The Rethink Group Limited

Report of the Directors and Financial Statements

Year ending 31 December 2019

Company Number 05078352

The Rethink Group Limited

Contents

	Page
Company information	1
Strategic report	2
Report of the Directors	8
Independent auditor's report to the members	10
Consolidated statement of comprehensive income	13
Consolidated statement of financial position	14
Company statement of financial position	15
Consolidated statement of changes in equity	16
Company statement of changes in equity	17
Consolidated Statement of cash flows	18
Company Statement of cash flows	19
Notes to the financial statements	20

The Rethink Group Limited

Company Information

DIRECTORS:	J O'Sullivan M Lee (appointed 23rd January 2019) R Botha (appointed on 1st October 2019) F Mohammed J Zafar L Cockburn (appointed 28th January 2020)
SECRETARY:	R Botha (appointed on 1st October 2019)
REGISTERED OFFICE:	95 Southwark Street London SE1 0HX
REGISTERED NUMBER:	05078352
AUDITOR:	BDO LLP 3 Hardman Street Manchester M3 3AT
BANKERS:	ABN AMRO 5th Floor Anchorage 2 Anchorage Quay Salford Manchester M50 3GP Bank of Scotland 40 Spring Gardens Manchester M2 1EN

The Rethink Group Limited

Strategic Report

This report sets out the Group and Company's aims and strategies whilst also highlighting those aspects of the Financial Statements that best reflect the Group's progress and performance during the year.

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. *The group has applied the new mandatory IFRS 16 – Leases in the current year.*

STRATEGY

Rethink's continued strategic objective is to build and evolve our international talent outsourcing and recruitment consultancy group. Our RTM business provides bespoke consultancy and outsourced talent acquisition solutions with a focus on media, creative, leisure and entertainment sectors, whilst the on-demand recruitment business, Digital Gurus, provides specialist digital and IT recruitment services to a wide range of leading technology clients.

The Board believes that attractive growth opportunities for the Group lie in the RTM business where we build deep strategic relationships with clients through outsourcing talent acquisition and future talent engagement strategy. As has been the trend for a number of years now, major enterprises continue to outsource non-core activities such as talent acquisition, and RTM is well placed to capitalise on such demand. Our Recruitment Process Outsourcing ('RPO') or contractor Managed Service Provider ('MSP') propositions are high quality, competitively positioned in the market, and create long term predictable income streams for the Group. Notably, the control of talent supply chains achieved with RPO and MSP solutions by RTM enables growth in Digital Gurus in the form of their supply chain partner status.

The Digital Gurus business continues to focus on and specialise in niche, technical hiring on a single or small multiple transaction basis. The focus of such transactional businesses is likely to continue to shift from major enterprises to the SME market and support their growth into the enterprise. In addition to creating profitable revenue streams in their own right, the Digital Gurus business engages businesses evolving from "SME to Enterprise" and as such can create opportunities for RTM. The virtuous circle of RTM feeding Digital Gurus and vice versa is a renewed focus for the Group in 2019 and beyond.

The purpose of this strategy is to build sustainable and recurring revenue streams. This level of high quality earnings should in turn support a premium valuation for our equity stakeholders and greater career opportunities for our employees.

FINANCIAL REVIEW

Consolidated Group:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Talent Mgmt.	**Recruit.**	**Total**	Talent Mgmt.	Recruit.	Total
Net Fee Income:	**£000's**	**£000's**	**£000's**	£000's	£000's	£000's
Contract	3,970	4,837	8,807	2,597	6,258	8,856
Permanent	6,059	5,228	11,170	6,209	5,435	11,644
Other	-	18	18	(1)	30	28
Total NFI	10,029	9,966	19,995	8,805	11,723	20,528
Administrative exp.	(8,159)	(9,447)	(17,606)	(7,948)	(9,075)	(17,023)
Contribution	1,870	519	2,389	857	2,648	3,505
Central admin exp.	-	-	(850)	-	-	(2,664)
EBITDA	-	-	1,539	-	-	841

Revenue increased by £14.1m to £119.4m (2018: 105.3m) but Gross margin reduced by £0.5m to £20.0m (2018: £20.5m).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') was £1.5m (2018: £0.8m). This increase in EBITDA is a result of a reduction in administrative expenses across the group, as well as the introduction of new IFRS 16.

The Rethink Group Limited

Strategic Report (continued)

RTM

The talent management division reported 14% year on year growth in net fee income in 2019 primarily as a result of increased MSP revenues. Growth has been primarily achieved through expanding incumbent customer relationships, and 14% represents an above par growth performance vs standard market expectation. Looking ahead, the RTM business is focused on improving new customer acquisition to complement similar levels of future organic growth.

Contribution from RTM increased to £1.9m in 2019 (2018: £0.9m). The primary driver of EBITDA improvement has been simplification and rationalisation of the leadership infrastructure, resetting performance expectations and replacing commission schemes with profit-related pay.

Digital Gurus

Net fee income across the recruitment division declined by 15% in 2019 to £10.0m (2018: £11.7m). Contribution from the division also declined to £0.5m (2018: £2.7m). 2019 has proven a challenging year for the Digital Gurus business. The challenges are largely perceived to be internal as opposed to the market, although it is clear that the transactional recruitment market is a highly competitive environment in which to operate. A programme of work has commenced during the year to address a number of pre-existing challenges to growth; addressing performance management, simplification of the product proposition, branding, and simplification of leadership infrastructure.

KEY PERFORMANCE INDICATORS

Key performance indicators for the Group are factors that measure effectively the performance of the business of the company.

KPIs relevant to the business are set out below.

	2019	2018	Commentary
Revenue	**£119.4m**	£105.3m	Revenue has increased by 13% compared to 2018, with the increase in talent management revenue partly offset by a decline in the recruitment revenues.
Gross Profit/ Net Fee Income (NFI)	**£20.0m**	£20.5m	Gross profit has remained at similar levels compared with prior year.
Gross Profit %	**16.8%**	19.5%	Gross profit % has reduced as a result of lower permanent fees during the financial year.
EBITDA Conversion	**7.7%**	4.1%	Earnings before interest, tax, depreciation, amortisation and non-recurring items as a percentage of gross profit has increased in the year.
Total headcount (number)	**244**	234	Net headcount has increased due to increased levels of sales staff
EBITDA	**£1.5m**	£0.8m	EBITDA has increased in the year as result of required first time adoption of IFRS 16 – Leases. Comparatives are not required to be restated.

The Rethink Group Limited

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Market and Economy
Market and economic conditions are considered to be the main risk to the business, where recruitment is significantly reduced as a result. The Group is addressing this by continue to develop and diversify its customer base to spread and minimise the risk and also targeting long term, retained relationships with customers through the talent management division.

The outbreak of COVID-19 is now a present risk creating significant market and economic uncertainty.

Attracting and retaining talent
High attrition rates or the loss of key talent could slow growth and reduce profitability.

The Group is reliant on its ability to recruit, train, develop & retain high performing employees to meet its growth strategy. High attrition or the inability to attract key internal talent can also lead to inefficient breath of experience and skills across the business.

Regulatory change
There are a number of industry relevant government consultations currently being undertaken, focusing particularly on how the contingent labour market is taxed and regulated. If more onerous regulation were to be introduced, it could result in increased costs of compliance and potentially a reduction in future contractor income. The Group already has strong controls in place to manage the additional compliance work and also continues to develop complementary products and services that could mitigate any loss of contractor income in the future.

Processes and system changes required to ensure effective management of IR35 changes have been identified and implemented.

Credit control
We continue to invest in managing our credit risk and credit control processes, specifically through credit insuring receivables wherever obtainable, and improving efficiency of the Group credit control function.

Cash requirements
The Group has a central Treasury function in place with regular business forecasting, reporting and review, in particular, liquidity requirements for the Group. These are reviewed by the Board to ensure that sufficient headroom exists within the overall facilities for at least the next 12 months, both in terms of covenants and facility availability.

Technology and information security
The Group uses various different technology systems that may have a limited useful life in an ever changing business environment. The Group has a stable IT infrastructure in place with an ongoing review and investment programme.

The risk of external cyber-attacks continues to increase, which, if successful could result in loss of sensitive data, business interruption and/or damage to the Group's reputation. An investment programme to enhance security of the Group's systems against cyber-attacks have been finalised with ongoing monitoring in place.

FINANCIAL INSTRUMENTS

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments.

- Market risk
- Interest rate
- Liquidity risk
- Credit risk
- Debt risk

Policies for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally at Group level, while others are managed locally following guidelines communicated from the Board. The policy for each risk is described in more detail below.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

Interest Rate Risk
The Group's primary bank debt facilities include a £15m receivable finance agreement ('RFA') with ABN AMRO. The facility attracts interest at a rate of 2.25% above base rate.

The Group's external borrowings at the statement of financial position date also comprise £2.09m (2018: £2.16m) of fixed rate loan notes issued to the Business Growth Fund ("BGF"), which mature in 2020 and 2021.

The Group does not seek to fix interest on its bank borrowings as the Board considers the exposure to interest rate risk acceptable due to the relatively short term on the debt facilities.

