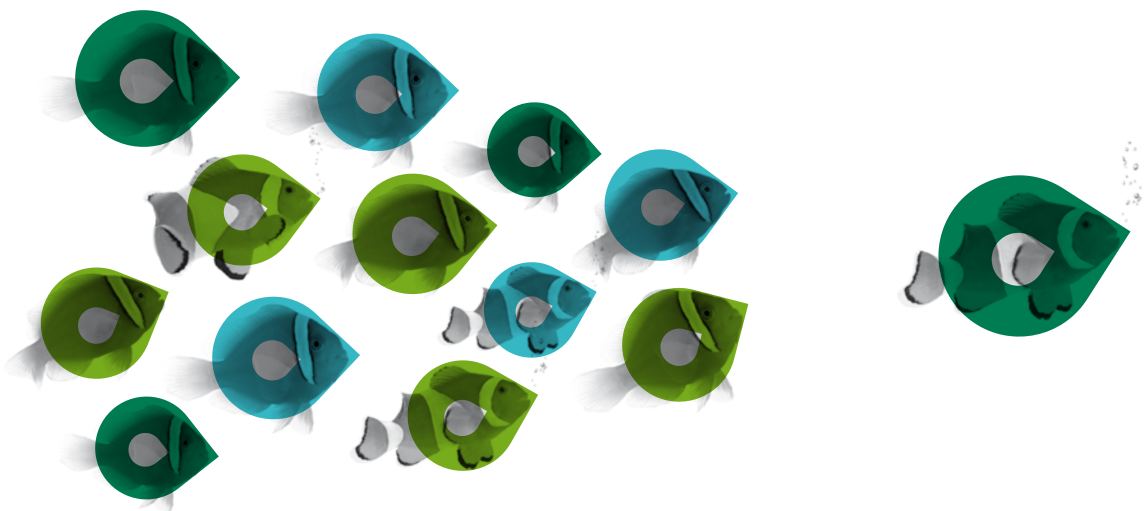

InterQuest Group plc

Annual Report & Accounts 2008

InterQuest Group plc is more than just a market-leading IT and technology recruitment firm, we're experts in our field – a trusted source of specialist knowledge backed up by impressive resources.

The Board is very pleased to present a solid set of results for 2008. It has been another year of growth and progress and we are reporting our highest revenue and profit to date.

The current economic environment is uncertain, however, we believe that our specialist business model, strong bias towards contract recruitment and healthy balance sheet will stand us in good stead during 2009 and give us a robust platform for future growth when the economy improves.

Our Companies

Insight IQ
Specialism: PC, Comms and Infrastructure
www.insight-it.com

ecrm people IQ
Specialism: Enterprise Asset/Service, Management, Storage and Security
www.ecrmpeople.com

Sand Resources IQ
Specialism: Public Sector – Catalist approved
www.sand-uk.com

People Co IQ
Specialism: SAP, Software Testing, Retail, Pharmaceuticals, Sales, Development
www.peopleco.co.uk

Genesis IQ
Specialism: Banking & Finance, Healthcare, Insurance, Risk
www.gcr.co.uk

Pharmatiq
Specialism: Pharmaceuticals, CRO, Biotechnology and Life Sciences
www.pharmatiq.com

SBS IQ
Specialism: City Market Infrastructure, Media, SAP
www.sbsukltd.com

Intelect IQ
Specialism: Analytics, Professional Services and Software Engineering
www.intelectplc.com

IQequity
Specialism: Private equity firm providing capital for start-up and acquisitions in IT recruitment
www.iqequity.co.uk

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Highlights 2008

£105.5m
Revenue up 22% (2007: £86.8m)

£15.3m
Gross profit up 19% (2007: £12.9m)

£5.4m
EBITA (before IFRS 2 and amortisation charges) up 20% (2007: £4.5m)

£3.7m
Profit before taxation up 19% (2007: £3.1m)

9.0 pence
Basic earnings per share up 10% (2007: 8.2 pence)

£4.9m
Net cash from operating activities (2007: £2.7m)

£5.5m
Net debt reduced from £9.3m at start of 2008 to £5.5m at 31 December 2008

1 pence
Maiden dividend (1 pence per share)

12.7 pence
Basic adjusted earnings per share up 15% (2007: 11.0 pence)

Revenue_

2008	105,525,000
2007	86,772,000
2006	57,220,000

Gross profit_

2008	15,324,000
2007	12,908,000
2006	9,006,000

EBITA (excl FRS charge)_

2008	5,398,000
2007	4,505,000
2006	3,051,000

Chairman's and Chief Executive's Statement

Gary Ashworth
Chairman

Introduction_We are pleased to report that 2008 has been another year of growth and progress for the Group. We are reporting record revenue, gross profit, EBITA, profit before tax and earnings per share.

We believe that this is a testament to our niche-focused business model and the commitment of our people, who are our greatest asset. Once again we would like to take this opportunity to thank our dedicated sales and administrative teams for their hard work, thorough knowledge of their individual markets and dedication in 2008.

We have reported the best set of figures in our seven year history and importantly, in these difficult times, have reduced our net debt substantially from £9.3m to £5.5m and have strengthened our balance sheet for the future.

We are delighted to announce the Group's maiden dividend of 1 pence per share.

Operations_Our model of championing separately branded, specialist IT recruitment companies, providing our clients with key people in mission critical areas, has proved robust and resilient to a general downturn in the overall recruitment market.

However, we are not immune from the effects of the economy and in the second half of 2008 our revenue from permanent recruitment activities decreased by approximately one-third from that achieved in the first half. Demand for contract staff remains buoyant and this now comprises almost 80% of our gross profit.

Our strategy

Organic growth of specialist recruitment businesses, adding acquisitions of suitable companies when appropriate, complemented by a strong central and administrative core. A trusted source of knowledge for the technology sector.

Our market

We focus on niche markets in the technology sector, providing clients with the right skills to deliver the solutions they need.

The 2007 acquisitions of ecrm People Limited and Intelect Recruitment plc have been fully integrated into the Group and their business leaders have become valued contributors to our Board of Management.

