £'000
Wages and salaries	**442**	394
Social security contributions and similar taxes	**82**	53
Compensation for loss of office	**229**	349
Pension costs	**13**	38
	766	834

Remuneration in respect of the highest paid Director:

	2016 £'000	2015 £'000
Salary and bonuses	**230**	242

During 2016 there was one Director in the Group's defined contribution pension scheme (2015: 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 2016 no share options (2015: Nil) were exercised by the Directors. Disclosure of the total gains arising from the exercise of the share options is included within note 25.

4. Finance income and expense

	2016 £'000	2015 £'000
Finance income:		
Bank interest received	**2**	3
Net change in fair value of preferred ordinary shares (Note 17)	**100**	260
	102	263

	2016 £'000	2015 £'000
Finance expense:		
Bank charges and interest	**211**	207
Invoice discounting charges and interest	**658**	561
	869	768

5. Profit from operations

This is stated after charging/ (crediting):	2016 £'000	2015 £'000
Other operating leases – property	**641**	582
Depreciation of property, plant and equipment	**280**	207
Amortisation of intangible assets	**604**	489
Impairment of goodwill	**2,000**	-
Auditor's remuneration – audit services – parent	**11**	11
– UK and Ireland subsidiaries	**40**	40
Auditor's remuneration – non-audit services	**48**	93
Foreign exchange losses	**5**	48

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, Digital Gurus Australia PTY Limited, Rethink Group Inc and Berkley Recruitment (Group) 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.

Berkley Recruitment (Asia) PTE Limited was discontinued in the year. Its results are shown in note 10.

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2016

6. Segment information (continued)

2016	Recruitment £'000	Talent Management £'000	Unallocated £'000	Total £'000
Contract revenue	63,093	58,660	-	121,753
Permanent revenue	5,226	3,594	-	8,820
Total revenue from external customers	68,320	62,253	-	130,573
Group's revenue per consolidated statement of comprehensive income	68,320	62,253	-	130,573
Gross profit	13,465	7,381	-	20,846
Administrative expenses	(10,135)	(5,098)	-	(15,233)
Contribution	3,330	2,282	-	5,613
Central administrative expenses	-	-	(2,964)	(2,964)
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	3,330	2,283	(2,964)	2,649
Amortisation, depreciation and impairment	-	-	(2,604)	(2,604)
Profit from continuing operations before separately identifiable items	3,330	2,283	(5,568)	45
Finance costs	-	-	(869)	(869)
Finance income	-	-	102	102
Gain on revaluation of financial instruments	-	-	-	-
Profit from continuing operations before tax and separately identifiable items	3,330	2,283	(6,335)	(722)
Separately identifiable items	-	-	(3,162)	(3,162)
Profit from continuing operations before tax	3,330	2,283	(9,497)	(3,884)
Tax expense	-	-	62	62
Loss on discontinued operations (net of tax)	-	-	(267)	(267)
Loss for the year	3,330	2,283	(9,702)	(4,089)
Statement of financial position				
Reportable segment assets	21,553	9,007	-	30,560
Reportable segment liabilities	18,418	9,406	-	27,824