Credit Risk
The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the statement of financial position date. The Group reduces its risk through appropriate use of credit insurance and rigorous credit checks prior to invoicing new clients.

Liquidity Risk
Liquidity risk arises from the Group's management of working capital and finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk is managed centrally at Group level by the finance function. Budgets are set locally and centrally, and are agreed by the Board annually in advance, enabling the Group's cash flow requirements to be anticipated. If facilities need to be increased, approval by the Board is required.

Based on the Group's forecasts, the directors are comfortable that the business has sufficient headroom and availability in its facilities to meet all financial obligations as they fall due.

Debt Risk
Where customers are expected to exceed their credit insured limit, management look at the exposure on an individual basis giving consideration to the quality of, and the history of the relationship with, the customer together with the extent of any exposure. There is no significant concentration of credit risk on a single customer and the quality of trade receivables is viewed as high.

Board Structure & Future Developments
In July 2019 Mark Lee was appointed as Group Chief Executive and John O'Sullivan, an original founder of the Group, continued as Chairman of the Board. Rudolph Botha, an executive with strong senior finance and private equity experience joined the Group and Board as Chief Financial Officer in October 2019.

The Rethink Group Limited

Section 172

In line with Section 172(1) of the Companies Act 2006, the Directors recognise their responsibility to exercise their duty in a way which promotes the success of the company for the benefit of all its stakeholders. We have evaluated the key stakeholders and explain below how engagement with them has occurred during the year.

Stakeholder Group	Why we engage	How we engage
Employees	Our employees are key to the delivery of our recruitment and talent management services and therefore to the long-term success of the business. It is imperative to keep them actively engaged and motivated.	Regular staff communication and engagement occurs through email communication, team meetings, quarterly all colleague calls and a staff newsletter. All employees have annual performance reviews to encourage discussions between managers and teams and promote professional development.
Customers	The Directors recognise that securing new clients and maintaining long term client relationships with existing clients is vital to the success of the business.	Our sales teams have daily communication with customers to ensure we are meeting their requirements. Many of our bigger talent management clients have dedicated on site teams to facilitate this further.
Suppliers	The main suppliers to the business are contractors required by our customers. They are essential to our ability to deliver services to our customers to the standards expected by our customers.	Relationships with suppliers are developed through daily business activities and regular meetings. The business ensures that contractors are paid on time. We also ensure that contractors are aware of the company's policies and are required to carry out compliance.
Shareholders and Lenders	It is critical that our investors have confidence in the group, how it is operated and in its long-term strategic objectives. The long-term success is reliant on its good relationship with lenders and their continued support.	Lenders and investors are kept up to date with the group's financial performance with monthly MI and annual statutory reporting communications. Representatives of the major shareholder sits on the main Board.

There were no key events or decisions made by the Board during the year that have had any major impact on any of the stakeholder groups.

GROUP OUTLOOK

Following the outbreak of COVID-19 the world is now facing a period of significant uncertainty. We have seen an impact on trading performance of the Group in 2020 due to the market impact of the virus and our internal appraisal is that we have successfully navigated the first 6 months of the crisis from a fiscal perspective.

The business has quickly adapted, and with our staff working from home our business has been able to operate as normal as possible considering ongoing uncertainty and disruptions. We have taken various mitigating actions focused on costs and cash, and at this moment in time we feel reasonably placed to manage the disruptive challenges created. However, as none of us have ever navigated such circumstances and there is no certainty as to enable us to predict the full future extend of the COVID-19 impact, we remain vigilant and obsessively focused on business performance.

Given the mitigation plans executed over the last 6 months, our leadership team is as experienced as it can be in scenario planning, stress testing mitigation plans, and rapid, decisive decision making as required. Whilst we are not forecasting such, our scenario modelling shows the Group's ability to navigate and withstand further declines in revenue over the foreseeable future. We will continue to follow advice and guidance from government, to assess our customer and market landscape for opportunity, and evolve our plans as need arises.

We would like to thank our shareholders for their continued support and all of our staff for their hard work and contribution during this challenging time.

ON BEHALF OF THE BOARD:

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John O'Sullivan
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John O'Sullivan
Executive Chairman

Date: 28 September 2020 | 12:16 PM BST

The Rethink Group Limited

Report of the Directors

The directors present their report with the financial statements of the Group and Company for the year to 31 December 2019.

Review of business

The results for the year and financial position of the Group and Company are as shown in the attached financial statements, and a detailed review is set out in the Strategic Report.

Dividends

The directors have recommended no dividend for 2019 (2018 - no dividend).

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

J O'Sullivan
P Crystal (resigned 10 December 2019)
B Felton (resigned 1 October 2019)
R O'Callaghan (resigned 15 March 2019)
F Mohammed
G Paxton (resigned 23 January 2019)
J Vinson (resigned 28 January 2020)
J Zafar
R Botha (appointed 1 October 2019)
M Lee (appointed 23 January 2019)

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 19 to the financial statements.

Policy and practice on the payment of trade payables

It is the policy of the Group that each of the companies in the Group should agree appropriate terms and conditions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payment is then in accordance with those terms and conditions, provided that the supplier has also complied with them. At the year end creditor days were 34 days (2018 – 23 days).

Going concern

The Group's business activities together with the factors which may impact its activities are documented in the Strategic report. The financial statements and accompanying notes fully describe the Group's Financial performance, accounting policies and processes for managing financial risk including details of its financial assets and liabilities.

As at 31 December 2019 the Group had net assets of £803k (2018: £1,702k) and net current liabilities of £2,495k (2018: £1,103k). The risks associated with the Covid-19 pandemic have been a main focus due to the uncertainty of its potential impact on the economy. The Group have taken various mitigating actions in response to this as detailed in the Group outlook section of the strategic report.

Cashflow is being closely monitored with regular forecasting and planning. The group has an ID facility in place until July 2021 with revised covenants, so a breach is not considered likely. We expect this to be renewed in the normal course of business.

The Group and company have adequate resources to continue in operational existence for at least 12 months from the date of the financial statements and have therefore been prepared on a going concern basis.

Report of the Directors (continued)

Post balance sheet events

On 11 March 2020 the World Health Organisation declared the novel coronavirus (COVID-19) outbreak a global pandemic. COVID-19 is a non adjustment post balance sheet event. As at 31 December 2019 few cases had been confirmed and the virus was only just identified. COVID-19 is an emerging and rapidly evolving situation for which the financial impact cannot currently be reliably measured. The Group and Company have to date seen some impact on business financial performance and cash collection. The transition to home working has had no noticeable impact on productivity. The board of directors are managing the situation closely to ensure the business can manage through any impacts that it may face as a result of the pandemic.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

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Rudolph Botha
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Rudolph Botha
Chief Financial Officer

Date: 28 September 2020 | 12:10 PM BST

The Rethink Group Limited

Independent Auditor's Report To The Members Of The Rethink Group Limited
For The Year Ended 31 December 2019

Opinion

We have audited the financial statements of The Rethink Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

The Rethink Group Limited

Independent Auditor's Report To The Members Of The Rethink Group Limited
For The Year Ended 31 December 2019 (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether *due to fraud or error.*

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
Date
1 October 2020
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Rethink Group Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2019

£'000	Notes	Before separately identifiable items	Separately identifiable items (note 8)	Total 2019	Before separately identifiable items	Separately identifiable items (note 8)	Total 2018
Revenue		**119,380**	**-**	**119,380**	105,295	-	105,295
Cost of sales		**(99,385)**	**-**	**(99,385)**	(84,767)	-	(84,767)
Gross profit		**19,995**	**-**	**19,995**	20,528	-	20,528
Administrative expenses		**(19,774)**	**(484)**	**(20,258)**	(20,652)	(296)	(20,948)
Earnings before interest, tax, depreciation and amortisation		**1,539**	**(484)**	**1,055**	841	(296)	545
Depreciation		**(955)**	**-**	**(955)**	(312)	-	(312)
Amortisation and impairment		**(363)**	**-**	**(363)**	(653)	-	(653)
Loss from operations	5	**222**	**(484)**	**(263)**	(124)	(296)	(420)
Finance expense	4	**(730)**	**-**	**(730)**	(616)	-	(616)
Finance income	4	**79**	**-**	**79**	-	-	-
Loss before taxation		**(430)**	**(484)**	**(914)**	(740)	(296)	(1,036)
Tax income	7	**63**	**-**	**63**	47	-	47
Loss from continuing operations		**(367)**	**(484)**	**(851)**	(693)	(296)	(989)
Loss on discontinued operations, net of tax	10	-	-	-	(53)	-	(53)
Loss for the year		**(367)**	**(484)**	**(851)**	(746)	(296)	(1,042)
Other comprehensive (expense)/income							
Foreign currency exchange differences on translation of foreign operations		**(47)**	**-**	**(47)**	11	-	11
Total comprehensive loss for the year		**(414)**	**(484)**	**(899)**	(735)	(296)	(1,031)

All of the losses for the year are attributable to equity holders of the parent company.

