InterQuest Holdings Limited

Annual Report & Financial Statements

For the Year Ended 31 December 2020

Company Registration No. 10451963

InterQuest Holdings Limited

Annual report and financial statements 2020

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InterQuest Holdings Limited

Annual report and financial statements 2020

Officers and professional advisers

Directors
G P Ashworth
B Felton
C E Eldridge
L O Johnson

Company Secretary
C Ashworth

Registered office
Castle Chambers
87a High Street
Berkhamsted
Herts
HP4 2DF

Bankers
HSBC Bank Plc
70 Pall Mall
London
SW1Y 5EZ

Solicitors
Mackrell Turner Garrett LLP
Savoy Hill House
London
WC2R 0BU

Auditor
Crowe UK LLP
55 Ludgate Hill
London
EC4M 7JW

InterQuest Holdings Limited

Strategic Report

InterQuest Holdings Limited is the parent company of the InterQuest Group, an award-winning specialist staffing, executive search, consultancy and talent solutions provider ('InterQuest' or the 'Group'). The Group trades under multiple brands including InterQuest, RDW, Albany Beck, IQ Solutions, ECOM and IQUAD.

Group Strategy

InterQuest's strategic objective is to build a global, digital and technology focused, total-talent solutions firm. The Group has become a trusted advisor to many of its clients, assisting with their 'people strategy' as well as managing the talent acquisition process for niche, hard to find talent. Through the development of our employed consultant and talent solutions business, the Group aims to provide a full suite of services to support the talent lifecycle, from recruitment through to strategic workforce planning.

As the Group builds stronger relationships with its clients, the more revenue it will generate from longer term consulting and managed service contracts. The board's target is to achieve 70% of its income from retained or recurring contracts, resulting in higher quality and more predictable earnings for the Group.

Review of the business for the year ending 31 December 2020

The Group started the financial year strongly, achieving management profit targets for the first quarter of 2020. However, the coronavirus lockdown measures enforced by the UK government in March had an immediate and material impact on core recruitment revenues. From April 2020, the run rate of monthly Net Fee Income ('NFI') from the combined specialist staffing, executive search and talent solutions divisions declined by over 40% as many clients ceased recruitment activities. To mitigate this decline, the Group acted quickly to reduce operating expenditure across both the sales and back-office support functions, ensuring a sustainable profit level throughout 2020.

Whilst the recruitment divisions were adversely impacted by COVID-19, the Employed Consultant division of Albany Beck grew substantially through-out the year, with monthly NFI growing by 150% from Q1 to Q4 2020. Employed Consultant headcount grew from 50 at the start of the year to over 160 at year end and the division reported a full year operating profit of £1.7m (2019: Loss of £0.7m).

The profitable growth of the consulting division combined with effective management of cost in the face of short-term declining recruitment revenues, resulted in a creditable full year profit performance for the Group.

- Group Earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA') was £3.3m (31 Dec 2019: £2.7m)
- Profit before tax and exceptional items was £1.1m (2019: £0.3m)
- Statutory profit before tax was £0.8m (2019: Loss £0.7m)
- Statutory profit after tax was £0.7m (2019: Loss £0.6m)
- Net fee income ('NFI') was £18.7m (2019: £23.5m)
- Permanent NFI from continuing operations was £8.1m (2019: £11.0m)
- Contract NFI from continuing operations was £6.7m (2019: £11.4m)
- Consulting NFI from continuing operations was £3.8m (2019: £1.0m)

InterQuest Holdings Limited

Strategic Report (continued)

Principal business risks

COVID-19: Since the Government's announcement in early 2021 of their plan to 'unlock' the UK, the Group has seen an increase in the level of business activity across all divisions. Many of the Group's clients have commenced new projects which require significant investment in new talent, particularly those individuals with hard to find technical/IT skills. However, whilst there is cautious optimism in the UK, the rest of Europe is still struggling with new outbreaks of COVID-19. This may negatively impact the UK economic recovery which is reliant on global trade and it may also impact the Group's ability to grow its international client base.

BREXIT: Whilst a BREXIT deal was reached before the 31 December deadline, there is still significant uncertainty over the longer-term impact on the UK's relationship with the European Union. The Group works with a large number of investment banks and whilst the UK is still seen as a global centre of excellence for financial services, there is a risk that banks may focus more of the operations in mainland Europe over time which could impact recruitment and consulting services provided by the Group to these clients in the UK.
To mitigate this risk, the Group has established overseas subsidiaries in Ireland and mainland Europe through which it delivers recruitment and consulting services to large European institutions.

KEY EMPLOYEES: The Group's success depends to a significant extent upon a limited number of key employees. No assurances can be given that the loss of any executive officer or key employee of the Group would not have a material effect on the business, particularly within any business recently acquired by the Group. In addition, the Group may be adversely affected by staff turnover at any level. The Group operates industry leading training and development programmes for its people and has endeavoured to ensure that employees at all levels are incentivised, but the retention of staff cannot be guaranteed.

Key performance indicators

The Directors use a range of performance indicators to measure the delivery of the Group's strategic objectives. The most important of these are considered key performance indicators ("KPI's") and their targets are determined annually. The KPI's are set out below:

	Year Ending 31 December 2020 £'000	**Year Ending 31 December 2019 £'000**
Financial KPIs:		
Revenue	91,943	136,453
Net fee income	18,718	23,541
Gross profit percentage	20.4%	17.2%
Group operating profit before exceptional items	1,707	1,109
Group statutory profit/(loss)	670	(1,121)
Net debt (excl. office lease liabilities)	10,159	18,689

InterQuest Holdings Limited

Strategic Report (continued)

Key performance indicators (continued)

Non-financial KPIs:	**Year Ending 31 December 2020**	**Year Ending 31 December 2019**
Recruitment staff (average number during the year)	159	220
Administration staff (average number during the year)	53	60
Employed Consultants ('Pioneers')	81	23

Balance sheet, cash flow and financing

The Group's consolidated net asset position on 31 December 2020 was £1.3m (2019: £0.7m).

Despite the impact of COVID-19, the Group generated £10.0m of cash from operations (2019: £1.0m) through robust working capital management and the delivery of annual operating profits. These funds were used to pay down short term invoice discounting debt and longer-term bank loans, whilst maintaining a suitable level of cash headroom. The Group incurred £0.63m of net interest during the year (2019: £0.81m).

The Group continues to finance its activities through the utilisation of a trade receivables finance facility. The Group facility of £14.5m has a three-month rolling notice period. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

The Company has a four-year term loan with HSBC Bank plc. Capital repayments of £0.94m were made on this loan during the year. At the year end the balance outstanding on the loan was £4.04m (2019: £4.98m).

Exceptional items

The following table summarises exceptional, non-recurring items in the financial statements:

	2020 £'000	**2019 £'000**
Non-recurring employment costs	(201)	(31)
Restructuring costs	-	(912)
Share option benefits	-	(62)
	(201)	(1,005)

Diversity and Inclusion

InterQuest strongly believes that a diverse team adds positive viewpoints and discernment to our business, engendering originality and affirmative outcomes that are otherwise unlikely to be possible. InterQuest staff should feel empowered and authentic so that they are able to accomplish their aims to the best of their ability which will help the Group achieve its commercial and staffing objectives.

InterQuest has many formal and informal channels for staff to communicate internally, drawing on local, national and international initiatives to share and applaud the positive outcomes of our staff in our business and to the market through organisations our staff are involved in. In line with these ideals, over the last three years, the Group have conducted independent and anonymous staff surveys which were followed up by the senior management team in presentations to the staff.

Strategic Report (continued)

Section 172 statement

The Board of Directors of the Company consider, both independently and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2020.

Throughout this report, we provide examples of how the Board:

- Considers the longer-term impact from its decisions;
- Engages with and considers the interests of our staff;
- Builds strong relationships with customers, suppliers and shareholders, treating all stakeholders fairly;
- Considers the impact of the business operations on the community and local environment; and
- Ensures that the business conducts its operations to the highest possible standards.

Stakeholder Engagement:

The Board consider the stakeholders of the Company to be its customers, suppliers, shareholders, employees and lenders. It is the strong belief of the board that the success of the Group will not stem from short term decision making but by considering the longer-term impact of all decisions and specifically how they influence each of our stakeholders. This will engender trust and reciprocal treatment which will benefit the longer-term goals of the Group.