6. Segment information (continued)

2015	Recruitment £'000	Talent Management £'000	Unallocated £'000	Total £'000
Contract revenue	**54,599**	**62,589**	**-**	**117,188**
Permanent revenue	**4,813**	**3,486**	**-**	**8,299**
Total revenue from external customers	**59,412**	**66,075**	**-**	**125,487**
Group's revenue per consolidated statement of comprehensive income	**59,412**	**66,075**	**-**	**125,487**
Gross profit	**11,778**	**7,977**	**-**	**19,755**
Administrative expenses	**(9,119)**	**(4,145)**	**-**	**(13,264)**
Contribution	**2,659**	**3,832**	**-**	**6,491**
Central administrative expenses	**-**	**-**	**(4,490)**	**(4,490)**
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	**2,659**	**3,832**	**(4,077)**	**2,414**
Amortisation, depreciation and impairment	**-**	**-**	**(413)**	**(413)**
Profit from continuing operations before separately identifiable items	**2,659**	**3,832**	**(4,490)**	**2,001**
Finance costs	**-**	**-**	**(768)**	**(768)**
Finance income	**-**	**-**	**3**	**3**
Gain on revaluation of financial instruments	**-**	**-**	**260**	**260**
Profit from continuing operations before tax and separately identifiable items	**2,659**	**3,832**	**(4,995)**	**1,496**
Separately identifiable items	**-**	**-**	**(967)**	**(967)**
Profit from continuing operations before tax	**2,659**	**3,832**	**(5,962)**	**529**
Tax expense			**(127)**	**(127)**
Loss on discontinued operations (net of tax)	**(231)**	**-**	**-**	**(231)**
Profit for the year	**2,428**	**3,832**	**(6,089)**	**171**
Statement of financial position				
Reportable segment assets	**3,736**	**25,422**	**-**	**29,158**
Reportable segment liabilities	**(5,402)**	**(18,668)**	**-**	**(24,070)**

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:	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
United Kingdom	**104,476**	112,366	**8,456**	6,103
Other	**26,097**	13,121	**76**	31
	130,573	125,487	**8,532**	6,134

Revenues from single customers that exceed 10% or more of total Group revenues in 2016 are £26,482k (2015: £17,996k).

7. Taxation

	2016 £'000	2015 £'000
Current tax expense		
UK corporation tax on profit for the year	**(42)**	290
Adjustments in respect of prior years	**(47)**	(148)
	(89)	142
Deferred tax (note 22)		
Origination and reversal of timing differences	**27**	(15)
Total tax expense	**(62)**	127

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:

	2016 £'000	2015 £'000
(Loss)/Profit from continuing operations	**(3,822)**	402
Total tax expense	**(62)**	127
Profit before taxation	**(3,884)**	529
Expected tax charge based on the standard rate of corporation tax in the UK of 20%(2015: 20.25%)	**(777)**	107
Higher rates of tax on overseas earnings	**59**	46
Items disallowed for tax	**523**	72
Other permanent differences	**-**	-
Corporation tax – adjustments in respect of prior years	**(47)**	(148)
Movement on unrecognised deferred tax	**180**	50
Losses Carried back		-
Total tax expense	**(62)**	127

The Finance (No.2) Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. These changes were enacted prior to the balance sheet date and accordingly deferred tax balances at 31 December 2016 have been recognised at 20%.

8. Separately identifiable items

Debit included within administrative expenses:	**2016 £’000**	2015 £’000
Acquisition costs	**290**	260
Goodwill and investment impairment (see note 11)	**2,000**	296
Restructuring and reorganisation costs	**872**	411
	3,162	967

During the year the Group incurred certain one-off expenses which are unlikely to recur in the future.
These costs include professional and legal fees associated with the acquisition of Digital Gurus Recruitment and some reorganisation costs.

9. Dividends

The Directors have not recommended a final dividend for 2016 (2015: £Nil).

10. Discontinued operations

Trading operations through the Group’s Singapore subsidiary, Berkley Recruitment (Asia) PTE Ltd were terminated in the year.

Berkley Recruitment (Asia) PTE Ltd had net liabilities of £663k at the year end, broken down as follows:

	2016 £’000
Cash at bank	**55**
Trade and other receivables	**66**
Inter-company loans	**(90)**
Trade and other payables	**(694)**
Net liabilities	**(663)**

Provisions against inter-company loans have been made in full in the respective Group companies.

