

**1700 Group Plc**  
**Annual Report**  
**31 March 2008**

[www.1700group.com](http://www.1700group.com)  
Company number 6240622

## Contents

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|  | Page  |
|--|-------|
| Directors and advisors                   | 2     |
| Chairman's statement                     | 3-4   |
| Corporate governance statement           | 5-7   |
| Directors' report                        | 8-11  |
| Directors' remuneration report           | 12-13 |
| Statement of directors' responsibilities | 14    |
| Independent auditors' report             | 15-16 |
| Consolidated income statement            | 17    |
| Consolidated balance sheet               | 18    |
| Company balance sheet                    | 19    |
| Statement of changes in equity           | 20    |
| Consolidated cash flow statement         | 21    |
| Company cash flow statement              | 22    |
| Notes to the financial statements        | 23-41 |

## Directors and advisors

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|                           |   |
|---------------------------|---|
| Directors                 | David Mansfield – Non-Executive Chairman<br>Stephen Hyde – Chief Executive Officer<br>Andrew Mintern – Finance Director<br>James Hyde – Non-Executive Director<br>Lynne Willoughby – Non-Executive Director |
| Company Secretary         | Christopher Delacombe   |
| Registered Office Address | 50 Broadway<br>London SW1H 0BL  |
| Nominated Advisor         | Grant Thornton Corporate Finance<br>Grant Thornton House<br>Melton Street<br>London<br>NW1 2EP  |
| Broker                    | SVS Securities plc<br>2 London Wall Buildings<br>London Wall<br>London<br>EC2M 5PP  |
| Auditor                   | Mazars LLP<br>Tower Bridge House<br>St Katharine's Way<br>London<br>E1W 1DD   |
| Solicitor                 | Bircham Dyson Bell LLP<br>50 Broadway<br>London<br>SW1H 0BL   |
| Principal Banker          | Barclays Bank PLC<br>Level 28<br>1 Churchill Place<br>Canary Warf<br>London E14 5HP   |
| Registrar                 | Capita IRG<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU  |

## Chairman's statement

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This is my first report to you as Chairman of your board of directors, following the successful admission of the Group's shares to trading on AIM on 10 January 2008.

1700 Group Plc was incorporated on 9 May 2007 but did not trade until the acquisition of its first trading subsidiary, Hamblyn Selection Ltd ("Hamblyn") on 14 November 2007. The subsequent acquisition of the Group's second trading subsidiary, Inspired Selection Ltd ("Inspired"), was completed on 10 January 2008. These results, therefore, only include four and a half months trading for Hamblyn and two and a half months for Inspired.

Both Hamblyn and Inspired specialise in recruitment for the media sector, the former operating in the sub sectors for the media planning and buying, auditing, media sales, brand marketing, digital and online communications and the latter operating as a successful niche recruitment business focused on book and journal publishing companies in the UK.

### Financial Highlights

The Group's results for the period to 31 March 2008 were sales of £617,000 and a profit before tax of £20,000.

If the Group had acquired and consolidated its operating subsidiaries from 1 April 2007 and traded for the full year to 31 March 2008, the pro forma results for this period would have been sales of £2,080,000 and a profit before tax of £326,000. These results were slightly below expectations, in part due to challenging market conditions in the sectors Hamblyn operates during the run up to Christmas last year, which continued across January and February of 2008.

The Group's sales in March were notably stronger and this has continued into the first quarter of 2008/09 with sales for the quarter being £700,000 and profit before tax of £175,000, in line with expectations.

### Change of name

As we announced on 20 March 2008, shareholders approved a change in the Group's name, from Steppingstone Associates Plc to 1700 Group plc.

### Employees

I would like to express my thanks to the Group's employees across its trading brands, for their loyalty and efforts throughout the period they have been employed by the Group and for their continued dedication during the period of acquisition and flotation.

## **Chairman's statement (continued)**

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### **Prospects**

Your board remains conscious of the factors affecting the medium term outlook for the UK economy and believes that, although there has been no obvious negative effect on the Group's trading experienced to date, the Group's revenues could be susceptible to any prolonged downturn in the wider economy.

With this background in mind, the Group's operating costs continue to be carefully reviewed against anticipated revenue. This cost control, however, has not limited investment in areas for organic growth and the Group continues to evaluate opportunities for acquisition.

David Mansfield  
Chairman  
30 September 2008

## Corporate governance statement

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### **Statement of compliance with the Combined Code**

The Group recognises the value of the Principles of Good Governance and The Combined Code on Corporate Governance published in 2006 by the Financial Reporting Council ('the Combined Code'). The Group intends to comply with the Combined Code so far as is practical and appropriate for a public group of its size and nature. The Group supports the recommendations on corporate governance of the Quoted Companies Alliance (QCA) and has implemented steps to reach compliance.

The directors have decided that, at this stage in the Group's development, the creation of an Internal Audit function is not warranted.

### **The Group's approach to corporate governance**

The Group seeks to apply established best practice in the field of corporate governance. The Board is focused to create shareholder value through respecting the needs of shareholders, employees, clients, candidates and contractors.

### **Board effectiveness**

The Board considers that it has shown its commitment to leading and controlling the Group by:

- Having a Board constitution that exercises direction and supervision of the Group's operations and defines the line of responsibility from the Board to the business;
- Retaining specific responsibility for agreeing the strategic direction of the Group, the approval of accounts, business plan, budget and capital expenditure, the review of operating results, the effectiveness of governance practice and risk management, and also the appointment of senior executives and succession planning;
- The regular review of the latest financial and management information, including management accounts, setting out actual performance against budget and management discussions on variance analyses;
- Delegating responsibilities to sub-committees; Audit Committee; Remuneration Committee; and Nomination Committee.

### **Audit Committee**

The Audit Committee's primary responsibilities are to review the financial statements; to review the internal control systems including risk management; to consider the appointment of the external auditors and their independence, and to review the Committee's effectiveness.

The Committee, chaired by David Mansfield, meets twice a year and comprises David Mansfield and James Hyde. At the invitation of the committee, the Finance Director and representatives of the external auditors attend the Audit Committee meetings. The Audit Committee meets without Executive Board members present at least once a year.

