

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
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FOR THE YEAR ENDED 31 DECEMBER 2007

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THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007

DIRECTORS:

J Sadiq
J Butterfield
I P Blair
J O'Sullivan
A Lord
M J Bennett
P Dundon
S Church
R O'Callaghan
S P Salvin

SECRETARY:

P Dundon

REGISTERED OFFICE:

3rd Floor
25 Cross Street
Manchester
M2 1WL

REGISTERED NUMBER:

5078352 (England and Wales)

AUDITORS:

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

BANKERS:

Bank of Scotland
600 Gorgie Road
Edinburgh
EH11 3XP

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REVIEW OF THE BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2007

Performance

In 2007 we achieved strong revenue and profit growth from 2006. Profits before tax were up by over 600% and revenues increased by over 118%. This was ahead of expectations as we had not budgeted for such significant growth in 2007.

We continued to invest in every operating unit during 2007 and this will continue into 2008. ReThink Recruitment Solutions was awarded the top industry prize at the 2007 Computing Awards for Excellence and was voted Recruitment Company of the Year (<http://www.computingawards.net/2007winners.asp>) This is a highly respected award and reflects on the professionalism and determination of all the staff in the Group.

During 2007 we also established a new office in Birmingham to service the Midland region. Rob O'Callaghan joined the board and he was joined by several former colleagues. This new office is developing well and now has a team of twelve. This fourth major hub adds to existing offices in London, Manchester and Bristol, and provides us with very strong coverage in England.

We have continued to invest in the development of ReBuild Recruitment Solutions, recruiting an experienced construction industry recruitment professional, to roll the ReBuild model across the geographic network of offices that we have established. We are pleased to report that ReBuild now has a presence in London, Birmingham, Bristol and Manchester and the results are in line with expectation.

Finally we have seen significant progress during 2007 in the development of ReThink Professional Services ("RPS"), the business and technology solutions company that was established in early 2007. We have enhanced both the technical competence and sales ability of this business and we are focused on increasing the customer base. The sales cycle in this particular business is longer than in recruitment.

Strategy

The Group has a committed strategy of organic and acquisitional growth in both its recruitment and business technology businesses. The board will continue to consider expansion into other high value recruitment niches and research is under way to identify new markets. We are considering launching a competitive IT brand which will approach the markets from a candidate driven perspective rather than a client led approach that ReThink Recruitment has adopted.

To this end the Group has undergone a reorganisation during the year. Three subsidiaries were formed: ReThink Recruitment Solutions Limited, ReBuild Recruitment Services Limited and ReThink Professional Services Limited and the company changed its name to The ReThink Group Limited. The acquisition of KeyPower Consultants Limited ("KPC") during December 2007 was consistent with this strategy. This structure allows for new operating companies to be established under the Group.

We believe the group now requires five hub operating centres in the UK. With Bristol, London, Birmingham, and Manchester already established, we are looking at options to develop a presence in Scotland. Each of these hubs could house a number of complementary recruitment businesses. Development of other smaller satellite offices such as KPC in Southend can be established as secondary locations. This strategy is starting to take shape with the rollout of ReBuild into all the existing ReThink offices. Each hub is overseen by a key stakeholder in the Group and plans are in place to maximise results.

We have also agreed that the Group will investigate the internationalisation of the business. Whilst we have just started recruiting to and from Poland for our UK client base upon request specific client requirements, our plans will need to be much more proactive in the future. It is not anticipated that this part of the strategy will be started until late 2009.

THE RETHINK GROUP LIMITED
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REVIEW OF THE BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2007

Our back office will continue to operate from Manchester and all existing, new and acquired companies will be amalgamated into this back office function.

This expansion should provide a better balance of revenue streams as we dilute our exposure to one industry vertically and establish in other geographies. Our growth will be organic, and when opportunities are earnings enhancing, though appropriate acquisitions.

We are uniquely positioned to deliver this strategy and have developed barriers to entry and competitive advantage: The Group Board has significant sector experience, every regional hub is 'owned' by a major stakeholder so we maximise what is best for the Group. Our company has a high proportion of employee ownership, at a scale which is unique in our sector. This increases staff retention and drives increased productivity.

Dividend

Shareholders approved a dividend of 0.1285p per share for the year, which was paid on 24th January 2008.

Market Backdrop

The recruitment sector has to date been largely unaffected by the current economic conditions and whilst it would be naïve to think that the "credit crunch" will not have an effect at some point, it has not yet materialised in a reduction in demand for any of our service lines as yet. The results of the majority of listed recruitment companies have been positive despite valuations dropping dramatically over the past twelve months. We are monitoring market conditions on a weekly basis and we would take appropriate measures if there was a drop in demand. We are not exposed to the investment banking markets as this is an area we have not focused on developing over the past three years.

Our exposure to one niche, i.e. Information Technology is being mitigated as we establish a secondary recruitment specialism in construction with ReBuild Recruitment Services Limited. The demand for staff on both a contract and permanent basis in both these areas is still very strong. We will continue to expand into other niche, high demand, recruitment sectors in the future. The construction recruitment market place is unlikely to be affected in the next twelve to eighteen months, such is the shortage of "professionals" in this sector. This skills shortage in the construction market place is fuelled by an ongoing skills exodus abroad, the large number of major capital projects across the UK and fewer graduates entering the system in a variety of professions, from engineering and quantity surveying through to architecture and design.

Individual Board members have worked through a number of economic downturns, whilst each of these has manifested itself in different ways there are some trends that we need to be mindful of. The first indications that economic conditions are starting to bite in the IT recruitment markets are that clients put "recruitment freezes" into action which can affect our permanent business stream. However as a consequence of not being able to hire permanent IT heads clients start to hire more contract heads. The downturn in 2000 post Y2K and the dot-com bubble burst was the most severe and protracted, and the recovery was not evidenced until early 2002, by which time contract hiring had been affected in a negative way. There is no indication that we face the same combination of factors in the current economic climate.

Business and Technology Solutions

ReThink Professional Services ("RPS"), has continued to expand its reach with the current client base in which they operate, for example the original contract has expanded in a number of areas and on the back of that original contract we have now established a service line into a major high street bank where we are supplying a number of niche technologists. We are focusing very hard on securing the next large scale customer within RPS and hope to be able to report progress on this later in 2008. At the time of writing we have not experienced a negative impact on this business due to current economic conditions.

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REVIEW OF THE BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2007

Operational Highlights

Acquisitions

The Group acquired KeyPower Consultants Limited ("KPC") in December 2007, for a maximum consideration of £246,000, satisfied in full through the issue of up to 4.1 million ordinary shares. KPC operated from 3 offices in London, Southend and Skelmersdale, with Skelmersdale being immediately absorbed into Manchester and the London office into Rethink's London office, in order to reduce overheads. The KPC back office was housed in Southend and this will be fully integrated into the Group's back office in the first half of 2008. We have also rationalised management overhead in Southend, London and Manchester.