The post-tax loss on disposal of discontinued operations was determined as follows:

	2016 £’000
Revenue	**198**
Cost of Sales	**-**
Administrative expenses	**(465)**
Loss for the year	**(267)**

11. Goodwill

	Total £'000
Cost	
At 1 January 2016	5,578
Additions (note 26)	2,754
Foreign exchange movements	420
At 31 December 2016	**8,752**
At 31 December 2015	5,578
Accumulated Impairment	
At 1 January 2016	**(691)**
Impairment charge	(2,000)
At 31 December 2016	**(2,691)**
At 31 December 2015	**(691)**
Net Book Value	
At 31 December 2016	**6,061**
At 31 December 2015	**4,887**

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

	Goodwill carrying amount	
	At 31 December 2016 £'000	At 31 December 2015 £'000
Berkley Recruitment (Group) Limited	**1,112**	2,692
Rethink Recruitment Solutions Limited	**678**	678
Consort Group Limited	**1,517**	1,517
Recruitment Gurus Limited	**2,754**	-
	6,061	4,887

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 2016 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 2016 and then extrapolated to 2019 and in perpetuity (with zero growth rate) thereafter.

Key assumptions included in the extrapolated projections are as follows:

	2016	2015
	All investments	All investments
	%	%
Discount rate	13.0%	13.0%
Growth rate and inflation	5.0%	5.0%

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 £13.0m (2015: £12.3m), with positive cash flows projected in all years.

There are no reasonably possible factors that would cause the carrying value to exceed the recoverable amount for all cash generating units except Berkley Recruitment (Group) Limited. On 16th June 2017 the Group disposed of its entire shareholding in Berkley Recruitment (Group) Ltd for a cash consideration of £1.45m. As a result, the carrying value of goodwill for Berkley Recruitment (Group) Ltd was reduced through an impairment charge of £2.0m, leaving a carrying value of £1.1m, which reflects the fair value of the sale proceeds received less the net asset position on disposal.

12. Property, plant and equipment

Group	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	114	614	647	1,375
Acquired on acquisition	29	37	8	74
Additions	-	352	69	421
Disposals	(111)	(250)	(467)	(828)
At 31 December 2016	**32**	**753**	**257**	**1,042**
Depreciation				
At 1 January 2016	(117)	(250)	(668)	(1,035)
Charge for year	(14)	(199)	(68)	(281)
Disposals	110	226	485	821
At 31 December 2016	**(21)**	**(223)**	**(251)**	**(495)**
Net book value				
At 31 December 2016	**11**	**530**	**6**	**547**
At 31 December 2015	(3)	364	(21)	340

Group	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2015	151	563	598	1,312
Additions	10	72	50	132
Disposals	(47)	(21)	(1)	(69)
At 31 December 2015	**114**	**614**	**647**	**1,375**
Depreciation				
At 1 January 2015	(148)	(151)	(570)	(869)
Charge for year	(10)	(99)	(98)	(207)
Disposals	41	-	-	41
At 31 December 2015	**(117)**	**(250)**	**(668)**	**(1,035)**
Net book value				
At 31 December 2015	**(3)**	**364**	**(21)**	**340**
At 31 December 2014	3	412	28	443

The net book value of tangible fixed assets for the Group includes an amount of £280k (2015: £146k) in respect of assets held under finance leases and hire purchase contracts. All these assets are classified as computer equipment and fixtures and fittings.

12. Property, plant and equipment (continued)

Company	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	54	398	65	517
Additions	-	303	41	344
Disposals	(34)	(17)	(13)	(64)
At 31 December 2016	**20**	**684**	**93**	**797**
Depreciation				
At 1 January 2016	(47)	(148)	(41)	(236)
Charge for year	(3)	(157)	(18)	(178)
Disposals	34	14	11	59
At 31 December 2016	**(16)**	**(291)**	**(48)**	**(355)**
Net book value				
At 31 December 2016	**4**	**393**	**45**	**442**
At 31 December 2015	7	250	24	281

The net book value of tangible fixed assets for the Company includes an amount of £280k (2015: £146k) 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 2015	56	313	45	414
Additions	-	85	20	105
Disposals	(2)	-	-	(2)
At 31 December 2015	**54**	**398**	**65**	**517**
Depreciation				
At 1 January 2015	(43)	(68)	(25)	(136)
Charge for year	(6)	(80)	(16)	(102)
Disposals	2	-	-	2
At 31 December 2015	**(47)**	**(148)**	**(41)**	**(236)**
Net book value				
At 31 December 2015	**7**	**250**	**24**	**281**
At 31 December 2014	13	245	20	278