## Corporate governance statement (continued)

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### **Remuneration Committee**

The Remuneration Committee is responsible for reviewing the performance of the executive directors, having regard to the interests of shareholders as a whole and the performance of the Group. The Committee determines the level of remuneration appropriate for the executive directors. The Committee, chaired by David Mansfield, meets twice a year and comprises David Mansfield and James Hyde.

### **Nomination Committee**

The Nomination Committee leads the process for Board appointments, re-election and succession of Directors. The Committee, chaired by David Mansfield, meets once a year and comprises David Mansfield and James Hyde. All Directors have to submit themselves for re-election at least every three years if they wish to continue serving and are considered by the Board to be eligible.

### **Board balance**

The Group's commitment to achieving a balance of Executive and Non-executive Directors is shown by the Non-executive Directors being considered to act independently of management and free from any business relationship that could materially interfere with the exercise of their independent judgment.

### **Regular re-election of Directors**

All Directors are subject to re-election every three years as required by the provisions of the Code of Best Practice. Prior to re-nomination, the Nomination Committee will conduct an assessment of the performance of each retiring Director. The Board will not approve such a re-nomination if the performance of the retiring Director is not considered satisfactory.

### **Timeliness and quality of Board information**

The Board has sought to ensure that Directors are properly briefed on issues arising at Board meetings by establishing procedures for:

- Distributing Board papers in advance of meetings and considering the adequacy of the information provided before making decisions;
- Adjourning meetings or deferring decisions when Directors have concerns about the information available to them; and
- Making the Company Secretary responsible to the Board for the timeliness and quality of information.

### **Internal control**

The Board is responsible for the effectiveness of the Group's system of internal control. The Group's system of internal control is designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The full Board meets regularly and has a schedule of matters which are required to be brought to it or its duly authorised committee for decision, aimed at maintaining full and effective control over appropriate strategic, financial, operational and compliance issues on an ongoing basis.

## **Corporate governance statement (continued)**

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The Group's systems of internal control are designed and monitored to ensure:

- An appropriate organisational structure exists, with clear lines of responsibility and delegation of authority;
- The allocation of responsibility for important business functions to experienced and suitably qualified staff;
- Detailed budgets and plans, which are approved by the Board;
- Regular consideration by the Board of actual results compared with budgets and forecasts;
- Compliance by subsidiaries with Group operating procedures and policies;
- Annual review of the Group's insurance cover;
- Defined procedures for the appraisal and authorisation of capital expenditure and capital disposals; and
- Regular reporting of the Group's liquidity position.

### **Accountability and audit**

The Board believes that the Annual Report and financial statements and the Interim Report play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

### **Going concern**

Having made appropriate enquiries and, having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they consider it appropriate to adopt the going concern basis in preparing the financial statements.

### **Relations with shareholders**

The Group's website ([www.1700group.com](http://www.1700group.com)) contains all of the information required by AIM Rule 26, including copies of the Group's statutory financial statements, regulatory and other announcements and further information on the Group's operations.

The Group communicates with its shareholders through both the Interim and Annual Reports. In addition shareholders may attend the Group's Annual General Meeting where they may raise matters relating to their shareholdings and the business of the Group.

## Directors' report

For the period from 9 May 2007 to 31 March 2008

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The Directors submit their report and the audited Group financial statements of 1700 Group Plc (the "Group") for the period from 9 May 2007 to 31 March 2008.

### Principal activities, business review and future developments

The principal activities of the Group are to provide specialist professional recruitment services for the media and publishing sectors. The two trading subsidiaries are Hamblyn Selection Limited and Inspired Selection Limited.

A review of the business, as well as expected future developments, is included in the Chairman's Statement, on pages 3 to 4.

### Key performance indicators

The key performance indicators reviewed by the Board include fee income per consultant against targets and operating profit as a percentage of turnover. In the period to 31 March 2008, the weighted average performance per consultant was £10,500 and the operating profit as a percentage of turnover was 7.3 per cent.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are reviewed on a regular basis by the Board. The Group's strategy is designed to mitigate the effects of the identified risks. As with any recruitment consultancy business, the Group has exposure to the following key risks:

- Downturn in levels of demand from clients;
- Downturn in levels of supply of suitable candidates;
- Fraud and business disruption.

The business has processes to monitor these key risks to business performance.

### Results and dividends

The results for period from 9 May 2007 to 31 March 2008 are as set out on page 17. No dividend is proposed for this period.

### Directors

The following Directors held office during the period:

|                  | <b>Date of<br/>appointment</b> |
|------------------|--------------------------------|
| David Mansfield  | 11 December 2007               |
| Stephen Hyde     | 14 November 2007               |
| Andrew Mintern   | 14 November 2007               |
| James Hyde       | 14 December 2007               |
| Lynne Willoughby | 10 January 2008                |

## Directors' report (continued)

For the period from 9 May 2007 to 31 March 2008

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### Directors' interests in shares

Directors' interests in the shares of the Company, were as follows:

|                  | <b>Number of<br/>shares</b>    | <b>%</b>                |
|------------------|--------------------------------|-------------------------|
| David Mansfield  | 14,135,169                     | 8.8                     |
| Stephen Hyde     | 75,169,900                     | 46.9                    |
| Andrew Mintern   | 6,508,135                      | 4.1                     |
| James Hyde       | -                              | -                       |
| Lynne Willoughby | 12,187,500                     | 7.6                     |
|                  | <hr/> <hr/> <b>108,000,704</b> | <hr/> <hr/> <b>67.4</b> |

### Employee involvement

The involvement of the employees in the business is key to their engagement and ultimately its success. The business is organised into divisions with business leaders empowered to run their operations within the operating framework of the Group. This allows for the two-way flow of information between staff and the management responsible for their careers. The people framework includes quarterly reviews and goal setting for all staff, together with regular presentations on individual performance of divisions. All staff are treated as individuals and are managed accordingly to create an environment where they can fulfil their maximum potential.