ReThink Professional Services

Having secured an important piece of non-recruitment business with our original client in 2006 it was decided to expand the group's offering and establish a business and technology solutions company. Based on the reference from our original client and our commercial proposition we secured a larger piece of business with a high street bank. This called for rapid development of a large team of business process and technology staff. The core recruitment business was mobilised to hire the staff on behalf of RPS and given the scale and future plans for RPS we appointed a director to run this important business stream. Steve Salvin was well known to the Group and he was appointed as a main board director with specific responsibility for the continued development and growth of RPS. Steve has invested heavily in building the sales and management capability within RPS and this will continue throughout 2008. The client list in RPS has expanded, and as a direct result of the acclaimed work completed at clients, we have been appointed a Global Alliance Partner of Callidus Software Inc (<http://www.callidussoftware.com/partners/>).

The Callidus relationship is important and will assist with future client acquisition in this particular business and technology niche.

RPS is also starting to develop a number of key technology practices in the Business Intelligence area. Given his background, credibility and contacts of the senior team, we believe this will become an important revenue stream for RPS.

ReBuild Recruitment Services

We have covered ReBuild Recruitment Services in some detail above. This new business venture launched July 2007 is developing well under the day to day management of a sales director. This will become an important part of the group's revenue lines and is an important test case for the company and it supports the Group's strategy of diversifying into new niche recruitment markets.

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REVIEW OF THE BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2007

Trading Highlights

2007 has been a period of significant organic growth for the Group.

- Revenue of £28.1 million, representing 118% growth.
- Gross profit has increased to £7.9m from £3.5m in 2006.
- Profit before tax of £1.07m, compared to £148,468 in the prior year.
- Shareholders' funds have grown to £1.16 million.
- Proposed final dividend of 0.1285 pence for the year.

Key Performance Indicators

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

KPIs relevant to this business are set out below.

	2007	2006	Commentary
Total sales per head	335,048	274,142	Due to maturity of the business. Growth of consultants reputation and customer relationships have resulted in more contractors per consultant, and an increase in repeat business.
Total gross profit per head	94,297	74,476	Volume driven improvement, as a result of business maturity.
Total headcount	84	47	Growth of the business is driven by steady increase in headcount required in new hubs.

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2007.

CHANGE OF NAME

The company passed a special resolution on 5 July 2007 changing its name from Rethink Recruitment Solutions Limited to The Rethink Group Limited.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the provision of recruitment services in respect of permanent and contract staff.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the attached financial statements, and a detailed review set out in the review of the business on pages 2 to 5.

DIVIDENDS

During the year the company voted a dividend of 0.1285p per share totalling £99,994 in respect of Ordinary A and B Shares. This was paid on the 24th January 2008.

The directors who served the company during the year together with their interests in the shares of the company were as follows:-

	Ordinary A Shares of 0.1p each		Ordinary B Shares of 0.1p each	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
J Butterfield	12,000,000	12,000,000	100,000	100,000
J Sadiq	-	-	100,000	100,000
I P Blair	12,000,000	12,000,000	100,000	100,000
J O'Sullivan	6,000,000	6,000,000	280,000	100,000
A Lord	12,000,000	12,000,000	100,000	100,000
M J Bennett	12,000,000	12,000,000	100,000	100,000
P Dundon	-	-	700,000	600,000
S Church (appointed 15 January 2007)	833,333	-	1,233,333	-
R O'Callaghan (appointed 12 March 2007)	1,500,000	-	500,000	-
S P Salvin (appointed 1 July 2007)	1,000,000	-	1,000,000	-

At 31 December 2007 6,000,000 Ordinary A shares of 0.1p each (2006 : 6,000,000) and 100,000 Ordinary B shares of 0.1p each (2006 : 100,000) were owned by Starwood Strategic Investments Ltd a company in which family members of J Sadiq had a controlling interest.

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.

PRINCIPLE RISKS AND UNCERTAINTIES

Market and economic conditions are considered to be the main risk to the business, where recruitment is significantly reduced as a result. The group has addressed this by expanding into other recruitment sectors to spread and minimise the risk.

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and financial statements which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the Group and the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows and the company's financial position and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:-

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

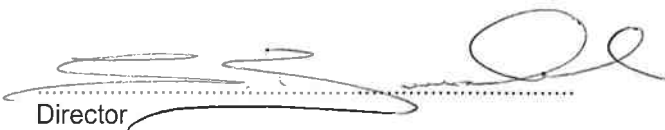
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the group'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 group's auditors are aware of that information.

AUDITORS

The auditors, BDO Stoy Hayward LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
Director

Date: 22nd May 2008
.....

**REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF
THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)**

To the shareholders of The Rethink Group Limited

We have audited the group and parent company financial statements (the "financial statements") of The Rethink Group Limited for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cashflow statement, the company balance sheet, the company statement of recognised income and expense, the company cashflow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union (IFRSs) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. This other information comprises only the directors' report and the review of the business, our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent's affairs as at 31 December 2007;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors, Manchester
23 May 2008

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Revenue		28,144,069	12,884,671
Cost of sales		<u>(20,223,118)</u>	<u>(9,384,305)</u>
GROSS PROFIT		7,920,951	3,500,366
Administrative expenses		<u>(6,612,972)</u>	<u>(3,211,672)</u>
PROFIT FROM OPERATIONS	5	1,307,979	288,694
Finance costs	4	<u>(249,821)</u>	<u>(140,379)</u>
Finance income	4	<u>8,815</u>	<u>153</u>
PROFIT BEFORE TAXATION		1,066,973	148,468
Tax (expense) / credit	7	<u>(229,601)</u>	<u>95,000</u>
PROFIT FOR THE YEAR		<u>837,372</u>	<u>243,468</u>

All the profit for the year is attributable to equity holders of the parent

Earnings per share

		£	£
Basic	8	0.0110	0.0036
Diluted	8	0.0093	0.0033

All amounts relate to continuing activities.