The notes on pages 20 to 50 form part of these financial statements

The Rethink Group Limited

Consolidated Statement of Financial Position
For the Year Ended 31 December 2019

Company number 05078352 £'000	Notes	2019	2018
Assets			
Non-current assets			
Investment in Associate	14	**433**	333
Property, plant and equipment	11	**295**	557
Right of Use assets	13	**2,128**	-
Goodwill & Intangible assets	12	**5,240**	5,587
Total non-current assets		**8,096**	6,477
Current assets			
Trade and other receivables	15	**21,191**	21,929
Cash and cash equivalents	2	**4,657**	1,147
Total current assets		**25,848**	23,077
Total assets		**33,943**	29,554
Liabilities			
Current liabilities			
Trade and other payables	16	**(14,984)**	(12,926)
Loans and borrowings	17	**(13,310)**	(11,240)
Corporation tax liability	7	**(48)**	(14)
Total current liabilities		**(28,342)**	(24,180)
Net current liabilities		**(2,495)**	(1,103)
Non-current liabilities			
Loans and borrowings	17	**(2,583)**	(3,521)
Amounts due under leases and hire purchase contracts	17	**(2,178)**	(51)
Deferred tax liability	21	**(37)**	(100)
Total non-current liabilities		**(4,798)**	(3,672)
Net assets		**803**	1,702
Equity			
Share capital	22	**151**	152
Capital redemption reserve	23	**32**	31
Share premium account	23	**5,114**	5,114
Merger reserve	23	**218**	218
Translation reserve	23	**(409)**	(362)
Retained earnings	23	**(4,303)**	(3,451)
Total equity attributable to equity holders of the parent company		**803**	1,702

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2020 | 12:

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Rudolph Botha
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Rudolph Botha
Chief Financial Officer

The notes on pages 20 to 50 form part of these financial statements

The Rethink Group Limited

Company Statement of Financial Position
For the Year Ended 31 December 2019

Company number 05078352 £'000	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	11	**262**	470
Intangible assets	12	**44**	46
Right of use assets	13	**1,081**	-
Investments	14	**9,871**	9,771
Total non-current assets		**11,260**	10,287
Current assets			
Trade and other receivables	15	**18,837**	18,855
Cash and cash equivalents	2	**292**	139
Corporation tax asset	7	**-**	1
Total current assets		**19,129**	18,995
Total assets		**30,389**	29,282
Liabilities			
Current liabilities			
Trade and other payables	16	**(21,713)**	(21,579)
Loans and borrowings	17	**(654)**	(103)
Total current liabilities		**(22,367)**	(21,682)
Net current liabilities		**(3,237)**	(2,687)
Non-current liabilities			
Loans and borrowings	17	**(2,583)**	(3,230)
Amounts due under leases and hire purchase contracts	17	**(1,115)**	(51)
Total non-current liabilities		**(3,698)**	(3,281)
Net assets		**4,324**	4,319
Equity			
Share capital	22	**151**	152
Capital redemption reserve	23	**32**	31
Share premium account	23	**5,114**	5,114
Merger reserve	23	**218**	218
Retained earnings	23	**(1,191)**	(1,196)
Total equity attributable to equity holders of the Company		**4,324**	4,319

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company has not been prepared in accordance with section 408 of the Companies Act 2006. The parent company profit for the year is £6k (2018 loss: £585k).

The financial statements were approved by the Board of Directors and authorised for issue on 01 October 2020 | 12:4

DocuSigned by:
Rudolph Botha
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Rudolph Botha
Chief Financial Officer

The notes on pages 20 to 50 form part of these financial statements

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

Group £'000	Share Capital	Retained Earnings	Share Premium	Capital Redemption Reserve	Merger Reserve	Translation Reserve	Total
At 31 December 2017	**152**	**(2,409)**	**5,114**	**31**	**218**	**(373)**	**2,733**
Changes in equity for the year ended 31 December 2018							
Loss for the year	-	(1,042)	-	-	-	-	(1,042)
Other comprehensive income for the year	-	-	-	-	-	11	11
Total comprehensive loss for the year	-	(1,042)	-	-	-	11	(1,032)
Contributions by and distributions to owners							
Shares issued in the year		-		-	-	-	-
Shares reclassified as debt		-		-	-	-	-
Total contributions by and distributions to owners	-	(1,042)	-	-	-	11	(1,032)
At 31 December 2018	**152**	**(3,451)**	**5,114**	**31**	**218**	**(362)**	**1,702**
Changes in equity for the year ended 31 December 2019							
Loss for the year	-	(851)	-	-	-	-	(851)
Other comprehensive expense for the year	-	-	-	-	-	(47)	(47)
Total comprehensive loss for the year	-	(851)	-	-	-	(47)	(899)
Contributions by and distributions to owners							
Shares issued in the year		-		-	-	-	-
Purchase of own shares	(1)	(1)	-	1		-	(1)
Shares reclassified as debt		-		-	-	-	-
Total contributions by and distributions to owners	(1)	(852)	-	1	-	(47)	(900)
At 31 December 2019	**151**	**(4,303)**	**5,114**	**32**	**218**	**(409)**	**803**

The notes on pages 20 to 50 form part of these financial statements

The Rethink Group Limited

Company Statement of Changes in Equity
For the Year Ended 31 December 2019

Company number: 05078352

Company £'000	**Share Capital**	**Retained Earnings**	**Share Premium**	**Capital Redemption**	**Merger Reserve**	**Total**
At 31 December 2017	**152**	**(637)**	**5,114**	**31**	**218**	**4,878**
Changes in equity for the year ended 31 December 2018						
Loss for the year	-	(560)	-	-	-	(560)
Total comprehensive loss for the year	-	(560)	-	-	-	(560)
Contributions by and distributions to owners						
Shares issued in the year	-	-	-	-	-	-
Shares reclassified as debt	-	-	-	-	-	-
Total contributions by and distributions to owners	-	(560)	-	-	-	(560)
At 31 December 2018	**152**	**(1,196)**	**5,114**	**31**	**218**	**4,319**
Changes in equity for the year ended 31 December 2019						
Loss for the year	-	6	-	-	-	6
Total comprehensive loss for the year	-	6	-	-	-	6
Contributions by and distributions to owners						
Shares issued in the year	-	-	-	-	-	-
Purchase of own shares	(1)	(1)	-	1		(1)
Total contributions by and distributions to owners	(1)	5	-	1	-	5
At 31 December 2019	**151**	**(1,191)**	**5,114**	**32**	**218**	**4,324**

The notes on pages 20 to 50 form part of these financial statements

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

£'000	Notes	2019	2018
Cash flows from operating activities			
Loss before tax from continuing operations		**(914)**	(1,036)
Adjustments for:			
Depreciation charges	11	**343**	312
Depreciation on right of use assets	13	**611**	-
Amortisation and impairment	12	**363**	653
Disposal of property, plant and equipment	11	**-**	124
Finance expense	4	**730**	605
Net change in valuation of preferred A-ordinary shares	4	**(70)**	11
Non-cash consideration for disposal of subsidiary	10	**-**	(333)
Loss from discontinued operations (excl. dep'n)	10	**-**	(53)
		1,064	282
Reduction/(Increase) in trade and other receivables		**691**	(2,549)
Increase in trade and other payables		**2,057**	667
Cash generated/(absorbed) from operations		**3,812**	(1,600)
Finance costs paid	4	**(655)**	(605)
Corporation tax receipt		**34**	8
Net cash generated/(absorbed) from operating activities		**3,190**	(2,197)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(53)**	(341)
Purchase of intangible assets		**(46)**	(60)
Equity Investment in Associate		**(100)**	-
Payment of deferred consideration on acquisition of subsidiary undertaking		**-**	(389)
Net cash absorbed by investing activities		**(199)**	(790)
Cash flows from financing activities			
Net change in advances on invoice discounting facility		**1,729**	3,287
Repayment of finance leases		**(76)**	(36)
Repayment of operating leases	13	**(635)**	-
Repayment of term loan		**(500)**	(500)
Net cash generated by financing activities		**518**	2,752
Net change in cash and cash equivalents		**3,510**	(235)
Cash and cash equivalents at start of year		**1,147**	1,383
Cash and cash equivalents at end of year		**4,657**	1,147

Changes in liabilities arising from financial activities are all in relation to cashflows.

The notes on pages 20 to 50 form part of these financial statements

The Rethink Group Limited

Company Statement of Cash Flows
For the Year Ended 31 December 2019

£'000	Notes	2019	2018
Cash flows from operating activities			
Profit/(Loss) before tax		**6**	(499)
Adjustments for:			
Depreciation charges	11	**248**	250
Depreciation on right of use assets	13	**213**	-
Amortisation and impairment	12	**34**	37
Finance expense		**189**	256
Disposal of property, plant and equipment		**-**	69
Non-cash consideration for disposal of subsidiary		**-**	(333)
Loss on disposal of investment		**-**	470
(Loss)/Gain on revaluation of financial instruments		**(70)**	11
		621	261
Decrease/(Increase) in trade and other receivables		**18**	(1,485)
Increase in trade and other payables		**134**	2,054
Cash generated from operations		**772**	830
Finance costs paid		**(151)**	(256)
Corporation tax receipt		**1**	-
Net cash generated from operating activities		**621**	574
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(41)**	(234)
Purchase of intangible assets	12	**(33)**	(30)
Equity Investment in Associate		**(100)**	-
Payment of deferred consideration on acquisition of subsidiary undertaking		**-**	(389)
Net cash absorbed by investing activities		**(175)**	(653)
Cash flows from financing activities			
Repayment of finance leases		**(76)**	(36)
Repayment of operating leases	13	**(217)**	-
Net cash absorbed by financing activities		**(293)**	(36)
Net change in cash and cash equivalents		**153**	(115)
Cash and cash equivalents at start of year	2	**139**	254
Cash and cash equivalents at end of year	2	**292**	139

Changes in liabilities arising from financial activities are all in relation to cashflows.

