

The ReThink Group plc

Annual report & accounts

2010





The ReThink Group plc is an AIM-listed staffing and professional services company. The Group primarily consists of ReThink Recruitment and Aiimi. It employs staff in seven offices across the UK, South East Asia and the Middle East ending the year with 560 contractors working on client assignments.

ReThink Recruitment supplies business and technology staff on a permanent and contract basis to the private and public sectors.

Aiimi is a Business Transformation and Technology Services provider specialising in Business Intelligence and Enterprise Content Management.

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Highlights

2010 has seen a resurgence of growth following the difficult market last year.

Financial

- > Revenue growth to £56.4m (2009: £49.7m), representing a 13% increase on last year.
- > Gross profit at £12.8m (2009: £10.9m) boosted by a 46% increase in permanent fees and a 5% growth in contract margin from our recruitment businesses.
- > Profit from operations of £1.22m (2009: £0.61m).
- > Profit before tax of £0.92m (2009: £0.30m).
- > Trade receivables were £14.0m (2009: £9.6m).
- > Net debt¹ rose to £5.2m reflecting the expansion of revenues (2009: £4.2m).
- > Cash generated from operations was £1.5m (2009: £0.9m).
- > Shareholders' funds increased to £3.0m (2009: £2.3m).
- > Basic earnings per share were 0.690 pence (2009: 0.236 pence).
- > Final recommended dividend (to be reflected in the 2011 financial statements) of 0.134 pence per share (2009: nil) bringing the full year dividend to 0.188 pence per share (2009: nil).

Operational

- > Continued growth in IT contractor revenues driven by increased contractor numbers ending on 560 (2009: 500).
- > Broadening of our customer base in our Business Transformation and Technology Services division, Aiimi.
- > Permanent recruitment back to 2008 levels.
- > Staff numbers increased to 135 (2009: 129).
- > Acquired TrustTech Limited and successfully merged into Aiimi business.

¹ Net debt of the Group is considered to be cash and cash equivalents less advances on invoice discounting facilities, bank loans and finance leases.

Strategy and key performance indicators

Continue to grow our **core revenue lines**, those being the provision of contract and permanent business and technology staff to customers. We have agreed and implemented a growth plan to increase the number of contractors on billing to one thousand over the next three years whilst retaining our margins.

Invest in and grow our Business Transformation and Technology Services division and our Recruitment Process Outsourcing businesses.

Expand the business internationally building on our success in the Gulf region. We have established our second international division in Singapore to support the Asian market.

Develop the business both organically and via acquisitions and will look to **expand into “non IT”** sectors via acquisitions.

Invest in and **develop our staff** with extensive learning and development plans.

Attract new staff and trainees who share the values we hold to help grow our business.

Revenue (£m)



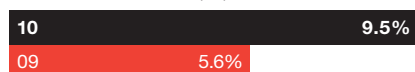
Gross profit (£m)



Gross profit (%)



Conversion rate (%)



Operating profit as a percentage of gross profit

Productivity (£k)



Gross profit per sales staff

Sales staff ratio to all staff (%)

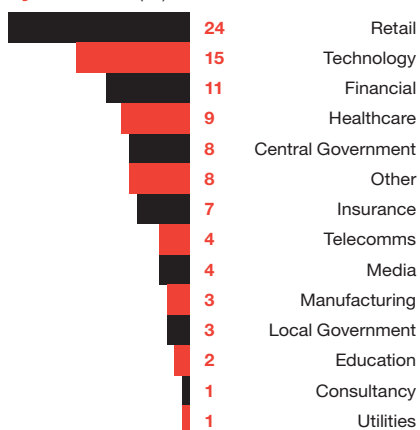


Excluding Directors

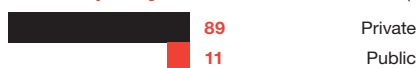
Head count



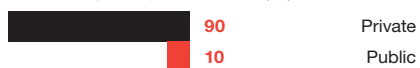
The ReThink Group sector breakdown by turnover (%)



The ReThink Group Public/Private sector split by number of customers (%)



The ReThink Group Public/Private sector split by turnover (%)



Chairman's and Chief Executive Officer's statement

On behalf of the Board of The ReThink Group plc, we are pleased to report the Group's results for 2010.

The Board are encouraged by the progress that has been made during the year. We expressed caution about market conditions in our interim report in September 2010 but noted that we had seen increases in both permanent and contract revenues in our recruitment division. This pattern continued during the second half of the year and we have also been encouraged by trading conditions in the early part of 2011.

Recruitment revenues and margins have increased despite the loss of some contract business in the public sector. The Group's contract business is not overly exposed in this area and we have no public sector exposure to permanent recruitment. Therefore our ability to re-direct resources and focus to non-public sector clients assisted the underlying growth achieved during the year.

We are pleased with the expansion of both the customer base and commercial offering from our Business Transformation and Technology Services division, Aiimi, and expect this to continue during 2011. The acquisition of TrustTech Limited in the early part of the year underlined the commitment of the Group to building and developing this area of its business.

The Group has committed to expand internationally and we have been most encouraged by the progress of its business in the Gulf region, which has continued to build on a solid start in 2009. The International operations of the Group will be enhanced during the coming year by the addition of an operation in Singapore which should be trading before the second half of the year.

The Board started the year with a certain amount of cautious optimism and have been encouraged by increased revenues, gross profit and profit after tax. A progressive dividend policy has always been a goal of the Board and we paid our inaugural dividend as a public company on 8 October 2010. I am pleased to say

that the Board has recommended a final dividend of 0.134 pence per share which will be reflected in the 2011 financial statements following approval at the Annual General Meeting.

Market Overview

While the economic outlook remains unpredictable, trading conditions during the second half of 2010 were encouraging and this has continued into the early part of 2011. Our own IT Directors' Survey of the UK market shows that IT Directors are more optimistic about the outlook for staffing, pay and project levels compared to 12 months ago, and we will continue to monitor market conditions closely.

Financial Review

For the sixth successive year, the revenues of the Group have grown with an increase of £6.7m in 2010 to £56.4m (2009: £49.7m) and all business segments have made a positive contribution to the overall profit of the Group.

In the Contract Recruitment and Recruitment Process Outsourcing (RPO) divisions, the continued growth of the contract base has once again been the main driver for combined revenue increasing to £49.1m (2009: £44.5m).

Gross profit increased by £1.9m to £12.8m (2009: £10.9m), an increase of 17.4%, with the increase of £1.5m of permanent fees, being a 44.1% rise over 2009 at £4.9m (2009: £3.4m) the main reason. Contract margins came under some pressure, but the overall margin, including our RPO business, grew to £6.4m from £6.0m in 2009.

The expansion of the RPO business is a key component of the Group's strategy and is being shown as a separate reporting segment for the first time this year. With its lower cost delivery model this will result in some erosion on margins but this is offset by lower overheads. Overall profitability of the Group is expected to benefit from the expansion of this area.



John Sadiq
Chairman



Jonathan Butterfield
Chief Executive Officer

Business Transformation and Technology Services revenues increased to £2.3m (2009: £1.8m), and the source of these revenues is derived from a wider customer base.

The overall gross profit percentage for the year increased slightly to 22.7% (2009: 22.0%). Overheads increased by 12.5% and, whilst the Board continues to control overhead closely, investment in staff and infrastructure has been committed to maintain the growth of the Group's revenue streams.

Basic earnings per share has increased by 192% to 0.690 pence per share (2009: 0.236 pence per share).

Receivables at £14.0m (2009: £9.6m) at the end of the year were slightly higher than anticipated and are partly the result of better than expected end of year contract billings. Cash at the year end was £1.3m (2009: £0.6m) and net debt rose from £4.2m to £5.2m reflecting the increase in contractor revenues.

Funding and liquidity continues to strengthen and the Group renewed its £10.75m invoice discounting line in March 2011.

2011 brings some significant development in the Group's core reporting and IT infrastructure which reflects the desire to continue to strengthen and enhance the operational base of the Group and its reporting capability.

Review of Operations **Recruitment and Recruitment Process Outsourcing**

Our permanent recruitment division has continued to perform at the increased levels that we first saw in the early part of 2010, culminating in Q4 – 2010 monthly billing levels in excess of any month since before 2009, with December 2010 being our strongest month of the year.

Our decision to not reduce the cost base in 2009 was the correct one. We have retained the staff experience, quality and head count within our permanent recruitment division and we are equipped to capitalise on the steady increase in demand from our customers. The market in general for permanent recruitment has improved and our customers are embarking on many exciting change programmes to improve efficiencies in their own businesses. A key growth area for the division has been centred around change and transformation, an area that involves volume recruitment of senior business and technology specialists.

Our contract recruitment division continues to perform in line with our expectations and we have maintained our growth even after the reduction in demand from some of our public sector clients.

The underlying growth of the contract business revenue is again around 10% and the average margin has not been eroded. We finished 2010 with approximately 560 contractors on assignment. During 2010 we secured the extension of a number of existing contracts and signed new master vendor or sole supplier agreements with a variety of blue chip customers that have a heavy reliance on contractors. We therefore expect the coming year to be one of further sizeable growth for contractor related revenues.