The notes on pages 17 – 45 form part of these financial statements

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2007

Group

	2007 £	2006 £
PROFIT FOR THE FINANCIAL YEAR	<u>837,372</u>	<u>243,468</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	<u>837,372</u>	<u>243,468</u>
Attributable to: Equity holders of the parent	<u>837,372</u>	<u>243,468</u>

Company

	2007 £	2006 £
PROFIT FOR THE FINANCIAL YEAR	<u>333,336</u>	<u>243,468</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	<u>333,336</u>	<u>243,468</u>
Attributable to: Equity holders of the parent	<u>333,336</u>	<u>243,468</u>

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2007

	Notes	2007 £	2006 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	702,480	-
Property, plant and equipment	12	208,518	68,572
Deferred tax	22	<u>95,000</u>	<u>95,000</u>
TOTAL NON CURRENT ASSETS		<u>1,005,998</u>	<u>163,572</u>
CURRENT ASSETS			
Trade receivables	14	7,735,767	3,793,227
Other current assets	14	608,682	197,123
Cash and cash equivalents		<u>371,052</u>	<u>145,276</u>
TOTAL CURRENT ASSETS		<u>8,715,501</u>	<u>4,135,626</u>
TOTAL ASSETS		9,721,499	4,299,198
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	7,831,113	3,908,485
Short term borrowings	16	176,461	75,000
Tax payable		<u>229,601</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>8,237,175</u>	<u>3,983,485</u>
NET CURRENT ASSETS		<u>478,326</u>	<u>152,141</u>
NON-CURRENT LIABILITIES			
Long term borrowings	16	<u>325,582</u>	<u>412,500</u>
NET ASSETS/(LIABILITIES)		<u>1,158,742</u>	<u>(96,787)</u>
EQUITY			
Share capital	23	81,516	69,700
Share premium account	24	599,033	356,300
Other reserves	24	24,000	-
Merger reserve	24	218,300	-
Retained earnings	24	<u>235,893</u>	<u>(522,787)</u>
Total equity attributable to equity holders of the parent		<u>1,158,742</u>	<u>(96,787)</u>

The financial statements were approved by the Board of Directors and authorised for issue on ~~24~~ ²⁵ May 2008.



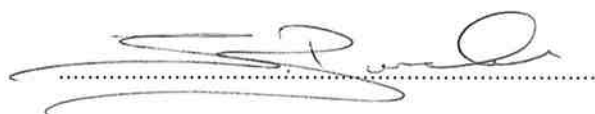
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Director

The notes on pages 17 – 45 form part of these financial statements

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
COMPANY BALANCE SHEET
31 DECEMBER 2007

	Notes	2007 £	2006 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	5,320	68,572
Investments	13	262,241	-
Deferred tax	22	<u>24,350</u>	<u>95,000</u>
TOTAL NON CURRENT ASSETS		<u>291,911</u>	<u>163,572</u>
CURRENT ASSETS			
Trade receivables	14	15,430	3,793,227
Amounts owed by group undertakings	14	1,162,332	-
Other current assets	14	241,923	197,123
Cash and cash equivalents		<u>6,575</u>	<u>145,276</u>
TOTAL CURRENT ASSETS		<u>1,426,260</u>	<u>4,135,626</u>
TOTAL ASSETS		1,718,171	4,299,198
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	773,114	3,908,485
Short term borrowings	16	131,255	75,000
Tax payable		<u>2</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>904,371</u>	<u>3,983,485</u>
NET CURRENT ASSETS		<u>521,889</u>	<u>152,141</u>
NON-CURRENT LIABILITIES			
Long term borrowings	16	<u>159,094</u>	<u>412,500</u>
NET ASSETS/(LIABILITIES)		<u>654,706</u>	<u>(96,787)</u>
EQUITY			
Share capital	23	81,516	69,700
Share premium account	24	599,033	356,300
Other reserves	24	24,000	-
Merger reserve	24	218,300	-
Retained earnings	24	<u>(268,143)</u>	<u>(522,787)</u>
Total equity attributable to equity holders of the company		<u>654,706</u>	<u>(96,787)</u>

The financial statements were approved by the Board of Directors and authorised for issue on ~~21st~~ 21st May 2008.



J Butterfield - Director

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operations	1	433,436	206,495
Interest paid		(34,702)	(93,582)
Finance costs paid		<u>(215,119)</u>	<u>(46,797)</u>
Net cash generated from operating activities		<u>183,615</u>	<u>66,116</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(201,861)	(66,532)
Proceeds from sale of property, plant and equipment		39,130	-
Purchase of subsidiary undertaking inclusive of costs and net of cash acquired		97,173	-
Interest received		<u>8,815</u>	<u>153</u>
Net cash absorbed by investing activities		<u>(56,743)</u>	<u>(66,379)</u>
Cash flows from financing activities			
Proceeds from long term borrowings		-	304,500
Payment of long term borrowings		(151,945)	-
Proceeds from issue of share capital		<u>250,849</u>	<u>106,000</u>
Net cash generated from financing activities		<u>98,904</u>	<u>410,500</u>
Net change in cash and cash equivalents			
Cash and cash equivalents at start of year	2	<u>145,276</u>	<u>(264,961)</u>
Cash and cash equivalents at end of year	2	<u>371,052</u>	<u>145,276</u>

The notes on pages 17 – 45 form part of these financial statements

THE RETHINK GROUP LIMITED
(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

1. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2007 £	2006 £
Profit before tax	1,066,973	148,468
Share based payment charge	21,302	-
Depreciation charges	64,799	24,246
Loss on disposal of property, plant and equipment	6,553	-
Finance costs	249,821	140,379
Finance income	<u>(8,815)</u>	<u>(153)</u>
	1,400,633	312,940
Increase in trade and other receivables	(2,636,652)	(2,847,145)
Increase in trade and other payables	<u>1,669,455</u>	<u>2,740,700</u>
Cash generated from operations	<u>433,436</u>	<u>206,495</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	2007 £	2006 £
Cash available on demand	371,052	145,276
Overdraft	-	-
	<u>371,052</u>	<u>145,276</u>

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(PREVIOUSLY KNOWN AS RETHINK RECRUITMENT SOLUTIONS LIMITED)
COMPANY CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operations	1	(116,541)	206,495
Interest paid		(7,776)	(93,582)
Finance costs paid		(96,112)	(46,797)
		<u>(220,429)</u>	<u>66,116</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(66,532)
Proceeds from sale of property, plant and equipment		44,262	-
Purchase of subsidiary undertaking costs		(16,241)	-
Interest received		9	153
		<u>28,030</u>	<u>(66,379)</u>
Cash flows from financing activities			
Proceeds from long term borrowings		-	304,500
Payment of long term borrowings		(212,906)	-
Proceeds from issue of share capital		250,849	106,000
		<u>37,943</u>	<u>410,500</u>
Net change in cash and cash equivalents		(154,456)	410,237
Cash and cash equivalents start of year	2	145,276	(264,961)
Cash and cash equivalents at end of year	2	(9,180)	145,276

The notes on pages 17 – 45 form part of these financial statements

THE RETHINK GROUP LIMITED
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NOTES TO THE COMPANY CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