Sand Resources, which is primarily focused upon the public sector, had a particularly good year reporting 25% growth in gross profit. The public sector now accounts for approximately one-third of our overall revenue.

During the year, six different strategic action groups ("SAG's") were formed to address and solve specific challenges facing the Group. The outcomes from these groups have resulted in several new initiatives including increased cross-over of business between Group companies, entry into new specialist areas in the growing compliance and risk markets and more sophisticated training, marketing and PR across the Group.

A new division, specialising in the recruitment of pharmaceutical IT staff was established in July and has started to make inroads into mainland European clients.

"Our people are our greatest asset."

I've been at InterQuest since 2003 it acquired my company SBS in September 2003. As a very experienced recruiter, I've found that being part of the Group has increased my opportunities significantly. I've had the space to create and grow my own portfolio as the Group ethos is not to interfere, but to allow people to get on with what they do well whilst providing excellent back office support.

It's good to be able to share experiences with colleagues in different sectors and there are plenty of chances to bounce ideas off people – there's always someone to help. And the perks are great too – Las Vegas last year and I'm just back from the sales award trip to the Caribbean.

I'm delighted that even in today's more challenging economic environment my business is doing well and I'm looking forward to continued success with SBS at InterQuest.

Jim Galli, SBS

Chairman's and Chief Executive's Statement continued_

Ross Eades
Chief Executive Officer

The training academy, which is the development bedrock for many of our "home grown" fee earners has continued to be a huge success, producing many of our successful sales staff. In addition, we have developed a series of 15 training modules to help experienced recruiters hone their skills in an increasingly competitive market.

During the first quarter of 2008 we successfully undertook a Group rebranding exercise to strengthen our corporate image and unify the Group by bridging all our individual brands with a common link. We revamped all our corporate communications including our websites. This has helped to underpin sustainable long-term growth for the Group.

In the final quarter of 2008 we launched IQ Equity which aims to back teams of recruiters wanting a stake in their own IT recruitment business. We are in discussions with parties which may result in InterQuest using its training, finance and infrastructure to start new businesses with shared ownership in line with the Group's niche brand strategy.

During the course of the year we relocated one of our specialist brands into our Tunbridge Wells office which now houses three operating divisions. As a result, we were able to close our office in Bexleyheath and benefit from efficient use of shared services and reduced office costs.

Group net debt has reduced over the year from £9.3m to £5.5m and debtor days were reduced to 45 days in December. Our strong relationship with our bankers has continued and we look forward to their support and keen pricing, in the years to come.

Key Achievements

- All acquisitions fully integrated
- 25% growth in Public Services business
- IQequity and Pharmatiq launched
- Group rebranding successfully completed

Working for InterQuest is a pleasure, a company with a vibrant charisma and full of people with colourful personalities.

What's made me successful? I believe it's the ability to grow relationships and play a straight bat – doing more for the client than they expect and going out of your way to understand them, not just the job.

Here at InterQuest I'm just doing the best I can, wanting to move upwards, fighting the tide of recession and making sure I'm in a good position for the upturn!

Alasdair Moore, PeopleCo

"The Group is positioned for strong growth when the economy improves"

Outlook_In the first two months of trading since the year end we have increased the number of contractors working on site at our clients by 3% however permanent recruitment remains difficult and is running at a similar level to the last quarter of 2008.

Clients are still recruiting in all of our business areas, some aggressively in the public sector and compliance categories. Furthermore, vacancies are starting to be released from customers who have been prevented from hiring due to headcount freezes over the last few months. We are keeping a watchful eye on costs, have negotiated keener prices with suppliers for many central services and have re-aligned our cost base to reflect the drop in demand for permanent placement numbers.

Although the financial results for 2009 are likely to be materially lower than 2008 we remain committed to build on our strong foundations so that the Group is positioned for strong growth when the economy improves.

Gary Ashworth
Chairman

Ross Eades
Chief Executive

06
Finance Director's Report

Michael Joyce
Finance Director

Profit and loss account_ Revenue (all from continuing operations) grew by 22% during 2008 to £105.5m (2007: £86.8m). The two acquisitions made in 2007, Intelect Recruitment Plc (July) and ecrm People Limited (September) contributed a full year of revenues and profits in 2008.

Gross profit increased by £2.4m or 19% to £15.3m (2007: £12.9m). Our gross margin percentage decreased slightly from 14.9% to 14.5% as a result of an increased bias towards contract recruitment which accounted for 68% of our gross profit in 2007 and 71% in 2008.

Cash based EBITA (earnings before interest, tax, amortisation of goodwill and IFRS 2 share based payment charge) increased by 20% to £5.4m (2007: £4.5m).

The intangible amortisation charge increased to £1.0m (2007: £0.7m) reflecting the full year impact of the amortisation on the two 2007 acquisitions.

The net interest charge was steady at £0.5m (2007: £0.5m) however this should decrease in 2009 as the Group decreased net debt as noted below.

Profit before tax increased by 19% to £3.7m (2007: £3.1m).

Tax on profits was £1.0m representing an effective tax rate of 27% as the Group benefited from a deferred tax credit arising from the amortisation of intangible assets.

Key Achievements

- Revenue increased by 22% to £105.5m
- Gross profit increased by 19% to £15.2m
- EBITA increased by 20% to £5.4m
- Adjusted EPS increased by 15% to 12.7 pence
- £6.3m pre-tax operating cash flow

Earnings per share and dividend_Basic earnings per share increased by 10% to 9.0 pence in 2008 (2007: 8.2 pence). When the effect of non-cash and non-trading items, being amortisation and the IFRS 2 share based payment charge, are removed the basic adjusted earnings per share was 12.7 pence in 2008 representing an increase of 15% from 11.0 pence in 2007. See note 6 for details of the calculation.

A maiden dividend of 1 pence has been proposed.

Balance sheet, cash flow and financing_The Group's net assets increased by £2.8m to £18.6m at 31 December 2008 (2007: £15.8m), the majority of this was due to the retained profit of £2.7m for the year.