The notes on pages 20 to 50 form part of these financial statements

1 Accounting policies

The Company and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom and Ireland.

The Rethink Group is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office changed during the year to 95 Southwark Street, London, SE1 0HX.

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

Basis of preparation

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed for the use in the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies have been applied consistently by the Group, with the exception of the adoption of IFRS 16, Leases and IFRIC 23, Uncertain tax positions, from 1 January 2019.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets

Adoption of new and revised standards

a) New standards, interpretations and amendments effective from 1 January 2019

New standards have been adopted in the annual financial statements for the year ended 31 December 2019 and which have given rise to changes in the Group's accounting policies are:

IFRS 16 Leases (IFRS 16);

IFRS16 introduces a single on-balance sheet lease accounting model for leases. The Group therefore, as a leasee has recognised right of use assets representing the right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group adopted IFRS 16 on 1 January 2019, using the modified retrospective approach. The Group has recognised new assets and liabilities for its operating leases of property. The nature of expenses related to leases has changed because the Group now recognises a depreciation charge for right of use assets and interest expense on lease liabilities. Previously, the Group policy was to recognise operating lease expenses on a straight line basis over the term of the lease. Due to adoption of IFRS 16, in 2019 depreciation and interest have increased by £643k and £44k respectively which is offset by a reduction in property costs of £635k. Adjusted EBITDA has increased by £635k and there is a reduction of profit before tax of £50k.

In applying IFRS 16 for the first time the Group has used the following practical expedients permitted by the standard when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- the exclusion of initial direct costs in measuring the right of use asset at the date of initial application;
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term;
- the exemption not to recognise right of use assets and liabilities for low value assets; and
- the use of hindsight when determining the lease term if the contract contains options to extend of terminate the lease.

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments. This has had no impact on the group.

b) New standards, interpretations and amendments not yet effective

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

• Future amendments to existing standards – IAS 12, IAS17, IFRS 2, IFRS 4, IFRIC 22 and IAS 40.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group, being:

Amendments to IFRS 9: Prepayment Features with Negative Compensation Annual Improvements to IFRSs (2015-2017 Cycle) Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 Business Combinations – Definition of a Business
Definition of Material - Amendments to IAS 1 and IAS 8

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions are therefore eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group; they are de-consolidated from the date when control ceases.

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

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses). Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Going Concern

The Group's business activities together with the factors which may impact its activities are documented in the Strategic report. The financial statements and accompanying notes fully describe the Group's Financial performance, accounting policies and processes for managing financial risk including details of its financial assets and liabilities.

As at 31 December 2019 the Group had net assets of £803k (2018: £1,702k) and net current liabilities of £2,495k (2018: £1,103k). The risks associated with the Covid-19 pandemic have been a main focus due to the uncertainty of its potential impact on the economy. The Group have taken various mitigating actions in response to this as detailed in the Group outlook section of the strategic report.

Cashflow is being closely monitored with regular forecasting and planning. The group has an ID facility in place until July 2021 with revised covenants, so a breach is not considered likely. We expect this to be renewed in the normal course of business.

The Group and company have adequate resources to continue in operational existence for at least 12 months from the date of the financial statements and have therefore been prepared on a going concern basis.

Revenue and revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue from the sales of services is recognised when the Group has satisfied its performance obligations to the buyer. This criterion are considered to be met when the services are delivered to the buyer.

Revenue from the provision of manpower resources included Direct Hire placements and Temporary Worker placements. Revenue arising from the placement of Direct Hire candidates is recognised at the time the candidate commences employment. Revenue arising from temporary placements is recognised over the period that temporary workers are provided. Where the Group is acting as a principal, revenue represents the amounts billed for the services of the temporary workers, including the remuneration costs and recoverable travel expenses of the temporary workers.

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

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

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

Intangible assets

Goodwill

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

Development costs

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

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

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

Development expenditure:	33% per annum

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

Software licences

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

Software licences: 10 – 33% per annum

Costs associated with maintaining computer software programs are recognised as an expense to the statement of comprehensive income when incurred.

Externally acquired intangibles are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Customer Relationships

The Group recognises an intangible in respect of customer relationships. The recoverable amount of customer relationships has been arrived at by preparing value in use calculations to calculate the present value of future cash flows based on the current trading profitability for the top customers. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and the useful economic life of the relationships. The carrying value is amortised over the expected economic life of the Customer Relationship as follows:

Customer relationships: 20% - 33% per annum

Brand Value

The Group recognises an intangible in respect of the acquired brands. The recoverable amount has been arrived at by preparing value in use calculations to calculate the present value of future cash flows based on the current trading profitability of the business units that trade under the respective brands. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and brand charge. It is amortised as follows:

Digital Gurus brand value: 20% per annum

Investments

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

Impairment of non-financial assets

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

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

Leased assets

This policy is applied to contracts ended into, on or after 1 January 2019. At the commencement date of the lease, the Group assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right to control or use an identified asset for a period of time in exchange for payment. To assess whether a contract includes the right to control the use of an asset, the Group uses the definition of a lease in IFRS 16.

The lease liability is initially measured on commencement at the present value of the lease payments that are not made at the lease commencement date. In calculating the present value of lease payments the Group uses the Group's incremental borrowing rate (IBR). After the lease commencement date the amount of lease liabilities is increased to reflect the interest accrued on the liability and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification to the lease contract.

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.

The Group has applied judgement to determine the lease term for some lease contracts in which the lease includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which may significantly affect the amount of lease liability and right of use assets recognised. The Group has applied the exemption for low value assets and short term lease. The Group recognises the lease payments associated with these leases as an expense in the Income Statement.

Right-of-use assets

This policy is applied to contracts ended into, on or after 1 January 2019. The Group recognises a right of use asset at the lease commencement date. The right of use asset is initially measured as the same as the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right of use asset is presented as a separate line in the Balance Sheet.

The right of use asset is subsequently depreciated using the straight line method over the shorter of its estimated useful life and the lease term. The shorter is usually the lease term.

The carrying value of right-of-use assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group has applied the exemption for low value assets and short term lease. The Group recognises the lease payments associated with these leases as an expense in the Income Statement.

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

IFRS 9 has impacted the way in which the Group accounts for certain financial assets and liabilities. The standard has introduced an expected credit loss model when assessing impairment of financial assets. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables.

The application of IFRS 9 and the expected credit loss impairment model has not had a material effect on the Group. No expected credit loss provision has been included following the assessment. The amount is due to the fact that the Group has credit insurance in place and the Group's customers are primarily major blue chip organisations and bad debts within this population are rare historically and no change to this position is expected.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9, the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). IFRS 9 has had no effect on the classification of financial instruments held by the Group.

Financial assets

The Group's financial assets comprise primarily cash, bank deposits and trade receivables that arise from its business operations. Financial assets are a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A provision for impairment is calculated using an expected credit loss impairment model.

Under this impairment model approach under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

Trade receivables

Trade receivables include all sales invoiced up to the statement of financial position date and sales relating to work completed in December, for which invoices are raised within the normal year end processing cut-off period following the statement of financial position date. Trade receivables do not carry any interest, are stated at fair value and are reduced by appropriate allowances for estimated irrecoverable amounts.

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

Accrued income

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

Financial liabilities and equity

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

Bank borrowings

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

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

Trade and other payables

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

Invoice discounting

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

Dividends

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

Taxation

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

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

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

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

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

Pension contributions

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

Provisions

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

Profit from operations

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

Separately identifiable items

Certain income and expenses are recognised as separately identifiable items when they are one off items that are unlikely to occur in the future.

Significant judgements and estimates

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

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate net present value. Details of the impairment review are set out in note 12.

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

The directors consider that other key accounting judgements and estimation applied to these financial statements are identification of separable intangible assets (see note 12), the amortisation period applied to these intangible assets, that the directors believe that the business is two cash generating units for the purpose of goodwill impairment testing (see note 12) and determining the lease term and incremental borrowing rate used for lease liabilities (see note 13).