1 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2007 £	2006 £
Profit before tax	403,988	148,468
Share based payment charge	21,302	-
Depreciation charges	18,990	24,246
Finance costs	103,888	140,379
Finance income	(9)	(153)
	<u>548,159</u>	<u>312,940</u>
Decrease/(Increase) in trade and other receivables	2,570,665	(2,847,145)
(Decrease)/Increase in trade and other payables	(3,235,365)	2,740,700
Cash generated from operations	<u>(116,541)</u>	<u>206,495</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	2007 £	2006 £
Cash available on demand	6,575	145,276
Overdraft	(15,755)	-
	<u>(9,180)</u>	<u>145,276</u>

THE RETHINK GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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1. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's and IFRIC interpretations) issued by the international Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), and also, those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRSs, the company having previously prepared its financial statements in accordance with UK Accounting standards. Details of how the transition from UK accounting standards to IFRS has affected the group's reported financial position, financial performance and cashflows are given in note 2. The company has elected to prepare its parent company financial statements in accordance with adopted IFRSs.

Changes in accounting policies

First time adoption

In preparing these financial statements, the group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The date of transition to IFRS is 1 January 2006.

- Business combinations effected before 1 January 2006 have not been restated.
- IFRS 2 'Share Based Payment' has been applied to employee options granted after 7 November 2002 that had not vested by 1 January 2006.

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2007 adopted by the group.

- **IFRS 7, Financial Instruments;** disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32, financial instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1 January 2007.

- **IFRIC 8, Scope of IFRS 2;** (effective for accounting periods beginning on or after 1 May 2006). IFRIC 8 requires considerations of transactions involving issuance of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to the situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the group's accounts from its adoption.

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- **IFRIC 9, Reassessment of embedded derivatives;** (effective for accounting periods beginning on or after 1 June 2006). IFRIC 9 requires an assessment of whether an embodied derivative is required to be separated from the host contract and accounted for as a derivative when the entity becomes a party to the contract, in which case reassessment is required. There was no impact on the group's accounts from its adoption.
- **IFRIC 10, Interim Financial Reporting and Impairment;** (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the group's accounts from its adoption.

(b) Standards, amendments and interpretations to published standards effective in 2007 which are not relevant to the group.

- **IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies;** (effective for accounting periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on the application of IAS 29 requirements in a reporting period in which the company identifies the existence of hyperinflation in the economy of its functional currency, when the company was not hyperinflationary in the prior period.

(c) Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the group.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later and which the Group has decided not to adopt early. These are as follows:

- **IFRS 8, Operating Segments;** (effective from 1 January 2009). This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. It replaces IAS 14, Segment Reporting. The Group will apply this standard, should it be deemed relevant, in the accounting period beginning on 1 January 2009. It will not have any impact on the results or net assets of the Group.
- **IFRIC 11, IFRS 2 – Group and Treasury Share Transactions;** (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share based arrangements. It also applies regardless of whether: (a) the employees' rights to the entity's equity instruments were granted by the entity itself or by its shareholders; or (b) the share based arrangement was settled by the entity itself or by its shareholders. There will be no impact on the group's accounts from its adoption.
- **IAS 23, Borrowing Costs (revised);** (effective from 1 January 2009). The revised IAS 23 is still expected to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. The Group is currently assessing its impact on the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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- **IFRIC 12, Service Concession Arrangements;** (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not considered relevant to the Group's operations due to the absence of such arrangements.
- **IFRIC 13, Customer Loyalty Programmes;** (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entity grants its customers credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Group's operations due to the absence of such arrangements.
- **IFRIC 14, IAS 19, - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;** (effective for accounting periods beginning on or after 1 January 2008). The group does not participate in any defined benefit pension plans and therefore this Interpretation is not considered relevant.
- **Revised IFRS 3, Business Combinations, and complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements';** (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in the IFRS being largely converged with the related, recently issued US requirements. There are certainly very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. The Group is currently assessing the impact of the revised IFRS 3 and amendments to IAS 27 on the accounts
- **Amendments to IFRS 2, Share-based payments: vesting conditions and cancellations;** (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential review to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. The Group is currently assessing the impact of the amendment on the accounts.
- **International Accounting Standard 1 Presentation of Financial Statements (IAS 1)** (effective for accounting periods beginning on or after 1 January 2009, yet to be endorsed by the EU) replaces IAS 1 *Presentation of Financial Statements* (revised in 2003) as amended in 2005.

IAS 1 amends some of the terminology used in regard to the primary statements. Furthermore it introduces a requirement to include a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. In addition the requirements in regard to the presentation of changes in equity and income and expenses are altered. The Group is currently assessing the impact of the amendments on the accounts.

Amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009, yet to be endorsed by the EU)

IAS 32 is amended by requiring some financial instruments that meet the definition of a financial liability to be classified as equity. The amendment addresses the classification of some puttable financial

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instruments, and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

The Group is currently assessing the impact of the amendments on the accounts.

Except as noted above the following principal accounting policies have been applied consistently in the preparation of these financial statements.

Basis of Consolidation

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 company and its subsidiaries ("the group") as if they formed one single entity. Intercompany transactions are therefore eliminated in full.

Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated income statement 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.

Business combinations that took place prior to 1 January 2006 have not been restated.

Goodwill

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

At the date of transition to IFRS, 1 January 2006, there was no goodwill to be tested for impairment.

Impairment of non-financial assets (excluding deferred tax assets)

The Group considers at each reporting date whether there is any indication that non-financial assets are impaired. If there is such an indication the Group carries out an impairment test by measuring an asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use (effectively the expected cash to be generated from using the asset in the business). The estimated future cashflows 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 cashflows have not been adjusted. If the recoverable amount is less than the carrying value an impairment loss is recognised, and the asset is written down to its recoverable value.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss for goodwill is not reversed.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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Revenue

Revenue represents the value of services provided, net of VAT, and discounts given.

Revenue arising from the placement of permanent candidates is recognised at the time the candidate commences full time employment. Provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period.

Revenue from temporary placements is recognised over the period that temporary staff are provided. Where the company is acting as principal, turnover 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.

Professional consultancy revenue is recognised on a straight line basis under terms of the contract. Revenue additional to the original contract is recognised in the period the staff or service are provided.

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 3 months or less to be cash equivalents. Bank overdrafts are repayable on demand and form an integral 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

The group has for the first time applied the requirements of IFRS 2 'share based payment'. For the years ended 2006, (£nil) and 2007, (£21,302), the impact of the change of policy has been insignificant. Share based payment expenses are included in administrative expenses in the income statement 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 consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 income statement over the remaining vesting period.