Our employees are trained to engage with our customers in a manner which is appropriate for the services being procured and is intended to build trust in our delivery capability. We regularly request formal feedback from clients on our performance and this feedback is used to improve our services. Similarly, we seek constructive feedback from contractors and permanent staff that we place on site with clients to ensure they feel supported and informed.

Our employees are our Company's greatest asset. As detailed in the Director's Report, our employees receive regular communication through various channels. Through their engagement and feedback, the Company is able to tailor its training, reward mechanisms and business processes.

The Board also ensures that they respond to any request to speak with independent shareholders and funders to provide explanations on past performance and our expectations and plans for the future. Further information is also available on the Group's website www.interquestgroup.com.

Stakeholder Consideration:

As required by section 414CZA(1) of the Companies (Miscellaneous Reporting) Regulations 2018 we include below how the Directors have had regard to the matters set out in section 172(1) on the principal decisions taken during the year to 31 December 2020.

1) Actions taken during the coronavirus pandemic:

To maintain sufficient working capital headroom in the face of a material decline in recruitment related revenues, the Board took a number of important actions in the early stages of the pandemic. These include:

- Appropriate utilisation of the UK Coronavirus Job Retention Scheme;
- Negotiating a repayment holiday on bank term debt;
- Tight control of trade receivable collections;
- Headcount reductions across some sales and back-office support functions;
- Reduction in discretionary overhead spend and agreeing more favourable payment terms with key suppliers.

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Strategic Report (continued)

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Report of the Directors and Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Cautionary statement

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

This Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with Section 414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to InterQuest Holdings Limited and its subsidiary undertakings when viewed as a whole.

Signed on behalf of the Board on 28th June 2021

C E Eldridge
Chief Executive Officer

InterQuest Holdings Limited

Report of the Directors

The Directors present their annual report on the affairs of the Group, together with the financial statements, for the year ending 31 December 2020. A review of the performance of the Group and presentation of key performance indicators are included in the Strategic Report.

Results and dividends

The Group reported a profit for the year of £0.7m (31 December 2019: loss of £1.1m). The Directors do not propose to pay a dividend.

Employees

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on a regular basis on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal meetings, Group publications and regular board meetings that involve representatives from all departments in the business.

Employees are also encouraged to contribute towards and are rewarded for the financial performance of the Group with reference to annual board approved targets. This is through a combination of annual income and profit-based bonus schemes and longer-term share schemes in the form of an approved CSOP.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Greenhouse gas emissions and energy consumption

In accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements, the Company reports on all direct greenhouse gas (GHG) emissions (relating to the combustion of fuel and the operation of any facility, together with any fugitive emissions) and indirect GHG emissions (through the purchase of electricity, heat, steam or cooling).

Whilst this is the first year of reporting, the Company has gathered energy data from all offices for the current financial year to 31st December 2020 plus comparative data for the year to 31st December 2019. Data is taken directly from energy bills for our offices and from mileage claims where the cost of business travel in private vehicles has been reimbursed to staff. Where data for any periods is missing, the data has been extrapolated rather than omitting from the calculations.

The Company's total 2020 emissions from energy and fuel used in its properties and vehicles, together with comparable data for 2019 is shown in the table below. Due to the location of the primary offices, over 90% of omissions were from the UK:

Source of emissions	**2020**		**2019**		**CO_2 per Employee (tonnes)**	
	Energy (kWh)	**CO_2e (tonnes)**	**Energy (kWh)**	**CO_2e (tonnes)**	**2020**	**2019**
Indirect GHG emissions	348,182	79.0	484,211	110.6	0.39	0.50
Direct GHG emissions	14,773	3.7	113,548	28.2		
Total emissions	**362,955**	**82.7**	**597,769**	**138.8**		

InterQuest Holdings Limited

Report of the Directors (continued)

Greenhouse gas emissions and energy consumption (continued)

Emissions have been calculated in line with the GHG Protocol Corporate Reporting Standard and calculated using the UK Government's 2020 conversion factors for fuels, gases and UK electricity. The intensity values are based on emissions from property energy and vehicle fuel per employee. This measurement was chosen as most representative of a business operating in the professional services sector.

The Company's emissions intensity improved by 18% in 2020 compared with the prior year. A proportion of this improvement will undoubtedly be due to reduced office occupation and travel during the COVID-19 pandemic lockdown. However, actions were put in place in 2019 following a review of the Group's energy consumption in 2019 by a 3rd party consultancy, to reduce energy usage and associated emissions. These actions included changing energy suppliers in our main offices, implementing a "switch-off programme" for computers and air-conditioning outside of main office hours and promoting public transport over private vehicle travel.

A further independent review and detailed plan for achieving net zero emissions by 2050 is expected to be carried out during the course of 2021, with further actions implemented to improve the Group's carbon footprint further.

Share capital

Details of changes in the share capital of the Company during the year are shown in note 15 to these accounts.

Financial risk management and policies

The Group finances its operations through a mixture of retained earnings and borrowings. The borrowings all carry variable rates of interest and no interest swaps or other hedging mechanisms have been utilised. All treasury activities are undertaken primarily to finance the business and the Group does not plan to profit from such activities and does not enter into speculative treasury arrangements. The Group maintains several bank accounts denominated in foreign currencies including Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Norwegian and Danish Krone, Swiss Francs and Polish Zloty. Given the scale of the transactions denominated in the foreign currencies, the Group does not consider it necessary to enter into forward foreign exchange contracts or to enter into any form of hedging. For further information on the Group's financial risk management and policies refer to note 19.

Assessment of risk and internal control

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness in order to safeguard shareholders' investments and the Group's assets. Executive Directors and senior management are responsible for the implementation and maintenance of the internal control systems, which are subject to periodic, and at least annual, review by the Board.

The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. The Board and particularly the Audit Committee assesses the effectiveness of the Group's system of internal controls, including financial, organisational and compliance controls and risk management systems.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable accuracy the Board considers the materiality of financial risks and the relationship between the costs of, and benefit from, internal control systems.

Every month the Board reviews the actual financial performance of the Company against the budget, as well as other key performance indicators.

The Group's policies and procedures continue to be refined and updated for distribution throughout the Group.

Report of the Directors (continued)

Directors' indemnities

The Company has made qualifying third-party indemnities for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Auditor

As required by Section 418 of the Companies Act 2006, each Director as at the date of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Crowe UK LLP have expressed their willingness to be reappointed for another term and a resolution to reappoint Crowe UK LLP as auditor will be proposed at the next Board meeting.

Directors' responsibilities statement

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

Company law requires the Directors to prepare Group and company financial statements for each financial year in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing each of the Group and company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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Report of the Directors (continued)

Directors' responsibilities statement (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board on 28th June 2021

B Felton
Director

InterQuest Holdings Limited

Independent auditor’s report to the members of InterQuest Holdings Limited

Opinion

We have audited the group financial statements of InterQuest Holdings Limited for the year ended 31 December 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group’s affairs as at 31 December 2020 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs in conformity with the requirements 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 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group’s ability to continue to adopt the going concern basis of accounting included an assessment of management’s cashflow projections for a period of twelve months from the date of sign off. We assessed the sensitivities explored by management to identify cash pressure points in the coming twelve months and assessed management’s plans for addressing these potential issues.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

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 group, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on pages 8 - 9, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent auditor's report to the members of InterQuest Holdings Limited

We obtained an understanding of the legal and regulatory frameworks within which the group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and reviewing revenue recognised in the period to ensure revenue had been recognised in the correct period.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

We have reported separately on the parent company's financial statements of InterQuest Holdings Limited for the year ended 31 December 2020.

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.

Ryan Ketteringham
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date: 28th June 2021

InterQuest Holdings Limited

Principal accounting policies

Nature of operations and general information

The InterQuest Group is a specialist digital and technology recruitment and consultancy business with offices in the UK, Ireland and the USA. The Group provides services across a broad range of sectors, specifically in the high growth functions of digital design, cyber security, digital networks, analytics, risk and other high value niche markets. The Group operates from six offices in the United Kingdom, one office in New York, USA and one office in Dublin, Ireland and has a centralised finance and administration function.

The Group's consolidated financial statements are presented in Pounds Sterling (£'000).