13. Intangible assets

Group	Brand Value £'000	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost					
At 1 January 2016	-	777	246	36	1,059
Acquired on acquisition	756	895	-	-	1,651
Additions	-	-	23	47	70
At 31 December 2016	**756**	**1,672**	**269**	**83**	**2,780**
Amortisation					
At 1 January 2016	-	(122)	(130)	(36)	(288)
Charge for year	(126)	(426)	(48)	(4)	(604)
At 31 December 2016	**(126)**	**(548)**	**(178)**	**(40)**	**(892)**
Net book value					
At 31 December 2016	**630**	**1,124**	**91**	**43**	**1,888**
At 31 December 2015	-	655	116	**-**	771

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	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost				
At 1 January 2015	-	228	36	264
Additions – internally developed and acquired	777	45	-	822
Disposals	-	(27)	-	(27)
At 31 December 2015	**777**	**246**	**36**	**1,059**
Amortisation				
At 1 January 2015	-	74	35	109
Charge for year	122	83	1	206
Disposals		(27)	-	(27)
At 31 December 2015	**122**	**130**	**36**	**288**
Net book value				
At 31 December 2015	**655**	**116**	**-**	**771**
At 31 December 2014	-	154	1	155

13. Intangible assets (continued)

Company	Development costs £'000
Cost	
At 1 January 2016	142
Additions – internally developed	47
At 31 December 2016	**189**
Amortisation	
At 1 January 2016	64
Charge for year	44
At 31 December 2016	**108**
Net book value	
At 31 December 2016	**81**
At 31 December 2015	78

Company	Development costs £'000
Cost	
At 1 January 2015	102
Additions – internally developed	40
At 31 December 2015	**142**
Amortisation	
At 1 January 2015	26
Charge for year	38
At 31 December 2015	**64**
Net book value	
At 31 December 2015	**78**
At 31 December 2014	76

14. Investments

Company	Subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2016	4,378	-	4,378
Additions	5,330	-	5,330
At 31 December 2016	**9,708**		**9,708**
Impairment			
At 1 January 2016	(270)	-	(270)
Impairment charge for the year	-	-	-
At 31 December 2016	(270)	-	(270)
Net Book Value			
At 31 December 2016	**9,438**	**-**	**9,438**

Company	Subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2015	559	12	571
Additions	3,819	-	3,819
At 31 December 2015	4,378	-	4,390
Impairment charge for the year	(270)	(12)	(282)
Net book value			
At 31 December 2015	4,108	-	4,108

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 capital
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 MEA FZCO*	Smart Heights, SMH /19/1908, Tecom	Dormant	UAE	100%
Berkley Recruitment (Group) Limited*	Mill House, Carrigohane, Cork, T12 C672	Recruitment Services	Republic of Ireland	100%
Berkley Recruitment Group (Asia) Pte. Limited*	3 Anson Road, Springleaf Tower, 079909	Recruitment Services	Singapore	100%
Rethink Acquisitions Limited	22 Lavington Street, London, SE1 0NZ	Holding Company	England	100%
Rethink Group Inc.	1010 Lamar St. Suite 1310, Houston, Texas, 77002	Recruitment Services	USA	100%

Name of Subsidiary	Registered office address	Nature of business	Country of incorp.	Ownership of ordinary share capital
TM Management Solutions Limited	22 Lavington Street, London, SE1 0NZ	Talent Management	England	100%
Consort Group Limited	22 Lavington Street, London, SE1 0NZ	Holding Company	England	100%
Recruitment Consort Limited*	22 Lavington Street, London, SE1 0NZ	Talent Management	England	100%
IT Consort Limited*	22 Lavington Street, London, SE1 0NZ	Talent Management	England	100%
Energy Consort Limited (formerly Earth Wind & Hire Limited)*	22 Lavington Street, London, SE1 0NZ	Recruitment Services	England	100%
JP Banking Solutions Limited*	22 Lavington Street, London, SE1 0NZ	Dormant	England	100%
Recruitment Gurus Limited	Linen Court, 10 East Road, London, N1 6AD	Holding Company	England	100%
Digital Gurus Recruitment Limited	Linen Court, 10 East Road, London, N1 6AD	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 5, 35 Buckingham St, Surrey Hills, NSW, 2010	Recruitment Services	Australia	100%