### Equal opportunities

The Group is committed to the principles of hiring based purely on individual merit for both its own staff and for clients. The Group is committed to equal opportunities and ensures all staff are trained and understand these policies.

### Substantial shareholders

At 30 September 2008, other than the Directors' interest shown above, the Company had the following substantial shareholders interest in its issued share capital (in accordance with the Disclosure and Transparency Rules Chapter 5):

|            | <b>Number of<br/>shares</b> | <b>%</b> |
|------------|-----------------------------|----------|
| J Bowerman | 12,187,500                  | 7.6      |

### Employee share schemes

The Group believes that share ownership is a key way of motivating and retaining staff and aligning their interests with shareholder interests. The Group has adopted a share option scheme for the allocation of shares to its senior management team. At 31 March 2008 options had yet to be granted under the scheme.

## **Director's report (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **Social responsibility**

The Board recognises its responsibilities in respect of social, environmental and ethical matters. The Group aims to reduce the environmental impact of its activities and to operate in an environmentally responsible manner.

### **Equal opportunities**

The Group is committed to the principle of Equal Opportunities both as an employer and as a recruitment services provider. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit.

### **Creditor payment policy**

The Group's creditors are paid in accordance with terms agreed with them prior to the supply of goods or services. Trade creditor days of the Group for the period to 31 March 2008 were 42 days, based on the ratio of Group trade creditors at that date to the amounts invoiced during the three month period by trade creditors.

### **Financial instruments**

#### *Treasury operations and financial instruments*

The Group operates a centralised treasury function which is responsible for managing the liquidity and interest risks associated with the Group's activities. The Group operated predominantly in sterling with little exposure to foreign currency risk.

#### *Liquidity risk*

The Group manages its cost and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

#### *Interest rate risk*

The Group has entered into an interest rate cap instrument under which interest on its bank loan is capped at 5.05%. Interest accruing on other loan notes and interest earned on cash balances are subject to interest rate risk.

#### *Credit risk*

Receivable balances are monitored on an ongoing basis and provision is made for doubtful accounts where necessary.

### **Auditors**

Mazars LLP was appointed on 18 December 2007 and has indicated its willingness to continue in office. A resolution to reappoint Mazars LLP, Chartered Accountants, as auditors, will be put to the members at the Annual General Meeting on 30 October 2008.

### **Directors' and officers liability**

Appropriate Directors' and officers liability insurance cover is in place in respect of all of the Company's Directors against liability in relation to the Company.

## **Director's report (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **Statement as to disclosure of information to auditors**

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. The Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

By order of the Board

Christopher Delacombe  
30 September 2008

## **Directors' remuneration report**

For the period from 9 May 2007 to 31 March 2008

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### **Scope and membership of Remuneration Committee**

The Remuneration Committee was established upon listing on the AIM of the London Stock Exchange in January 2008. The Remuneration Committee meets not less than twice a year and comprises David Mansfield and James Hyde.

The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the executive directors and other senior executives and to determine the level of remuneration, incentives and other benefits, compensation payments and the terms of employment of the executive directors and other senior executives. It seeks to provide a remuneration package that aligns the interests of executive directors with that of the shareholders.

The Committee reviews the remuneration of the executive directors with regard to the need to maintain a balance between the constituent elements of salary, incentive and other benefits.

### **Remuneration policy**

The objective of the Group's remuneration policy is to attract and retain management with the appropriate professional, managerial and operational expertise necessary to realise the Group's objectives as well as to establish a framework for remunerating all employees.

It is the Group's policy that all executive directors' service contracts contain a minimum 6 months' notice period. The non-executive directors also have letters of appointment with the Group with minimum six months' notice period.

The remuneration of the non-executive directors is determined by the Board. The non-executive directors do not receive any pension or other benefits, other than out-of-pocket expenses, from the Group, nor do they participate in any of the bonus or share option schemes.

The remuneration agreed by the Committee for the executive directors contains the following elements: a base salary and benefits, a quarterly and an annual bonus reflecting Group and individual performance.

The following sections provide an outline of the Group's remuneration policy.

### **Base salary and benefits**

Service contracts exist for each director that set contractual obligations. The Committee will establish salaries and benefits by reference to those prevailing in the employment market generally for executive directors of comparable status and market value.

## Directors' remuneration report (continued)

For the period from 9 May 2007 to 31 March 2008

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### Annual bonus plan

The Committee firmly believes in the effectiveness of incentive bonuses. Accordingly every employee of the Group is in some form of incentive scheme. Annual bonuses for the executive directors are based on the division of a pool of profits earned during the financial year.

### Share option schemes

The Board has adopted an EMI Share Options Scheme (the "Scheme") by which eligible employees may be granted options to purchase the Company's shares at a price determined at the time of grant. The options are subject to performance criteria and vest over a three-year period. In total the options granted under the Scheme will not exceed ten per cent. of the issued share capital of the Company.

### Emoluments

The aggregate emoluments of the directors for the period were as follows:

|                  | Salaries      | Other benefits | Total         |
|------------------|---------------|----------------|---------------|
|                  | £             | £              | £             |
| David Mansfield  | 9,000         | -              | 9,000         |
| Stephen Hyde     | 25,000        | 3,000          | 28,000        |
| Andrew Mintern   | 3,000         | -              | 3,000         |
| James Hyde       | 6,250         | -              | 6,250         |
| Lynne Willoughby | 4,125         | -              | 4,125         |
|                  | <u>47,375</u> | <u>3,000</u>   | <u>50,375</u> |

Stephen Hyde is the highest paid director. No bonuses were paid in the period.

### Outside appointments

The Remuneration Committee recognises that Non-Executive Director roles are a significant benefit in broadening executive's experience. Subject to review in each case, the Remuneration Committee's general policy is that Directors may accept Executive or Non-executive Directorships with other companies, so long as there is no conflict of interest and their effectiveness is not impaired.