InterQuest Holdings Limited is the Group's ultimate parent Company. It is incorporated in England and Wales, limited by shares and domiciled in the UK. The registered office address is Castle Chambers, 87a High Street, Berkhamsted, HP4 2DF and the registered number is 10451963.

InterQuest Holdings Limited was incorporated on 28 October 2016.

Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and company law applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost save current asset investments which are measured at fair value.

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

Going Concern

The factors considered by the Directors in exercising their judgement of the Group's ability to continue to operate in the foreseeable future are set out under the Principal Business Risks section of the Strategic Report.

In their assessment of going concern the directors have considered the current and developing impact on the business of the COVID-19 virus. The fallout from the pandemic had a significant, immediate impact on the Group's operations, with monthly income levels having declined compared with pre-COVID trading. Whilst there are early signs of an economic recovery in the UK and the USA, at the present time it is not clear how long it will take for a full global recovery.

The directors have updated their annual forecasts based on current estimates of the impact of the pandemic whilst also reflecting the benefits from the mitigating actions taken, in order to ensure that they have sufficient facilities in place to meet their operating cash requirements for the foreseeable future.

On these grounds and considering other actions available to the company should trading deteriorate further, the Board considers it reasonable to continue to adopt the going concern basis for the preparation of the Financial Statements.

Changes in accounting standards

Other than those detailed above there were no other new IFRSs or IFRIC interpretations that require implementation that significantly affect these financial statements.

Principal accounting policies (continued)

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2020. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Effective control is achieved where the parent company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed during the year are included in the Consolidated Income Statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from the intra-group transaction are eliminated in preparing the consolidated financial statements.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Principal accounting policies (continued)

Intangible assets

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method over a period of five years.

Impairment of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill is allocated to all cash-generating units, including those that have arisen from business combinations and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss is recognised for the amount by which an asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment is charged pro-rata to other assets in the cash generating unit. With the exception of goodwill, all assets are reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Leasehold improvements and plant and equipment are stated at cost, net of depreciation and any provisions for impairment. Management reassess residual values at least annually. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	20% straight-line
Office furniture and equipment	33% straight-line

Principal accounting policies (continued)

Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group's provision of IT recruitment services.

Revenue for temporary contract assignments is recognised over the contract period for the services of the temporary contractor.

Revenue from permanent placements is based on a percentage of the candidate's remuneration package and is recognised when the candidate commences employment with the customer, at which point the customer is contractually obliged to pay for the Group's recruitment service. At times, candidates may back out of a placement subsequent to starting their employment, which may require a rebate on the fee charged based on a sliding scale within the contract. The Group have a large number of contracts with similar characteristics and they monitor the level of "back-outs" on an ongoing basis to determine whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will occur. The assessment performed does not indicate that a reversal is highly probable and on that basis there is no adjustment to the transaction price to take account of any potentially variable consideration.

Revenue from consulting assignments is recognised on delivery of outcomes, which are detailed in client services agreements or statements of work and approved by the customer. Often these outcomes will be an agreed number of hours worked in a month by a consultant, supported by timesheets. In some instances, clearly defined, tangible deliverables will be specified in the customer contracts and income will only be recognised once the agreed milestones have been achieved.

Revenue recognised from temporary contract assignments and permanent placements, but not yet invoiced, at the reporting date, is correspondingly accrued on the balance sheet within "accrued income" as part of "trade and other receivables".

The Group adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised in the individual entity accounts which form the basis of this consolidation. Both the results presented for the current and comparative period adhere to the standard.

In the majority of cases the Group acts as principal in any transactions with its clients. The Group assesses whether it acts as a principal in any transactions or as an agent acting on behalf of others. The Group acts as agent under pay-rolling contracts in its recruitment process outsourcing business. In situations where the Group acts as principal in a transaction and bears the risks and rewards of the transaction, the revenue and associated costs are recorded gross in the Consolidated Statement of Comprehensive Income. Where the Group acts as an agent in its recruitment process outsourcing business only the fees associated to the services provided by the Group in the capacity of an agent are recognised as income as and when the contractors have fulfilled their contractual obligations and completed the necessary process in order to be paid.

The gross fees charged by third party recruiters, approved by customers, and associated with the permanent or temporary staff, are excluded from revenue and only the net margin is recognised.

Principal accounting policies (continued)

Leased assets

The Group applied IFRS 16 using the modified retrospective approach in the period ended 31 December 2018.

For all current leases, the Group determined whether the arrangement was or contained a lease based on assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets: and
- The arrangement has conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output; and
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output.

The Group recognised a right of use asset and a lease liability from the commencement of the lease. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate (3.84%). Generally the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change of an index factor or interest rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "current and long term liabilities" in the statement of financial position.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of equipment and/or property that have a term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Principal accounting policies (continued)

Current and deferred tax

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity as appropriate.

Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Trade receivables and trade payables:

Trade receivables and payables are initially recognised at fair value and thereafter at amortised cost using the effective interest rate method. The carrying amount of trade receivables is reduced through an impairment based on an "expected credit loss" model. The Group has determined that the impact of IFRS 9 is not material to the financial statements based on the "expected credit loss" methodology.

Invoice discounting facility:

Interest-bearing bank facilities and overdrafts are recorded at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they relate.

Principal accounting policies (continued)

Financial instruments (Continued)

Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are included within the balance sheet in current financial liabilities – borrowings.

Employee benefits

Defined contribution pension scheme:

Group companies contribute to defined contribution pension plans of some employees at rates agreed between the companies and the employees. The assets of each scheme are held separately from those of the Group. Contributions are recognised as they become payable.

Equity-settled share-based payment:

There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan ("EMI") and an Unapproved Share Option Plan under which share options are granted to key employees.

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2021 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "share-based payment reserve". Payments are recognised in the period to which they relate. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Long-Term Incentive Plan:

In December 2008, shareholders approved a share-based Long-Term Incentive Plan ('LTIP'). This Plan provides EMI share option awards to Executive Directors and Senior Management subject to certain non-market vesting conditions, including their continuing employment with the Group. Senior management incentive plans which include participants acquiring financial instruments whose value is linked to the achievement of certain performance measures and are payable in equity are treated as non-market based vesting condition equity-settled share-based payments under IFRS 2.

Principal accounting policies (continued)

Employee benefits (continued)

Long-Term Incentive Plan (continued):

The market condition of the share options was considered when the fair value of the equity instruments was determined. The expense is recognised in the income statement over the vesting period of the share options. The conditions of the options include a cumulative share price hurdle. Payments due to the Company as a result of the purchase of shares from the scheme are accounted for upon exercise.

Government Grants, loans and other financial support

During the year the Group received UK and US government financial support through the Coronavirus Job Retention Scheme (‘CJRS’) and the Pay-Check Protection Program (‘PPP’) respectively.

UK Government CRJS – The Group received a total grant under the CJRS of £608,000 in the year to 31 December 2020. The funds received have been accounted for as a credit against employee salary costs within operating expenditure in the financial statements. There are no unfulfilled conditions or other contingencies attached to this grant.

US Government PPP Loans – During the year the Group’s US subsidiaries received loans totalling $401,000. Under the scheme, companies can apply for up to 100% of the loan value to be forgiven if the proceeds have been used for qualifying expenditure such as staff salaries, rent and other business expenses. Application for full forgiveness of the PPP loans have been submitted with $237,000 credited against staff salaries within operating expenditure in the year to 31 December 2020. The balance of $164,500 is included within Other Creditors on the balance sheet and will be credited to staff salaries once formal confirmation of forgiveness is received. Any unforgiven loans are repaid over two years and accrue interest at 1.0% per annum.

Acquisition and working capital finance facilities

The Group has access to acquisition and working capital finance facilities provided by its bankers in the form of a trade receivables finance facility and a four-year term loan which are both secured by a fixed and floating charge over the Group’s assets; in addition the Group is financed through various loan notes.

The borrowings under this are included within current liabilities and described as "Financial Liabilities - borrowings" and non-current liabilities as “Loan notes and bank finance” on the Group’s statement of financial position and the facility is secured specifically against the Group’s trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group’s statement of financial position.