In early 2010, the Board took the decision to merge the Southend business into the London business to build a larger "super office" and to capitalise on the strong demand that we are experiencing in the inner London region. With the merger of the two businesses and the continued organic growth, the London operation is now the largest of our regional hubs and we will be expecting to take on additional floor space if the pace of growth continues during the coming year.

Chairman's and Chief Executive Officer's statement continued

With the resurgence of demand for both contract and permanent recruitment roles in the Financial Sector, we have developed a team of experienced recruiters within our London operation specialising in Risk and Regulation, Actuarial and Modelling and Trading Platform expertise. This is a relatively new discipline for ReThink Recruitment and we hope it will be a strong growth area for our business.

The RPO business has continued to strengthen and has benefited in the year by the addition of a major high street retailer as a significant customer. The Board is confident that there will be further additions in this division in the coming year.

As market conditions have improved and confidence returns, we have once again instigated our trainee recruitment programme. This will see the Group hire a number of graduate and other trainees across the UK. The recruitment business has also established a Training Academy for staff at every level. The Board has committed a sizeable investment in the development of our future leaders and we are pleased with the early results.

In 2010, ReThink Recruitment conducted a full review of its brand, sales and marketing collateral. We worked with a branding specialist who helped identify the core brand messages and values that are associated with the Company. We researched this with our clients and involved all of our staff. The brand messages and values were incorporated in to new sales and marketing material, including the development of a leading edge website platform. The website has greatly enhanced functionality and allows us to utilise and develop our social media presence, a channel to market that grows in importance.

We are making further investments in 2011 with the implementation of a new client and candidate database that provides us with much better search functionality, more efficient processing and more relevant management information. This will be supported by a new portal allowing online timesheet processing for our contractors.

Business Transformation and Technology Services

Aiimi specialises in the delivery of creative information management solutions.

Aiimi has a consulting practice that has a pedigree in a broad range of Information Management technologies with strategic partner agreements in place with Open Text, Microstrategy and 2e2. Through Aiimi's partnership with 2e2, we offer cloud, hosted and SaaS (Software as a Service) based solutions in a Tier 3 data centre. Aiimi's business consultants, solution architects and technical consultants provide a wide range of services, working with customers to define strategies and identify opportunities for technology to help them solve business challenges. Aiimi has expertise in a wealth of market sectors including central and local government, oil and gas, telecommunications, pharmaceuticals, banking and insurance.

Aiimi formed its Enterprise Content Management (ECM) practice in 2009 and has continued to develop and invest in this area in 2010 whilst continuing the expansion of its core practices of Business Transformation and Technology Services.

During 2010, Aiimi developed a SaaS offering for both Business Intelligence and ECM and now has several customers on long term contracts with a strong pipeline for further growth in 2011.



Investment in a business development team is now showing a return in the creation of a strong pipeline of projects for consulting, SaaS, and support offerings.

During the year the business continued to develop its customer base and by the end of the year was selling to double the number of customers when compared to the previous year.

The Board expect the business to continue to grow during 2011 with an expansion of revenues from multi-year annuity contracts.

Acquisitions

In March 2010 we completed the acquisition of TrustTech Limited for a consideration of up to £33k (note 26). This investment will enable the Group to conduct work with Government bodies that we previously have been unable to approach. Following acquisition, TrustTech has been successfully integrated into the Business Transformation and Technology Services division of the Group.

Our people

Our people are core to the business and without their continued loyalty, dedication and contribution the Group would not have continued to grow as it has. During 2010 we carried out an important project to understand better what our people wanted from the Group. The feedback from that project has been put into place and will be communicated at the start of Q2 – 2011.

To enable the next phase of growth we are investing heavily in training and development of all our existing staff, from trainees through to Directors, across all Group businesses.

All of these initiatives are aimed at ensuring we can hire and develop new talent, retain our existing people and increase productivity.

During the year, Simon Church resigned from the Board and in March 2011 George Czasznicki also stood down. We thank them for all their help and support during their time with us.

Outlook

We watch political and economic events that may have an effect on our business very closely but currently demand for our services from every business unit is good.

Coming out of 2010 with a good result and a healthy demand for our services, we expect 2011 to be another strong year of growth for the Group and have been encouraged by the performance in the first quarter.

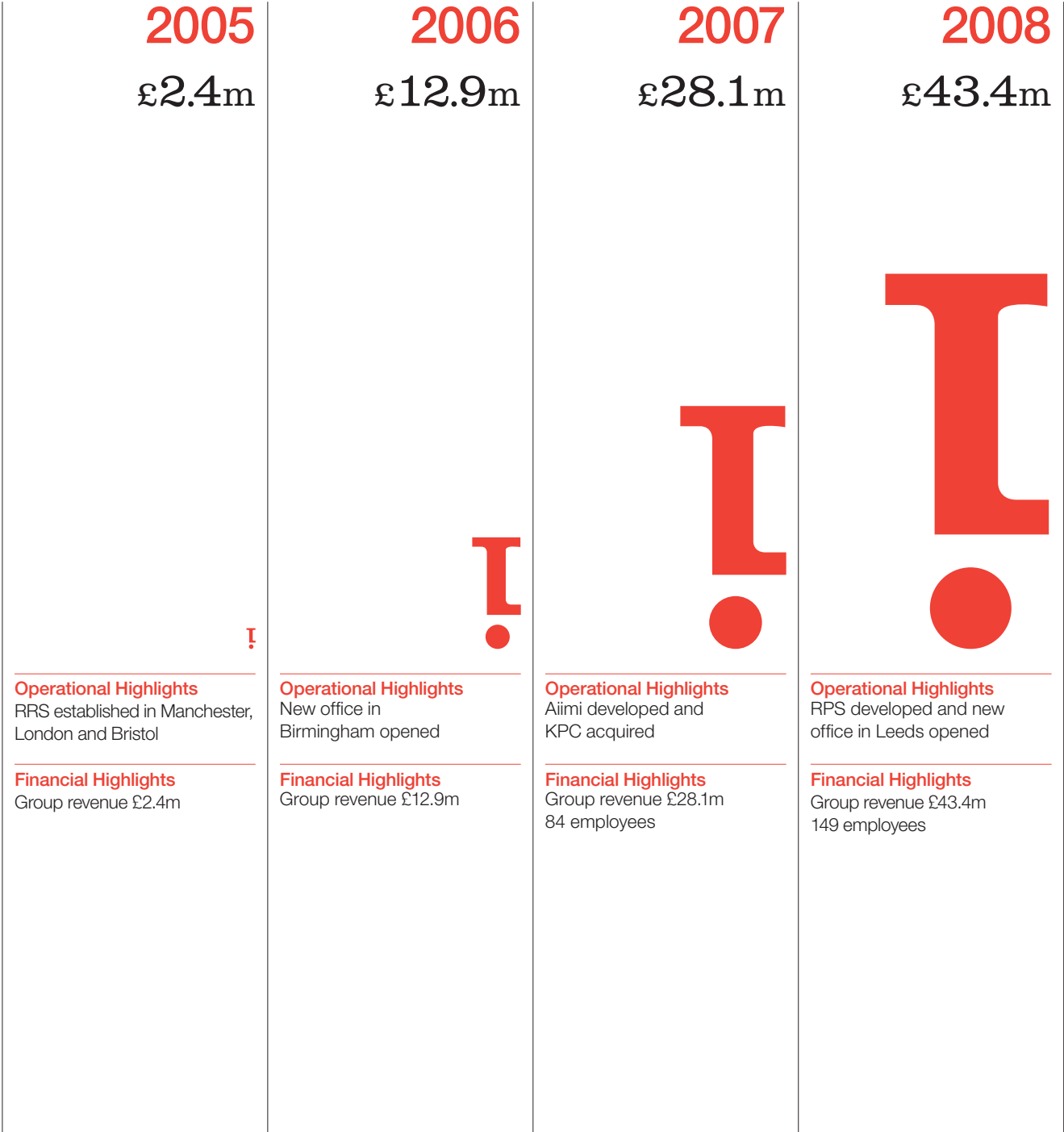
John Sadiq
Chairman

Jonathan Butterfield
Chief Executive Officer



Our achievements

The improvement in our performance in 2010 was the result of improving markets, the increase in demand from our clients and the efforts of all of our people.





Opened 2009 Dubai



Opening 2011 Singapore

2009
£49.7m



Operational Highlights

Increased revenues

Opened and expanded in the Gulf region

Increased contractor numbers to over 500

Financial Highlights

Revenue growth up 15% to £49.7m

2010
£56.4m



Operational Highlights

Acquired and integrated TrustTech, a Business Transformation and Technology Services company

Three year recruitment process outsourcing contract win with major UK retailer

Increased contractor numbers ending on 560

Financial Highlights

Revenue growth up 13% to £56.4m

Gross profit up 17% to £12.8m

2011



Operational Highlights

Commenced our operations in Singapore

Board of Directors



Standing from left: John O'Sullivan, Robert O'Callaghan, Andrew Lord, Iain Blair, Michael Bennett
Sitting from left: Keith Hirst, Jonathan Butterfield, John Sadiq, Patrick Dundon, Stephen Salvin

John Sadiq**Chairman**

John Sadiq started his career in market research, before broadening his experience into marketing and reaching company management level at an early age. He has held positions at a number of prominent companies including Chairman of Norwest Holst plc and Managing Director of The Gallup Organisation Limited as well as investing in and building up a number of successful and profitable companies. John has been Non-Executive Chairman of the Company since March 2005.