## Statement of directors' responsibilities

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK 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 financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgments and estimates that are reasonable and prudent;
- c. state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report**

To the shareholders of 1700 Group Plc

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We have audited the financial statements of 1700 Group Plc for the period ended 31 March 2008 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Cash flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Director's Responsibilities the Company's Directors' are responsible for the preparation for the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Corporate Governance Statement, the Directors' Remuneration Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Independent auditor's report (continued)**

To the shareholders of 1700 Group Plc

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### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union, of the state of the Group's and the Company's affairs as at 31 March 2008 and of the Group's profit for the period then ended;
- the financial statements and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP  
Registered Auditor  
Chartered Accountants

## Consolidated income statement

For the period from 9 May 2007 to 31 March 2008

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|  | Notes | Period to<br>31 March<br>2008<br>£'000 |
|--|-------|--|
| Revenue  | 3.    | 617                                    |
| Cost of sales  |       | (305)                                  |
| Gross profit   |       | <hr/> 312                              |
| Administrative expenses  |       | (267)                                  |
| Operating profit   |       | <hr/> 45                               |
| Finance income   | 4.    | 3                                      |
| Finance costs  | 5.    | (28)                                   |
| Profit on ordinary activities before taxation  | 6.    | <hr/> 20                               |
| Taxation   | 9.    | (7)                                    |
| Profit for the period attributable to equity holders   |       | <hr/> <hr/> 13                         |
| Earnings per share for profit attributable to equity holders (expressed in pence per share): | 17.   |  |
| Basic  |       | -                                      |
| Diluted  |       | -                                      |

All activities are derived from acquired and continuing operations.

## Consolidated balance sheet

As at 31 March 2008

|   | Notes   | 31 March<br>2008<br>£'000 |
|---|---------|---------------------------|
| <b>Non-current assets</b>                   |         |                           |
| Intangible assets - goodwill                | 10, 21. | 4,783                     |
| Property, plant and equipment               | 11.     | 85                        |
| Total non-current assets                    |         | <u>4,868</u>              |
| <b>Current assets</b>                       |         |                           |
| Trade and other receivables                 | 13.     | 527                       |
| Cash and cash equivalents                   |         | 329                       |
| Total current assets                        |         | <u>856</u>                |
| <b>Total assets</b>                         |         | <u>5,724</u>              |
| <b>Current liabilities</b>                  |         |                           |
| Trade and other payables                    | 14.     | 486                       |
| Borrowings                                  | 15.     | 400                       |
| Current tax liability                       |         | 110                       |
| Deferred tax liability                      |         | 4                         |
| Total current liabilities                   |         | <u>1,000</u>              |
| <b>Non-current liabilities</b>              |         |                           |
| Borrowings                                  | 15.     | 900                       |
| <b>Total liabilities</b>                    |         | <u>1,900</u>              |
|   |         | <u>3,824</u>              |
| <b>Equity</b>                               |         |                           |
| Share capital                               | 16.     | 160                       |
| Share premium account                       |         | 3,651                     |
| Retained earnings                           |         | 13                        |
| Total equity attributable to equity holders |         | <u>3,824</u>              |

The financial statements on pages 17 to 41 were approved by the board of directors and authorised for issue on 30 September 2008 and are signed on its behalf by:

Steve Hyde  
Chief Executive Officer

## Company balance sheet

As at 31 March 2008

|   | Notes | 31 March<br>2008<br>£'000 |
|---|-------|---------------------------|
| <b>Non-current assets</b>                   |       |                           |
| Investment in subsidiaries                  | 12.   | 5,025                     |
| <b>Current assets</b>                       |       |                           |
| Trade and other receivables                 | 13.   | 675                       |
| Cash and cash equivalents                   |       | 144                       |
| Total current assets                        |       | <u>819</u>                |
| <b>Total assets</b>                         |       | <u>5,844</u>              |
| <b>Current liabilities</b>                  |       |                           |
| Trade and other payables                    | 14.   | 870                       |
| Borrowings                                  | 15.   | 400                       |
| Total current liabilities                   |       | <u>1,270</u>              |
| <b>Non-current liabilities</b>              |       |                           |
| Borrowings                                  | 15.   | 900                       |
| <b>Total liabilities</b>                    |       | <u>2,170</u>              |
|   |       | <u>3,674</u>              |
| <b>Equity</b>                               |       |                           |
| Share capital                               | 16.   | 160                       |
| Share premium account                       |       | 3,651                     |
| Retained loss                               |       | (137)                     |
| Total equity attributable to equity holders |       | <u>3,674</u>              |

The financial statements on pages 17 to 41 were approved by the board of directors and authorised for issue on 30 September 2008 and are signed on its behalf by:

Steve Hyde  
Chief Executive Officer

## Statement of changes in equity

For the period from 9 May 2007 to 31 March 2008

### Group:

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|---|---------------------------|---------------------------|-------------------------------|----------------|
| <b>Balance at 9 May 2007</b>                                    | -                         | -                         | -                             | -              |
| Issue of shares on acquisition<br>of Hamblyn Selection Limited  | 100                       | 2,200                     | -                             | 2,300          |
| Issue of shares on acquisition<br>of Inspired Selection Limited | 24                        | 951                       | -                             | 975            |
| Placing of shares   | 36                        | 1,072                     | -                             | 1,108          |
| Cost of share placing   | -                         | (572)                     | -                             | (572)          |
| Retained earnings for period                                    | -                         | -                         | 13                            | 13             |
| <b>Balance at 31 March 2008</b>                                 | 160                       | 3,651                     | 13                            | 3,824          |

### Company:

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Retained<br>los<br>£'000 | Total<br>£'000 |
|---|---------------------------|---------------------------|--------------------------|----------------|
| <b>Balance at 9 May 2007</b>                                    | -                         | -                         | -                        | -              |
| Issue of shares on acquisition<br>of Hamblyn Selection Limited  | 100                       | 2,200                     | -                        | 2,300          |
| Issue of shares on acquisition<br>of Inspired Selection Limited | 24                        | 951                       | -                        | 975            |
| Placing of shares   | 36                        | 1,072                     | -                        | 1,108          |
| Cost of share placing   | -                         | (572)                     | -                        | (572)          |
| Retained loss for period  | -                         | -                         | (137)                    | (137)          |
| <b>Balance at 31 March 2008</b>                                 | 160                       | 3,651                     | (137)                    | 3,674          |