The Rethink Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Notes to the cash flow statements

Cash and Cash Equivalents

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

£ 000's	2019	2018
Group		
Cash available on demand	**4,657**	**1,147**
Company		
Cash available on demand	**292**	**139**

3. Employees and Directors

Group	2019 £'000	2018 £'000
Wages and salaries	**12,664**	13,311
Social security contributions and similar taxes	**1,464**	1,486
Pension costs	**375**	400
	14,503	15,197
Company		
Wages and salaries	**1,253**	1,316
Social security contributions and similar taxes	**156**	142
Pension costs	**64**	69
	1,473	1,527

Group	2019 Number	2018 Number
Sales	**205**	191
Administrative	**31**	33
Directors	**8**	10
	244	234

Company	2019 Number	2018 Number
Sales	**-**	3
Administrative	**21**	25
Directors	**5**	6
	26	34

Key management personnel compensation

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

The Rethink Group Limited

Notes to the Financial Statements
For the Year Ended 31 December 2019

3. Employees and Directors (continued)

All Key Management Personnel	2019 £'000	2018 £'000
Wages and salaries	**1,475**	1,231
Social security contributions and similar taxes	**148**	134
Pension costs	**7**	16
	1,630	1,381
Company Directors only		
Wages and salaries	**1,009**	1,083
Social security contributions and similar taxes	**109**	134
Pension costs	**5**	16
	1,123	1,233

Highest paid director	2019 £'000	2018 £'000
Salary and bonuses	**398**	245

During 2019 there was one director in the Group's defined contribution pension scheme (2018: one). This scheme is administered by an independent pension provider and the assets of the scheme are held separately to those of the Group.

During 2019 no share options (2018: Nil) were exercised by the directors.

4. Finance income and expense

	2019 £'000	2018 £'000
Finance income:		
Net change in fair value of preferential A-ordinary shares (Note 18)	**70**	-
Foreign exchange (losses)/gains	**9**	-
	79	-

	2019 £'000	2018 £'000
Finance expense:		
Bank charges and interest	**13**	34
Lease Interest	**74**	-
Foreign exchange (losses)/gains	**70**	-
Net change in fair value of preferential A-ordinary shares (Note 18)	**-**	10
Loan note interest	**173**	234
Term loan interest	**21**	36
Invoice discounting charges and interest	**379**	302
	730	616

5. Loss from operations

This is stated after charging/(crediting)	2019 £'000	2018 £'000
Other operating leases – property*	**-**	**727**
Depreciation of right of use assets (note 13)*	**611**	**-**
Depreciation of property, plant and equipment (Note 11)	**343**	**312**
Amortisation of intangible assets (Note 12)	**363**	**653**
Auditor's remuneration – audit services – parent	**12**	**12**
– UK and Ireland subsidiaries	**39**	**34**
Auditor's remuneration – non-audit services	**7**	**26**
Foreign exchange gains/(losses)	**18**	**(21)**

*As a result of the new IFRS 16 charges for other operating leases is now accounted for as Depreciation and interest on right of use assets.

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

6. Segment information

Reportable Segments

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

The Group's two current reportable segments, being Recruitment and Talent Management, are sectors that offer different products and services. They are managed separately having a dedicated director, and separate reporting within the internal information provided to the management team.

Measurement of operating segment profit and assets

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

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

Recruitment is represented by the subsidiaries, Rethink Recruitment Solutions Limited, Digital Gurus Recruitment Limited, Digital Gurus MENA DMCC and Digital Gurus Australia PTY Limited. All subsidiaries are involved in both permanent and contract recruitment. Permanent recruitment involves the placing of candidates in permanent employment roles. Contract recruitment involves the placing of candidates in fixed term roles.

Talent Management is currently represented by Rethink Professional Services Limited, TM Management Solutions Limited, IT Consort Limited and parts of Rethink Recruitment Solutions Limited. The Talent Management division provides clients with managed service solutions for their permanent and contract recruitment needs as well as providing employee attraction, retention and development consultancy services.

2019 **£'000**	**Recruitment**	**Talent Management**	**Unallocated**	**Total**
Contract revenue	**36,147**	**70,070**	**-**	**106,217**
Permanent revenue	**5,850**	**7,294**	**-**	**13,145**
Other revenue	**18**	**-**	**-**	**18**
Total revenue from external customers	**42,016**	**77,364**	**-**	**119,380**
				-
Group's revenue per consolidated statement of comprehensive income	**42,016**	**77,364**	**-**	**119,380**
Gross profit	**9,966**	**10,029**	**-**	**19,995**
Administrative expenses	**(9,447)**	**(8,159)**	**-**	**(17,606)**
Contribution	**519**	**1,871**	**-**	**2,390**
Central administrative expenses	**-**	**-**	**(2,168)**	**(2,168)**
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	**519**	**1,870**	**(850)**	**1,539**
Amortisation, depreciation and impairment	-	-	**(1,318)**	**(1,318)**
Profit/(loss) from continuing operations before separately identifiable items	**519**	**1,870**	**(2,168)**	**221**
Finance costs	**-**	**-**	**(730)**	**(730)**
Finance income	**-**	**-**	**79**	**79**
Profit/(loss) from continuing operations before tax and separately identifiable items	**519**	**1,870**	**(2,820)**	**(431)**
Separately identifiable items	**-**	**-**	**(484)**	**(484)**
Profit/(loss) from continuing operations before tax	**519**	**1,870**	**(3,304)**	**(915)**
Tax expense	**-**	**-**	**63**	**63**
Profit/(loss) for the year	**519**	**1,870**	**(3,241)**	**(851)**
Statement of financial position				
Reportable segment assets	**19,016**	**14,927**		**33,943**
Reportable segment liabilities	**(14,061)**	**(19,079)**		**(33,141)**

6. Segment information (continued)

2018 **£'000**	**Recruitment**	**Talent Management**	**Unallocated**	**Total**
Contract revenue	47,269	44,928	-	92,197
Permanent revenue	5,478	7,592	-	13,070
Other revenue	29	(1)	-	28
Total revenue from external customers	52,776	52,519	-	105,295
Group's revenue per consolidated statement of comprehensive income	52,776	52,519	-	105,295
Gross profit	11,723	8,805	-	20,528
Administrative expenses	(9,075)	(7,948)	-	(17,023)
Contribution	2,648	857	-	3,505
Central administrative expenses	-	-	(3,629)	(3,629)
Earnings before interest, tax, depreciation, amortisation and separately identifiable items	2,648	857	(2,664)	841
Amortisation, depreciation and impairment	-	-	(965)	(965)
Profit/(loss) from continuing operations before separately identifiable items	2,648	857	(3,629)	(124)
Finance costs	-	-	(616)	(616)
Profit/(loss) from continuing operations before tax and separately identifiable items	2,648	857	(4,245)	(740)
Separately identifiable items	-	-	(296)	(296)
Profit/(loss) from continuing operations before tax	2,648	857	(4,542)	(1,036)
Tax expense	-	-	47	47
Profit on discontinued operations (net of tax)	-	-	(53)	(53)
Profit/(loss) for the year	2,648	857	(4,547)	(1,042)
Statement of financial position				
Reportable segment assets	33,999	-		33,999
Reportable segment liabilities	(44,259)	11,002		(33,257)

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

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

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

£'000	External revenue by location of customers		Non-current assets by location of assets	
Geographical information:	**2019**	2018	**2019**	2018
United Kingdom	**109,408**	97,910	**8,057**	6,410
Other	**9,972**	7,385	**38**	67
	119,380	105,295	**8,096**	6,477

The Rethink Group Limited

7. Taxation

£'000	**2019**	2018
Current tax expense		
UK corporation tax on profit for the year	-	-
Foreign tax for the year	-	44
	-	44
Deferred tax (note 22)		
Origination and reversal of timing differences	**(63)**	(22)
Adjustments in respect of prior years	-	(69)
Total tax income	**(63)**	(47)

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

£'000	**2019**	2018
Loss before taxation	**(914)**	(1,036)
Expected tax income based on the standard rate of corporation tax in the UK of 19.25% (2018: 19.25%)	**(174)**	(197)
Lower rates of tax on overseas earnings	-	(2)
Items disallowed for tax	**35**	30
Deferred tax – adjustments in respect of prior years	-	(69)
Movement on unrecognised deferred tax	**76**	191
Total tax income	**(63)**	(47)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. It was announced in the Budget on 11 March 2020 that the UK corporation tax rate would remain at 19% for the years starting 1 April 2020 and 2021.

Estimates and assumptions
This assessment relies on estimates and assumptions and may involve a series of judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The Group is subject to income tax in several jurisdictions and judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

8. Separately identifiable items

	2019 £'000	2018 £'000
Restructuring and reorganisation costs	418	286
Legal Settlement	66	6
Closure of subsidiary	-	4
	484	357

During the current and prior year the Group incurred certain one-off expenses which are unlikely to recur in the future. These include professional and legal fees associated with the disposal of Code Nation Limited and reorganisation costs.

9. Dividends

The directors have not recommended a dividend for 2019 (2018: Nil).

10. Discontinued operations

Trading operations through Code Nation Limited were disposed of during the prior year.