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

15. Trade and other receivables

Amounts due in less than 1 year

	Group 2016 £'000	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'000
Trade receivables	**19,600**	19,253	**-**	-
Amounts owed by Group undertakings	**-**	-	**17,174**	13,704
Other receivables	**322**	260	**194**	213
Social Security and other taxes	**77**	-	**77**	101
Other debtors	**10**	-	**8**	-
Prepayments and accrued income	**948**	988	**-**	77
	20,957	20,501	**17,453**	14,095

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 £19,316k (2015: £18,829k) 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).

16. Trade and other payables

	Group 2016 £'000	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'000
Trade payables	**9,005**	9,571	**242**	371
Amounts owed to Group undertakings	**-**	-	**17,424**	12,503
Social security and other taxes	**2,386**	1,844	**77**	80
Other payables	**372**	202	**22**	8
Accruals	**1,572**	1,329	**-**	-
	13,335	12,946	**17,765**	12,962

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

17. Financial liabilities – loans and borrowings

Current:	**Group 2016 £'000**	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'000
Advances on invoice discounting facility	**7,853**	7,471	**-**	-
Bank Term Loan	**458**	500	**-**	-
Loan notes	**110**	-	**-**	-
Finance lease	**89**	79	**89**	79
	8,510	8,050	**89**	79

Non-Current:	**Group 2016 £'000**	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'000
Bank term loan	**-**	458	**-**	-
Loan notes	**2,760**	1,250	**2,870**	1,250
25,000,000 Preferred A-ordinary shares	**890**	990	**890**	990
Finance lease	**104**	6	**104**	6
	3,754	2,704	**3,864**	2,246

Preferred A-ordinary shares

During the prior year 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 then issued additional A-ordinary shares. 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. On the date of the share reclassification, the present value of the debt element was deemed to be £1,250,000. 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%). At the 31 December 2016, the financial instrument was reviewed again and it was determined that the fair value of the liability had reduced to £890,000, with the movement in fair value of £100,000 taken through the Statement of Comprehensive Income.

Finance Leases

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

	2016 £'000	2015 £'000
Not later than one year	**89**	79
Later than one year and not later than five years	**104**	6
	193	85

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.

18. Operating leasing 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	
Group	**2016 £'000**	2015 £'000
Not later than one year	**658**	677
Later than one year and not later than five years	**1,044**	1,556
Later than five years	**306**	8
	2,008	2,241

Company	**2016 £'000**	2015 £'000
Not later than one year	**539**	569
Later than one year and not later than five years	**930**	1,339
Later than five years	**306**	8
	1,775	1,916

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 2016		31 December 2015	
	Weighted average exercise price £	**Number**	Weighted average exercise price £	Number
Outstanding at beginning of year	0.062	8,525,364	0.062	16,789,364
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	0.061	(3,477,864)	0.062	(8,264,000)
Outstanding at end of year	0.062	5,047,500	0.062	8,525,364

Of the total number of options outstanding at the end of the year 3,447,500 (2015: 4,330,221) 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 (2015: 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.
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 2016 or 2015.

No share-based payment has been debited to the statement of comprehensive income (Group and Company) £Nil (2015: credit of £63k). The weighted average contractual life of options is 5.3 years (2015: 6.3 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).

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 (2015: 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 (2015: £4m).

