

**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 24<sup>th</sup> 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.

	<b>2007</b>	<b>2006</b>	<b>Commentary</b>
<b>Total sales per head</b>	<b>335,048</b>	<b>274,142</b>	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.
<b>Total gross profit per head</b>	<b>94,297</b>	<b>74,476</b>	Volume driven improvement, as a result of business maturity.
<b>Total headcount</b>	<b>84</b>	<b>47</b>	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 24<sup>th</sup> 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: 22<sup>nd</sup> 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>
<b>GROSS PROFIT</b>		<b>7,920,951</b>	<b>3,500,366</b>
Administrative expenses		<u>(6,612,972)</u>	<u>(3,211,672)</u>
<b>PROFIT FROM OPERATIONS</b>	5	<b>1,307,979</b>	<b>288,694</b>
Finance costs	4	<u>(249,821)</u>	<u>(140,379)</u>
Finance income	4	<u>8,815</u>	<u>153</u>
<b>PROFIT BEFORE TAXATION</b>		<b>1,066,973</b>	<b>148,468</b>
Tax (expense) / credit	7	<u>(229,601)</u>	<u>95,000</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>837,372</b></u>	<u><b>243,468</b></u>

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

**Earnings per share**

		£	£
<b>Basic</b>	8	0.0110	0.0036
<b>Diluted</b>	8	0.0093	0.0033

**All amounts relate to continuing activities.**

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