Jonathan Butterfield**Chief Executive Officer**

Jonathan Butterfield has over 25 years' experience in IT and IT staffing services, and is one of the Founding Directors of ReThink. He spent the early part of his career in technology training with Unisys Corporation, and then spent nearly ten years with Computer People Group plc which was sold to Adecco (UK) Limited. In 1996, Jonathan co-founded IT staffing company, Best International Group plc, which was acquired by Spring Group plc in 2003. He was also involved in the establishment of Zebra Managed Resources Limited, a recruitment process outsourcing company that was also acquired by Spring Group plc. As Chief Executive Officer, Jonathan is responsible for overall Group performance.

Patrick Dundon**Group Finance Director**

Patrick is a Fellow of the Chartered Institute of Certified Accountants, having originally trained and qualified with Kidsons in London. Patrick spent a number of years with Pentland Group plc in a range of financial roles and has held senior financial positions in a variety of organisations and sectors prior to joining the Group at the time it was formed.

Andrew Lord**Managing Director, Recruitment**

Andrew Lord has 18 years IT staffing experience and was one of the Founding Directors of ReThink. After training

with Rullion Limited, he joined Best International Group plc in April 1997 where he was responsible for the Birmingham, Edinburgh and Leeds offices. Andrew is the Board member responsible for the Group's northern operations.

Michael Bennett**Executive Director, Marketing and Business Development**

Michael Bennett has 18 years' experience in the recruitment industry and was one of the Founding Directors of ReThink. His experience includes five years at Ajilon (UK) Limited, trading as Computer People, being one of the founders of Best International Group plc in 1997, and the Managing Director of Spring Group plc's permanent recruitment practice. Michael is responsible for the Group's marketing and business development.

Iain Blair**Executive Director, South West Region**

Iain Blair has 16 years' IT staffing experience and was one of the Founding Directors of ReThink. After training with Ajilon (UK) Limited, trading as Computer People, Iain joined Best International Group plc and was promoted to head of permanent recruitment in the South West. Before joining ReThink, he was responsible for the delivery of permanent recruitment services for Sanderson Recruitment plc, the largest supplier of IT services in the South West. Iain is responsible for the Group's south western operations.

Robert O'Callaghan**Executive Director, Midland Region**

Robert O'Callaghan started his career in recruitment over 16 years ago, working within business development and delivery at Adecco (UK) Limited. He has since worked for the IT and technical divisions of Pertemps Limited, where he successfully grew a new Midlands-based operation and, before joining ReThink in March 2007, was Regional Manager for Monarch Recruitment Limited. Based in Birmingham, Robert runs the Group's Midlands operation.

Stephen Salvin**Managing Director, Aiimi**

Stephen Salvin has been involved in a number of international businesses. As well as consulting roles at Electronic Data Systems Corporation and PriceWaterhouseCoopers LLP, he has been the founder and Managing Director of APS Limited, a UK consulting firm specialising in business process management. He has also held Vice President roles for Lava Corporation Inc., a Toronto-based workflow software company, OpenText Corporation Inc., a Canadian content management and collaboration software company and Microstrategy Inc, a business intelligence software company based in Washington DC. Stephen is the Managing Director of Aiimi.

John O'Sullivan**Non-Executive Director**

John O'Sullivan has 28 years' experience in recruitment, which has included senior roles in companies such as Ajilon (UK) Limited, trading as Computer People, Best International Group plc and Spring Group plc. He is currently a Non-Executive Director or strategic advisor to eight companies, all within the field of human capital. John has been a Non-Executive Director of the Company since March 2005.

Keith Hirst**Non-Executive Director**

Keith Hirst, CBE, is a graduate engineer who, over the course of his career, has held finance and general management positions on the boards of a number of private and public companies. In 2001 he was awarded the CBE for services to education, training and enterprise in the Black Country.

Report of the Directors

For the year ended 31 December 2010

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2010.

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, recruitment process outsourcing and Business Transformation and Technology Services. The principal activity of the company was that of a holding company.

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 is set out in the Chairman's and Chief Executive Officer's statement.

Dividends

A dividend of 0.054p per share was paid during the year (2009: £nil). The Directors have recommended a final dividend of 0.134p per share on 6 April 2011. This will be paid following approval at the Annual General Meeting and will be reflected in the 2011 financial statements.

The Directors who served the Company during the year, together with their interests in the shares of the Company, were as follows:

	Ordinary Shares of 0.1p each	
	31 December 2010	31 December 2009
J Butterfield	12,100,000	12,100,000
J Sadiq	100,000	100,000
I P Blair	12,100,000	12,100,000
J O'Sullivan	6,280,000	6,280,000
A Lord	12,100,000	12,100,000
M J Bennett	12,100,000	12,100,000
P Dundon	700,000	700,000
S Church (resigned 30 September 2010)	2,066,666	2,066,666
R O'Callaghan	2,000,000	2,000,000
S P Salvin	2,000,000	2,000,000
K Hirst	100,000	100,000
G Czasznicki (resigned 30 March 2011)	100,000	100,000

During the year S Church exercised 1,941,666 share options. No other Directors exercised share options during the year (2009: none).

At 31 December 2010 6,000,000 ordinary shares of 0.1p each (2009: 6,000,000) were owned by Starwood Strategic Investments Limited, a company in which family members of J Sadiq have a controlling interest.

No other shareholders have an interest in excess of 3% of the ordinary share capital.

Directors' emoluments

Directors' emoluments were payable as follows:

	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Pensions £'000	2010 Total £'000	2009 Total £'000
Executive Directors							
J Butterfield	172	3	19	194	–	194	156
I P Blair	148	2	33	183	–	183	154
A Lord	145	5	30	180	–	180	149
M J Bennett	120	1	5	126	9	135	133
P Dundon	100	2	8	110	7	117	103
S Church	95	3	13	111	–	111	141
R O'Callaghan	122	2	50	174	6	180	135
S P Salvin	128	1	–	129	–	129	128
Non-Executive Directors							
J Sadiq	65	6	–	71	–	71	53
J O'Sullivan	12	1	–	13	–	13	12
K Hirst	15	–	–	15	–	15	8
G Czasznicki	15	–	–	15	–	15	8
	1,137	26	158	1,321	22	1,343	1,180

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.

Principal risks and uncertainties

The Group's business activities together with the factors which may impact its activities are described on pages 4 to 7 and page 24. The notes to the financial statements fully describe the Group's policies and processes for managing financial risk including details of its financial assets and liabilities.

Market and Economy

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

Regulatory change

We track and contribute to regulation via our membership of the Recruitment Employers Confederation. Currently there is no regulatory change that we have sight of that would jeopardise The ReThink Group plc.

Credit control

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

Cash requirements

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

Policy and practice on the payment of trade payables

It is the policy of the Group that each of the companies in the Group should agree appropriate terms and conditions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payment is then in accordance with those terms and conditions, provided that the supplier has also complied with them. At the year end creditor days were 37.1 (2009: 30.4).

Going concern

The Group has committed borrowing facilities until 31 March 2012. After making due enquiry the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts. Further detail on borrowing facilities is included within note 21.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors

have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 LLP, will be proposed for reappointment at the Annual General Meeting.

On behalf of the Board:

J Butterfield

Director
6 April 2011

Corporate governance statement

For the year ended 31 December 2010

The Directors are committed to maintaining high standards of corporate governance.

The Directors have established a Remuneration Committee and an Audit Committee each with formally delegated rules and responsibilities.

The Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, and reporting to the shareholders.

The Company has held a monthly Board meeting during 2010, and intends to hold at least 10 Board meetings throughout each year.

The Remuneration Committee

The Remuneration Committee is chaired by John Sadiq and consists of the Chairman and John O'Sullivan. It meets twice a year.

The Remuneration Committee is responsible for determining and agreeing with the Board the remuneration of the Executive Directors, and ensuring that the Group's management team are appropriately incentivised to encourage enhanced performance.

The Audit Committee

The Audit Committee is chaired by John Sadiq and consists of the Chairman and John O'Sullivan. It has met regularly during the year.

The Audit Committee reviews the Group's accounting policies and regular reports from senior management. In addition, it reviews the interim and full year financial statements and results announcements relating to the Group's financial statements, together with any formal announcements relating to the Group's financial performance.

The Audit Committee also has responsibility for making recommendations on the appointment, reappointment and removal of the external auditors, which the Board then puts to the shareholders for approval in a general meeting. The Audit Committee also reviews the annual and interim financial statements before they are submitted to the Board and reviews the scope and effectiveness of the Group's internal control functions.