The Group also maintains invoice discounting facilities which enable its receivables to be financed. At the statement of financial position date £4,538k (2015: £3,753k) of trade receivables was considered overdue and not impaired. Aging of the trade receivables considered overdue is as follows:

Days from date of invoice	**2016 £'000**	2015 £'000
16–30	**800**	33
30–60	**1,916**	41
60–90	**1,311**	2,046
90–120	**178**	546
>120	**533**	1,087
	4,738	3,753

Of the trade receivables considered overdue £4,412 (2015: £3,473k) 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 58% of revenue in 2016 (2015: 45%).

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

	2016 **£'000**	2015 £'000
Balance at 31 December	**11,742**	3,983

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.

Additional analysis of our year end trade receivables is:

	2016 **£'000**	2015 £'000
Commercial	**19,006**	18,650
Public sector bodies	**594**	603
	19,600	19,253

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 £19,600k (2015: £19,253k).

At the year end, the Company was owed £17,207k (2015: £13,704k) by its subsidiaries. The Company has made no provision for impairment of this debt (2015: £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 £2.69m 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 3% (2015: 3%) above LIBOR.

The term loan liability incurs interest on the balance outstanding at 3% (2015: 3%) above LIBOR.

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

There was no overdraft facility during 2016 or 2015.

If during the year base rates had been 0.5% higher, interest charges would have been £80k higher/lower (2015: £109k), 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 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:

	2016 **£'000**	2015 £'000
Share capital	**100**	88
Capital redemption reserve	**31**	31
Share premium account	**4,411**	2,973
Merger reserve	**218**	218
Translation reserve	**(271)**	(624)
Retained earnings	**(1,353)**	2,336
	3,136	5,022

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 2016 and 2015.

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** **2016** **£'000**	At 31 December 2015 £'000
In less than one year	**15,662**	12,867

The maturity of trade and other payables is as follows:	**At** **31 December** **2016** **£'000**	At 31 December 2015 £'000
Days from date of invoice		
0–30	**7,836**	9,131
30–60	**949**	202
60–90	**106**	125
90–120	**(6)**	38
>120	**120**	75
	9,005	9,571

Finance facilities
The Group's principal bankers during the year were Leumi ABL, through whom there is an invoice discounting facility of £20m (2015: £20m) and a residual balance of £0.5m on a 3 year term loan. The principal terms of the invoice discounting facility are that it is an umbrella Group facility with 90% availability against sales invoices. In June 2017, the Group entered into a new £25m invoice discounting facility and £1.5m 3 year term loan facility with ABN AMRO, replacing the Leumi ABL's debt facilities. Interest is charged at 1.5% on the new invoice discounting facility and 2.75% on the new term loan.

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 2016. 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 2016 is £32.9m (2015: £29.1m).

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 2016 £'000	At 31 December 2015 £'000
Invoice discounting – expiry within one year	**14,147**	14,529

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 19% (2015: 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 £71k (2015: £50k) 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 2016 £'000**	31 December 2015 £'000
At start of year	**(82)**	30
Origination and reversal of timing differences	**(27)**	15
Deferred tax arising on business combination	**(152)**	(127)
At end of year	**(261)**	(82)
Deferred tax asset	**36**	70
Deferred tax liability	**(297)**	(152)
	(261)	(82)

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 £26k (2015: £7k).

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 2015	85,164,730	-	-	-	85,164,730
Shares repurchased and cancelled	(51,340,153)	7,600,000	-	43,740,153	-
Issued During the year	-	17,400,000	6,670,000	4,000,000	28,070,000
Shares re-classed as debt	-	(25,000,000)	-	-	(25,000,000)
At 31 December 2015	33,824,577	-	6,670,000	47,740,153	88,234,730
At 1 January 2016	33,824,577	-	6,670,000	47,740,153	88,234,730
Issued during the year	1,207,482	-	-	10,875,210	12,082,692
At 31 December 2016	35,032,059	-	6,670,000	58,615,363	100,317,422

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 2015:						
- No. of shares	33,824,577	25,000,000	6,670,000	47,740,153	(25,000,000)	88,234,730
- Nominal val. (£'000)	34	25	6	48	(25)	88
At 31 December 2016:						
- No. of shares	35,032,059	25,000,000	6,670,000	58,615,363	(25,000,000)	100,317,422
- Nominal val. (£'000)	35	25	6	59	(25)	100

During the year the company issued 10,875,210 new C-ordinary shares and 1,207,482 Ordinary shares as part consideration for the Recruitment Gurus Acquisition (Note 26).