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Property, Plant and Equipment

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition. Depreciation is provided at the following annual rates in order to write off each asset's cost less estimated residual value over its estimated useful life.

Improvements to property	- 33% on cost
Fixtures and fittings	- 33% on cost
Computer equipment	- 33% on cost

Provision is made against the carrying value of items of property, plant and equipment where impairment in value is deemed to have occurred.

Investments

Fixed asset investments within the company balance sheet are shown at cost less provision for impairment. 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.

Leased Assets

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Financial Instruments

Financial assets and liabilities are recognised at fair value in the Group's balance sheet when the Group 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 and trade payables).

Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value unadjusted to reflect discounting for the time value of cash flows recoverable and are reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables are split between trade debtors, where the work has been invoiced, and accrued income, where income is recognised, but the invoices not raised at the balance sheet date.

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 after deducting all of its 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 income statement 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 Payables

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

Equity Instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Dividends

Dividends are recognised when they become legally payable.

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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 income statement 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's liability for current tax is calculated using tax rules that have been enacted or substantively enacted by the balance sheet 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 balance sheet 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 income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

Pension Contributions

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

Provisions

Provisions are recognised in the balance sheet when the Group 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 balance sheet date, and are discounted to present value where the effect is material. Provisions are reviewed on a regular basis and released to the profit and loss account 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 including those separately disclosed by virtue of their size or unusual nature or to facilitate a more helpful understanding of the Group's results. It is stated before investment income and finance costs.

Key Sources of Estimation Uncertainty

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.

- **Valuation of intangibles acquired in business combinations**
Determining the fair value of intangibles acquired in business combinations requires estimation of the value of the cashflows related to the identified intangibles and a suitable discount rate in order to calculate the present value.
- **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 cashflows expected to arise from the cash generating unit and a suitable discount rate in order to calculate net present value.
Any change in estimates could result in an adjustment to recorded amounts.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The tables below show the impact of the transition to IFRS

Reconciliation of consolidated balance sheet at 1 January 2006 from UK GAAP to IFRS.

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	26,286	-	26,286
CURRENT ASSETS			
Trade receivables	1,039,646	-	1,039,646
Other current assets	103,560	-	103,560
TOTAL CURRENT ASSETS	<u>1,143,206</u>	<u>-</u>	<u>1,143,206</u>
TOTAL ASSETS	1,169,492	-	1,169,492
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	1,167,785	-	1,167,785
Bank overdraft	264,961	-	264,961
TOTAL CURRENT LIABILITIES	<u>1,432,746</u>	<u>-</u>	<u>1,432,746</u>
NET CURRENT LIABILITIES	(289,540)	-	(289,540)
NON-CURRENT LIABILITIES			
Long term borrowings	183,000	-	183,000
NET LIABILITIES	<u>(446,254)</u>	<u>-</u>	<u>(446,254)</u>
EQUITY			
Share capital	66,000	-	66,000
Share premium account	254,000	-	254,000
Retained earnings	(766,254)	-	(766,254)
Total equity attributable to equity holders of the parent	<u>(446,254)</u>	<u>-</u>	<u>(446,254)</u>

The impact of share based payments for this year was not significant.

The reconciliation of the company balance sheet at 1 January 2006 from UK GAAP to IFRS, also shows no differences.

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Reconciliation of consolidated balance sheet at 31 December 2006 from UK GAAP to IFRS.

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	68,572	-	68,572
Deferred tax	95,000	-	95,000
TOTAL NON CURRENT ASSETS	<u>163,572</u>	-	<u>163,572</u>
CURRENT ASSETS			
Trade receivables	3,793,227	-	3,793,227
Other current assets	197,123	-	197,123
Cash and cash equivalents	145,276	-	145,276
TOTAL CURRENT ASSETS	<u>4,135,626</u>	-	<u>4,135,626</u>
TOTAL ASSETS	4,299,198	-	4,299,198
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	3,908,485	-	3,908,485
Short term borrowings	75,000	-	75,000
TOTAL CURRENT LIABILITIES	<u>3,983,485</u>	-	<u>3,983,485</u>
NET CURRENT ASSETS	<u>152,141</u>	-	<u>152,141</u>
NON-CURRENT LIABILITIES			
Long term borrowings	412,500	-	412,500
NET LIABILITIES	<u>(96,787)</u>	-	<u>(96,787)</u>
EQUITY			
Share capital	69,700	-	69,700
Share premium account	356,300	-	356,300
Retained earnings	(522,787)	-	(522,787)
Total attributable to equity holders of the parent	<u>(96,787)</u>	-	<u>(96,787)</u>

The impact of share based payments for this year was not significant.

The reconciliation of the company balance sheet at 31 December 2006 from UK GAAP to IFRS, also shows no differences.

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Reconciliation of UK GAAP consolidated profit and loss account to IFRS income statement for the year ended 31 December 2006.

	UK GAAP £	Effect of transition to IFRS £	IFRS £
Revenue	12,884,671	-	12,884,671
Cost of sales	<u>(9,384,305)</u>	<u>-</u>	<u>(9,384,305)</u>
GROSS PROFIT	3,500,366	-	3,500,366
Administrative expenses	<u>(3,211,672)</u>	<u>-</u>	<u>(3,211,672)</u>
PROFIT FROM OPERATIONS	288,694	-	288,694
Finance costs	(140,379)	-	(140,379)
Finance income	<u>153</u>	<u>-</u>	<u>153</u>
PROFIT BEFORE TAXATION	148,468	-	148,468
Tax credit	<u>95,000</u>	<u>-</u>	<u>95,000</u>
PROFIT FOR THE YEAR	<u><u>243,468</u></u>	<u><u>-</u></u>	<u><u>243,468</u></u>

The impact of share based payments for this year was not significant.

The reconciliation of the company profit and loss account for the year ended 31 December 2006 from UK GAAP to IFRS, also shows no differences.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3. EMPLOYEES AND DIRECTORS
Group

	2007	2006
	£	£
Wages and salaries	3,823,267	1,636,130
Social security costs	513,937	253,024
Pension costs	<u>89,656</u>	<u>66,096</u>
	<u>4,426,860</u>	<u>1,955,250</u>

Company	2007	2006
	£	£
Wages and salaries	1,659,220	1,636,130
Social security costs	186,513	253,024
Pension costs	<u>44,070</u>	<u>66,096</u>
	<u>1,889,803</u>	<u>1,955,250</u>

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

Group	2007	2006
Sales	72	39
Administration	5	2
Directors	<u>7</u>	<u>6</u>
	<u>84</u>	<u>47</u>

Company	2007	2006
Sales	27	39
Administration	5	2
Directors	<u>7</u>	<u>6</u>
	<u>39</u>	<u>47</u>

	2007	2006
	£	£
Directors' emoluments	<u>1,029,235</u>	<u>474,094</u>

Remuneration in respect of the highest paid director:

	2007	2006
	£	£
Salary and bonuses	<u>157,748</u>	<u>97,167</u>

During 2007 there was 1 director in the company's defined contribution pension scheme, (2006; 1). This scheme is administered by an independent pension provider and the assets of the scheme are separate to those of the Group.