Code Nation Ltd had net assets of £63k at the date of disposal (23 November 2018), broken down

	2018 £'000
Cash consideration received	-
Other consideration received	333
Total consideration received	333
Net assets disposed (other than cash):	
Property Plant and Equipment	66
Intangibles	14
Trade and other receivables	48
Trade and other payables	(65)
	63
Gain on disposal of discontinued operation	270

The post-tax loss on disposal of discontinued operations (included in the statement of comprehensive income) was determined as follows:

	2018 £'000
Revenue	73
Cost of sales	(1)
Expenses other than finance costs	(347)
Gain on disposal of discontinued operation	270
Legal fees	(29)
Loss on discontinued operations (attributable to the owners of the company)	(33)

The remaining £20k in the discontinued operations (included in the statement of comprehensive income) is in relation to exchange differences that have arisen on the closure of the Berkley Recruitment (Asia) in 2017.

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

11. Property, Plant and Equipment

Group	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	132	999	133	1,264
Additions	-	35	19	53
Disposals	-	-	(1)	(1)
At 31 December 2019	**132**	**1,034**	**151**	**1,316**
Depreciation				
At 1 January 2019	(74)	(524)	(109)	(707)
Charge for year	(27)	(292)	-	(320)
Disposals	-	-	5	5
At 31 December 2019	**(102)**	**(816)**	**(104)**	**(1,022)**
Net book value				
At 31 December 2019	**30**	**217**	**46**	**295**
At 31 December 2018	58	475	24	557

Group	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	126	815	248	1,189
Additions	6	241	94	341
Disposals	-	(57)	(209)	(266)
At 31 December 2018	**132**	**999**	**133**	**1,264**
Depreciation				
At 1 January 2018	(36)	(319)	(212)	(567)
Charge for year	(38)	(219)	(55)	(312)
Disposals	-	14	158	172
At 31 December 2018	**(74)**	**(524)**	**(109)**	**(707)**
Net book value				
At 31 December 2018	**58**	**475**	**24**	**557**
At 31 December 2017	90	496	36	622

The net book value of tangible fixed assets for the Group includes an amount of £186k (2018: £313k) in respect of assets held under finance leases and hire purchase contracts. All these assets are classified as improvements to property and fixtures and fittings.

11. Property, Plant and Equipment (continued)

Company	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	130	929	189	1,248
Additions	-	29	12	41
Disposals	-	-	(1)	(1)
At 31 December 2019	**130**	**958**	**200**	**1,289**
Depreciation				
At 1 January 2019	(61)	(620)	(97)	(778)
Charge for year	(38)	(161)	(49)	(248)
Disposals	-	-	-	-
At 31 December 2019	**(99)**	**(781)**	**(146)**	**(1,027)**
Net book value				
At 31 December 2019	**31**	**176**	**54**	**262**
At 31 December 2018	69	309	92	470

The net book value of tangible fixed assets for the Company includes an amount of £186k (2018: £313k) in respect of assets held under finance leases and hire purchase contracts.

Company	Improvements to property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	124	795	155	1,074
Additions	6	144	85	235
Disposals	-	(10)	(51)	(61)
At 31 December 2018	**130**	**929**	**189**	**1,248**
Depreciation				
At 1 January 2018	(23)	(457)	(65)	(545)
Charge for year	(38)	(164)	(48)	(250)
Disposals	-	1	16	17
At 31 December 2018	**(61)**	**(620)**	**(97)**	**(778)**
Net book value				
At 31 December 2018	**69**	**309**	**91**	**470**
At 31 December 2017	101	338	90	**529**

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

12. Intangible Assets

Group	Goodwill £'000	Brand Value £'000	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost						
At 1 January 2019	5,433	756	1,672	271	78	8,210
Additions	-	-	-	46	-	46
Disposals	-	-	-	-	-	-
At 31 December 2019	**5,433**	**756**	**1,672**	**317**	**78**	**8,256**
Amortisation						
At 1 January 2019	(484)	(440)	(1,460)	(156)	(82)	(2,622)
Charge for year	-	(139)	(207)	(52)	5	(393)
Disposals	-	-	-	-	-	-
At 31 December 2019	**(484)**	**(579)**	**(1,667)**	**(208)**	**(77)**	**(3,016)**
Net book value						
At 31 December 2019	**4,949**	**177**	**5**	**108**	**1**	**5,240**
At 31 December 2018	4,949	316	212	115	(4)	5,587

Customer relationships have been recognised as part of the acquisition of the Consort Group and are being amortised over five years.

Customer relationships have been recognised as part of the acquisition of Recruitment Gurus and being amortised over a period of 3-5 years.

The Digital Gurus brand value has been recognised as part of the acquisition of Recruitment Gurus and is being amortised over 5 years.

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

Group	Goodwill £'000	Brand Value £'000	Customer Relationships £'000	Development costs £'000	Software licences £'000	Total £'000
Cost						
At 1 January 2018	5,433	756	1,672	285	77	8,223
Additions	-	-	-	59	1	60
Disposals	-	-	-	(73)	-	(73)
At 31 December 2018	**5,433**	**756**	**1,672**	**271**	**78**	**8,210**
Amortisation						
At 1 January 2018	(484)	(277)	(1,010)	(175)	(67)	(2,013)
Charge for year	-	(163)	(450)	(30)	(15)	(658)
Disposals	-	-	-	48	-	48
At 31 December 2018	**(484)**	**(440)**	**(1,460)**	**(157)**	**(82)**	**(2,623)**
Net book value						
At 31 December 2018	**4,949**	**316**	**212**	**114**	**(4)**	**5,587**
At 31 December 2017	4,949	479	662	110	10	6,210

The Rethink Group Limited

12. Intangible Assets (continued)

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

	Goodwill carrying amount	
	At 31 December 2018	At 31 December 2017
	£'000	£'000
Rethink Recruitment Solutions Limited/Recruitment Gurus Limited	**3,432**	3,432
Consort Group Limited/Rethink Talent Management	**1,517**	1,517
	4,949	4,949

Goodwill has been allocated to internal CGUs which have been deemed to be the applicable legal entities acquired. Goodwill has been tested for impairment at 31 December 2019 by reference to the recoverable amount of the CGU.

The recoverable amount of each CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a one year period to 31 December 2019 and then extrapolated to 2021 and in perpetuity (with zero growth rate) thereafter.

Key assumptions included in the extrapolated projections are a discount rate of 13% (2018: 13%) and a growth rate of 2% (2018: 5%)

The value in use calculations use a pre-tax discount rate which has been derived from a post tax discount rate of 13% based on the Group's weighted average cost of capital. The growth rate and inflation have been based on independent economic data and reflect management's assessment of specific risks related to the CGUs, specifically in the geographic regions and market sectors of the acquisitions made in the current year.

Sensitivity to changes in assumptions

The actual total recoverable amounts for the appropriate CGUs exceed their carrying values by £7.4m (2018: £6.6m), with positive cash flows projected in all years.

The Group has seen an impact on trading performance as a result of the Covid-19 pandemic, however based on post year end performance it is still expected that the recoverable amount will exceed the carrying value for all cash generating units.

Company	**Development costs £'000**
Cost	
At 1 January 2019	194
Additions – internally developed	33
Disposals	-
At 31 December 2019	**227**
Amortisation	
At 1 January 2019	148
Charge for year	35
	-
At 31 December 2019	**183**
Net book value	
At 31 December 2019	**44**
At 31 December 2018	46

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

12. Intangible Assets (continued)

Company	**Development costs £'000**
Cost	
At 1 January 2018	237
Additions – internally developed	30
Disposals	(73)
At 31 December 2018	**194**
Amortisation	
At 1 January 2018	160
Charge for year	37
Disposals	(48)
At 31 December 2018	**149**
Net book value	
At 31 December 2018	**45**
At 31 December 2017	77

13. Leases

Group

Right of Use Assets	**Office Buildings**
At 1 January 2019	2,739
Depreciation	(611)
At 31 December 2019	2,128

Lease liabilities	
At 1 January 2019	2,771
Repayment of lease liabilities	(635)
Interest expense relating to lease liabilities	74
At 31 December 2019	2,210

Company

Right of Use Assets	**Office Buildings**
At 1 January 2019	1,294
Depreciation	(213)
At 31 December 2019	1,081

Lease liabilities	
At 1 January 2019	1,294
Repayment of lease liabilities	(217)
Interest expense relating to lease liabilities	38
At 31 December 2019	1,115

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

14. Investments

Group	Associated companies £'000	Total £'000
Cost		
At 1 January 2019	333	333
Additions	100	100
At 31 December 2019	**433**	**433**
Impairment		
At 1 January 2019	-	-
Impairment charge for the year	-	-
At 31 December 2019	-	-
Net Book Value		
At 31 December 2019	**433**	**433**
Cost		
At 1 January 2018	-	-
Additions	333	333
At 31 December 2018	**333**	**333**
Impairment		
At 1 January 2018	-	-
Impairment charge for the year	-	-
At 31 December 2018	-	-
Net Book Value		
At 31 December 2018	**333**	**333**

14. Investments (continued)

Company	Subsidiaries	Associated companies	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	9,708	333	10,041
Additions	-	100	100
At 31 December 2019	**9,708**	**433**	**10,141**
Impairment			
At 1 January 2019	(270)	-	(270)
At 31 December 2019	(270)	-	(270)
Net Book Value			
At 31 December 2019	**9,438**	**433**	**9,871**