There is no internal audit function, however, the Audit Committee review this on an annual basis and the current recommendation to the Board is that such a function is not necessary, as the internal controls are currently effectively monitored. This will be reviewed again in the forthcoming year.

Internal Financial Control and Reporting

The Board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures, which inter alia comprise financial, compliance matters and risk management, are reviewed on an on-going basis. The Board approves the annual budget and performance against budget is monitored and reported by the Board. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with Shareholders

The Company reports to shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 working days before the meeting. Each subsequent separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The chairman of the Audit and Remuneration Committee normally attends the Annual General Meeting and will answer questions which may be relevant to their responsibilities.

Directors Share Dealings

The Company has adopted a model code for Directors' and key employees' share dealings which the Directors believe is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and, in addition, will take all reasonable steps to ensure compliance by the Group's applicable employees (as defined in the AIM rules).

Report of the Remuneration Committee

For the year ended 31 December 2010

The Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of shareholders.

In determining the remuneration of the Executive Directors, the Remuneration Committee seeks to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning their own remuneration. At the date of this document, the Remuneration Committee comprises two Non-Executive Directors and is chaired by John Sadiq. The Remuneration Committee has formal terms of reference.

None of the Committee members has any personal financial interests (other than as shareholders) or conflicts of interest arising from cross-directorships. The Committee has access to professional advice from internal and external advisors where relevant.

This report was approved by the Board of Directors on 6 April 2011 and signed on its behalf by:

John Sadiq

Chairman
6 April 2011

Independent auditor's report

To the members of TheRethink Group plc

We have audited the financial statements of The ReThink Group plc for the year ended 31 December 2010 which comprise the Group statement of comprehensive income, the Group and Company statement of changes in equity, the Group and Company statement of financial position, the Group and Company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Eric Solomons (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom
6 April 2011

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

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Revenue	6	56,377,575	49,745,523
Cost of sales		(43,557,469)	(38,824,255)
GROSS PROFIT		12,820,106	10,921,268
Administrative expenses		(11,600,904)	(10,311,687)
PROFIT FROM OPERATIONS	5	1,219,202	609,581
Finance costs	4	(301,618)	(312,854)
Finance income	4	3,375	4,015
PROFIT BEFORE TAXATION		920,959	300,742
Tax expense	7	(284,333)	(86,085)
PROFIT FOR THE YEAR		636,626	214,657
Other comprehensive expense			
Foreign currency exchange differences on translation of foreign operations		(9,345)	(5,789)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		627,281	208,868

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

Earnings per share

		Pence	Pence
Basic	8	0.690	0.236
Diluted	8	0.672	0.221

The notes on pages 24–47 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2010

Group	Share capital £	Retained earnings £	Share premium £	Shares to be issued £	Merger reserve £	Translation reserve £	Total £
At 1 January 2009	90,906	343,286	1,421,560	–	218,300	–	2,074,052
Changes in equity for the year ended 31 December 2009							
Total comprehensive income for the year	–	214,657	–	–	–	(5,789)	208,868
Recognition of share based payment expense	–	14,534	–	–	–	–	14,534
Issue of shares	150	–	5,850	–	–	–	6,000
At 31 December 2009	91,056	572,477	1,427,410	–	218,300	(5,789)	2,303,454
Changes in equity for the year ended 31 December 2010							
Total comprehensive income for the year	–	636,626	–	–	–	(9,345)	627,281
Recognition of share based payment expense	–	15,000	–	–	–	–	15,000
Issue of shares	200	–	15,800	–	–	–	16,000
Contingent share consideration	–	–	–	32,625	–	–	32,625
Share options exercised	1,967	–	76,701	–	–	–	78,668
Dividends paid	–	(50,341)	–	–	–	–	(50,341)
At 31 December 2010	93,223	1,173,762	1,519,911	32,625	218,300	(15,134)	3,022,687

The notes on pages 24–47 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2010

Company	Share capital £	Retained earnings £	Share premium £	Shares to be issued £	Merger reserve £	Total £
At 1 January 2009	90,906	(407,004)	1,421,560	–	218,300	1,323,762
Changes in equity for the year ended 31 December 2009						
Total comprehensive income for the year	–	(14,877)	–	–	–	(14,877)
Recognition of share based payment expense	–	14,534	–	–	–	14,534
Issue of shares	150	–	5,850	–	–	6,000
At 31 December 2009	91,056	(407,347)	1,427,410	–	218,300	1,329,419
Changes in equity for the year ended 31 December 2010						
Total comprehensive income for the year	–	475,601	–	–	–	475,601
Recognition of share based payment expense	–	15,000	–	–	–	15,000
Issue of shares	200	–	15,800	–	–	16,000
Contingent share consideration	–	–	–	32,625	–	32,625
Share options exercised	1,967	–	76,701	–	–	78,668
Dividends paid	–	(50,341)	–	–	–	(50,341)
At 31 December 2010	93,223	32,913	1,519,911	32,625	218,300	1,896,972

The notes on pages 24–47 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2010

COMPANY NUMBER 5078352

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	961,179	917,824
Property, plant and equipment	12	307,497	444,942
Intangible assets	13	118,638	38,088
Deferred tax	22	25,710	31,360
TOTAL NON-CURRENT ASSETS		1,413,024	1,432,214
CURRENT ASSETS			
Trade and other receivables	15	14,692,665	10,498,096
Inventories		85,273	–
Cash and cash equivalents	2	1,260,645	578,186
TOTAL CURRENT ASSETS		16,038,583	11,076,282
TOTAL ASSETS		17,451,607	12,508,496
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	(14,057,050)	(9,790,363)
Bank loans and finance leases	17	(115,226)	(220,720)
Tax payable		(232,968)	(61,377)
TOTAL CURRENT LIABILITIES		(14,405,244)	(10,072,460)
NET CURRENT ASSETS		1,633,339	1,003,822
NON-CURRENT LIABILITIES			
Bank loans and finance leases	17	(2,600)	(113,398)
Deferred tax liability	22	(21,076)	(19,184)
TOTAL NON-CURRENT LIABILITIES		(23,676)	(132,582)
NET ASSETS		3,022,687	2,303,454
EQUITY			
Share capital	23	93,223	91,056
Share premium account		1,519,911	1,427,410
Merger reserve		218,300	218,300
Translation reserve		(15,134)	(5,789)
Shares to be issued		32,625	–
Retained earnings		1,173,762	572,477
Total equity attributable to equity holders of the parent company		3,022,687	2,303,454

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2011.

J Butterfield

Director

The notes on pages 24–47 form part of these financial statements.

Company statement of financial position

As at 31 December 2010

COMPANY NUMBER 5078352

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	29,595	5,871
Investments	14	508,728	374,952
TOTAL NON-CURRENT ASSETS		538,323	380,823
CURRENT ASSETS			
Trade and other receivables	15	4,229,294	2,193,688
Cash and cash equivalents	2	87,881	51,733
TOTAL CURRENT ASSETS		4,317,175	2,245,421
TOTAL ASSETS		4,855,498	2,626,244
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	(2,952,134)	(1,215,653)
Bank loans and finance leases	17	(3,792)	(80,333)
TOTAL CURRENT LIABILITIES		(2,955,926)	(1,295,986)
NET CURRENT ASSETS		1,361,249	949,435
NON-CURRENT LIABILITIES			
Bank loans and finance leases	17	(2,600)	(839)
NET ASSETS		1,896,972	1,329,419
EQUITY			
Share capital	23	93,223	91,056
Share premium account		1,519,911	1,427,410
Merger reserve		218,300	218,300
Shares to be issued		32,625	–
Retained earnings		32,913	(407,347)
Total equity attributable to equity holders of the Company		1,896,972	1,329,419

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2011.