Improved profitability and tight control of working capital delivered £6.3m of operating cash flow (before tax and interest payments). The Group paid £0.6m of deferred consideration in cash in respect of the acquisitions of Sand Resources, ecrm People and Intelect Recruitment; £1.4m of corporation tax and £0.5m of interest during the year. Net capital expenditure was £0.1m and a small number of new shares were issued during the year to staff exercising share options, which raised £0.1m of cash.

As a result of these cash flows, net debt decreased from £9.3m at the start of the year to £5.5m at the end of 2008.

Michael Joyce
Finance Director

"A maiden dividend of 1 pence has been proposed"

I have worked for ecrm People as a Trainee Client Development Manager based in Aylesbury for two years. The majority of the guys that work here are local and we operate as quite a close knit team. The atmosphere in the office is excellent with everyone contributing to the overall environment.

We hold regular social events including nights out, sporting and charity events, all of which help build strong relationships. I believe my success in recruitment is down to my Steve Prefontaine inspired philosophy, "To give anything less than your best is to sacrifice the Gift". My focus now is on securing promotion to be a client development manager.

Robbie Morgan, ecrm People

Board of Directors

01_

Ross Eades
Chief Executive Officer

Ross joined the Group as CEO in August 2003. He began his career in IT recruitment in 1988 with Hunterskil and in 1997 was appointed CEO of MPS International plc, a group of IT and Professional Services recruitment companies which included such brands as Modis and Badenoch & Clark. Between 1997 and 2002, Ross was responsible for both organic and acquisitive growth, which resulted in the Group increasing sales revenue from £72m to £286m and EBIT growth from £3m to £21m.

02_

Gary Ashworth
Executive Chairman

Gary founded the InterQuest Group in November 2001. Previously Gary was the founder of Abacus Recruitment plc, a group of recruitment agencies, including two in the IT recruitment sector. Abacus was floated on AIM in September 1995, was the best performing AIM share in both 1996 and 1997 and subsequently sold to Carlisle Holdings in 1998; initial investors achieved a tenfold multiple on their investment. Gary is a Fellow and past President of the Institute of Employment Consultants and has worked in recruitment since 1980.

03_

Michael Joyce, ACA
Finance Director

Michael graduated in Mathematics from Leeds University in 1990 and joined Coopers & Lybrand where he qualified as a Chartered Accountant in 1993 and gained a wide variety of experience during a seven year tenure in Leeds and Melbourne, Australia. Michael spent 1998 and 1999 as part of the finance team at Robert Walters Plc and two and a half years (to July 2002) as Group Financial Controller of Rebus Group Limited, an HR and Insurance software business. Prior to joining the Group in January 2004 he was Finance Director of the £130m Overseas Division of Heath Lambert Group Limited, the sixth largest insurance broker in the world.

04_

Luke Johnson
Non-executive Director

05_

Paul Frew
Non-executive Director

06_

Alan Found
Non-executive Director

Luke graduated in medicine from Oxford University. He worked for Kleinwort Benson Securities as a Stockbroking Analyst and has served as a Director of a number of public and private companies since 1988. Luke is currently Chairman of Channel Four Television Corporation and Risk Capital Partners.

Paul has a wide range of experience and contacts in the IT sector and considerable experience as a Non-executive Director of fast growing technology based businesses. Paul is the Managing Partner of Elderstreet Capital Partners, a venture capital fund that is a specialist investor in the software and computer services market. Prior to joining Elderstreet, Paul was Managing Director of Softwright Systems Limited, an IT consulting company.

Alan is a Director of New Generation Learning Ltd which designs and develops business-training initiatives. His major focus is in the areas of management development , sales skills and customer service. Clients include Inter-Continental Hotels, The Kier Group and the National Commercial Bank of Saudi Arabia.

Report of the Directors

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

Statement of Directors Responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable law).

The Group's financial statements are required by law and IFRSs to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs; and for the Company financial statements state whether applicable UK accounting standards have been followed; 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.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and its Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities and business review

The Group's principal activity is the provision of IT recruitment solutions in the United Kingdom. The Group is one of the UK's leading staffing businesses in the information and communications technology sector. The Group comprises seven specialist niche businesses, operating from five United Kingdom locations, combined with a centralised finance and administration function.

A review of the Group's business activities, strategy, key performance indicators (sales revenue, gross profit and EBITA) and performance during the year are included in the Chairman's and Chief Executive's Statement and Finance Director's Report on pages two to seven.

Results and dividends

The Group's profit on ordinary activity after taxation amounted to £2.7m (2007: £2.4m). The Directors propose the payment of a maiden dividend of 1 pence per share (2007: £nil).

Post balance sheet events

There are no material post balance sheet events to report.

Principal business risks

Recent employment legislation has increased the burden of compliance upon staffing companies and their clients. Future employment legislation could have a negative impact upon the UK recruitment market and the IT contractor market in particular. Future tax legislation or rulings could have a negative impact upon the financial status of IT contractors' personal service companies.

The Group's clients require large numbers of staff, both permanent and temporary. To meet this demand, the Group has developed increasingly sophisticated and flexible recruitment and consultancy services. However, it cannot guarantee that it will be able to supply sufficient numbers of, or suitably skilled, candidates to meet the future demand of its clients. This may adversely affect the Group's business.

Parts of the Group's businesses depend on technology systems and services provided by third parties. Whilst the Group has comprehensive contingency planning, disaster recovery procedures and insurance in place, it cannot guarantee that if there is any interruption to the systems or services provided by those third parties or those systems or services are not as scalable as anticipated or at all, or there are problems in upgrading such systems or services, the Group's business will not be adversely affected. In addition, the Group may be unable to find adequate replacement services on a timely basis or at all.

The market for permanent recruitment services has become increasingly difficult in recent months and this will place additional demands on the Group's management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its business successfully through this difficult period then its operations and/or financial condition may deteriorate.

The Group's strategy is reliant on the availability of suitable acquisition opportunities at realistic prices. Whilst management are confident in their ability to identify, transact and execute acquisitions, there can be no guarantee that such acquisitions will be available.