Company	Subsidiaries	Other investments	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	9,708	-	9,708
Additions	-	333	333
At 31 December 2018	9,708	333	10,041
Impairment			
At 1 January 2018	(270)	-	(270)
At 31 December 2018	(270)	-	(270)
Net Book Value			
At 31 December 2018	**9,438**	**333**	**9,771**

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

14. Investments (continued)

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

Name of Subsidiary	Registered office address	Nature of business	Country of incorp.	Ownership of ordinary share
Rethink Professional Services Limited	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
Rethink Recruitment Solutions Limited	19 Spring Gardens, Manchester, M2 1FB	Recruitment Services	England	100%
Otravida Search Limited	19 Spring Gardens, Manchester, M2 1FB	Dormant	England	100%
Rethink Acquisitions Limited	19 Spring Gardens, Manchester, M2 1FB	Holding Company	England	100%
TM Management Solutions Limited	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
IT Consort Limited	19 Spring Gardens, Manchester, M2 1FB	Talent Management	England	100%
Recruitment Gurus Limited	95 Southwark Street, London SE1 0HX	Holding Company	England	100%
Digital Gurus Recruitment Limited	95 Southwark Street, London SE1 0HX	Recruitment Services	England	100%
Digital Gurus Dubai MENA DMCC*	Fortune Tower, C Cluster, JLT-AL Thanyah Fifth	Recruitment Services	UAE	100%
Digital Gurus Australia PTY Limited	Level 2, Suite 205, 35 Buckingham Street, Surry Hills NSW 2010	Recruitment Services	Australia	100%

* The shareholding in this company is indirect via a subsidiary undertaking.

Name of Associated Company	Registered office address	Nature of business	Country of incorp.	Ownership of ordinary
i4Thrive Limited	The Vault, 8 Boughton, Chester, United Kingdom, CH3 5AG	Holding Company	England	13%
Join Talent Solutions Limited	101 Rose Street South Lane, Edinburgh, Lothian, Scotland, EH2 3JG	Recruitment Services	England	20%

15. Trade and other receivables

amounts due in less than 1 year

	Group 2019 £'000	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
Trade receivables	**18,626**	19,869	**-**	-
Amounts owed by Group undertakings	**-**	-	**18,670**	18,473
Other receivables	**138**	136	**2**	70
Social Security and other taxes	**47**	196	**47**	191
Prepayments and accrued income	**2,381**	1,728	**119**	121
	21,192	21,929	**18,838**	18,855

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 £18,405k (2018: £19,408k) subject to invoice discounting.

Trade receivables subject to invoice discounting are recognised as the Group retains the significant risks and benefits. Payments received from invoice discounting providers are shown as advances on invoice discounting facility (note 20).

Amounts owed by group undertakings are due on demand and interest free.

16. Trade and other payables

Current:	**Group 2019 £'000**	Group 2018 £'000	**Company 2019 £'000**	Company 2018 £'000
Trade payables	**9,143**	5,366	**275**	316
Amounts owed to Group undertakings	**-**	-	**21,133**	20,860
Social security and other taxes	**1,687**	3,105	**57**	45
Other payables	**205**	233	**62**	68
Accruals	**3,949**	4,222	**187**	290
	14,984	12,926	**21,713**	21,579

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

Amounts owed to group undertakings are due on demand and interest free.

The Rethink Group Limited

Notes to the financial statements
For the Year Ended 31 December 2019

17. Financial Liabilities - Loans and Borrowings

	Group	Group	**Company**	Company
	2019	2018	**2019**	2018
Current:	**£'000**	£'000	**£'000**	£'000
Advances on invoice discounting facility	**12,365**	10,636	**-**	-
Loan notes	**625**	-	**625**	-
Bank Term Loan	**292**	500	**-**	-
Finance lease	**29**	103	**29**	103
	13,310	11,240	**654**	103

	Group	Group	**Company**	Company
	2019	2018	**2019**	2018
Non-Current:	**£'000**	£'000	**£'000**	£'000
Bank term loan	**-**	291	**-**	-
Loan notes	**1,465**	2,160	**1,465**	2,160
Preferred A-ordinary shares	**1,070**	1,070	**1,070**	1,070
Finance lease	**49**	51	**49**	51
	2,583	3,572	**2,583**	3,281

Preferred A-ordinary shares
During 2015 the company undertook a share reclassification exercise. This resulted in a new class of A-ordinary share which is entitled to receive future preferential dividends (see note 23). The company issued a further 53,428,000 A-ordinary shares in 2017.

The company is required to split the fair value of these A-ordinary shares into debt, being the present value of the future dividends, and equity, being any remaining fair value. At 31 December 2018 the present value of the debt element of the A-ordinary shares was deemed to be £1,070,000. The fair value was determined by reviewing future financial forecasts of the company, determining the expected future dividend levels in perpetuity and then discounting to present value using the company's weighted average cost of capital (13%). The movement in fair value of £70,000 (2018: £10,000 debit) was taken as a credit through the Statement of Comprehensive Income.

Leases

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

	2019	2018
Financial Leases	**£'000**	£'000
Not later than one year	**29**	104
Later than one year and not later than five years	**49**	80
	78	184

The difference between the total minimum amount of future finance lease payments and total liability are future interest payments. An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 19.

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

18. Share-based payment

The Group operates a share option scheme for employees, being an Enterprise Management Incentive scheme (EMI). The EMI options are subject to the employee being employed at the vesting qualification point. Share options were also issued outside of the EMI.

The total options vest as set out below:

	31 December 2019		31 December 2018	
	Weighted average exercise price £	Number	Weighted average exercise price £	Number
Outstanding at beginning of year	0.064	3,210,000	0.062	3,397,500
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	(0.060)	(837,500)	0.042	(187,500)
Outstanding at end of year	0.063	2,372,500	0.064	3,210,000

Of the total number of options outstanding at the end of the year 2,372,500 (2018: 3,210,000) had vested and were exercisable at the end of the year.

The exercise price of options outstanding at the end of the year ranged 6.12 pence and 6.5 pence (2018: ranged between 6.12 pence and 6.5 pence).

Options granted during 2009 vest as follows:

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

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

Options granted during 2010 vest as follows:

For 7,370,000 options granted during 2010:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.
50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.
At the year end 2,652,500 options were still outstanding.

Options granted during 2011 vest as follows:

For 7,375,000 options granted during 2011:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.
50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.
At the year end 2,495,000 options were still outstanding.

For 4,809,000 options granted during 2011:

100% of options 36 months after grant, with any options not exercised within 10 years, to lapse.
At the year end 4,809,000 options were still outstanding.

18. Share-based payment (continued)

Options granted during 2012 vest as follows:

For 4,552,864 options granted during 2012:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.
50% of options 48 months after grant; with any options not exercised within 10 years from the original grant, to lapse.
At the year end 1,790,441 options were still outstanding.

Options granted during 2013 vest as follows:

For 2,182,423 options granted during 2013:

50% of options 36 months after grant, with any options not exercised within 10 years, to lapse.
50% of options 60 months after grant, with any options not exercised within 10 years from the original grant, to lapse.

For 300,000 options granted during 2013:

100% of options 36 months after grant, with any options not exercised within 10 years, to lapse subject to performance criteria.

For 3,250,000 options granted during 2013:

33% of options 12 months after grant, with any options not exercised within 10 years, to lapse.
33% of options 24 months after grant, with any options not exercised within 10 years, to lapse.
33% of options 36 months after grant, with any options not exercised within 10 years, to lapse.

During the 2013 any options outstanding considered to be underwater, priced at more than 6.75 pence were modified and re-priced at 6.12 pence
There were no options granted or modified during the year or prior year.
The Group did not enter into any share-based payment transactions with parties other than employees during 2017, 2016 or 2015.

No share-based payment has been debited to the statement of comprehensive income (Group and Company) £Nil (2016: £Nil). The weighted average contractual life of options is 4.3 years (2016: 5.3 years).

19. Financial Instruments - risk exposure and management

All financial assets are held as loans and receivables. The preferred ordinary shares are held at fair value. The remaining financial liabilities are held at amortised cost.

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments.

- Market risk
- Foreign currency risk
- Credit risk
- Liquidity risk
- Interest rate risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the Board. The policy for each risk is described in more detail below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate (interest rate risk).

19. Financial Instruments - risk exposure and management (continued)

Foreign currency risk

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

As the Group mitigates foreign currency risk by offsetting gains and losses on sales and cost of sales *transactions, the impact on the financial statements of a 1% change in the exchange rates during the year* would have been negligible (2018: negligible).

Credit risk

The Group is mainly exposed to credit risk from invoiced sales where cash is not received at the statement of financial position date. However, the Group reduces its risk through appropriate use of credit insurance, when available, with a maximum insured balance per individual claim of the applied credit limit. The credit limit is £6m for the Group's largest customer (2018: £4m).

The Group also maintains invoice discounting facilities which enable its receivables to be financed. At the statement of financial position date £2,085k (2018: £2,893k) of trade receivables was considered overdue and not impaired. Aging of the trade receivables considered overdue is as follows:.

Days from date of invoice	**2019** **£'000**	2018 £'000
16–30	**49**	41
30–60	**786**	1,632
60–90	**847**	316
90–120	**289**	602
>120	**114**	301
	2,085	2,893

Of the trade receivables considered overdue £1,706k (2018: £2,575k) is subject to credit insurance.