J Butterfield

Director

The notes on pages 24–47 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit before tax		920,959	300,742
Adjustments for:			
Share based payment expense		15,000	14,534
Depreciation charges	12	190,488	197,502
Amortisation	13	41,050	1,228
Finance costs	4	301,618	312,854
Finance income	4	(3,375)	(4,015)
		1,465,740	822,845
(Increase)/decrease in trade and other receivables		(4,232,526)	653,749
Increase/(decrease) in trade and other payables		4,266,687	(570,040)
Cash generated from operations		1,499,901	906,554
Finance costs paid	4	(301,618)	(312,854)
Corporation tax paid		(167,057)	(89,835)
Net cash generated from operating activities		1,031,226	503,865
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(79,550)	(146,116)
Purchase of intangible assets	13	(95,093)	(39,316)
Purchase of subsidiary undertakings net of cash acquired	26	(5,534)	(123,422)
Finance income	4	3,375	4,015
Net cash absorbed by investing activities		(176,802)	(304,839)
Cash flows from financing activities			
Repayment of long term borrowings		(149,894)	(138,569)
Repayment of finance leases		(66,398)	(3,125)
Proceeds from issue of share capital net of issue costs		94,668	6,000
Payment of dividend		(50,341)	–
Net cash absorbed by financing activities		(171,965)	(135,694)
Net change in cash and cash equivalents		682,459	63,332
Cash and cash equivalents at start of year	2	578,186	514,854
Cash and cash equivalents at end of year	2	1,260,645	578,186

The notes on pages 24–47 form part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit/(loss) before tax		475,601	(14,877)
Adjustments for:			
Share based payment expense		15,000	14,534
Dividends from subsidiary undertakings		(600,000)	–
Depreciation charges	12	6,477	1,687
		(102,922)	1,344
Increase in trade and other receivables		(2,126,747)	(312,203)
Increase in trade and other payables		1,736,481	268,176
Net cash absorbed by operating activities		(493,188)	(42,683)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(30,201)	(3,785)
Purchase of subsidiary undertakings net of cash acquired	26	(10,010)	(99,054)
Dividends from subsidiary undertakings		600,000	–
Net cash generated from/(absorbed by) investing activities		559,789	(102,839)
Cash flows from financing activities			
Repayment of long term borrowings		(74,780)	(80,207)
Payment of dividend		(50,341)	–
Proceeds from issue of share capital net of issue costs		94,668	6,000
Net cash absorbed by financing activities		(30,453)	(74,207)
Net change in cash and cash equivalents			
Cash and cash equivalents at start of year	2	51,733	271,462
Cash and cash equivalents at end of year	2	87,881	51,733

The notes on pages 24–47 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2010

1 Accounting policies

The Company and its subsidiaries (together "the Group") operate predominantly in the United Kingdom. The Group's activities and business are set out in the Directors' Report.

The Company is a public limited company incorporated and domiciled in the United Kingdom and the Company is listed on AIM. The address of its registered office is 19 Spring Gardens, Manchester M2 1FB.

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

Basis of preparation

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

The Company's financial statements have been prepared on the same basis and, as permitted by Section 408 of the Companies Act 2006, no statement of comprehensive income is presented for the Company.

The Group's accounting policies, as set out below, have been consistently applied to all the periods presented, unless otherwise stated.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2010

The following new standards, interpretations and amendments, applied for the first time from 1 January 2010, have had an effect on the financial statements:

- Revised IFRS 3 'Business Combinations'

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2010, have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

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

- Classification of Rights Issues (Amendment to IAS 32), effective periods beginning 1 February 2010;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective periods beginning 1 July 2010;
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, effective periods beginning 1 July 2010;
- Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, effective period beginning 1 January 2011;
- Revised IAS 24 Related Party Disclosures, effective periods beginning 1 January 2011.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2010 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions are therefore eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group; they are de-consolidated from the date when control ceases.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued.

1 Accounting policies continued

Revenue and revenue recognition

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

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

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

Business Transformation and Technology Services revenue is recognised on a straight line basis under the terms of the contract. Revenue additional to the original contract is recognised in the period the staff or service are provided.

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

Cash and cash equivalents

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

Share-based payment

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 31 December 2010

1 Accounting policies continued

Assets under construction

Fixed assets that are still under development are classified as 'Assets under construction'. These assets are reclassified over the phased completion dates and are amortised from the date they are reclassified.

Intangible assets

Goodwill

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

Development costs

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

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

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

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

Software licences

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

Software licences	10 – 33% per annum
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Costs associated with maintaining computer software programs are recognised as an expense to the statement of comprehensive income when incurred.

Investments

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

Impairment of non-financial assets

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

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

1 Accounting policies continued

Leased assets

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

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

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

Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

Segment reporting

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

Financial instruments

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

Inventories

Inventories represent software licences which are initially recognised at cost and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Notes to the financial statements continued

For the year ended 31 December 2010

1. Accounting policies continued

Trade receivables

Trade receivables include all sales invoiced up to the statement of financial position date and sales relating to work completed in December, for which invoices are raised within the normal year end processing cut-off period following the statement of financial position date.

Trade receivables do not carry any interest, are stated at fair value and are reduced by appropriate allowances for estimated irrecoverable amounts.

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

Accrued income

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group and Company after deducting all of the liabilities.

Bank borrowings

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

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

Trade and other payables

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

Invoice discounting

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

Dividends

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using tax rules that have been enacted or substantively enacted by the statement of financial position date.

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

1. Accounting policies continued

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

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

Pension contributions

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

Provisions

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

Profit from operations

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

Significant judgements and estimates

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

Identification and valuation of intangibles acquired in business combinations

Identifying and determining the fair value of intangibles acquired in business combinations requires estimation and judgement of the value of the cashflows related to the identified intangibles and a suitable discount rate in order to calculate the present value. As a result of this assessment, no intangibles other than goodwill have been recognised on acquisitions at 31 December 2010. Acquisitions during the year are set out within note 26.

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. Details of the impairment review are set out in note 11.

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

2. Notes to the cashflow statements

Cash and Cash Equivalents

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

Group

	2010 £	2009 £
Cash available on demand	1,260,645	578,186

Notes to the financial statements continued

For the year ended 31 December 2010

2. Notes to the cashflow statements continued

Company

	2010 £	2009 £
Cash available on demand	87,881	51,733

3. Employees and directors

Group

	2010 £	2009 £
Wages and salaries	7,308,367	6,687,784
Social security costs and similar taxes	857,687	827,367
Pension costs	383,541	247,870
Share based payment expense	15,000	14,543
	8,564,595	7,777,564

The costs of Company employees are wholly borne by subsidiary trading companies.

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

Group

	2010 Number	2009 Number
Sales	107	104
Administrative	15	12
Directors	13	13
	135	129

Company

	2010 Number	2009 Number
Administrative	13	10
Directors	12	12
	25	22

Key management personnel compensation

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

	2010 £	2009 £
Wages and salaries	1,425,080	1,221,062
Social security contributions and similar taxes	172,466	142,864
Pension costs	26,725	25,450
	1,624,271	1,389,376

Remuneration in respect of the highest paid Director:

	2010 £	2009 £
Salary and bonuses	193,822	156,200

During 2010 there was one Director in the Group's defined contribution pension scheme (2009: one).

This scheme is administered by an independent pension provider and the assets of the scheme are held separately to those of the Group.

4. Finance income and expense

	2010 £	2009 £
Finance income:		
Bank interest received	3,375	4,015
	2010 £	2009 £
Finance costs:		
Bank charges and interest	69,732	47,631
Invoice discounting charges and interest	231,886	265,223
	301,618	312,854

5. Profit from operations

This is stated after charging:

	2010 £	2009 £
Staff costs (note 3)	8,564,595	7,777,564
Other operating leases – property	365,082	323,113
Depreciation of property, plant and equipment	190,488	197,502
Amortisation of intangible assets	41,050	1,228
Audit remuneration – audit services – parent	16,400	15,000
– subsidiaries	22,100	16,000
Fees paid to the Company's auditors for non-audit services – tax services	–	18,000

6. Segment information

Reportable Segments

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

The Group's four reportable segments, being Business Transformation and Technology Services, Recruitment Process Outsourcing (RPO), Permanent Recruitment and Contract Recruitment, are sectors that offer different products and services. They are managed separately having a dedicated Director, and separate reporting within the internal information provided to the management team including the Directors.

Measurement of operating segment profit and assets

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Below gross profit, for internal reporting purposes, Permanent and Contract Recruitment are combined with no separate analysis.

Business Transformation and Technology Services, RPO and total Recruitment are evaluated for performance on the basis of earnings before tax and interest. Permanent and Contract Recruitment are only evaluated for performance on the basis of revenue and gross profit.

Business Transformation and Technology Services is represented by Aiimi Limited and TrustTech Limited. This division is involved in providing technical advice, support and project management.

Recruitment is represented by the subsidiaries, ReThink Recruitment Solutions Limited, ReBuild Recruitment Services Limited, Integritas Recruitment Limited, ReThink Recruitment (Southend) Limited and ReThink MEA FZCO, with all subsidiaries involved in both Permanent and Contract Recruitment.

Permanent recruitment involves the placing of candidates in permanent employment roles. Contract recruitment involves the placing of candidates in fixed term roles.

RPO is currently represented by ReThink Professional Services Limited. As a result of the increasing importance of this segment of the business the Board has decided to report its earnings separately in the current year and have restated the prior year comparative.

Notes to the financial statements continued

For the year ended 31 December 2010

6. Segment information continued

Information about these reportable segments is presented below.