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 Company would not have a material effect on the business, financial condition or results of operations of the Group, particularly within any business recently acquired by the Group. In addition, the Group may be adversely affected by staff turnover at more junior levels. The Group has endeavoured to ensure that employees at all levels are incentivised, but the retention of such 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 measures are considered Key Performance Indicators ("KPI's") and their targets are determined annually. Our KPI's are set out below:

	31 December 2008 £'000	31 December 2007 £'000
Revenue	105,525	86,772
GP%	14.5%	14.9%
EBITA	5,288	4,417
Net cash generated from operating activities	4,866	2,749
Net debt	5,533	9,263

Report of the Directors_continued_

Directors and their interests

The Directors who served during the year are set out below. The interests of the Directors and their families in the shares of the Company as at 1 January 2008 and 31 December 2008 were as follows:

	Ordinary shares of 1p each 31 December 2008	1 January 2008
G P Ashworth	12,542,912	12,542,912
R D Eades	1,622,830	1,277,830
A W Found	–	–
L O Johnson	3,802,033	3,802,033
M R S Joyce	366,830	366,830
P M L Frew	–	–

At 31 December 2008 the Directors who served during the year had interests in the following options:

	Scheme	Date of grant	Number of options	Option price	Date from which exercisable	Expiry date
G P Ashworth	Unapproved scheme	28 August 2004	1,128,493	25p	28 August 2004	31 December 2010
G P Ashworth	Unapproved scheme	20 May 2005	331,507	25p	20 May 2005	31 December 2010
R D Eades	EMI scheme	23 June 2004	55,000	25p	23 June 2006	23 June 2014
R D Eades	Unapproved scheme	28 August 2004	164,246	25p	28 August 2004	31 December 2010
R D Eades	Unapproved scheme	20 May 2005	40,154	25p	20 May 2005	31 December 2010
R D Eades	Unapproved scheme	21 November 2005	50,000	55p	21 November 2007	21 November 2015
R D Eades	EMI scheme	23 December 2008	206,452	1p	1 January 2012	23 December 2018
A W Found	Unapproved scheme	13 January 2004	60,000	25p	13 January 2006	13 January 2014
A W Found	Unapproved scheme	28 April 2005	66,000	25p	28 April 2007	27 April 2015
A W Found	EMI scheme	23 December 2008	38,709	1p	1 January 2012	23 December 2018
M R S Joyce	EMI scheme	21 November 2005	30,000	48p	21 November 2007	21 November 2015
M R S Joyce	EMI scheme	21 November 2005	58,000	55p	21 November 2007	21 November 2015
M R S Joyce	Unapproved scheme	21 November 2005	12,000	55p	21 November 2007	21 November 2015
M R S Joyce	Unapproved scheme	17 July 2007	100,000	116.5p	17 July 2009	17 July 2017
M R S Joyce	EMI scheme	23 December 2008	169,839	1p	1 January 2012	23 December 2018

No Director had, during or at the end of the year, a material interest in any contract that was significant in relation to the Company's business.

The Company's share price has ranged from a low of 37.5 pence to a high of 90 pence during the year with a closing price of 37.5 pence at 31 December 2008.

Share capital

Details of changes in the share capital of the Company during the year are shown in note 16 to the Financial Statements.

Substantial shareholdings

As at 17 February 2009, the Directors are aware of the following interests in the ordinary share capital of the Company representing an interest of 3% or more of the Company's issued share capital.

Name of holder	Number of shares	Percentage shareholding
G P Ashworth	12,542,912	41.02%
L O Johnson	3,802,033	12.43%
Chase Nominees Limited	2,395,789	7.83%
R D Eades	1,622,830	5.31%
Waterhouse Nominees Limited	1,142,157	3.74%
Martyn Barrow	1,056,190	3.45%

Corporate responsibility

The Chief Executive takes responsibility at Board level for ensuring that the Board recognises its health and safety, employment and environmental responsibilities. The Group's policies are monitored, reviewed and updated on an ongoing basis.

The Group is committed to ensuring that it operates in the most environmentally responsible manner. The Group has policies in place to ensure that it adheres to Health and Safety legislation and relevant codes of practice for the industry.

The Group acknowledges that its employees are key to the success of its business. To this end the Group encourages a culture of effective communication, equal opportunities and complying with anti-discrimination legislation.

Communication with employees throughout the Group is facilitated through:

- management presentations (formal and informal);
- Group and divisional meetings; and
- Group conferences and via the Group's information and email systems.

The Group offers an EMI share option scheme to its employees. The Group is fully committed to promoting equal opportunities in all aspects of its employment and business, regardless of age, disability, ethnic origin, gender, marital status, religion, sexual orientation or any other grounds not bearing on a person's ability or potential.

Payment policy and practice

It is the Group's payment policy to ensure settlement of suppliers invoices in accordance with the stated terms. In certain circumstances settlement terms are agreed prior to any business taking place. It is our policy to abide by those terms.

At the year end the Group had an average of 23 days (2007: 23 days) purchases outstanding in trade creditors.

Charitable donations

During the year the Group made a total of £8,000 (2007: £1,200) donations to charity.

Report of the Directors_continued_

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 has no material transactions or balances denominated in foreign currencies.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with company law.

By order of the Board

M R S Joyce
Secretary
4 March 2009

Corporate Governance Report

The Board believes that good corporate governance is key to ensuring that the Group is managed in an effective, efficient and entrepreneurial manner, to the benefit of all stakeholders.

The purpose of this report is to give the Group's stakeholders an understanding as to how the Group achieves good corporate governance.

Operation of the Board

The primary role of the Board is to provide leadership and strategic direction to the Group and to conduct the Group's business in the best interest of the shareholders. The Board is also responsible for ensuring that good corporate governance is observed throughout the Group and that business and financial risks are reviewed and managed.