## Consolidated cash flow statement

For the period from 9 May 2007 to 31 March 2008

|   | Notes | Period to<br>31 March<br>2008<br>£'000 |
|---|-------|--|
| <b>Net cash flow from operating activities</b>        |       |  |
| Operating profit                                      |       | 45                                     |
| <b>Adjustments for:</b>                               |       |  |
| Depreciation  | 11.   | 13                                     |
| Increase in trade and other receivables               |       | (314)                                  |
| Increase in trade and other payables                  |       | 402                                    |
| Cash generated by operations                          |       | <u>146</u>                             |
| Interest paid   |       | <u>(28)</u>                            |
| Net cash from operating activities                    |       | 118                                    |
| <b>Net cash used in investing activities</b>          |       |  |
| Purchase of subsidiary companies                      | 21.   | (1,750)                                |
| Net cash acquired on purchase of subsidiary companies |       | 542                                    |
| Purchase of property, plant and equipment             |       | (30)                                   |
| Interest received                                     |       | 3                                      |
| Net cash used in investing activities                 |       | <u>(1,235)</u>                         |
| <b>Net cash from financing activities</b>             |       |  |
| Bank loans received                                   | 15.   | 1,200                                  |
| Repayment of loan note                                |       | (389)                                  |
| Increase in other borrowings                          |       | 100                                    |
| Net proceeds from issuance of ordinary shares         |       | 535                                    |
|   |       | <u>1,446</u>                           |
| <b>Net increase in cash and cash equivalents</b>      |       | <u>329</u>                             |
| Cash and cash equivalents at beginning of period      |       | -                                      |
| <b>Cash and cash equivalents at end of period</b>     |       | <u><u>329</u></u>                      |

## Company cash flow statement

For the period from 9 May 2007 to 31 March 2008

|   | Notes | Period to<br>31 March<br>2008<br>£'000 |
|---|-------|--|
| <b>Net cash flow from operating activities</b>    |       |  |
| Loss from operations                              |       | (150)                                  |
| <b>Adjustments for:</b>                           |       |  |
| Depreciation                                      |       | -                                      |
| Increase in trade and other receivables           |       | (146)                                  |
| Increase in trade and other payables              |       | 370                                    |
| Cash generated by operations                      |       | <u>74</u>                              |
| Interest paid                                     |       | <u>(21)</u>                            |
| Net cash from operating activities                |       | 53                                     |
| <b>Net cash used in investing activities</b>      |       |  |
| Purchase of subsidiary companies                  | 21.   | (1,751)                                |
| Interest received                                 |       | -                                      |
| Net cash used in investing activities             |       | <u>(1,751)</u>                         |
| <b>Net cash from financing activities</b>         |       |  |
| Bank loans received                               | 15.   | 1,200                                  |
| Increase in other borrowings                      |       | 100                                    |
| Increase in inter Group borrowings                |       | 5                                      |
| Net proceeds from issuance of ordinary shares     |       | <u>537</u>                             |
|   |       | 1,842                                  |
| <b>Net increase in cash and cash equivalents</b>  |       | <u>144</u>                             |
| Cash and cash equivalents at beginning of period  |       | -                                      |
| <b>Cash and cash equivalents at end of period</b> |       | <u><u>144</u></u>                      |

## Notes to financial statements

For the period from 9 May 2007 to 31 March 2008

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### 1. General information

1700 Group Plc, (the "Company") and its subsidiaries (together the "Group") provide specialist recruitment services for the media and publishing sectors.

The Company is a limited liability company, incorporated in England and Wales under the Companies Act 1985.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

### Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations, were in issue but not yet effective and which have been not been applied in these financial statements, (the impact of which is not expected to be material):

|                  |  |
|------------------|--|
| IFRS 8           | Operating segments   |
| IFIC 11, IFRS2   | Group and treasury share transactions  |
| IFRIC 12         | Service concession arrangements  |
| IFRIC 13         | Customer loyalty programmes  |
| IFRIC 14, IAS 19 | The limit on a defined benefit asset, minimum funding requirements and their interaction |

During the period, the Group adopted the requirements of IFRS 7: Financial Instruments Disclosure.

### 2. Basis of preparation and accounting policies

#### Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Company have been prepared under the historical cost convention and in accordance with current International Financial Reporting Standards, as adopted by the European Union (IFRSs).

At 31 March 2008, the Group had net current liabilities of £140,000 and a profit for the year of £13,000. During the period, the company floated on AIM raising £1.1m before expenses and also secured bank funding of £1.2m.

With the early stage of the 1700 Group's combined business, the industry in which the business operates and the current economic environment, there can be considerable unpredictable variation in the amount of revenue and timing and amounts of cash flows. The directors have produced cash flow forecasts for the period to 30 September 2009.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **2. Basis of preparation and accounting policies (continued)**

On the basis of this cash flow information, the directors are of the opinion that they can meet the bank loan repayments as they fall due and no additional funding is required for the ongoing business. The directors are working to increase the revenue and profits of the Group, whilst monitoring ongoing cost base.

There is inherent uncertainty as to the realisation of the forecasts. The directors consider that in preparing the financial statements they have taken into account the uncertainty and all information that could reasonably be expected to be made available. On this basis, the directors consider that the going concern basis for the preparation of the financial statement is appropriate.

#### **Basis of consolidation**

The consolidated financial information incorporates the financial statements of 1700 Group Plc and its subsidiary companies, Hamblyn Selection Limited and Inspired Selection Limited. Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid or share capital issued, assets given and liabilities assumed or incurred at the date of exchange, plus costs directly attributable to the acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### **Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost. Goodwill, which is recognised as an asset, is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

#### **Revenue**

Revenue, which excludes value added tax, comprises the value of services undertaken by the Group under its principal activity, which is the provision of recruitment consultancy services. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and is recognised at the point of acceptance of employment.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **2. Basis of preparation and accounting policies (continued)**

#### **Finance income**

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

#### **Finance costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

The Group's financial assets comprise cash and various other receivable balances that arise from its operations.

##### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Impairment*

Financial assets are assessed for impairment at each balance sheet date, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **2. Basis of preparation and accounting policies (continued)**

#### **Financial assets (continued)**

If in a subsequent period the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified with current liabilities in the balance sheet.

#### **Financial assets**

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire; or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

#### *Financial liabilities*

The Group's financial liabilities comprise trade payables, borrowings, bank overdrafts and other payable balances that arise from its operations. They are classified as 'financial liabilities measured at amortised cost'. Finance charges are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the investment to the extent they are not settled in the period in which they arise.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **2. Basis of preparation and accounting policies (continued)**

#### **Financial liabilities and equity instruments (continued)**

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

##### *Derecognition*

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

#### **Derivative financial instruments**

The Group manages its exposure to movements in interest rates on its debt by entering into derivative contracts for interest rate swaps and caps. The interest differential amounts due to and from on interest rate swaps are accrued until settlement date and are recognised as an adjustment to interest expense. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. The Group has no foreign exchange derivatives.

#### **Segment reporting**

The consolidated entity operates in one business segment being that of recruitment services (primary segment). As a result no additional business segment information is required to be provided. The consolidated entity operates in the United Kingdom.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter in to an operating lease are also spread on a straight-line basis over the lease term.

#### **Taxation**

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

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 2. Basis of preparation and accounting policies (continued)

#### Taxation (continued)

The tax currently payable is based on the taxable profit for the period. Taxable profit differed from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the asset expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability 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 differences arises from the initial recognition of 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

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

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any recognised impairment losses. Provision is made for depreciation at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows:

|                                  |   |
|----------------------------------|---|
| Computer equipment               | 33% per annum straight line                     |
| Fixtures, fittings and equipment | 25% per annum straight line                     |
| Motor vehicles                   | 25% per annum straight line                     |
| Leasehold improvements           | remaining life of lease (or 5 years if shorter) |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 2. Basis of preparation and accounting policies (continued)

#### Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its other intangible and tangible assets to determine whether there is any evidence that those assets have suffered an impairment loss. An impairment loss is recognised immediately in the income statement at the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### Critical accounting estimates and judgments

In the process of applying the Group's accounting policies, described above, the Directors have made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

##### *Estimated impairment of goodwill*

Determination whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the net present value. The carrying amount of goodwill at the balance sheet date was £4,783,000.

### 3. Revenue

The Group's revenue and earnings before tax were derived from its principal activity and were entirely derived from trade from within the United Kingdom.

### 4. Finance income

|                          | <b>Period to<br/>31 March<br/>2008<br/>£'000</b> |
|--------------------------|--|
| Bank interest receivable | 3  |
| Total finance income     | <u>3</u>   |

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 5. Finance costs

|                          | <b>Period to<br/>31 March<br/>2008<br/>£'000</b> |
|--------------------------|--|
| Bank interest payable    | 26   |
| Other loan note interest | 2  |
| Total finance costs      | <u>28</u>  |

### 6. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

|   | <b>Period to<br/>31 March<br/>2008<br/>£'000</b> |
|---|--|
| Depreciation of tangible fixed assets         | 13   |
| Operating lease rentals on land and buildings | 110  |
| Auditor's remuneration                        |  |
| - fees payable for audit services             | 30   |
| - fees payable for tax services               | 5  |
| - fees payable for other services             | 14   |

Included in the cost of placing of shares in share premium is fees payable to the auditors of £90,250 in respect of acting as reporting accountants on the flotation of the Company.

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss after tax for the financial year was £137,000.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 7. Employees

The average number of employees (including directors) employed by the Group during the period was 24. Staff costs, including directors' costs, were:

|                       | <b>Group<br/>31 March<br/>2008<br/>£'000</b> |
|-----------------------|--|
| Wages and salaries    | 273  |
| Social security costs | 26   |
|                       | <hr/>  |
|                       | 299  |
|                       | <hr/> <hr/>                                  |

Directors' emoluments were:

|                                    | <b>Group<br/>31 March<br/>2008<br/>£'000</b> |
|------------------------------------|--|
| Emoluments for qualifying services | <hr/> 50                                     |

Further details of director's emoluments are given in the Directors' Remuneration Report on page 13.

### 8. Dividend

The directors do not recommend a dividend for the period.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 9. Taxation

|  | <b>Period to<br/>31 March<br/>2008<br/>£'000</b> |
|--|--|
| <i>Current tax:</i>                                  |  |
| UK corporation tax on profits of the period          | 7  |
| Tax on profit on ordinary activities                 | <u>7</u>   |
| Factors affecting tax charge for the period:         |  |
|  | <b>Period to<br/>31 March<br/>2008<br/>£'000</b> |
| Profit on ordinary activities at standard rate (28%) | 6  |
| Effect of:   |  |
| Expenses not deductible for tax purposes             | 1  |
| Current tax charge for the period                    | <u>7</u>   |

### 10. Intangible fixed assets – goodwill

| <b>Group</b>                          | <b>£'000</b> |
|---------------------------------------|--------------|
| <b>Cost:</b>                          |              |
| At 9 May 2007                         | -            |
| Arising on acquisitions in the period | 4,783        |
| At 31 March 2008                      | <u>4,783</u> |
| <b>Accumulated impairment losses:</b> |              |
| At 9 May 2007                         | -            |
| Arising on acquisitions in the period | -            |
| At 31 March 2008                      | <u>-</u>     |
| <b>Carrying value:</b>                |              |
| At 31 March 2008                      | 4,783        |
| At 9 May 2007                         | <u>-</u>     |

Further details relating to goodwill arising on acquisitions in the period is given in note 21 below.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