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4. FINANCE INCOME AND EXPENSE

	2007	2006
	£	£
Finance income:		
Bank interest received	<u>8,815</u>	<u>153</u>
	2007	2006
	£	£
Finance costs:		
Bank interest paid	42,,290	93,582
Invoice discount charges	207,531	46,797
	<u>249,821</u>	<u>140,379</u>

5. PROFIT FROM OPERATIONS

This is stated after charging:

	2007	2006
	£	£
Other operating leases – property	259,794	136,043
Depreciation of property, plant and equipment	64,799	24,246
Loss on disposal of property, plant and equipment	6,553	-
Audit fee - parent	20,000	9,675
- subsidiaries	6,500	-
Fees paid to the company's auditors for non-audit services		
- tax services	<u>5,000</u>	<u>-</u>

Included within administration expenses are amounts paid to non-executive directors J O'Sullivan and J Sadiq of £11,500 (2006; £29,610) and £25,200 (2006; £24,000) respectively.

6. SEGMENT INFORMATION

Management do not consider that the group has operated in different segments during 2006 and 2007.

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7. **TAXATION**

	2007 £	2006 £
Current tax expense		
UK corporation tax on profits for the year	<u>229,601</u>	-
Deferred tax credit		
Deferred tax credit	-	(95,000)
Total income tax charge/(credit)	<u>229,601</u>	<u>(95,000)</u>

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:

	2007 £	2006 £
Profit on ordinary activities before tax	<u>1,066,973</u>	<u>148,468</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 30% (2006 - 20%)	320,092	29,694
Items disallowed for tax	36,475	10,992
Movements on provisions	9,435	-
Excess depreciation over capital allowances	1,871	(2,509)
Marginal relief	(219)	-
Loss brought forward	<u>(138,053)</u>	<u>(38,177)</u>
Total tax expense	<u>229,601</u>	-

8. **EARNINGS PER SHARE**

	2007 £	2006 £
Numerator		
Profit for the year – used in basic and diluted EPS	837,372	243,468
Denominator		
Weighted average number of shares used in basic EPS	75,565,277	66,916,667
Effects of employee share options	14,633,413	6,337,500
Weighted average number of shares used in diluted EPS	90,198,690	73,254,167

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9. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £333,336 (2006 - £243,468).

10. DIVIDENDS

	2007	2006
	£	£
Ordinary shares of 0.1p each (see note 24)		
Final	<u>99,994</u>	<u>-</u>

The directors have approved a final dividend of 0.1285p (2006: £nil) per share totalling £99,994 (2006: £nil).

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11. **GOODWILL AND IMPAIRMENT**

Group	£
Opening net book value and cost	-
Additions	<u>702,480</u>
Net book value at 31 December 2007	<u><u>702,480</u></u>

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

	Goodwill carrying amount	
	At 31 December 2007 £	At 31 December 2006 £
KeyPower Consultants Limited	<u>702,480</u>	<u>-</u>

The recoverable amount of the CGU has been determined from value in use calculations based on cashflow projections from formally approved budgets covering a 2 year period to 31 December 2009 and then extrapolated to 2019.

Other major assumptions are as follows:

	KeyPower
	%
Discount rate	7%
Growth rate and inflation	2.5%

The discount rate is based on the group's cost of funding adjusted to reflect management's assessment of specific risks related to the CGU.

The growth rate and inflation have been based on independent economic data.

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12. **PROPERTY, PLANT AND EQUIPMENT**

Group	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2007	-	98,361	-	98,361
Additions	44,627	69,599	87,635	201,861
Disposals	-	(90,623)	(2,224)	(92,847)
Acquired through business combinations	-	40,992	7,575	48,567
At 31 December 2007	<u>44,627</u>	<u>118,329</u>	<u>92,986</u>	<u>255,942</u>
 DEPRECIATION				
At 1 January 2007	-	29,789	-	29,789
Charge for year	2,459	36,383	25,957	64,799
Disposals	-	(46,361)	(803)	(47,164)
At 31 December 2007	<u>2,459</u>	<u>19,811</u>	<u>25,154</u>	<u>47,424</u>
 NET BOOK VALUE				
At 31 December 2007	<u>42,168</u>	<u>98,518</u>	<u>67,832</u>	<u>208,518</u>
At 31 December 2006	<u>-</u>	<u>68,572</u>	<u>-</u>	<u>68,572</u>
 Group and Company				
COST				
At 1 January 2006	-	31,829	-	31,829
Additions	-	66,532	-	66,532
At 31 December 2006	<u>-</u>	<u>98,361</u>	<u>-</u>	<u>98,361</u>
 DEPRECIATION				
At 1 January 2006	-	5,543	-	5,543
Charge for year	-	24,246	-	24,246
At 31 December 2006	<u>-</u>	<u>29,789</u>	<u>-</u>	<u>29,789</u>
 NET BOOK VALUE				
At 31 December 2006	<u>-</u>	<u>68,572</u>	<u>-</u>	<u>68,572</u>

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12. **PROPERTY, PLANT AND EQUIPMENT - continued**

Company	Fixtures and fittings £
COST	
At 1 January 2007	98,361
Disposals	<u>(90,623)</u>
At 31 December 2007	<u>7,738</u>
DEPRECIATION	
At 1 January 2007	29,789
Charge for year	18,990
Disposals	<u>(46,361)</u>
At 31 December 2007	<u>2,418</u>
NET BOOK VALUE	
At 31 December 2007	<u>5,320</u>
At 31 December 2006	<u>68,572</u>

13. **INVESTMENTS**

Company	Shares in group undertakings £
COST	
At 1 January 2007	-
Additions	<u>262,241</u>
At 31 December 2007	<u>262,241</u>
NET BOOK VALUE	
At 31 December 2007	<u>262,241</u>
At 31 December 2006	<u>-</u>

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13. **INVESTMENTS - continued**

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

Name	Nature of Business	Country of Incorporation	Proportion of ownership interest and ordinary share capital held
ReThink Professional Services Ltd	Recruitment Services	England	100%
ReThink Recruitment Solutions Ltd	Recruitment Services	England	100%
ReBuild Recruitment Services Ltd	Recruitment Services	England	100%
KeyPower Consultants Ltd	Recruitment Services	England	100%
KeyPower Consultants Imprimis Ltd	Recruitment Services	England	100%
KeyPower Consultants Wireless Solutions Ltd	Recruitment Services	England	100%

KeyPower Consultants Ltd, KeyPower Consultants Imprimis Ltd, and KeyPower Consultants Wireless Solutions Ltd were acquired on 17th December 2007.