To achieve these objectives the Board meets on a monthly basis and discusses progress against its strategic objectives. A detailed financial budget and business plan are drawn up and approved by the Board on an annual basis and detailed financial and operational reports are presented to the Board every month which include discussion of performance against the annual budget and business plan. Board papers are circulated to all members of the Board well in advance of the monthly Board meetings allowing Directors who are unable to attend an opportunity to contribute to the matters to be discussed. All discussions, including issues which are not resolved, are recorded in minutes which are circulated to all Directors in a timely fashion.

In addition, business and financial risks are reviewed and discussed including legal and other external developments and the Group's cash flow and funding requirements are monitored to ensure that they are sufficient to facilitate the Group's business objectives.

Composition of the Board

The Board comprises three Executive and three Non-executive Directors with considerable business experience particularly within the IT and recruitment sectors.

The Board considers all three Non-executive Directors to be independent. For transparency it is noted that Luke Johnson is a founding shareholder of the Group and that Alan Found supplies part time consulting services to the Group in addition to services as a Non-executive Director and also participates in the Group's share option scheme. Paul Frew does not hold any shares in the Group nor does he provide any services other than acting as an independent Non-executive Director.

Executive Chairman and Chief Executive

There is a clear division of responsibility between the Executive Chairman and the Chief Executive. The Executive Chairman is responsible for the operation of the Board, investor relations and leading the Group's acquisition strategy. The Chief Executive is responsible for the day-to-day operations of the Group and building the Group's business for long-term growth. No one individual has a dominant influence upon the operation of the Board.

Board Committees

There are three Committees of the Board whose terms of reference and authority are delegated by the Board.

Audit Committee

The Audit Committee comprises Luke Johnson (Chairman), Alan Found and Paul Frew. The Audit Committee plans to meet a minimum of twice a year. The Finance Director and the external auditors attend the meetings when requested by the Committee.

Luke Johnson is considered by the Board to have recent and relevant financial experience.

The Committee's principal responsibilities are to review the integrity of the Group's annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing the Group's systems of internal control and risk management.

Corporate Governance Report_continued_

The Committee monitors the independence, objectivity and independence of the audit process and matters relating to the appointment of the Company's auditor which is Grant Thornton UK LLP. Both the Committee and the auditors themselves have safeguards in place to ensure that the objectivity and independence of the auditors is maintained. In addition to the annual appointment of the auditors by shareholders, the Committee regularly reviews their independence taking into consideration relevant UK professional and regulatory requirements. The Committee also reviews their performance and fees charged.

Non-audit work is carried out by the auditors where the Committee believes that it is in the Group's best interests to make use of the auditor's extensive knowledge of the business. The Committee continuously monitors the quality and volume of this work and other accounting firms are used where appropriate.

Details of fees paid to the auditors for both audit and non-audit work is given in note 2 to the financial statements.

Nomination Committee

The members of the Nomination Committee are Gary Ashworth (Chairman), Luke Johnson and Alan Found.

The Nomination Committee's terms of reference are to regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

The Nomination Committee also considers future succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and expertise within the Company and on the Board.

Remuneration Committee

The Remuneration Committee comprises Paul Frew (Chairman), Luke Johnson and Alan Found.

The Committee meets at least twice a year to determine the remuneration policy and the individual remuneration packages of the Executive Chairman, Chief Executive Officer and Finance Director.

The remuneration of senior management throughout the Group is discussed in general but detailed matters are delegated to the Chief Executive.

Attendance at Board and Committee meetings

During 2008, the Board met formally 12 times in addition to informal meetings and attendance at the AGM. All Board members attended all twelve formal meetings except for Alan Found who attended eleven of the meetings.

The Remuneration Committee met twice, the Audit Committee twice and the Nominations Committee once. All Committee members were present at all of these meetings.

Performance evaluation

The Board reviews and will continue to review its performance and that of the Committees.

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 cost 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.

Internal audit

The Group does not currently have an internal audit function. The need for an internal audit function has been and is regularly reviewed by the Audit Committee in light of the growth of the business.

Going concern

The Board has reviewed and adopted the Group's 2009 financial budget and reviewed cash flow projections to the end of 2010 together with capital expenditure projections and has considered the availability of finance under its current banking arrangements which are expected to be maintained throughout the next 12 months. In light of these deliberations, the Board has concluded that it is appropriate to prepare the accounts on a going concern basis.

Report of the independent auditors to the members of InterQuest Group plc

We have audited the consolidated financial statements of InterQuest Group plc for the year ended 31 December 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the consolidated financial statements 1 to 21. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2008.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's and Chief Executive's Statement and Finance Director's Report that is cross referred from the principal activities and business review section of the Report of the Directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

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

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
4 March 2009

Principal accounting policies

Nature of operations and general information

InterQuest Group plc and its subsidiaries' ("the Group") principal activity is the provision of IT recruitment solutions in the United Kingdom. The Group is one of the UK's leading staffing businesses in the information and communications technology sector. The Group comprises seven specialist niche businesses operating from five UK locations, combined with a centralised finance and administration function.

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

InterQuest Group plc is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of InterQuest Group plc's registered office, which is also its principal place of business, is 16–18 Kirby Street, London, EC1N 8TS. InterQuest Group plc's shares are listed on the Alternative Investment Market (AIM).

Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU) and company law applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention, except for financial instruments.

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

At the date of authorisation of the financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 8 Operating Segments (effective from 1 January 2009)

This standard replaces IAS 14 Segment Reporting and requires entities to adopt the "management approach" to reporting on their operating segments. Information reported in accordance with this standard will generally be that used by management internally for evaluating segment performance. Management consider that additional information will require disclosure in addition to that currently disclosed under IAS 14. However, management are undergoing a review of their internal reporting structure and therefore are unable to reasonably estimate what additional disclosures will be required.

IAS 1 Presentation of Financial Statements (Revised 2007) (effective from 1 January 2009)

There will be no change in the financial position or profits of the Group, however some items that are recognised directly in equity may be recognised in a new primary statement – statement of comprehensive income.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Management does not expect the standard to have a material effect on the Group's financial statements.