Exceptional items

Exceptional items of income and expense are disclosed in the income statement as 'exceptional items' due to their size, or nature and management do not anticipate these items repeating in future periods. Examples of items which may give rise to disclosure as 'exceptional' include inter alia, costs of restructuring and reorganisation of existing businesses. The Directors consider that this gives a useful indication of underlying performance and better visibility of key performance indicators.

Principal accounting policies (continued)

Foreign currency

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements under IFRS as adopted by the European Union requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements and estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Goodwill impairment: considered a critical accounting judgement and a key source of estimation uncertainty

The Group is required to test, at least annually, whether goodwill has suffered any impairment or if any indicators of impairment are identified. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary. Estimates and assumptions used are set out in note 8.

InterQuest Holdings Limited

Consolidated Statement of Comprehensive Income
For the year ending 31 December 2020

	Notes	Before Exceptional Items £'000	Exceptional Items £'000	Year to 31 Dec 2020 £'000	Before Exceptional Items £'000	Exceptional Items £'000	Year to 31 Dec 2019 £'000
Group Revenue	1	91,943	-	91,943	136,453	-	136,453
Cost of sales		(73,225)	-	(73,225)	(112,912)	-	(112,912)
Gross Profit	1	**18,718**	-	**18,718**	**23,541**	-	**23,541**
Administrative expenses	2	(17,011)	(201)	(17,212)	(22,432)	(1,005)	(23,437)
Earnings before interest, tax, depreciation and amortisation		**3,266**	**(201)**	**3,065**	**2,709**	**(1,005)**	**1,704**
Depreciation	7	(870)	-	(870)	(911)	-	(911)
Amortisation	8	(689)	-	(689)	(689)	-	(689)
Group Operating profit/(loss)	1,2,3	**1,707**	**(201)**	**1,506**	**1,109**	**(1,005)**	**104**
Finance costs	5	(630)	-	(630)	(813)	-	(813)
Profit/(loss) before taxation		**1,077**	**(201)**	**876**	**296**	**(1,005)**	**(709)**
Tax (charge)/credit	6	(142)	-	(142)	75	-	75
Profit/(loss) for the year from continuing operations		**935**	**(201)**	**734**	**371**	**(1,005)**	**(634)**
Loss from discontinued operations	22	(64)	-	(64)	(487)	-	(487)
Loss for the year		**871**	**(201)**	**670**	**(116)**	**(1,005)**	**(1,121)**
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		819	(171)	648	(326)	(804)	(1,130)
- Non Controlling interests	20	52	(30)	22	210	(201)	9
Total Comprehensive income/(expense) for the year		**871**	**(201)**	**670**	**(116)**	**(1,005)**	**(1,121)**

InterQuest Holdings Limited

Consolidated Statement of Financial Position
As at 31 December 2020

		2020	2019
Assets	**Notes**	**£'000**	**£'000**
Non-current assets			
Property, plant and equipment	7	4,227	4,873
Goodwill	8	10,835	10,835
Intangible assets	8	1,127	1,816
Total non-current assets		**16,189**	**17,524**
Curent Assets			
Trade and other receivables	9	9,928	17,977
Current tax debtor		296	545
Cash at bank and in hand	10	2,240	625
Total current assets		**12,464**	**19,147**
Total Assets		**28,653**	**36,670**
Liabilities			
Current Liabilities			
Trade and other payables	11	(10,520)	(11,557)
Invoice factoring facility	12	(1,640)	(7,541)
Leasing Liabilities	12	(643)	(638)
Loan notes and bank finance	12	(2,713)	(2,976)
Total current liabilities		**(15,516)**	**(22,711)**
Non-current liabilities			
Leasing Liabilities	12	(3,425)	(4,031)
Loan notes and bank finance	12	(8,046)	(8,797)
Deferred tax	13	(314)	(445)
Total non-current liabilities		**(11,785)**	**(13,273)**
Total Liabilities		**(27,301)**	**(35,985)**
Net Assets		**1,352**	**686**
Equity			
Share capital	15	1	1
Other capital reserve		3,187	3,187
Retained earnings		(2,776)	(3,420)
Total issued share capital and reserves attributable to the owners of the parent		412	(232)
Non Controlling interest		940	918
Total Equity		**1,352**	**686**

The financial statement of InterQuest Holdings Limited, were approved by the Board of Directors on 28th June 2021.

Signed on behalf of the Board of Directors.

B Felton
Director
Company Number: 10451963

InterQuest Holdings Limited

Consolidated Statement of Changes in Equity
For the year ending 31 December 2020

	Share Capital £'000	Other Capital Reserve £'000	Retained Earnings £'000	Non-Control. Interest £'000	Total Equity £'000
Balance at 1 January 2019	1	3,187	(2,131)	937	1,994
Comprehensive income					
Loss for the year	-	-	(1,130)	9	(1,121)
Total comprehensive income for the period	-	-	(1,130)	9	(1,121)
Transactions with owners					
Share consolidation	-	-	(159)	(28)	(187)
Total contrib. by / distib. to owners	-	-	(159)	(28)	(187)
Balance at 31 December 2019	1	3,187	(3,420)	918	686
Balance at 1 January 2020	1	3,187	(3,420)	918	686
Comprehensive income					
Profit for the year	-	-	648	22	670
Total comprehensive income for the period	-	-	648	22	670
Transactions with owners					
Share consolidation	-	-	(4)	-	(4)
Total contrib. by / distib. to owners	-	-	(4)	-	(4)
Balance at 31 December 2020	**1**	**3,187**	**(2,776)**	**940**	**1,352**

InterQuest Holdings Limited

Consolidated Statement of Cash Flows
For the year ending 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit/(loss) after taxation		**670**	**(1,121)**
Adjustments for:-			
Depreciation	7	870	911
Finance costs	5	630	813
Amortisation	8	689	689
Tax expenses/(credits)	6	142	(75)
Movement on trade and other receivables		8,049	1,063
Movement on trade and other payables		(1,037)	(1,123)
Cash generated from operations		10,013	1,157
Tax paid		(27)	(187)
Net cash from operating activities		**9,986**	**970**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(187)	(275)
Disposal/(acquisition) of investments		-	60
Share consolidation		(4)	(187)
Acquisition of subsidiaries net of cash acquired		-	-
Net cash used in investing activities		**(191)**	**(402)**
Cash flows from financing activities			
Bank loan (payments)/net receipt		(937)	(2,056)
Loan notes repaid net of accrued interest		(78)	220
Lease liabilities (paid)		(815)	(791)
Net movement on discounting facility		(5,901)	(354)
Interest paid		(444)	(455)
Net cash used in financing activities	12	**(8,175)**	**(3,436)**
Net movement in cash, cash equivalents and overdrafts		**1,620**	**(2,868)**
Effects of currency translation on cash and cash equivalents		(5)	43
Cash, cash equivalents and overdrafts at beginning of period	10	**625**	**3,450**
Cash, cash equivalents and overdrafts at end of the period	10	**2,240**	**625**

InterQuest Holdings Limited

Notes to the consolidated financial statements
For the year ended 31 December 2020

1. Revenue and segmental reporting

There were £4.03m of revenues earned from outside of the UK, mainly in the US, but no material non-current assets held outside the UK.