2010	Business Transformation and Technology Services £	RPO £	Permanent Recruitment £	Contract Recruitment £	Total Recruitment £	Total £
External revenue	2,329,720	10,365,995	4,905,971	38,775,889	43,681,860	56,377,575
Internal revenue	88,110	–	–	–	–	88,110
	2,417,830	10,365,995	4,905,971	38,775,889	43,681,860	56,465,685
Gross Profit	1,705,336	795,438	4,759,706	5,559,626	10,319,332	12,820,106
Administrative expenses	(1,601,070)	(707,773)			(9,292,061)	(11,600,904)
Profit from operations	104,266	87,665			1,027,271	1,219,202
Finance costs	(14,150)	(40,863)			(246,605)	(301,618)
Finance income	244	623			2,508	3,375
Segment profit before tax	90,360	47,425			783,174	920,959
Tax expense	(25,356)	(17,595)			(241,382)	(284,333)
Segment profit for the year	65,004	29,830			541,792	636,626
Other comprehensive income	–	–			(9,345)	(9,345)
Total comprehensive income	65,004	29,830			532,447	627,281
Statement of financial position						
Reportable segment assets	1,846,838	3,047,270			12,547,499	17,441,607
Reportable segment liabilities	(1,350,823)	(2,840,733)			(10,227,364)	(14,418,920)
Other						
Depreciation	24,395	–			166,093	190,488
Amortisation	41,050	–			–	41,050
2009						
External revenue	1,831,205	8,142,538	3,370,621	36,401,159	39,771,780	49,745,523
Gross Profit	1,546,911	623,787	3,333,545	5,417,025	8,750,570	10,921,268
Administrative expenses	(1,493,878)	(536,938)			(8,280,871)	(10,311,687)
Profit from operations	53,033	86,849			469,699	609,581
Finance costs	(366)	(213)			(312,275)	(312,854)
Finance income	47	–			3,968	4,015
Segment profit before tax	52,714	86,636			161,392	300,742
Tax expense	(11,155)	(22,658)			(52,272)	(86,085)
Segment profit for the year	41,559	63,978			109,120	214,657
Other comprehensive income	–	–			(5,789)	(5,789)
Total comprehensive income	41,559	63,978			103,331	208,868
Statement of financial position						
Reportable segment assets	1,684,729	2,650,409			8,173,358	12,508,496
Reportable segment liabilities	(799,121)	(2,570,730)			(6,835,191)	(10,205,042)
Other						
Depreciation	8,223	–			189,279	197,502
Amortisation	1,228	–			–	1,228

6. Segment information continued

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

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

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

Geographical information

	External revenue by location of customers		Non-current assets by location of assets	
	2010 £	2009 £	2010 £	2009 £
United Kingdom	55,115,517	48,799,905	1,399,024	1,428,214
Other	1,262,058	945,618	4,000	4,000
	56,377,575	49,745,523	1,403,024	1,432,214

Revenues from single customers do not exceed 10% or more of total Group revenues in 2010 or 2009.

7. Taxation

	2010 £	2009 £
Current tax expense		
UK corporation tax on profits for the year	270,819	72,812
Under/(overpayment) in prior years	5,972	(33,886)
	276,791	38,926
Deferred tax (note 22)		
Deferred tax expense	28,862	30,386
Adjustment in respect of prior year	(21,320)	16,773
	7,542	47,159
Total tax expense	284,333	86,085

Factors affecting the tax expense

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

	2010 £	2009 £
Profit before taxation	920,959	300,742
Expected tax charge based on the standard rate of corporation tax in the UK of 28%	257,869	84,208
Lower rates of tax on overseas earnings	(19,199)	(16,539)
Items disallowed for tax	68,038	19,352
Deferred tax not provided	171	25,714
Marginal relief	(7,198)	(9,537)
Deferred tax adjustment in respect of prior year	(21,320)	16,773
Under/(overpayment) in prior years	5,972	(33,886)
Total tax expense	284,333	86,085

8. Earnings per share

	2010 £	2009 £
Numerator		
Profit for the year – used in basic and diluted EPS	636,626	214,657
Denominator		
Weighted average number of shares used in basic EPS	92,310,433	91,010,228
Effects of:		
Employee share options	2,094,275	6,193,491
Contingent share consideration on business combinations	358,767	–
Weighted average number of shares used in diluted EPS	94,763,475	97,203,719

Notes to the financial statements continued

For the year ended 31 December 2010

8. Earnings per share continued

Earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares that existed during the year by existing share options, share incentive plans and the contingent share consideration on business combinations, assuming dilution through conversion of all existing options and shares held in share plans.

9. Result of the parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £475,601 (2009: loss of £14,877).

10. Dividends

	2010 £	2009 £
Interim dividend of 0.054 pence (2009: nil) per ordinary share paid during the year	50,341	–

The Company paid a dividend of £50,341 (2009: £nil) in the year. The Directors are recommending a final dividend of 0.134 pence (2009: nil) per share. This dividend has not been accrued in the consolidated statement of financial position.

11. Goodwill and impairment

Group	2010 £	2009 £
Net book value and cost at start of year	917,824	678,480
Additions:		
ReThink Middle East FZCO (note 26)	10,000	253,193
TrustTech Limited (note 26)	32,435	–
Movement in foreign exchange rate	920	(13,849)
Net book value and cost at end of year	961,179	917,824

Details of goodwill allocated to cash-generating units is as follows:

	Goodwill carrying amount	
	At 31 December 2010 £	At 31 December 2009 £
ReThink Recruitment (Southend) Limited	678,480	678,480
ReThink Middle East FZCO	250,264	239,344
TrustTech Limited	32,435	–
	961,179	917,824

Goodwill has been allocated to the internal cash-generating unit ("CGU") which has been deemed to be the applicable legal entity acquired. Goodwill has been tested for impairment at 31 December 2010 by reference to the recoverable amount of the CGU. No impairment has been deemed necessary by the Board.

The recoverable amount of the CGU has been determined from value in use calculations based on cashflow projections from formally approved budgets covering a one year period to 31 December 2011 and then extrapolated to 2017.

Key assumptions included in the extrapolated projections are as follows:

	2010 All investments %	2009 All investments %
Discount rate	10%	10%
Growth rate and inflation	5.0%	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, past experience and management's future expectations in the light of anticipated economic and market conditions.

11. Goodwill and impairment *continued*

Sensitivity to changes in assumptions

The actual recoverable amount for the appropriate CGUs exceed their carrying values by £716k (2009: £404k), with positive cashflows projected in all years. There are no reasonably possible factors that would cause the carrying value to exceed the recoverable amount.

12. Property, plant and equipment

Group	Improvements to property £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
COST					
At 1 January 2010	84,580	211,204	560,669	–	856,453
Additions	26,726	19,097	33,727	–	79,550
Reclassification to intangible assets	–	–	(26,507)	–	(26,507)
At 31 December 2010	111,306	230,301	567,889	–	909,496
DEPRECIATION					
At 1 January 2010	34,754	105,179	271,578	–	411,511
Charge for year	24,093	24,308	142,087	–	190,488
At 31 December 2010	58,847	129,487	413,665	–	601,999
NET BOOK VALUE					
At 31 December 2010	52,459	100,814	154,224	–	307,497
At 31 December 2009	49,826	106,025	289,091	–	444,942
COST					
At 1 January 2009	52,365	175,279	439,159	43,534	710,337
Additions	32,215	35,925	77,976	–	146,116
Transfer on completion	–	–	43,534	(43,534)	–
At 31 December 2009	84,580	211,204	560,669	–	856,453
DEPRECIATION					
At 1 January 2009	16,712	63,347	133,950	–	214,009
Charge for year	18,042	41,832	137,628	–	197,502
At 31 December 2009	34,754	105,179	271,578	–	411,511
NET BOOK VALUE					
At 31 December 2009	49,826	106,025	289,091	–	444,942
At 31 December 2008	35,653	111,932	305,209	43,534	496,328

The net book value of tangible fixed assets for the Group includes an amount of £82,248 (2009: £172,371) in respect of assets held under finance leases and hire purchase contracts. All these assets are classified as computer equipment. The Company had no assets held under such leases at either year end.

Notes to the financial statements continued

For the year ended 31 December 2010

12. Property, plant and equipment continued

Company	Improvements to property £	Fixtures and fittings £	Computer equipment £	Total £
COST				
At 1 January 2010	11,523	–	–	11,523
Additions	18,994	3,028	8,179	30,201
At 31 December 2010	30,517	3,028	8,179	41,724
DEPRECIATION				
At 1 January 2010	5,652	–	–	5,652
Charge for year	5,321	334	822	6,477
At 31 December 2010	10,973	334	822	12,129
NET BOOK VALUE				
At 31 December 2010	19,544	2,694	7,357	29,595
At 31 December 2009	5,871	–	–	5,871
Company				
COST				
At 1 January 2009	7,738	–	–	7,738
Additions	3,785	–	–	3,785
At 31 December 2009	11,523	–	–	11,523
DEPRECIATION				
At 1 January 2009	3,965	–	–	3,965
Charge for year	1,687	–	–	1,687
At 31 December 2009	5,652	–	–	5,652
NET BOOK VALUE				
At 31 December 2009	5,871	–	–	5,871
At 31 December 2008	3,773	–	–	3,773