With regard to KeyPower Consultants Imprimis Ltd, a voluntary request for dissolution and striking off was lodged on 8 November 2007, at which point the company had no assets and had ceased to trade.

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14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade receivables	7,735,767	3,793,227	15,430	3,793,227
Amounts owed by group undertakings	-	-	1,162,332	-
Other receivables	427,365	108,824	177,646	108,824
VAT	-	-	14,427	-
Prepayments and accrued income	<u>181,317</u>	<u>88,299</u>	<u>49,850</u>	<u>88,299</u>
	<u>8,344,449</u>	<u>3,990,350</u>	<u>1,419,685</u>	<u>3,990,350</u>

Included within group trade receivables is an amount of £4,559,138 (2006 - £3,793,227) subject to invoice discounting.

Included within company trade receivables is an amount of £15,430 (2006 - £3,793,227) subject to invoice discounting.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade payables	2,601,545	1,654,950	101,825	1,654,950
Amounts owed to group undertakings	-	-	272,514	-
Social security and other taxes	991,191	573,692	145,754	573,692
Other payables	3,569,014	1,570,929	127,326	1,570,929
Accruals	<u>669,363</u>	<u>108,914</u>	<u>125,695</u>	<u>108,914</u>
	<u>7,831,113</u>	<u>3,908,485</u>	<u>773,114</u>	<u>3,908,485</u>

Trade receivables subject to invoice discounting are not derecognised as the Group retains the significant risks and benefits. Payments received from invoice discounting providers are presented as other payables.

Included within other payables is £99,994 of dividends payable (2006: £nil)

Included within group other payables is an amount of £2,978,214 (2006; £1,520,086) of invoice discounting, secured on trade receivables.

Included within company other payables is an amount of £3,953 (2006; £1,520,086) of invoice discounting, secured on trade receivables.

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16. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Current:				
Bank overdrafts	-	-	15,755	-
Bank loans	135,961	75,000	75,000	75,000
Other loans (note 25)	<u>40,500</u>	-	<u>40,500</u>	-
	<u>176,461</u>	<u>75,000</u>	<u>131,255</u>	<u>75,000</u>
Non-current:				
Bank loans	325,582	225,000	159,094	225,000
Other loans	-	187,500	-	187,500
	<u>325,582</u>	<u>412,500</u>	<u>159,094</u>	<u>412,500</u>

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 21

17. 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 2 to 5 years, and typically have break clauses.

The total future minimum lease payments are due as follows:

Group

	Non-cancellable operating leases	
	2007 £	2006 £
Not later than one year	228,392	72,090
Later than one year and not later than five years	649,480	75,863
Later than five years	-	-
	<u>877,872</u>	<u>147,953</u>

Company

	2007	2006
	£	£
Not later than one year	228,392	72,090
Later than one year and not later than five years	649,480	75,863
Later than five years	-	-
	<u>877,872</u>	<u>147,953</u>

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18. SHARE BASED PAYMENT

The Group operates a share option scheme for employees, being an Enterprise Management Incentive Scheme (EMI).

Under the EMI, the options vest as set out below.

The EMI options are subject to the employee being employed at the vesting qualification point.

	31 December 2007		31 December 2006	
	Weighted Average Exercise Price £	Number	Weighted Average Exercise Price £	Number
Outstanding at beginning of year	0.04	6,900,000	-	-
Granted during the year	0.048	15,841,666	0.04	7,200,000
Exercised during the year	-	-	-	-
Lapsed during the year	0.048	(2,900,000)	-	(300,000)
Outstanding at end of year	0.045	19,841,666	0.04	6,900,000

The exercise price of options outstanding at the end of the year ranged between 4p and 8p (2006: all 4p).

All options vest and are exercisable at the point of an exit event except when the event is a public share placing whereby the share options will vest as follows:

Up to 20% may be vested upon a flotation at the directors' discretion, with any vested options not exercised at that point in time, to lapse.

50% of the remainder (at flotation) 12 months after flotation, with any options not exercised within 3 years, to lapse.

50% of the remainder (at flotation) 24 months after flotation, with any options not exercised, to lapse.

Of the total number of options outstanding at the end of the year none (2006: nil) had vested and were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was £0.0097 (2006: £0.0101).

The following information is relevant in determination of the fair value of the options granted during the year.

	2007	2006
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	0.04	0.04
Weighted average exercise price (£)	0.048	0.04
Weighted average volatility	31%	31%
Dividend growth	0%	0%
Weighted risk free interest rate	4.5%	4.1%

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Volatility is based on management's best estimate having reviewed the average weekly share price of quoted comparable companies.

The Group did not enter into any share based payment transactions with parties other than employees during 2007 or 2006.

19. ACQUISITIONS DURING THE PERIOD

KPC LIMITED

On 17th December 2007 the company acquired the entire share capital of KeyPower Consultants Limited (KeyPower). The consideration was £246,000 to be satisfied in shares. £222,000 was paid (by share issue of 3,700,000 shares) at the point of purchase, with deferred consideration of £24,000 (by issue of 400,000 shares) dependent on certain conditions being met within time constraints.

The following table sets out the book values of the identifiable assets and liabilities acquired and their values to the Group.

	Book Value	Fair Value to the Group
	£	£
Assets		
Plant and equipment	48,567	48,567
Trade receivables	1,717,447	1,717,447
Cash and cash equivalents	113,414	113,414
Liabilities		
Trade and other payables	(2,319,667)	(2,319,667)
Net Liabilities	(440,239)	(440,239)
Goodwill		702,480
Costs of Acquisition		(16,241)
Consideration		246,000

The goodwill is attributable to synergies expected to arise from integration of the business with that of the Group and those intangibles such as the consultants in situ which are not recognised separately.

From the acquisition date to 31 December 2007 the contribution of KeyPower group profit has not been significant. If the acquisition had occurred on 1 January 2007, group turnover would have been £38.2m and the profit for the year would have been £695,329.

The fair value of the shares was determined by reference to a recent purchase of shares such that this was determined to be a market value.

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20. **FINANCIAL INSTRUMENTS – RISK EXPOSURE AND MANAGEMENT**

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
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. 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 cashflows 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 balance sheet date comprise of a short term overdraft, and a bank loan. The group does not seek to fix interest on this borrowing, as the Board consider the exposure to interest rate risk acceptable.