	Revenue		Gross profit	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Permanent	8,150	11,059	8,150	11,059
Contract	71,069	122,222	6,747	11,445
Consultancy	12,724	3,172	3,821	1,037
	91,943	136,453	18,718	23,541

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2020 £'000	2019 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	45	45
Audit of Company's subsidiaries pursuant to legislation	-	-
Total audit fees	45	45
- Taxation compliance services	20	20
Total non-audit fees	20	20
Total auditor's remuneration	65	65
Amortisation of intangible assets (see note 8)	689	689
Depreciation (see note 7)	870	911
Exceptional items – before tax impact (see note 3)	201	1,005
Foreign currency (gains)/losses	(140)	44

Analysis of administrative expenses before exceptional items

	2020 £'000	2019 £'000
Staff costs	12,684	17,111
Other staff related costs	183	227
Property and premises costs	906	1,093
Travel and subsistence	164	550
Communications and IT	674	800
Legal and professional	262	362
Foreign exchange	(140)	44
Depreciation	870	911
Other general overhead	1,408	1,334
	17,011	22,432

3. Exceptional items

The below represent exceptional items in the 2020 financial statements:

	2020 £'000	2019 £'000
Non-recurring employment costs	(201)	(31)
Restructuring costs	-	(912)
Share option benefits	-	(62)
	(201)	(1,005)

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2020 £'000	2019 £'000
Wages and salaries	17,205	15,694
Social security costs	1,892	1,620
Other pension costs (see note 15)	238	275
	19,335	17,589
Disclosed under administrative expenses	12,684	17,111
Disclosed under Cost of sales	6,651	478
	19,335	17,589

The average number of employees of the Group during the year was:

	2020 Number	2019 Number
Recruitment consultants	159	220
Administration	53	60
Pioneers/Consultants	81	23
	293	303

Remuneration in respect of Directors was as follows:

	2020 £'000	2019 £'000
Total	755	771
Highest paid Director	355	387

5. Finance costs

	2020 £'000	2019 £'000
Interest payable on borrowings	630	813

6. Income tax expense

	Before exceptional items £'000	Exceptional items £'000	2020 £'000	2019 £'000
Current tax				
Corporation tax on chargeable profits for the year	(246)	-	(246)	(56)
Adjustments in respect of prior periods	(27)	-	(27)	-
Total current tax	(273)	-	(273)	(56)
Deferred tax				
Origination and reversal of temporary difference	131	-	131	131
Adjustment in respect of prior periods	-	-	-	-
Total income tax (charge)/credit	(142)	-	(142)	75

Income tax expense recognised outside of the income statement	2020 £'000	2019 £'000
Current tax on share-based payments	-	-
Deferred tax on share-based payments	-	-
Total tax recognised outside of income statement	-	-

6. Income tax expense (continued)

	2020	2019
	£'000	**£'000**
Profit/(loss) before taxation	876	(709)
Discontinued operations	(64)	(487)
Sum of profits/(losses) before tax including discontinued operations	**812**	**(1,196)**
Profit/(loss) before taxation multiplied by effective rate of corporation tax in the UK of 17.25% (2019: 19%)	140	(227)
Effects of:		
Depreciation of assets not qualifying for tax relief	26	19
Net effect of tax losses in the year	118	166
Expenses not deductible for tax purposes	11	37
Difference in overseas tax rates	(49)	(67)
Utilisation of tax losses b/fwd	(104)	-
Foreign subsidiary profits not taxable	(24)	-
Chage in rate of deferred tax asset	14	-
Other tax adjustment	10	(3)
Total income tax charge/(credit)	**142**	**(75)**

7. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Right of use assets £'000	Total £'000
Cost				
At 1 January 2020	4,177	1,651	6,338	12,166
Additions	5	182	51	238
Disposals	-	24	-	24
At 31 December 2020	4,182	1,809	6,389	12,380
Depreciation				
At 1 January 2020	3,551	1,495	2,247	7,293
Charge for period	152	112	606	870
Disposals	-	10	-	10
At 31 December 2020	3,703	1,597	2,853	8,153
Net book value				
At 31 December 2020	479	212	3,536	4,227
At 1 January 2020	**626**	**156**	**4,091**	**4,873**

The right of use assets are all represented by leasehold properties with lease terms extending beyond 1 year.

8. Goodwill and intangible assets

	Goodwill	Customer relationships	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	10,835	3,448	14,283
Additions	-	-	-
Disposals	-	-	-
At 31 December 2020	**10,835**	**3,448**	**14,283**
Amortisation and accumulated impairment losses			
At 1 January 2020	-	1,632	1,632
Charged during the year	-	689	689
At 31 December 2020	**-**	**2,321**	**2,321**
Net book value			
At 1 January 2020	**10,835**	**1,816**	**12,651**
At 31 December 2020	**10,835**	**1,127**	**11,962**

8. Goodwill and intangible assets (continued)

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the originally acquired business units as follows:

	2020 £'000 Closing	2019 £'000 Closing
Niche Markets	1,119	1,119
Specialist Staffing	2,430	2,430
ECOM	1,142	1,142
RDW	711	711
Public Sector	1,319	1,319
Talent Solutions	994	994
Albany Beck	3,120	3,120
	10,835	10,835

Whilst the trade in certain businesses above has been transferred to the main operating company, the businesses continue to trade and generate cash flows that are largely independent of those from other assets or groups of assets.

The value of the intangible is shown above as originating from these companies though the value of the business has been transferred and operates as a distinct CGU or number of CGUs within another operating subsidiary.

8. Goodwill and intangible assets (continued)

The recoverable amount of goodwill and intangible assets associated with each CGU is determined based on value-in-use calculations. The key assumptions used for value-in-use calculations as at 31 December 2020 are that the CGUs will trade in accordance with the 2021 budget, which has a higher financial result than that reported for 2020. Thereafter, the assumption is for 2% annual growth in sales and 2% growth in costs (from 2020 levels) until 31 December 2026 across all CGUs. These assumptions are based on management's experience of the IT recruitment market place and latest industry forecasts. The cash flows are based on a five year life plus a terminal value based on perpetual growth of 2% and a pre-tax discount rate of 13.8%.

The discount rate represents the Group's weighted average cost of capital, based on the risk-free rate with an additional premium added to reflect market risk and the size of the Group. This is consistent across all CGUs as management do not consider the risk differential to be significant. The Board believes that the growth rates used in the value-in-use calculations are appropriate as at year end and have applied sensitivities to the calculations to be satisfied that the current recoverable amount of goodwill and intangible assets are appropriate.

Each CGU has been considered on an individual basis and the assumptions used fall within historic variations experienced by the Group and are considered as reasonable estimations.

The assessment for value in use for each CGU is sensitive to both growth rates and gross margin. These assumptions have been used for the analysis of each CGU because each CGU shares similar attributes and it is appropriate to use similar assumptions.

The Board performed a sensitivity analysis on the key assumptions underpinning the 2021 budget to assess the impact on the carrying values of the CGUs if any of the key assumptions were flexed.

An overall reduction in budgeted Net Fee Income across all CGU's of 17.5% for 2021 would result in zero headroom over the carrying value of the CGUs should all other costs and overheads remain static. If the Net Fee Income were to reduce to this extent, directly attributable staff overhead would also be reduced to maintain the pay-out ratios relevant to those CGU's, together with a reduction in centralised overhead at the rate of 50% of the reduction in Net Fee Income. This cost reduction would bring the aggregate recoverable amount to £21.3m over the aggregate carrying value.

9. Trade and other receivables

	2020 £'000	2019 £'000
Gross trade receivables	9,144	15,611
Provisions	(42)	(35)
Net trade receivables	9,102	15,576
Prepayments and accrued income	805	2,308
Other current assets	21	93
	9,928	17,977

Included within gross trade receivables is £7,927 in respect of invoice factored debts outstanding at year end. All trade receivable amounts are short term.

The lifetime expected credit loses for trade receivables are as follows:

	% Expected loss rate	2020 £'000	2019 £'000
30 days or less	0.10	7,088	8,542
31 to 60 days	0.25	2,056	6,454
91 to 120 days	1.50	-	615
Gross trade receivables		9,144	15,611

The total expected credit losses above are not considered material and so no charge has been included in the profit and loss account.

Movements on the Group provision for impairment of trade receivables are as follows:

	2020 £'000	2019 £'000
Provision for receivables impairment at 1 January 2020	35	28
Amounts released in the period	-	-
New provision in the period	7	7
Provision for receivables impairment at 31 December 2020	42	35

The creation of the provision for impaired receivables has been included in the consolidated statement of comprehensive income. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

9. Trade and other receivables (continued)

Transfer of financial assets

During the year, the Group factored trade receivables with an aggregate carrying amount of £75 million to a bank for cash proceeds of the same amount. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing within Financial Liabilities (see note 13).

10. Cash and cash equivalents

	2020 **£'000**	**2019** **£'000**
Cash and cash equivalents	2,240	625

The carrying value of cash and cash equivalents is considered to be a reasonable approximation of fair value.

11. Trade and other payables

	2020 **£'000**	**2019** **£'000**
Trade payables	5,643	8,504
Other tax and social security	2,476	697
Other payables	30	21
Accruals and deferred income	2,371	2,335
	10,520	11,557

The carrying values of trade and other payables are considered a reasonable approximation of fair value.