### 11. Property, plant and equipment

| Group                   | Computer<br>& office<br>equip<br>ment<br>£'000 | Fixtures &<br>fittings<br>£'000 | Motor<br>Vehicles<br>£'000 | Leasehold<br>Improve-<br>ments<br>£'000 | Total<br>£'000 |
|-------------------------|--|---------------------------------|----------------------------|---|----------------|
| <b>Cost:</b>            |  |                                 |                            |   |                |
| At 9 May 2007           | -  | -                               | -                          | -                                       | -              |
| On acquisition          | 37   | 48                              | 18                         | 24                                      | 127            |
| Additions               | 26   | -                               | -                          | 4                                       | 30             |
| At 31 March 2008        | 63   | 48                              | 18                         | 28                                      | 157            |
| <b>Depreciation:</b>    |  |                                 |                            |   |                |
| At 9 May 2007           | -  | -                               | -                          | -                                       | -              |
| On acquisition          | 28   | 19                              | 12                         | -                                       | 59             |
| Charge for the period   | 4  | 4                               | 1                          | 4                                       | 13             |
| At 31 March 2008        | 32   | 23                              | 13                         | 4                                       | 72             |
| <b>Carrying amount:</b> |  |                                 |                            |   |                |
| At 31 March 2008        | 31   | 25                              | 5                          | 24                                      | 85             |
| At 9 May 2007           | -  | -                               | -                          | -                                       | -              |

### 12. Fixed asset investments

| Company                          | Period to<br>31 March<br>2008<br>£'000 |
|----------------------------------|--|
| Subsidiary undertakings at cost: |  |
| At 9 May 2007                    | -                                      |
| Additions in the period          | 5,025                                  |
| At 31 March 2008                 | 5,025                                  |

The Company holds 100% of the ordinary share capital of the following companies, all of which have been consolidated:

|                            | Country of<br>incorporation | Nature of<br>activity |
|----------------------------|-----------------------------|-----------------------|
| Hamblyn Selection Limited  | UK                          | Recruitment           |
| Inspired Selection Limited | UK                          | Recruitment           |

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 13. Trade and other receivables

|                                       | <b>Group<br/>31 March<br/>2008<br/>£'000</b> | <b>Company<br/>31 March<br/>2008<br/>£'000</b> |
|---------------------------------------|--|--|
| Trade receivables                     | 304  | -  |
| Amounts owed by Group companies       | -  | 495  |
| Other taxes and social security costs | -  | 94   |
| Other receivables                     | 53   | 34   |
| Group relief                          | -  | 34   |
| Prepayments and accrued income        | 170  | 18   |
|                                       | <hr/>  | <hr/>  |
|                                       | 527  | 675  |

#### Credit risk management

The group's principal financial assets are bank balance and cash, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade and other receivables. The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

### 14. Trade and other payables

|                                       | <b>Group<br/>31 March<br/>2008<br/>£'000</b> | <b>Company<br/>31 March<br/>2008<br/>£'000</b> |
|---------------------------------------|--|--|
| Trade creditors                       | 313  | 227  |
| Amounts owed to group companies       | -  | 500  |
| Other taxes and social security costs | 2  | -  |
| Other creditors                       | 115  | 110  |
| Accruals and deferred income          | 56   | 33   |
|                                       | <hr/>  | <hr/>  |
|                                       | 486  | 870  |

The fair value of trade and other payables equals their carrying value.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

### 15. Borrowings

|                    | <b>Group<br/>31 March<br/>2008<br/>£'000</b> | <b>Company<br/>31 March<br/>2008<br/>£'000</b> |
|--------------------|--|--|
| <b>Non current</b> |  |  |
| Bank loans         | 800  | 800  |
| Loan notes         | 100  | 100  |
|                    | <hr/> 900                                    | <hr/> 900                                      |
| <b>Current</b>     |  |  |
| Bank loans         | 400  | 400  |
|                    | <hr/> 1,300                                  | <hr/> 1,300                                    |

Bank loans amounting to £1,200,000 are secured by fixed and floating charges on all the assets of the Group, are repayable in three monthly instalments of £100,000.

The Group has entered into an interest rate cap instrument under which interest on the bank loan is capped at 5.05% per cent per annum, until loan maturity.

The Group incurred issue costs in respect of the bank loan facility, which are allocated to the profit and loss account over the term of the facility.

The loan notes are unsecured and incur interest at a rate of 2.0% over Base rate.

There is no material difference between the fair value of the non-current and current borrowings and their carrying amount.

Analysis of maturity of borrowings:

| <b>Group and Company<br/>31 March 2008</b> | <b>Bank<br/>loans<br/>£'000</b> | <b>Loan<br/>notes<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---------------------------------|---------------------------------|------------------------|
| In one year or less                        | 400                             | -                               | 400                    |
| Between one and two years                  | 400                             | 100                             | 500                    |
| Between two and three years                | 400                             | -                               | 400                    |
|  | <hr/> 1,200                     | <hr/> 100                       | <hr/> 1,300            |

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 16. Share capital

|  | <b>31 March<br/>2008<br/>£'000</b> |
|--|------------------------------------|
| <b>Authorised share capital</b>          |                                    |
| 350,000,000 ordinary shares of 0.1p each | <u>350</u>                         |
| <b>Issued and fully paid</b>             |                                    |
| 160,200,250 ordinary shares of 0.1p each | <u>160</u>                         |

The Company was incorporated on 9 May 2007 in England and Wales. One ordinary share of £1 nominal value was issued on incorporation. On the 14 November 2007, the ordinary share capital of the company was increased to £350,000 and each ordinary share was subdivided into 1,000 ordinary shares of £0.001 each.

On 14 November 2007 a total of 100,192,210 new ordinary shares were issued on the acquisition of Hamblyn Selection Limited for a total consideration of £2,300,000. On 27 December 2007, the Company was re-registered as a public limited company.

On 10 January 2008, a total of 24,375,000 new ordinary shares were issued on the acquisition of Inspired Selection Limited, which, together with a cash consideration of £1,725,000, amounted to a total consideration of £2,700,000.

On 10 January 2008, a total of 35,632,040 new ordinary shares were issued for a cash consideration of £1,108,010.