Regular management review is made to assess the recoverability of gross receivables and provision is made accordingly. No provision has been made against trade receivables in the current and prior year.

The Group has a wide range of customers and seeks to constantly develop and broaden its relationships. Current active customer numbers exceed 640. The top 10 customers of the Group account for 61% of revenue in 2019 (2018: 48%).

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

	2019 **£'000**	2018 £'000
Balance at 31 December	**11,515**	9,511

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

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

19. Financial Instruments - risk exposure and management (continued)

Additional analysis of our year end trade receivables is:

	2019	2018
	£'000	£'000
Commercial	17,743	18,564
Public sector bodies	883	1,305
	18,626	19,869

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

The Group's total exposure to debt risk is trade debtors of £18,696k (2018: £19,869k).

At the year end, the Company was owed £18,670k (2018: £18,473k) by its subsidiaries. The Company has made no provision for impairment of this debt (2018: £nil).

Liquidity risk

Liquidity risk arises from the Group's management of working capital and finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity risk is managed centrally by the finance function. Budgets are set locally and centrally, and are agreed by the Board annually in advance, enabling the Group's cash flow requirements to be anticipated. Where facilities of Group entities need to be increased, approval of the Chief Financial Officer must be sought. When the amount of the facility is above a certain level the agreement of the Board is needed.

Interest rate risk

The Group's external borrowings at the statement of financial position date comprise a short-term bank loan, an invoice discounting facility and £2.16m of Loan Notes issued to the Business Growth Fund, which matures in 2020 and 2021. The Group does not seek to fix interest on its bank borrowings, as the Board considers the exposure to interest rate risk acceptable, due to the low levels of debt.

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

Invoice discounting liabilities incur interest at 1.5% (2018: 1.5%) above LIBOR.

The term loan liability incurs interest on the balance outstanding at 2.75% (2018: 2.75%) above LIBOR.

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

There was no overdraft facility during 2019 or 2018.

If during the year base rates had been 0.5% higher, interest charges would have been £95k higher (2018: £75k), with a corresponding decrease in net assets.

Capital Disclosures

The Group's objectives when maintaining capital are:

• to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

• to provide an adequate return to shareholders commensurate with the level of risk.

19. Financial Instruments - risk exposure and management (continued)

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Total capital is categorised as follows:

	2019	2018
	£'000	£'000
Share capital	**151**	152
Capital redemption reserve	**32**	31
Share premium account	**5,114**	5,114
Merger reserve	**218**	218
Translation reserve	**(409)**	(362)
Retained earnings	**(4,303)**	(3,451)
	803	1,702

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 2019 and 2018.

20. 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 2019 £'000	At 31 December 2018 £'000
In less than one year	**28,022**	**23,576**

The maturity of trade and other payables is as follows:	**At 31 December 2019 £'000**	At 31 December 2018 £'000
Days from date of invoice		
0–30	**5,455**	4,981
30–60	**2,640**	183
60–90	**777**	1
90–120	**27**	6
>120	**245**	193
	9,144	5,366

Finance facilities

The Group's principal bankers during the year were ABN AMRO, through whom there is an invoice discounting facility of £20m (2018: £20m) and a £1.5m 3 year term loan with a residual value at the year end of £292k. The principal terms of the invoice discounting facility are that it is an umbrella Group facility with 90% availability against sales invoices. Interest is charged at 1.5% on the new invoice discounting facility and 2.75% on the term loan.

20. Financial assets and liabilities – other disclosures (continued)

In addition, the Group issued a £1.4m convertible loan note to the Business Growth Fund ('BGF') in December 2016. In July 2017, BGF converted 37% of the principal and interest of the loan note into 53,428,000 new A-ordinary shares in the Company, with the remaining loan note of £0.91m reverting to a standard, non-convertible loan note maturing in December 2021, with an annual interest rate of 10%.

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 31 December 2018. All bank borrowings are secured by fixed and floating charges in favour of the Group's bankers. All bank borrowings are on a floating rate fixed above base rate. The carrying value of assets pledged as security at 31 December 2019 is £34.0m (2018: £30.0m).

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 2019 £'000	At 31 December 2018 £'000
Invoice discounting – expiry within one year	**7,634**	9,364

Invoice discounting is available within the overall limits as set out above but is further restricted by conditions including total value of sales invoices raised, percentage entitlement and specific debt exclusion.

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 17%).

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

There is an unrecognised deferred tax asset of £397k (2018: £169k) in relation to tax losses which are not expected to be utilised in the foreseeable future.

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

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

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

Group	**31 December 2019 £'000**	31 December 2018 £'000
At start of year	**(100)**	(191)
Deferred tax credit for the year	**63**	91
Disposal of deferred tax balance with discontinued operation	**-**	-
At end of year	**(36)**	(100)
Deferred tax asset	**-**	-
Deferred tax liability	**(36)**	(100)
	(36)	(100)

The deferred tax asset relates to fixed asset timing differences.

The deferred tax liability relates to deferred tax arising on the business combination and fixed asset timing differences.

The Company has a deferred tax liability of £nil (2018 tax liability: £nil).

The Rethink Group Limited

22. Share Capital

Issued ordinary shares of 0.1p each (number)	Ordinary Shares	A-Ordinary Shares	B-Ordinary Shares	C-Ordinary Shares	Total
At 1 January 2018	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147
Issued during the year	-	-	-	-	-
Shares re-classified as debt	-	-	-	-	-
At 31 December 2018	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147
At 1 January 2019	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147
Issued during the year	-	-	-	-	-
Shares re-classified as debt	-	-	-	-	-
At 31 December 2019	37,399,859	26,094,667	7,410,000	80,725,621	151,630,147

Allotted, issued and fully paid (0.1p per share)	Ordinary Shares	A-Ordinary Shares	B-Ordinary Shares	C-Ordinary Shares	Re-classed as Debt	Total
At 31 December 2018:						
No. of shares	37,399,859	78,428,000	7,410,000	80,725,621	(52,333,333)	151,630,147
Nominal val. (£'000)	38	78	7	81	(52)	152
At 31 December 2019:						
No. of shares	37,399,859	25,000,000	7,410,000	80,725,621	(52,333,333)	98,202,147
Nominal val. (£'000)	38	78	7	81	(52)	152

A-Ordinary Shares

These shares hold certain additional rights over and above those of the ordinary shares in the company. Firstly, the holders of A-ordinary shares as a class shall be entitled to receive, in priority to the holders of all other equity shares, in respect of each financial year from and including the financial year commencing or current on 31 December 2020, a cumulative preferential net cash dividend equal to the higher of 10% of the paid up A-ordinary share capital or 8.5% of the net profits of the company in the financial year. Secondly, on a return of capital of the company or on an exit, the surplus assets and retained profits available for distribution will first be allocated to the A-ordinary shareholders up to the value of the paid up A-ordinary share capital and any arrears on long term dividends, before the remaining proceeds are then allocated to other shareholders. Finally, if an "Enhanced Voting Event" is triggered, as defined under the Articles, the holders of A-Ordinary shares may serve notice on the company requiring that the A-ordinary share rights shall be increased to 51% of the voting rights attached to all shares in the capital of the company.

22. Share Capital (continued)

B-Ordinary Shares

These shares hold no voting rights, are not entitled to receive dividends and only benefit from a return of capital or an exit to the extent that i) there is a deemed change of control, i.e. over 50% of the voting shares in the company have been transferred and, ii) the net proceeds from the return of capital exceed £12,500,000. These shares are issued to senior employees within the Group and are non-transferable. They are also repurchased at par (0.1p) in the event that the employee leaves the Group.

C-Ordinary Shares

These shares are held by certain current and former senior executives of the Group. These shares hold the same rights to dividends and other capital distributions and, subject to the shares being disenfranchised, hold the same voting rights as the ordinary shares. In the event that a C-ordinary shareholder is no longer employed by the Group, the C-ordinary shares no longer hold any voting rights; they become "disenfranchised". The C-ordinary shareholder is also required, on leaving the Group, to offer up to 50% of their shares for repurchase by other existing shareholders, the total number of shares and value being determined by whether they are deemed to be a Good Leaver or Bad Leaver as defined under the Articles. However this obligation to offer shares for sale may be removed at the discretion of the Board and with A-ordinary shareholder consent.

23. Reserves

Reserves consist of the following:

Share capital – Share capital records the nominal value of shares in issue.

Share premium account – Amounts subscribed for share capital in excess of nominal value.

Capital redemption reserve – records the nominal value of shares repurchased by the Company and cancelled.

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

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

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

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

24. Related party disclosures

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

There are no trading transactions between the parent and subsidiaries other than recharges of costs incurred. Amounts outstanding at 31 December 2019 and 2018 are disclosed within notes 15 and 16.

At the year end there were no loans due to the directors of the Company or Group subsidiaries.

During the year the company paid £68k (2018: £66k) to Business Growth Fund in management fees and £325k (2018: £100k) in interest payments.

25. Ultimate Controlling Party

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

Company information

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