12. Financial liabilities - borrowings

	2020 £'000	2019 £'000
Less than one year		
Bank loan	1,875	1,875
Invoice factoring facility	1,640	7,541
Leasing liability under IFRS16	643	638
Loan notes	838	1,101
	4,996	11,155

The Group received funding from HSBC Bank plc in September 2018 in the form of a £7.5m amortising term loan. The original loan was repayable over four years, in equal quarterly instalments. At 31 December 2020, the balance remaining on the term loan was £4.0m. In March 2021, the Group increased its facility by £2.0m and the term of the loan by a further 12 months. The Group must meet certain financial covenants during the period of this loan regarding EBITDA performance, interest and cash flow cover. At the end of the current financial period, all financial covenants were met. The interest rate at 31 December 2020 was 2.53% and at 31 December 2019 it was 3.84%.

The Group has access to a working capital finance facility provided by its bankers. These facilities comprise a trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The trade receivables finance facility is secured specifically against the Group's trade receivables. Trade receivables which have been factored are included with trade receivables within current assets in the Group's statement of financial position. A debenture dated March 2017 was executed to secure all the Company's liabilities to HSBC Bank plc. A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the Company, InterQuest Group (UK) Ltd, Albany Beck Consulting Limited and RDW Limited. The facility allows drawdown to a maximum of £14.5m and is renewable on an annual basis.

The Group has recognied all relevant leases under IFRS16. All leases contained in this area relate to right of use assets which are properties. In calculating the right of use liability the Group has assumed that all leases run their full term. The interest used to compute the financing element is the same rate which the Group can achieve additional borrowing of 3.84%.

The Group issued loan notes totalling £5.3m to G P Ashworth and his wife C Ashworth in September 2017. Interest is accruing on the outstanding balance at 3.75%, which was £5,883 at 31 December 2020 (31 December 2019: £5,697).

The Group issued loan notes to Recruitment Capital Partners LLP, a partnership in which G P Ashworth (Director) is a partner totalling £1.09m in September 2018. These Loan notes are repayable on demand. Interest at 3.84% is being accrued on the outstanding balance which was £0.81m at 31 December 2020 (31 December 2019: £1.09m).

InterQuest Holdings Limited

Notes to the consolidated financial statements
For the year ended 31 December20 (continued)

12. Financial liabilities – borrowings (continued)

	2020 £'000	2019 £'000
Due in more than one year		
Bank loan	2,163	3,100
Leasing liability under IFRS16	3,425	4,031
Loan notes	5,883	5,697
	11,471	12,828

The net debt of the Group was as follows:-

	2020 £'000	2019 £'000
Total debt	16,467	23,983
Less: Cash and cash equivalents	(2,240)	(625)
Net debt	14,227	23,358

	2020 £'000	2019 £'000
Cash flows from financing		
Interest paid	(444)	(455)
Proceed from borrowing and accruing interest	(78)	220
Capital repayments	(937)	(2,056)
Proceeds from factoring facility	(5,901)	(354)
IFRS16 lease repayments	(815)	(791)
	(8,175)	(3,436)
Non cash flows from financing		
Recognised on adoption of IFRS16	51	858
Interest on IFRS 16 lease liability	169	179
Interest accrued	361	414
	581	1,451
Net change in liabilities from financing	(7,594)	(1,985)
Opening liabilities arising from financing	23,983	25,968
Closing liabilities arising from financing	16,389	23,983

13. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Depreciation charged in excess / (arrears) of capital allowances	Deferred tax credit/(charge) on employee share options	Other timing differences	Intangible asset temporary difference	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	(17)	10	(1)	(437)	(445)
Deferred tax charge direct to Income Statement	-	-	-	131	131
Balance at 31 December 2020	(17)	10	(1)	(306)	(314)

At the reporting date, the Group has unused tax losses of £1m available for offset against future profits. Deferred tax has not been recognised on these amounts as there is uncertainty over their future use. Of these amounts none have an expiry date.

The gross movement on the deferred income tax amount is as follows:

	2020 £'000	2019 £'000
Asset at 1 January	(445)	(576)
Charge to income statement (note 6)	131	131
Liability at 31 December	(314)	(445)

14. Employee benefits

The following amounts have been recognised in the consolidated statement of comprehensive income in relation to defined contribution retirement benefit plans:

	2020 £'000	2019 £'000
Defined contributions	238	275

Equity-settled share-based payments:

	Options	2020 Weighted average exercise price
Outstanding at beginning of the year	1,000	
Granted during the year	12,850	
Forfeited during the year	(7,850)	
Exercised during the year	-	
Outstanding at end of year	6,000	£12.50
Exercisable during the year	-	-
Exercisable at the year end	6,000	£12.50
Weighted average remaining contractual life of options outstanding at the end of the year	9 years	

The options outstanding at 31 December 2020 had an exercise price of £12.50. The exercise price of the options is set at the time that the share options are awarded and do not reflect market value at the time the options are exercised. Details of the Company's share options are as follows:

CSOP scheme:

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
1 January 2020	6,000	£12.50	1 January 2020	31 December 2030
	6,000			

The form of settlement for share options is at the discretion of the Company, however, the expectation is that they will be settled with equity. The aggregate charge which could be made to the profit and loss account during the year in relation to these options was £16,000. This charge represents the fair value of those share options at the grant date, spread across the vesting period to 31 December 2030. During the year no options were exercised.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

15. Share capital and reserves

	2020	2019	2020	2019
Authorised:	**(no.)**	**(no.)**	**£**	**£**
Ordinary shares of £0.01 each	33,947	100,000	340	1,000
A Ordinary Shares of £0.005 each	66,053	-	330	-
B Ordinary Shares of £0.005 each	66,053	-	330	-
	166,053	**100,000**	**1,000**	**1,000**

Allotted, called up and fully paid:	**Ords (no.)**	**A Ords (no.)**	**B Ords (no.)**	**Total (no.)**
As at 01 January 2019:	100,000	-	-	100,000
As at 31 December 2019:	**100,000**	**-**	**-**	**100,000**
As at 01 January 2019:	100,000	-	-	100,000
Cancelled in year	(66,053)	-	-	(66,053)
Issued in year	-	66,053	66,053	132,106
As at 31 December 2020:	**33,947**	**66,053**	**66,053**	**166,053**
Nominal Value at 31 December 2020	**£340**	**£330**	**£330**	**£1,000**

A Ordinary Shares - these shares hold the same voting rights as Ordinary Shares but are not entitled to receive dividends or any capital distribution in the event of a sale or winding up of the Company.
B Ordinary Shares - these shares do not hold any voting rights but are entitled to receive dividends or a capital distribution in the event of a sale or winding up of the Company.

The Group's objectives when managing capital are:

- to safeguard the Group'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 by providing recruitment services commensurately with the level of risk.

The Group defines capital as net debt which is calculated as total debt as shown in the statement of financial position less cash and cash equivalents.

The nature and purpose of the retained earnings represents cumulative net profits less distributions to shareholders.

16. Operating leases

Due to the impact of IFRS16, future operating lease liabilities are now defined as liabilities on the Group balance sheet with analysis and ageing disclosed in note 12.

17. Related party transactions

The Group has taken advantage of the exemptions contained within IAS24 - Related Party Disclosures from the requirement to disclose transactions between Group companies as those have been eliminated on consolidation. Transactions between the Group and non-Group companies but considered related parties are disclosed below.

Related party	Nature of business	2020 £'000	2019 £'000	Directors involved
Shillingridge Limited	Business expenses	-	45	G P Ashworth
EG360 Consulting	Consultancy	-	28	D C Higgins

The Group issued loan notes totalling £5.3m to G P Ashworth and his wife C Ashworth in September 2017. At the period end interest was accruing on the outstanding balance at 3.75%.

The Group issued loan notes to Recruitment Capital Partners LLP, a partnership in which G P Ashworth (Director) is a partner totalling £1.09m in September 2018. These Loan notes are repayable on demand. Interest at 3.84% is being accrued on the outstanding balance.

Compensation paid to key management personnel of the Group being Directors and Senior Managers was:

	2020 £'000	2019 £'000
Salaries and other short-term employee benefits	1,870	1,832
	1,870	1,832

Key management are considered to be those who have authority and responsibility, planning, directing and controlling the activities of the Group.

During the year a total of five thousand share options were issued to Key management. Based on the Black Scholes method of valuation this would result in a small charge to profit and loss of £6,000. The charge represents the fair value of those share options at the grant date, spread across the vesting period ending 31 December 2030.