13. Intangible assets

Group	Development costs £	Software licences £	Total £
COST			
At 1 January 2010	–	39,316	39,316
Reclassification from property, plant and equipment	26,507	–	26,507
Additions – internally developed	95,093	–	95,093
At 31 December 2010	121,600	39,316	160,916
AMORTISATION			
At 1 January 2010	–	1,228	1,228
Charge for year	27,986	13,064	41,050
At 31 December 2010	27,986	14,292	42,278
NET BOOK VALUE			
At 31 December 2010	93,614	25,024	118,638
At 31 December 2009	–	38,088	38,088
Group		Software licences £	Total £
COST			
At 1 January 2009		–	–
Additions		39,316	39,316
At 31 December 2009		39,316	39,316
AMORTISATION			
At 1 January 2009		–	–
Charge for year		1,228	1,228
At 31 December 2009		1,228	1,228
NET BOOK VALUE			
At 31 December 2009		38,088	38,088
At 31 December 2008		–	–

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

Notes to the financial statements continued

For the year ended 31 December 2010

14. Investments

Company	Subsidiaries £
COST	
At 1 January 2010	374,952
Additions (note 26)	42,635
Transfer from subsidiary undertakings	91,141
<hr/>	
At 31 December 2010	508,728
<hr/>	
NET BOOK VALUE	
At 31 December 2010	508,728
<hr/>	
COST	
At 1 January 2009	238,241
Additions (note 26)	136,711
<hr/>	
At 31 December 2009	374,952
<hr/>	
NET BOOK VALUE	
At 31 December 2009	374,952

The principal subsidiaries of The ReThink Group plc, 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 Limited	RPO	England	100%
ReThink Recruitment Solutions Limited	Recruitment Services	England	100%
ReBuild Recruitment Services Limited	Recruitment Services	England	100%
ReThink Recruitment (Southend) Limited	Recruitment Services	England	100%
Airmi Limited	Business Transformation and Technology Services	England	100%
Integritas Recruitment Limited	Recruitment Services	England	100%
TrustTech Limited	Business Transformation and Technology Services	England	100%
ReThink Middle East FZCO	Recruitment Services	UAE	83%

The remaining 17% (2009: 50%) ownership interest and ordinary share capital held in ReThink Middle East FZCO is held by ReThink Recruitment Solutions Limited, a wholly owned subsidiary of the Group. The proportion held by the parent company has increased in the current year and the increase in value is shown as a transfer from subsidiary undertaking.

15. Trade and other receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade receivables	14,046,354	9,602,315	17,700	3,485
Amounts owed by Group undertakings	–	–	3,926,204	1,930,619
Other receivables	188,180	350,198	83,429	181,569
VAT	–	–	145,964	76,862
Prepayments and accrued income	458,131	545,583	55,997	1,153
<hr/>				
	14,692,665	10,498,096	4,229,294	2,193,688

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

Included within Group trade receivables is an amount of £13,168,737 (2009: £9,285,447) subject to invoice discounting.

Included within Company trade receivables is an amount of £nil (2009: £3,485) subject to invoice discounting.

16. Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade payables	4,710,757	3,481,550	51,042	23,254
Amounts owed to Group undertakings	–	–	2,687,144	927,445
Social security and other taxes	2,021,272	947,596	62,157	67,198
Other payables	240,272	280,371	151,791	147,129
Advances on invoice discounting facility	6,300,366	4,443,194	–	–
Accruals	784,383	637,652	–	50,627
	14,057,050	9,790,363	2,952,134	1,215,653

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

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

17. Financial liabilities – bank loans and finance leases

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Current:				
Bank loans	33,578	147,929	–	80,333
Finance lease	81,648	72,791	3,792	–
	115,226	220,720	3,792	80,333

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Non-current:				
Bank loans	–	35,543	–	839
Finance lease	2,600	77,855	2,600	–
	2,600	113,398	2,600	839

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

	2010 £	2009 £
Not later than one year	84,059	80,594
Later than one year and not later than five years	4,904	80,597
	88,963	161,191

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 20.

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

18. Operating leasing agreements

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

The total future minimum lease payments are due as follows:

Group	Non-cancellable operating leases	
	2010 £	2009 £
Not later than one year	291,101	288,980
Later than one year and not later than five years	444,013	735,114
Later than five years	–	6,746
	735,114	1,030,840

Notes to the financial statements continued

For the year ended 31 December 2010

18. Operating leasing agreements continued

Company	2010 £	2009 £
Not later than one year	277,226	270,480
Later than one year and not later than five years	444,013	721,239
Later than five years	–	6,746
	721,239	998,465

19. Share based payment

The Group operates a share option scheme for employees, being an Enterprise Management Incentive Scheme (“EMI”). The EMI options are subject to the employee being employed at the vesting qualification point.

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

	31 December 2010		31 December 2009	
	Weighted Average Exercise price £	Number	Weighted Average Exercise Price £	Number
Outstanding at beginning of year	0.047	16,391,666	0.048	18,041,666
Granted during the year	0.070	8,270,000	0.060	1,590,000
Exercised during the year	0.040	(1,966,666)	0.040	(150,000)
Lapsed during the year	0.056	(3,240,000)	0.055	(3,090,000)
Outstanding at end of year	0.055	19,455,000	0.047	16,391,666

Of the total number of options outstanding at the end of the year 11,100,000 (2009: 7,400,833) had vested and were exercisable at the end of the year.

The exercise price of options outstanding at the end of the year ranged between 4 pence and 8 pence (2009: ranged between 4 pence and 8 pence).

Options issued up to and including 2008 vest as follows:

50% of options 12 months after flotation, with any options not exercised within 3 years, to lapse.

50% of options 24 months after flotation, with any options not exercised within 3 years from the original grant, to lapse.

Options granted during 2009 vest as follows:

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

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

The weighted average fair value of each option granted during the year was £0.06 (2009: £0.06).

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

Options granted during 2010 vest as follows:

For 7,370,000 options granted during 2010:

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

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

For 900,000 options granted during 2010:

50% of options 12 months after grant, with any options not exercised within 4 years, to lapse.

25% of options 24 months after grant, with any options not exercised within 5 years from the original grant, to lapse.

25% of options 36 months after grant, with any options not exercised within 6 years from the original grant, to lapse.

19. Share based payment continued

The weighted average fair value of each option granted during the year was £0.07 (2009: £0.06).

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

	2010	2009
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (£)	0.062	0.075
Weighted average exercise price (£)	0.05	0.05
Weighted average volatility	15%	31%
Expected dividend yield	1.8%	0%
Weighted risk free interest rate	0.5%	4.5%

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 2010 or 2009. A share based payment has been charged to the statement of comprehensive income (Group and Company) of £15,000 (2009: £14,534).

The weighted average contractual life of options is 5.0 years (2009: 5.7 years).

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
- Interest rate risk
- Foreign currency risk
- Credit risk
- Liquidity risk
- Debt 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 cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

Interest rate risk

The Group's external borrowings at the statement of financial position date comprise of a short term overdraft, invoice discounting facility 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, due to the low levels of debt.

Foreign currency risk

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

As the Group mitigates foreign currency risk by offsetting gains and losses on sales and cost of sales transactions, the impact on the financial statements of a 1% change in the exchange rates during the year would have been negligible (2009: negligible).

Credit risk

The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the statement of financial position date. However, the Group reduces its risk through appropriate use of credit insurance, when available, with a maximum insured balance per individual claim of £750,000, but extended to £2,000,000 for the Group's largest customer (2009: £750,000).

Notes to the financial statements continued

For the year ended 31 December 2010

20. Financial instruments – Risk exposure and management continued

Further information on the principal financial instruments used in the Group is detailed below:

The Group also maintains invoice discounting facilities which enable its receivables to be financed.

At the statement of financial position date £4,951,257 (2009: £1,562,746) of trade receivables was considered overdue.

Ageing of the trade receivables considered overdue is as follows:

	2010 £	2009 £
Days from date of invoice		
30 – 60	1,582,852	736,919
60 – 90	220,577	169,966
90 – 120	810,830	288,207
> 120	430,388	334,495
Individually impaired amounts	7,825	33,159
	3,052,472	1,562,746

Ageing of the trade receivables is as follows:

	2010 £	2009 £
Days from date of invoice		
0 – 30	10,106,981	7,634,390
30 – 60	2,378,302	1,142,098
60 – 90	312,028	169,966
90 – 120	810,830	288,207
> 120	438,213	367,654
	14,046,354	9,602,315

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.

Debt risk

Where customers are expected to exceed their credit insured limit, management look at the exposure on an individual basis giving consideration to the quality of, and the history of the relationship with, the customer together with the extent of any exposure. There is no significant concentration of credit risk on a single customer and the quality of debtors is viewed as high. The Group's total exposure to credit risk is trade receivables and cash totalling £15,306,999 (2009: £10,180,501). Cash is held in UK high street banks.

Regular management review is made to assess the recoverability of gross receivables and provision is made accordingly.

The movement in the Group provision for impairment of trade receivables is as follows:

	2010 £	2009 £
At beginning of year	33,159	24,307
Provided during the year	8,204	33,159
Receivables written off during the year as uncollectable	(33,538)	(24,307)
At end of year	7,825	33,159

The Group has a wide range of customers and seeks to constantly develop and broaden its relationships. Current active customer numbers exceed 300. The top 10 customers of the Group account for 37.0% of revenue in 2010 (2009: 39.8%).