Amendments to IFRS 2 Share-based Payment (effective from 1 January 2009)

The IASB has issued an amendment to IFRS 2 regarding vesting conditions and cancellations. None of the Group's current share-based payment schemes is affected by the amendments. Management does not consider the amendments to have an impact on the Group's accounting policies.

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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 are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Intangible assets

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.

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.

Goodwill written off to reserves prior to date of transition to IFRSs remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRSs.

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 those cash-generating units 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.

Principal accounting policies_continued_

An impairment loss is recognised for the amount by which the asset's 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 loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Revenue

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 recognised, but not yet invoiced, at the balance sheet date, is correspondingly accrued on the balance sheet within "trade and other receivables".

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income is recognised at the time the candidate accepts an offer of full time employment and where a start date has been determined).

Provision is made for the expected cost of meeting contractual obligations where employees do not work for the specified contractual period.

Property, plant and equipment

Property, plant and equipment is 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	20% straight line
Motor vehicles	25% reducing balance

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Retained earnings" represents retained profits.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.

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. 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 balance sheet date.

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

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet 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.

Bank borrowings

Interest-bearing bank loans 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.

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.

Principal accounting policies_continued_

Equity settled share-based payment

There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan 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 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment 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".

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 which cannot be exercised before 1 January 2012. The level of awards is linked to the financial performance of the Group during 2009, 2010 and 2011.

Acquisition and working capital finance facilities

The Group has access to acquisition and working capital finance facilities provided by its bankers. These facilities comprise a confidential trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The borrowings under both of these facilities are included within current liabilities and described as "Financial Liabilities – borrowings" on the Group's balance sheet. The confidential trade receivables finance 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 balance sheet.

In accordance with IAS39, discounted trade receivables have been separately presented within trade receivables at the year end as management consider that the risks and rewards that are associated with those trade receivables remain with the Group.

Provisions, contingent liabilities and contingent assets

Provisions for dilapidations, onerous leases and deemed employment exposures are recognised when there is a legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Significant judgements and estimates

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.

Judgements

Goodwill impairment

The Group is required to test, at least annually, whether goodwill has suffered any impairment. 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.

Trade receivable finance facility

Discounted trade receivables have been separately presented within trade receivables at the year end as management consider that the risks and rewards that are associated with those trade receivables remain with the Group.

Intangible assets

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly.

Estimates

Deferred consideration

Where deferred consideration is payable in cash, the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. Where a business combination agreement provides for an adjustment to the cost that is contingent on future events, contingent consideration is included in the cost of an acquisition if the adjustment is probable (that is, more likely than not) and can be measured reliably.

Share based payments

All goods and services received in exchange for the grant of any share-based payment 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 Company's income statement with a corresponding credit to "share based payment reserve".

Consolidated income statement

	Note	2008 £'000	2007 £'000
Revenue	1	105,525	86,772
Cost of sales		(90,201)	(73,864)
Gross profit		15,324	12,908
Amortisation	2,8	(1,011)	(741)
Other administrative expenses		(10,036)	(8,491)
Total administrative expenses	2	(11,047)	(9,232)
Operating profit		4,277	3,676
Finance costs	4	(551)	(535)
Profit before taxation		3,726	3,141
Income tax expense	5	(990)	(741)
Profit for the year		**2,736**	**2,400**

Earnings per share from both total and continuing operations:

	Note	Pence	Pence
Basic earnings per share	6	9.0	8.2
Diluted earnings per share	6	8.5	7.4

All results for the Group are derived from continuing operations in both the current and prior year.

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

Consolidated balance sheet

	Note	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	393	488
Goodwill	8	14,607	15,183
Intangible assets	8	2,881	3,892
Total non-current assets		17,881	19,563
Current assets			
Trade and other receivables	9	17,018	18,661
Cash and cash equivalents	10	11	135
Total current assets		17,029	18,796
Total assets		34,910	38,359
LIABILITIES			
Current liabilities			
Trade and other payables	11	(8,412)	(9,363)
Financial liabilities – borrowings	12	(5,544)	(9,398)
Current tax payable		(730)	(833)
Deferred consideration	13	(717)	(664)
Total current liabilities		(15,403)	(20,258)
Non-current liabilities			
Deferred consideration	13	(200)	(1,495)
Deferred income tax liabilities	14	(674)	(768)
Total non-current liabilities		(874)	(2,263)
Total liabilities		(16,277)	(22,521)
Net assets		18,633	15,838
EQUITY			
Share capital	16	306	301
Share premium account		8,479	8,344
Retained earnings		9,461	6,916
Share based payment reserve		387	277
Total equity		18,633	15,838

The consolidated financial statements were approved by the Board on 4 March 2009 and were signed on its behalf by:

M R S Joyce
Finance Director

Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Share-based payment reserves £'000	Total equity £'000
Balance at 1 January 2007	287	7,383	4,526	189	12,385
Profit for the year	–	–	2,400	–	2,400
Total recognised income and expense	–	–	2,400	–	2,400
Deferred tax on employee share options	–	–	(10)	–	(10)
Movement in share based payment reserve	–	–	–	88	88
Issue of share capital	14	961	–	–	975
Balance at 31 December 2007	301	8,344	6,916	277	15,838
Balance at 1 January 2008	301	8,344	6,916	277	15,838
Profit for the year	–	–	2,736	–	2,736
Total recognised income and expense	–	–	2,736	–	2,736
Deferred tax on employee share options	–	–	(191)	–	(191)
Movement in share based payment reserve	–	–	–	110	110
Issue of share capital	5	135	–	–	140
Balance at 31 December 2008	306	8,479	9,461	387	18,633