18. Events after the balance sheet date

At 31 December 2020, InterQuest Holdings Limited owned 51% of the issued share capital of Albany Beck Worldwide ('ABW'), with the remaining 49% owned by the management team of the subsidiary. In April 2021 the Company purchased a further 46.5% of the subsidiary for a total cash consideration of £3.2m. This purchase was funded by a £2.0m re-load of the HSBC term loan and a 12-month deferred consideration payment plan for the balance owed. The Company now owns 97.5% of ABW.

19. Financial risk management

Interest rate sensitivity:

At 31 December 2020, the Group is exposed to changes in market interest rates through its invoice factoring facilities, term loans and loan notes. All borrowing is subject to variable interest rates. The Group does not hedge the exposure to variations in interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +3% and –0.5% (2018: +3% and -0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	+3%	**-0.5%**	**+3%**	**-0.5%**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Net result for the year	(1,780)	(1,011)	(1,780)	(1,011)
Equity	(1,780)	(1,011)	(1,780)	(1,011)

Credit risk analysis:

The Group's exposure to credit risk is limited to the carrying amount of trade and other receivables. The Group manages this risk by continuously monitoring defaults of customers and other counterparties, identified either individually or by the Group, and incorporating this information into its credit risk controls. In addition, where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Group management considers that trade receivables not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 9 for further information on impairment of financial assets that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.
The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis:

The Group manages its liquidity needs by carefully monitoring scheduled deferred consideration payments as well as cash outflows due in day-to-day business. The Group manages liquidity risk by monitoring in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs and risk for a 180-day and a 360-day lookout period are monitored monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity is secured by an adequate level of committed trade receivables financing facilities.

19. Financial risk management (continued)

Foreign exchange risk analysis:

The main functional currency of the Group is British Pounds but the Group does have bank accounts and transacts in Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Norwegian and Danish Krone, Swiss Francs and Polish Zloty. The Group manages foreign currency risk by contracting with customers and contractors in the same currency wherever possible and does not consider the Group to have material transactional exposures in foreign currencies.

There are no material net foreign exchange exposures to monetary assets and monetary liabilities. The Group has translation exposure in accounting for overseas operations but because they are not significant the Group does not have a policy to hedge against this exposure.

Analysis of the Group's contractual maturities of liabilities is set out in note 12.

	2020 £'000	2019 £'000
Loans and receivables	9,929	17,977
Total financial assets	9,929	17,977

	2020 £'000	2019 £'000
Current assets		
Trade receivables	9,102	15,576
Prepayments and accrued income	826	2,401
Cash and cash equivalents	2,240	625
	12,169	18,602

	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost	12,160	19,098

	2020 £'000	2019 £'000
Current liabilities		
Invoice factoring facility	1,640	7,541
Trade payables	5,643	8,504
Other payables	2,506	718
Accruals	2,371	2,335
	12,160	19,098

19. Financial risk management (continued)

The contractual maturity of the Group's financial liabilities (excluding trade and other payables) is as follows:-

	Bank Loan	Leasing Liabilities	Loan Notes	Total
	£'000	**£'000**	**£'000**	**£'000**
Within one year	1,875	643	838	3,356
Between one and two years	1,875	407	-	2,282
Between two and five years	288	1,866	-	2,154
More than five years	-	1,153	5,883	7,036
Total cash flows	4,038	4,069	6,721	14,828

20. Non-controlling interests

	£'000
Balance at 1 January 2020	918
Minority share result for the year	22
Share consolidation	-
Balance at 31 December 2020	940

The Group holds 85% of the nominal value of the share capital of InterQuest Group Limited. The above non-controlling interest represents the portion of retained earnings not held by the Group at the year end.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

21. Non-GAAP performance measures

The Group presents reported results and adjusted results in order to help shareholders better understand the Group's operational performance.

Total reported results represent the Group's overall performance but can contain significant items that may obscure understanding of the key trends behind the Group's financial performance. The Group therefore also reports adjusted results to better explain the underlying trading and financial results of the Group.

Adjusted performance measures exclude share-based payment charges, amortisation and exceptional items. Exceptional items include inter alia, acquisition costs, costs of restructuring and reorganisation of existing businesses or asset impairment.

Other key financial performance measures such as net debt, operating cash flow and operating profit are derived from the information that is presented in the financial statements.

22. Discontinued operations

Analysis of the result of discontinued operations:

	2020 £'000	2019 £'000
Gross profit	-	476
Administrative expenses	(64)	(963)
Operating profit	(64)	(487)
Tax	-	-
Loss from discontinued operations after tax	(64)	(487)

Discontinued operations represent the executive search business in Frankfurt, Germany. All European executive search work is carried out from the head office in the UK.

InterQuest Holdings Limited

Parent Company principal accounting policies

General information

InterQuest Holdings Limited is the Group's ultimate parent Company. It is incorporated in England and Wales, limited by shares and domiciled in the UK. The registered office address is Castle Chambers, 87a High Street, Berkhamsted, HP4 2DF and the registered number is 10451963.

Basis of preparation

The principal accounting policies of the Company have been applied consistently and remain unchanged from the previous year. The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. InterQuest Holdings Limited is a Company incorporated and domiciled in the UK.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared using the historical cost convention adjusted for the revaluation of certain financial assets and liabilities in accordance with applicable United Kingdom accounting standards and law.

Going Concern

The factors considered by the Directors in exercising their judgement of the Group's ability to continue to operate in the foreseeable future are set out under the Principal Business Risks section of the Strategic Report. The Company is a holding company which receives funding through management charges from Group subsidiaries. Therefore, by assessing the going concern of the Group, the Directors gain comfort over the going concern of the Company.

In their assessment of going concern the directors have considered the current and developing impact on the business of the COVID-19 virus. The fallout from the pandemic had a significant, immediate impact on the Group's operations, with monthly income levels having declined compared with pre-COVID trading. Whilst there are early signs of an economic recovery in the UK and the USA, at the present time it is not clear how long it will take for a full global recovery.

The directors have updated their annual forecasts based on current estimates of the impact of the pandemic whilst also reflecting the benefits from the mitigating actions taken, in order to ensure that they have sufficient facilities in place to meet their operating cash requirements for the foreseeable future.

On these grounds and considering other actions available to the company should trading deteriorate further, the Board considers it reasonable to continue to adopt the going concern basis for the preparation of the Financial Statements.

InterQuest Holdings Limited

Parent Company principal accounting policies (continued)

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures in respect of financial instruments.

As the consolidated financial statements of InterQuest Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share-based payments.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Principal Accounting Policies to the consolidated financial statements on page 14 to 22 except as noted below.

InterQuest Holdings Limited

Parent Company statement of financial position
As at 31 December 2020

		2020	2019
Assets	**Notes**	**£'000**	**£'000**
Non-current assets			
Investments	1	12,936	12,936
Total non-current assets		**12,936**	**12,936**
Curent Assets			
Trade and other receivables	2	1,291	1,003
Cash at bank an in hand	3	4	1
Total current assets		**1,295**	**1,004**
Total Assets		**14,231**	**13,940**
Liabilities			
Current Liabilities			
Trade and other payables	4	(4,977)	(3,533)
Loan notes and bank finance	4	(2,713)	(2,976)
Total current liabilities		**(7,690)**	**(6,509)**
Non-current liabilities			
Loan notes and bank finance	5	(8,046)	(8,797)
Total non-current liabilities		**(8,046)**	**(8,797)**
Total Liabilities		**(15,736)**	**(15,306)**
Net assets		**(1,505)**	**(1,366)**
Equity			
Share capital	6	1	1
Retained Earnings		(1,506)	(1,367)
Total Equity		**(1,505)**	**(1,366)**

InterQuest Holdings Limited reported a loss for the year of £0.24m (2019: £0.24m Loss).

The nature and purpose of the profit and loss reserve is to represent cumulative net profits less distributions to shareholders.