20. Financial instruments – Risk exposure and management continued

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

	2010 £	2009 £
At end of year	4,607,530	3,663,390

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

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

Additional analysis of our year end trade receivables is:

	2010 £	2009 £
Commercial	12,903,040	7,974,963
Public sector bodies	1,143,314	1,627,352
	14,046,354	9,602,315

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

At the year end, the Company was owed £3,926,204 (2009: £1,930,619) by its subsidiaries. The Company has made a provision of £109,399 for impairment of this debt (2009: £nil).

During the course of the year, the Group has continued to develop its business in the Middle East and with it, its exposure to a market with less rigorous payment processes. The Directors ensure that these credit risk challenges are minimised by maintaining careful monitoring of these clients.

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.

Key elements of capital are categorised as follows:

	2010 £	2009 £
Share capital	93,223	91,056
Share premium account	1,519,911	1,427,410
Retained earnings	1,173,762	572,477
	2,786,896	2,090,943

To the extent financial assets and liabilities are not carried at fair value in the statements of financial position, book value approximates to fair value at 31 December 2010 and 2009.

Notes to the financial statements continued

For the year ended 31 December 2010

21. Financial assets and liabilities – Other disclosures

Maturity of financial liabilities

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

	At 31 December 2010 £	At 31 December 2009 £
In less than one year	12,025,778	8,842,767

Maturity of bank balances is shown below.

Finance facilities

The Group's principal bankers are Lloyds TSB, (formerly Bank of Scotland), through whom there is a main invoice discounting facility of £10,750,000, together with an overdraft facility of £100,000 and a bank loan. The outstanding balance on this loan at the year end was £33,578 (2009: £81,172).

The principal terms of the £10,750,000 main invoice discounting facility are that it is an umbrella Group facility with 90% availability against sales invoices. The Group is subject to covenants on this agreement, with which it has remained in compliance throughout 2010 and 2009.

All bank facilities, apart from the fixed interest rate agreement and the loans, were renewed shortly prior to the financial statements approval.

The bank loans are fixed term and are due to expire in 2011.

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 31 December 2010 for 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 2010 is £17,431,531 (2009: £12,487,815). Subject to the above, the invoice discounting facility takes first security over the trade receivables.

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

	At 31 December 2010 £	At 31 December 2009 £
Overdraft – expiry within one year	100,000	100,000
Invoice discounting – expiry within one year	4,449,634	6,306,806
	4,549,634	6,406,806

Invoice discounting is available with an overall limit of £10.75m (2009: £10.75m) but is further restricted by conditions including total value of sales invoices raised, 90% entitlement, and specific debt exclusion.

Interest rate risk

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

Invoice discounting liabilities are payable at 2.0% (2009: 1.75%) above base rate.

Overdraft facilities are payable at 2.0% (2009: 2.0%) above base rate.

If during the year base rates had been 0.5% higher, interest charges would have been £22k higher in 2010 (2009: £26k), with a corresponding decrease in net assets.

22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%.

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

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

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

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

Group	31 December	31 December
	2010	2009
	£	£
At start of year	12,176	59,335
Previously recognised deferred tax assets written off in the year	21,320	(16,773)
Charge for the year	(28,862)	(30,386)
At end of year	4,634	12,176
Deferred tax asset	25,710	31,360
Deferred tax liability	(21,076)	(19,184)
	4,634	12,176

The company had neither deferred tax assets or liabilities during the current or previous financial year.

23. Share capital

Group and Company

Authorised	At 31 December 2010		At 31 December 2009	
	Number	£	Number	£
Ordinary shares of 0.1p	145,000,000	145,000	145,000,000	145,000

Issued Ordinary shares of 0.1p each	At 31 December 2010		At 31 December 2009	
	Number	£	Number	£
At the beginning of the year	91,056,666	91,056	90,906,666	90,906
Issued during the year	200,000	200	–	–
Share options exercised	1,966,666	1,967	150,000	150
At the end of the year	93,223,332	93,223	91,056,666	91,056

Allotted, issued and fully paid	At 31 December 2010		At 31 December 2009	
	Number	£	Number	£
Ordinary shares of 0.1p	93,223,332	93,223	91,056,666	91,056

As at 31 December 2010, there were 450,000 ordinary shares reserved for issue under the TrustTech Limited acquisition.

24. Reserves

Reserves consist of the following:

Share capital

Share capital records the nominal value of shares in issue.

Share premium account

Amounts subscribed for share capital in excess of nominal value.

Merger reserve

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

Notes to the financial statements continued

For the year ended 31 December 2010

24. Reserves continued

Translation reserve

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

Shares to be issued

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

Retained earnings

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

25. Related party disclosures

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

Options over shares in the Company held or granted to the Directors serving at the year end were as follows:

	Grant date	Option price	Options at 31/12/10
R O'Callaghan	6 February 2007 and 16 December 2010	4.00p 6.50p	1,500,000 250,000
A Lord	30 April 2007	4.00p	500,000
I P Blair	30 April 2007	4.00p	500,000
J Butterfield	30 April 2007	4.00p	500,000
M J Bennett	30 April 2007	4.00p	500,000
P Dundon	29 September 2006 and 30 April 2007	4.00p 4.00p	375,000 500,000
S P Salvin	8 June 2007 and 13 August 2007 and 2 February 2010	4.00p 4.00p 8.50p	500,000 750,000 750,000
			6,625,000

The options granted in 2006 and 2007 above vested in two tranches, 50% on the first anniversary of flotation, exercisable over a period of 3 years and the balance on the second anniversary, also exercisable over a period of 3 years. R O'Callaghan was awarded a further 250,000 share options in December 2010 at an option price of 6.5 pence and SP Salvin was awarded a further 750,000 share options in February 2010 at an option price of 8.5 pence. Both of these awards vest in two tranches, 50% on the third anniversary of issue, exercisable over 10 years and the balance on the fifth anniversary, also exercisable over a period of 10 years.

There are no trading transactions between the parent and subsidiaries other than recharges of costs incurred. Amounts outstanding at 31 December 2010 and 2009 are disclosed within notes 15 and 16.

26. Acquisitions

TrustTech Limited

On 16 March 2010 the Company acquired the entire share capital of TrustTech Limited, a company engaged in Business Transformation and Technology Services.

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		
Trade receivables	40,083	40,083
Cash and cash equivalents	4,476	4,476
Liabilities		
Trade and other payables	(44,359)	(44,359)
Net Assets	200	200
Goodwill		32,435
Consideration		32,635

The consideration is made up of cash £10 and 450,000 shares valued at £32,625 at the date of acquisition, to be issued. The issue of the shares is dependent on achieving future sales.

26. Acquisitions continued

The goodwill is attributable to synergies expected to arise from the integration of the business with that of the Group and the customer contacts acquired.

Since the acquisition date, TrustTech Limited has contributed £356,087 to Group revenues and £20,141 to Group profits. If the acquisition had occurred on 1 January 2010, Group revenue would have been £56,471,000 and Group profit for the year would have been £642,000.

ReThink Middle East Area FZCO (formerly known as Proveya FZCO)

During the previous year the Company acquired 50% of the share capital of Proveya FZCO, renamed ReThink Middle East Area FZCO. The Company is a trading company based in Dubai purchased for a sum of up to £230,000, which will include up to £263,193 (2009: £253,193) of goodwill. The transaction was completed on 31 March 2009. In the current year a further £10,000 cost of acquisition has been incurred, which has been treated in line with IFRS 3 regulations that were in place at that date.

The remaining 50% was owned by ReThink Recruitment Solutions Limited, a wholly owned subsidiary of The ReThink Group plc. During the current financial year an additional 33% has been transferred from ReThink Recruitment Solutions Limited to The ReThink Group plc (note 14).

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		
Trade receivables	20,229	20,229
Liabilities		
Trade and other payables	–	–
Net Assets	20,229	20,229
Goodwill		263,193
Costs of acquisition – prior year		(43,422)
– current year		(10,000)
Consideration		230,000

The consideration is made up of cash £80,000 and deferred consideration of £150,000. Deferred consideration is dependent on achieving profitability targets.

The goodwill is attributable to synergies expected to arise from the integration of the business with that of the Group and the customer contacts acquired.

The post acquisition profit of the Company included in the consolidated statement of comprehensive income for 2009 was £59,068.

27. Ultimate controlling party

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

28. Post balance sheet events

The Group has announced the formation of ReThink Recruitment PTE Limited, a company incorporated in Singapore.

Following the acquisition of ReThink Middle East Area FZCO in the previous year, part of the year-end deferred consideration liability of £75,000 has subsequently been settled for £15,000. The Directors do not consider any impairment of goodwill to be required.

Company information

For the year ended 31 December 2010

Directors: J Sadiq
J Butterfield
I P Blair
J O'Sullivan
A Lord
M J Bennett
P Dundon
S Church (resigned 30 September 2010)
R O'Callaghan
S P Salvin
K Hirst
G Czasznicki (resigned 30 March 2011)

Secretary: P Dundon

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