Consolidated cash flow statement

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Profit after taxation		2,736	2,400
Adjustments for:			
Depreciation	2	239	160
Profit on sale of assets		(1)	–
Share based payment charge	2	110	88
Finance costs	4	551	535
Amortisation	2	1,011	741
Income tax expense	5	990	741
Decrease/(increase) in trade and other receivables		1,643	(2,186)
(Decrease)/increase in trade and other payables		(977)	856
Cash generated from operations		6,302	3,335
Income taxes paid		(1,436)	(586)
Net cash from operating activities		4,866	2,749
Cash flows from investing activities			
Purchase of property, plant and equipment		(171)	(356)
Acquisition of subsidiaries net of cash acquired		(2)	(5,773)
Payment of deferred consideration	13	(610)	(622)
Proceeds from sale of equipment		31	–
Net cash used in investing activities		(752)	(6,751)
Cash flows from financing activities			
Proceeds from issue of share capital		140	312
Net (decrease)/increase in discounting facility		(2,999)	3,952
Repayment of hire purchase liabilities		–	(22)
Interest paid		(551)	(535)
Net cash from financing activities		(3,410)	3,707
Net increase/(decrease) in cash, cash equivalents and overdrafts		704	(295)
Cash, cash equivalents and overdrafts at beginning of year	10	(860)	(565)
Cash, cash equivalents and overdrafts at end of year	10	(156)	(860)

Notes to the consolidated financial statements

1 Revenue and segmental reporting

The Group's primary and only business segment is the provision of IT recruitment services. All services are provided in the United Kingdom.

2 Administrative expenses

Administrative expenses include the following:

	2008 £'000	2007 £'000
Auditors remuneration:		
Fees payable to the Company's auditor for the audit		
of parent company and consolidated financial statements	25	25
Fees payable to the Company's auditor and its associates for other services		
– audit of Company's subsidiaries pursuant to legislation	45	45
– other services pursuant to legislation	3	10
– taxation services	24	20
Amortisation of intangible assets	1,011	741
Depreciation	239	160
Operating lease rentals – land and buildings	421	394
Share based payment charge	110	88

3 Directors and employees

Staff costs during the year were as follows:

	2008 £'000	2007 £'000
Wages and salaries	6,852	5,180
Social security costs	750	583
Other pension costs	26	39
	7,628	5,802

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

	2008 Number	2007 Number
Recruitment consultants	135	103
Administration	32	24
	167	127

Remuneration in respect of Directors was as follows:

	2008 £'000	2007 £'000
Emoluments	405	433
Share based payment	1	5
	406	438

During the year, no Directors (2007: nil) participated in pension schemes.

The amounts set out above include remuneration in respect of the highest Director as follows:

	2008 £'000	2007 £'000
Emoluments	161	193
Share based payment	1	–
	162	193

4 Finance income and costs

	2008 £'000	2007 £'000
Interest payable on borrowings	551	535
	551	535

5 Taxation

	2008 £'000	2007 £'000
Current tax		
Corporation tax on profits for the period	1,323	847
Adjustments in respect of prior periods	(48)	27
Total current tax	1,275	874
Deferred tax		
Utilisation of tax losses	–	64
Accelerated capital allowance	5	43
Charge on share based payments	80	(21)
Other temporary differences	(9)	3
Intangible asset temporary differences	(283)	(222)
Effect of change in tax rates	(78)	–
Total deferred tax	(285)	(133)
Total tax charge	990	741

	2008 £'000	2007 £'000
Profit before taxation	3,726	3,141
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	1,043	942
Effects of:		
Expenses not deductible for tax purposes	30	17
Other tax adjustments	(66)	(226)
(Over)/under provisions in prior years	(48)	27
Profits chargeable at lower rates	31	15
Other intangible asset temporary differences	–	(34)
Total tax charge	990	741

6 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Notes to the consolidated financial statements_continued_

6 Earnings per share_continued_

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2008 £'000	2007 £'000
Profit for the period		
Basic earnings	2,736	2,400
Adjustments to basic earnings		
Intangible assets amortisation	1,011	741
Share based payment charge	110	88
Adjusted earnings	3,857	3,229

	2008 £'000	2007 £'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	30,438,663	29,299,010
Weighted average number of share options in issue	1,864,483	3,060,076
Weighted average number of ordinary shares for the purposes of diluted earnings per share	32,303,146	32,359,086

	Pence	Pence
Earnings per share		
Basic earnings per share	9.0	8.2
Diluted earnings per share	8.5	7.4
Adjusted earnings per share		
Basic earnings per share	12.7	11.0
Diluted earnings per share	12.0	10.0

7 Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2007	46	597	40	683
Additions				
Continuing businesses	–	356	–	356
Acquisition of subsidiaries	–	54	–	54
At 31 December 2007	46	1,007	40	1,093
At 1 January 2008	46	1,007	40	1,093
Additions	–	171	–	171
Disposal	–	–	(40)	(40)
At 31 December 2008	**46**	**1,178**	**0**	**1,224**
Depreciation				
At 1 January 2007	46	393	6	445
Provided in the year	–	154	6	160
At 31 December 2007	46	547	12	605
At 1 January 2008	46	547	12	605
Provided in the year	–	238	1	239
Disposal	–	–	(13)	(13)
At 31 December 2008	**46**	**785**	**0**	**831**
NBV at 31 December 2007	–	460	28	488
NBV at 31 December 2008	**–**	**393**	**0**	**393**

Included in the total net book value of motor vehicles is £nil (2007: £28,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation of £2,000 (2007: £6,000) has been charged in respect of these assets.

8 Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost at 1 January 2007	10,193	2,894	13,087
Additions from business combinations	4,795	2,161	6,956
Revision to deferred consideration	195	–	195
Accumulated amortisation	–	(1,163)	(1,163)
Net book amount at 31 December 2007	15,183	3,892	19,075
Net book amount at 1 January 2008	15,183	3,892	19,075
Revision to deferred consideration	(632)	–	(632)
Fair value adjustment	56	–	56
Amortisation	–	(1,011)	(1,011)
Net book amount at 31 December 2008	**14,607**	**2,881**	**17,488**
Cost at 31 December 2008	**14,607**	**5,055**	**19,662**
Accumulated amortisation	–	(2,174)	(2,174)
Net book amount at 31 December 2008	**14,607**	**2,881**	**17,488**

Notes to the consolidated financial statements_continued_

8 Goodwill and intangible assets_continued_

Based on future estimated financial performances, management have revised the deferred consideration payable on the acquisitions of Intelect Recruitment plc, Sand Resources Limited and ecrm People Limited by £158,000, £3,000 and £470,000 respectively (see Note 13 for further details).