These parent company financial statements were approved by the board on 28th June 2021 and were signed on its behalf by:

B Felton
Director

Company registration number: 10451963

InterQuest Holdings Limited

Parent Company statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	1	(1,131)	(1,130)
Comprehensive income			
Profit/(loss) for the period	-	(236)	(236)
Total comprehensive income for the period	-	(236)	(236)
Balance at 31 December 2019	1	(1,367)	(1,366)
Balance at 1 January 2020	1	(1,367)	(1,366)
Comprehensive income			
Profit/(loss) for the period	-	(139)	(139)
Total comprehensive income for the period	-	(139)	(139)
Balance at 31 December 2020	**1**	**(1,506)**	**(1,505)**

InterQuest Holdings Limited

Independent Auditor's Report to the Members of InterQuest Holdings Limited

Opinion

We have audited the company financial statements of InterQuest Holdings Limited for the period ended 31 December 2020 which comprise:

- Company balance sheet
- Company statement of changes in equity; and
- the related notes numbered 1 to 10, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (UK Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 we do not express any form of assurance conclusion thereon.

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.

Independent Auditor’s Report to the Members of InterQuest Holdings Limited

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 the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on pages 9 to 10, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and reviewing revenue recognised in the period to ensure revenue had been recognised in the correct period.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

Ryan Ketteringham
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date: 28th June 2021

InterQuest Holdings Limited

Notes to the parent company financial statements for the year ended 31 December 2020

The accompanying principal accounting policies and notes form part of these financial statements.

1. Investments

	Total
	£'000
Net book value	
As at 1 January 2020	12,936
Acquisition during the period	-
Net Book Value as at 31 December 2020	**12,936**

At the year end the Company owned 85% of the share capital of InterQuest Group Limited, which in turn owns 100% of the nominal value of any class of share capital in the subsidiaries listed below, with the exception of Albany Beck Consulting Limited (95%). In addition, the Company owned 100% of the share capital of Albany Beck Ireland Limited, 51% of Albany Beck Worldwide and 65% of Albany Beck Consultancy Services Limited.

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of business
InterQuest Group Limited -1	UK	Ordinary shares	Holding Company
InterQuest Group (UK) Limited - 2	UK	Ordinary shares	IT recruitment
Contract Connections Limited - 2	UK	Ordinary shares	Non trading
InterQuest GMBH - 3	Germany	Ordinary shares	IT recruitment
InterQuest Europe B.V.	Netherlands	Ordinary shares	IT recruitment
InterQuest Group Inc.	USA	Ordinary shares	IT recruitment
InterQuest Financial Markets Limited - 2	UK	Ordinary shares	Non trading
Goldcrest Payroll Solutions Limited - 2	UK	Ordinary shares	Non trading
RDW-RD Limited – 2	UK	Ordinary shares	Int. holding Company
Rees Draper Wright Limited - 2	UK	Ordinary shares	Exec Search
Rees Draper Wright Inc.	USA	Ordinary shares	Exec Search
Albany Beck Consulting Limited - 1	UK	Ordinary shares	Int. holding Company
IMS Worldwide Limited - 1	UK	Ordinary shares	Non trading
Interim Management Solutions Worldwide Ltd	UK	Ordinary shares	IT recruitment
Albany Beck Worldwide Limited – 2	UK	Ordinary shares	Consultancy services
Albany Beck Consultancy Services Limited - 2	UK	Ordinary shares	Consultancy services
Albany Beck Ireland Limited - 4	ROI	Ordinary shares	Consultancy services

1. The registered office is Cannon Green, 27 Bush Lane, London, EC4R 0AA.
2. The registered office is Castle Chambers, 87a High Street, Berkhamsted, HP4 2DF.
3. The registered office is Neue Rothofstraße 13-19 60313 Frankfurt .
4. The registered office is RBK House, Irishtown, Athlone, Co.Westmeath, N37XP52.

1. Investments (continued)

The following companies are taking an exemption from an audit of the financial statements as per S479A of the Companies Act; InterQuest Group Limited (04298109), InterQuest Group (UK) Limited (03990043), Korus Recruitment Group Limited (06759509), Korus IT Recruitment (South) Limited (06759653), Contract Connections Limited (03340997), RDW-RD Limited (08012032), Rees Draper Wright Limited (04296868), InterQuest Financial Markets Limited (04381183), Goldcrest Payroll Solutions Limited (07111397), Albany Beck Consulting Limited (05306132), Albany Beck Consultancy Services Limited (10483595), Albany Beck Worldwide Limited (11524609), IMS Worldwide Limited (07438488) and Interim Management Solutions Worldwide Limited (04061912).

The financial year end date for Contract Connections Limited is 31 May. This date was established when this company was incorporated.

Fixed asset investments are shown at cost less provisions for impairment.

2. Receivables: amounts falling due within one year

	2020 £'000	2019 £'000
Trade receivables	1,291	1,003
	1,291	1,003

3. Cash at bank and in hand

	2020 £'000	2019 £'000
Cash at bank	4	1

4. Trade and other payables: amounts falling due within one year

	2020 £'000	2019 £'000
Trade payables	12	20
Amounts owed to Group undertakings	4,965	3,513
Bank loan	1,875	1,875
Loan notes	838	1,101
	7,690	6,509

Details of the bank loan and notes are provided in the consolidated financial statements attached, note 12.

5. Trade and other payables: amounts falling due in more than one year

	2020	2019
	£'000	£'000
Bank loan	2,163	3,101
Loan notes	5,883	5,696
	8,046	8,797

Details of the bank loan and notes are provided in the consolidated financial statements attached, note 12.

6. Share capital

	2020	2019	2020	2019
Authorised:	**(no.)**	**(no.)**	**£**	**£**
Ordinary shares of £0.01 each	33,947	100,000	340	1,000
A Ordinary Shares of £0.005 each	66,053	-	330	-
B Ordinary Shares of £0.005 each	66,053	-	330	-
	166,053	**100,000**	**1,000**	**1,000**

Allotted, called up and fully paid:	**Ords**	**A Ords**	**B Ords**	**Total**
	£	**£**	**£**	**£**
As at 01 January 2019:	100,000	-	-	100,000
As at 31 December 2019:	**100,000**	**-**	**-**	**100,000**
As at 01 January 2020:	100,000	-	-	100,000
Cancelled in year	(66,053)	-	-	(66,053)
Issued in year	-	66,053	66,053	132,106
As at 31 December 2020:	**33,947**	**66,053**	**66,053**	**166,053**
Nominal Value at 31 December 2020	**£340**	**£330**	**£330**	**£1,000**

A Ordinary Shares:
These shares hold the same voting rights as Ordinary Shares but are not entitled to receive dividends or any capital distribution in the event of a sale or winding up of the Company.

B Ordinary Shares:
These shares do not hold any voting rights but are entitled to receive dividends or a capital distribution in the event of a sale or winding up of the Company.

Notes to the parent company financial statements for the year ended 31 December 2020 (continued)

7. Capital commitments

The Company had no capital commitments at 31 December 2019 or 31 December 2020.

8. Transactions with Directors and other related companies

Related party	Nature of business	2020 £'000	2019 £'000	Directors involved
Shillingridge Limited	Business expenses	-	45	G P Ashworth

Included within trade receivables is £1.3m due from InterQuest Group Limited (2019: £1.0m). During the year InterQuest Holdings Limited charged InterQuest Group Limited £0.24m plus VAT for management services (2019: £0.24m plus VAT).

During the year the company received funding totalling £1.45m (2019: £2.36m) from InterQuest Group (UK) Limited to facilitate repayment of the bank loan and associated interest costs.

As at 31 December 2020 the amount due to InterQuest Group (UK) Limited is £4.96m (2019: £3.51m).

There were no transactions between InterQuest Holdings Limited, Albany Beck Worldwide Limited, Albany Beck Consulting Limited and and Albany Beck Consultancy Services Limited during the current or previous accounting period. As a result there were no balances between these companies at this or the previous year end.

9. Post balance sheet events

At 31 December 2020, InterQuest Holdings Limited owned 51% of the issued share capital of Albany Beck Worldwide ('ABW'), with the remaining 49% owned by the management team of the subsidiary. In April 2021 the Company purchased a further 46.5% of the subsidiary for a total cash consideration of £3.2m. This purchase was funded by a £2.0m re-load of the HSBC term loan and a 12-month deferred consideration payment plan for the balance owed. The Company now owns 97.5% of ABW.

10. Profit attributable to the Company and cash flow statement

There are no proposed dividends. Details of share-based payments are disclosed in note 14 to the consolidated financial statements.