### 17. Earnings per share

Earnings per share is calculated by taking the earnings attributable to ordinary shareholders after tax for the period of £13,000, divided by the average number of ordinary shares in issue in the period of 57,453,903.

There is no difference between the basic earnings per share and the diluted earnings per share, as there were no share options granted at 31 March 2008.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

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### 18. Capital commitments and contingent liabilities

At 31 March 2008 the Group and Company had no outstanding capital commitments or contingent liabilities.

### 19. Other commitments

At 31 March 2008 the Group had annual commitments under non-cancellable operating leases for land and buildings as follows:

|  | <b>31 March<br/>2008<br/>£'000</b> |
|--|------------------------------------|
| Under one year                             | 110                                |
| More than two years but under three years  | 83                                 |
| More than three years but under four years | 31                                 |
|  | <hr/> <hr/> 224                    |

### 20. Financial instruments

The Group's financial instruments comprise cash, bank loans, other loan notes and various other debtor and creditor balances that arise from its operation. The main purpose of these financial instruments is to finance the Group's operations. No trading of financial instruments has been undertaken during the period to 31 March 2008.

#### *Risk management*

The Board is charged with managing the various risk exposures, including those which arise through holding financial instruments.

#### *Interest rate risk*

The Group manages its exposure to interest rate risk in relation to its variable rate borrowings by entering into an interest rate swap arrangement on its bank borrowings.

#### *Liquidity risk*

The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements and to invest funds securely and profitably. Detailed cash flow forecasts are produced on a regular basis to minimise liquidity risks.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **20. Financial instruments (continued)**

#### *Credit risk*

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, represented by outstanding receivables. The Group predominantly trades with large and established organisations but where this is not the case, mitigating measures are implemented.

The Group has no financial assets other than short-term debtors and cash in hand.

The maturity of the financial liabilities is disclosed under note 13 above. The Directors consider that the book values of financial assets and liabilities equate to their fair values. The Group had no significant foreign currency exposure at 31 March 2008.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

### 21. Business combinations

#### (a) Hamblyn Selection Limited

On the 14 November 2007, the Company acquired the entire share capital of Hamblyn Selection Limited, a recruitment company specialising in the media sector, for a consideration of £2,300,000, through the issue of 110,193,210 ordinary shares of £0.001.

Details of the net assets acquired and goodwill arising are as follows:

|                                       | <b>Book value</b> | <b>Fair value</b> |
|---------------------------------------|-------------------|-------------------|
|                                       | <b>£'000</b>      | <b>£'000</b>      |
| Goodwill                              | 866               | -                 |
| Property, plant and equipment         | 30                | 30                |
| Trade and other receivables           | 97                | 97                |
| Trade and other payables              | (85)              | (85)              |
| Bank overdraft                        | (10)              | (10)              |
| Loan Note                             | (389)             | (389)             |
| Net assets acquired                   | 509               | (357)             |
| Goodwill                              |                   | 2,668             |
| Total consideration                   |                   | <u>2,311</u>      |
| Satisfied by:                         |                   |                   |
| Issue of ordinary shares              |                   | 2,300             |
| Stamp duty arising on acquisition     |                   | 11                |
| Total Consideration                   |                   | <u>2,311</u>      |
| Net cash flow arising on acquisition: |                   |                   |
| Cash consideration                    |                   | 12                |
| Bank overdraft acquired               |                   | 10                |
| Net cash outflow                      |                   | <u>22</u>         |

The goodwill arising on the acquisition is attributable to the future operating profitability of the operation together with synergies expected to arise after acquisition.

In the period from acquisition to 31 March 2008, Hamblyn Selection Limited contributed revenues of £180,000 and incurred a pre tax loss of £62,000.

If the acquisition of Hamblyn Selection Limited had been completed on 1 April 2004 for the year to 31 March 2008, revenues for the period would have been £489,000 and there would have been a loss before tax of £155,000.

## Notes to financial statements (continued)

For the period from 9 May 2007 to 31 March 2008

### 21. Business combinations (continued)

#### (b) Inspired Selection Limited

On the 10 January 2008, the Company acquired the entire share capital of Inspired Selection Limited, a recruitment company specialising in the publishing sector, for a consideration of £2,700,000, through the issue of 24,375,000 ordinary shares of £0.001 and a cash consideration of £1,725,000.

Details of the net assets acquired and goodwill arising are as follows:

|                                       | <b>Book value</b> | <b>Fair value</b> |
|---------------------------------------|-------------------|-------------------|
|                                       | <b>£'000</b>      | <b>£'000</b>      |
| Property, plant and equipment         | 38                | 38                |
| Cash and cash equivalents             | 552               | 552               |
| Trade and other receivables           | 209               | 209               |
| Trade and other payables              | (196)             | (196)             |
| Deferred tax                          | (4)               | (4)               |
| Net assets acquired                   | 599               | 599               |
| Goodwill                              |                   | 2,115             |
| Total consideration                   |                   | <u>2,714</u>      |
| Satisfied by:                         |                   |                   |
| Issue of ordinary shares              |                   | 975               |
| Cash consideration                    |                   | 1,725             |
| Stamp duty arising on acquisition     |                   | 14                |
| Total Consideration                   |                   | <u>2,714</u>      |
| Net cash flow arising on acquisition: |                   |                   |
| Cash consideration                    |                   | 1,739             |
| Cash and cash equivalents acquired    |                   | (552)             |
| Net cash outflow                      |                   | <u>1,187</u>      |

The goodwill arising on the acquisition is attributable to the future operating profitability of the operation together with synergies expected to arise after acquisition.

In the period from acquisition to 31 March 2008, Inspired Selection Limited contributed revenues of £437,000 and a pre tax profit of £235,000.

If the acquisition of Inspired Selection Limited had been completed on 1 April 2004 for the year to 31 March 2008, revenues for the period would have been £1,591,000 and there would have been a profit before tax of £650,000.

## **Notes to financial statements (continued)**

For the period from 9 May 2007 to 31 March 2008

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### **22. Related party disclosures**

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The loan note is with James Hyde, one of the non-executive directors of 1700 Group plc. Further information can be found in Note 15.