During the prior year, the company undertook a restructure of the issued share capital of the company, designating certain ordinary shares as A-ordinary shares and C-ordinary shares. These new classes of ordinary share have different rights compared with the existing ordinary shares, which are outlined below.

During the prior year, the company also issued a further 17,400,000 A-ordinary shares for consideration of £870,000, 4,000,000 new C-ordinary shares for consideration of £200,000 and 6,670,000 B-ordinary shares at par value of £6,670.

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 £10,000,000. 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.

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 2016 and 2015 are disclosed within notes 15 and 16.

At the year end the following loans were due to directors of the company or Group subsidiaries:

	2016	2015
	£'000	£'000
J O'Sullivan	**55**	-
A Lord	**11**	-
S Kidwai	**55**	-
F Mohammed	**55**	-
	176	-

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The loans for F Mohammed and S Kidwai attract interest at a rate of 10% per annum. These loans were paid in full in April 2017.

26. Acquisition

On 26 March 2016 The Rethink Group Limited acquired 100 per cent of the issued share capital of Recruitment Gurus Limited, Digital Gurus Recruitment Limited, Digital Gurus MENA DMCC and Digital Gurus Australia PTY. The principal activity of all companies acquired is the provision of permanent and contract recruitment services specialising in digitally skilled workers.

Acquisition costs of £0.29m arose as a result of the transaction. These have been recognised as part of the separately identifiable items in the statement of comprehensive income. Since the acquisition date the acquired companies have contributed £15.4m to Group revenues and £0.51m to Group profit.

The amount recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

		Book value of assets acquired £'000	**Fair value of assets £'000**
Financial assets		1,720	1,720
Property, plant and equipment		72	72
Identifiable intangible assets	Note 13	-	1,651
Deferred tax liability		-	(252)
Financial liabilities		(615)	(615)
Total identifiable assets		**1,177**	**2,576**

Satisfied by:	
Cash Consideration	1,952
Deferred Consideration	1,928
Consideration Shares issued	1,450
Total consideration transferred	**5,330**

	£'000
Goodwill (Note 11)	**2,754**
Net cash outflow arising on acquisition:	
Cash consideration paid	1,952
Less cash and cash equivalents acquired	(142)
Total net cash outflow on acquisition	**1,810**

The deferred consideration is determined by reference to the financial performance of the Recruitment Gurus group in the 12 months ended 31st December 2016. As at 31st December 2016 the fair value of the deferred consideration was estimated to be £2.3 million based on financial projections prepared at the time. The deferred consideration will be settled through the issue of 24,478,058 new consideration shares and £1.56m paid in cash and loan notes.

27. Ultimate controlling party

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

28. Post Balance Sheet Events

On 16th June 2017 the Group disposed of its entire shareholding in Berkley Recruitment (Group) Ltd, through a privately funded management buy-out, for a total cash consideration of £1.45m. Net assets of the Berkley Recruitment (Group) Ltd at the date of sale were £0.25m.

On 16th June 2017 the Group completed the refinance of its debt facilities, replacing Leumi ABL with ABN AMRO. The new facilities include a £25m invoice discounting arrangement plus a £1.5m, three year amortising term loan. Interest charged on the invoice discounting facility is 1.5% (Leumi ABL 2.3%) and 2.75% on the term loan (Leumi 3.0%).

In July 2017, the Business Growth Fund ('BGF') converted 37% of their £1.4m convertible loan note plus accrued interest, into 53,428,000 new A-ordinary shares in the Company. The remaining loan note has been amended into a standard, non-convertible loan note with maturing in December 2021 and an interest rate of 10% per annum. Following the issue of these new A-ordinary shares, BGF hold a 39.9% equity interest in the Company (2016: 21.1%).

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