Foreign Currency Risk

Foreign exchange 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. Only in exceptional circumstances will the group consider hedging its currency risk, as it does not consider the minimal exposure of the Group to be warranted.

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 cashflow requirements to be anticipated. Where facilities of group entities need to be increased, approval of the Finance Director must be sought. When the amount of the facility is above a certain level the agreement of the Board is needed.

Credit Risk

The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the balance sheet date, however the group reduces its risk through appropriate use of credit insurance. The Group also maintains invoice discounting facilities which enable its debts to be factored.

At the balance sheet date £262,205 of trade receivables was considered overdue. Debt is covered by credit insurance, with a maximum exposure of £750,000.

Regular management review is made to assess the recoverability of gross revenues, and provision made accordingly. At 31 December 2006 and 2007, there was considered to be no requirement for provision against receivables or other current assets.

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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.

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheets, book value approximates to fair value at 31 December 2007 and 2006.

21. FINANCIAL ASSETS AND LIABILITIES – NUMERICAL INFORMATION

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 balance sheet interest rates and exchange rates prevailing at the balance sheet date.

	At 31 December 2007	At 31 December 2006
	£	£
In less than one year	<u>6,839,922</u>	<u>3,334,793</u>

Maturity of bank balances is shown below.

Bank borrowing

The group has undrawn committed borrowing facilities available at 31 December 2007 in which all conditions have been met. The 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 is £9,721,499.

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

	At 31 December 2007	At 31 December 2006
	£	£
Overdraft - expiry within one year	100,000	100,000
Invoice discounting – expiry within one year	<u>761,260</u>	<u>-</u>
	<u>861,260</u>	<u>100,000</u>

Invoice discounting is available with an overall limit of £6,000,000, but is further restricted by conditions including total value of sales invoices raised, (85%), and specific debt exclusion.

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Interest rate risk

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

Invoice discounting liabilities are payable at 1.5% (2006; 1.5%) above base rate.

Overdraft facilities are payable at 2.0% (2006; 2.0%) above base rate.

If during the year base rates had been 0.5% higher, interest charges would have been £22,000 higher in 2007; (2006; £14,000)

22. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 20%)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Details of the deferred tax asset, amounts charged/(credited) to the consolidated income statement and amounts charged/(credited) to reserves are as follows;

Group

	31 December 2007 £	31 December 2006 £
Balance brought forward	95,000	-
Profit and loss credit	-	95,000
Balance carried forward	<u>95,000</u>	<u>95,000</u>

Company

	31 December 2007 £	31 December 2006 £
Balance brought forward	95,000	-
Profit and loss (charge)/credit	<u>(70,650)</u>	95,000
Balance carried forward	<u>24,350</u>	<u>95,000</u>

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23. **SHARE CAPITAL**

Authorised	At 31 December 2007		At 31 December 2006	
	Number	£	Number	£
Ordinary A shares	87,000,000	87,000	72,000,000	72,000
Ordinary B shares	23,000,000	23,000	12,000,000	12,000
	<u>110,000,000</u>	<u>110,000</u>	<u>84,000,000</u>	<u>84,000</u>

Issued Ordinary A shares of 0.1p each	At 31 December 2007		At 31 December 2006	
	Number	£	Number	£
At the beginning of the year	60,000,000	60,000	60,000,000	60,000
Issued during the year	3,333,333	3,333	-	-
Acquisition of subsidiary	-	-	-	-
At the end of the year	<u>63,333,333</u>	<u>63,333</u>	<u>60,000,000</u>	<u>60,000</u>

Issued Ordinary B shares of 0.1p each	At 31 December 2007		At 31 December 2006	
	Number	£	Number	£
At the beginning of the year	9,700,000	9,700	6,000,000	6,000
Issued during the year	4,783,333	4,783	3,700,000	3,700
Acquisition of subsidiary	3,700,000	3,700	-	-
At the end of the year	<u>18,183,333</u>	<u>18,183</u>	<u>9,700,000</u>	<u>9,700</u>

Allotted, issued and fully paid	At 31 December 2007		At 31 December 2006	
	Number	£	Number	£
Ordinary A shares of 0.1p	63,333,333	63,333	60,000,000	60,000
Ordinary B shares of 0.1p	18,183,333	18,183	9,700,000	9,700
	<u>81,516,666</u>	<u>81,516</u>	<u>69,700,000</u>	<u>69,700</u>

The following fully paid shares were allotted during the year at a premium as shown below.
3,333,333 Ordinary A shares of 0.1p each at 3p per share (raising £0.10m)
4,533,333 Ordinary B shares of 0.1p each at 3p per share (raising £0.14m)
250,000 Ordinary B shares of 0.1p each at 6p per share (raising £0.01m)
3,700,000 Ordinary B shares of 0.1p each at 6.6p per share (see note 19).

Ordinary A and B shares all carry equal voting and distribution rights.

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24. **RESERVES**
Group

	Retained Earnings	Share Premium	Shares to be issued	Merger Reserve	Total
	£	£	£	£	£
At 1 January 2007	(522,787)	356,300	-	-	(166,487)
Profit for the year	837,372	-	-	-	837,372
Dividends	(99,994)	-	-	-	(99,994)
Share based payment expense	21,302	-	-	-	21,302
Shares issued on acquisition of subsidiary	-	-	24,000	218,300	242,300
Premium on issue of shares	-	242,733	-	-	242,733
	<u>235,893</u>	<u>599,033</u>	<u>24,000</u>	<u>218,300</u>	<u>1,077,226</u>

Company

At 1 January 2007	(522,787)	356,300	-	-	(166,487)
Profit for the year	333,336	-	-	-	333,336
Dividends	(99,994)	-	-	-	(99,994)
Share based payment expense	21,302	-	-	-	21,302
Shares issued on acquisition of subsidiary	-	-	24,000	218,300	242,300
Premium on issue of shares	-	242,733	-	-	242,733
	<u>(268,143)</u>	<u>599,033</u>	<u>24,000</u>	<u>218,300</u>	<u>573,190</u>

Group and Company

At 1 January 2006	(766,255)	254,000	-	-	(512,255)
Profit for the year	243,468	-	-	-	243,468
Premium on issue of shares	-	102,300	-	-	102,300
	<u>(522,787)</u>	<u>356,300</u>	<u>-</u>	<u>-</u>	<u>(166,487)</u>

Reserve	Description and Purpose
Merger reserve	Amounts subscribed for share capital in excess of nominal value on acquisition of another company.
Shares to be issued	Amounts subject to conditions in the acquisition of KeyPower (see note 19).
Share premium	Amounts subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the Income Statement.