The fair value adjustment relates to an upward revision in the taxation creditor in Intelect Recruitment plc at completion.

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

	2008 £'000	2007 £'000
InterQuest Group (UK) Limited	5,053	5,053
PeopleCo Worldwide Limited	3,093	3,093
Sand Resources Limited	2,239	2,242
Intelect Recruitment plc	2,094	2,197
e-CRM People Limited	2,128	2,598
	14,607	15,183

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 2008 are that the CGU's will trade in accordance with the 2009 budget, which has a materially lower financial result than that reported for 2008, followed by 5% growth in sales and 3% growth in costs (from 2009 levels) in subsequent years until the projected end of the intangible assets estimated useful life which is 31 December 2015. An average gross margin of 13% has been used in the forecasts. The resulting projected cashflows have been discounted at 8% to calculate their net present value at 31 December 2008. Based on Group historical information management consider that the use of forecasts over a seven year period accurately represent the lifecycle a recruitment business.

These assumptions fall within historic variations experienced by the Group and are considered as reasonable estimations. The discount rate is pre-tax and reflects specific risks relating to the relevant CGU's. The value in use calculations are not considered to be sensitive to a change in any key assumptions.

The assessment for value in use for the CGU is sensitive to both growth rates and gross margin. There would have to be a significant reduction in both growth rates and growth margin before impairment would need to be considered.

These assumptions have been used for the analysis of each CGU.

9 Trade and other receivables

	2008 £'000	2007 £'000
Gross trade receivables	15,274	16,020
Provisions	(27)	(25)
Net trade receivables	15,247	15,995
Prepayments and accrued income	1,711	2,586
Other current assets	60	80
	17,018	18,661

Included within gross trade receivables is £5,514,000 (2007: £10,107,000) in respect of invoice discounted debts outstanding at the year end.

All trade receivable amounts are short term. The Group's trade receivables have been reviewed for indicators of impairment. The carrying value of trade receivables is considered as a reasonable approximation of the fair value of the receivables.

9 Trade and other receivables_continued_

The age of financial assets past due but not considered impaired is as follows:

	2008 £'000	2007 £'000
Not more than 30 days	4,206	4,630
More than 30 days but less than 60 days	2,196	3,269
More than 60 days but less than 90 days	416	606
More than 90 days	104	49
	6,922	8,554

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

	2008 £'000	2007 £'000
Provision for receivables impairment at 1 January	25	30
Unused amounts reversed		(5)
New provision in the year	2	–
Provision for receivables impairment at 31 December	27	25

The creation and release of provision for impaired receivables have been included in the income statement. 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.

10 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash and cash equivalents	11	135

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2008 £'000	2007 £'000
Cash and cash equivalents	11	135
Bank overdrafts (Note 12)	(167)	(995)
	(156)	(860)

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

11 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	5,884	5,559
Other tax and social security	514	1,308
Other payables	331	237
Accruals and deferred income	1,683	2,259
	8,412	9,363

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

Notes to the consolidated financial statements_continued_

12 Financial liabilities – borrowings

	2008 £'000	2007 £'000
Less than one year		
Bank overdrafts	167	995
Invoice discounting facility	5,377	8,376
Obligations under finance leases	–	27
	5,544	9,398

The Group has access to acquisition and working capital finance facilities provided by its bankers. These facilities comprise a confidential trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The confidential trade receivables finance 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 balance sheet. A debenture dated 12 June 2006 was executed to secure all the Company's liabilities to National Westminster Bank plc. A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the Company, InterQuest Group (UK) Ltd, FJB (Contracts) Limited, PeopleCo Worldwide Limited and Sand Resources Limited.

13 Deferred consideration

	2008 £'000	2007 £'000
Deferred consideration at 1 January 2008	2,159	1,137
Business combination – Sand	–	195
Business combination – Intelect and E-CRM	–	1,668
Settlement in cash	(610)	(841)
Revised deferred consideration adjustment	(632)	–
Deferred consideration at 31 December 2008	917	2,159
Less than one year	717	664
One year to two years	200	1,310
Two years to three years	–	185
	917	2,159

Deferred consideration on Intelect Recruitment plc

There is a maximum further cash consideration of £0.25m and £0.2m payable in June 2009 and June 2010, in each case provided that certain financial targets are met.

Based on the forecast financial performance of Intelect Recruitment Limited the Directors estimate that only deferred consideration of £0.2m is payable. The consideration will be payable in June 2010.

Deferred consideration on ecrm People Limited

A maximum of £2.01m is payable in September 2009 provided increased financial targets are achieved in the year ending July 2009.

Based on the forecast financial performance of ecrm People Limited the Directors estimate that deferred consideration of £0.5m is payable. The consideration will be payable in September 2009.

Deferred consideration on Sand Resources Limited

A maximum of £0.2m is payable as to 50% in cash and 50% in shares in July 2009 provided increased financial targets are achieved in the year ended May 2009.

Based on the forecast financial performance of Sand Resources Limited the Directors estimate that £0.2m is payable. This consideration will be payable in July 2009.

14 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:

	Asset £'000	Liability £'000	Net £'000
Accelerated tax depreciation	132	–	132
Intangible asset temporary differences	–	(806)	(806)
Asset/(liability) at 31 December 2008	**132**	**(806)**	**(674)**

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

	2008 £'000	2007 £'000
Liability at 1 January 2008	768	243
Income statement charge (Note 5)	(285)	(133)
Tax charged direct to equity	191	10
Acquisition of subsidiaries	–	648
Liability at 31 December 2008	**674**	**768**

15 Employee benefits

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

	2008 £'000	2007 £'000
Defined contributions	26	37

Equity settled share based payments:

	Options	2008 weighted average exercise price	Options	2007 weighted average exercise price
Outstanding at beginning of the year	5,035,400	£0.43	5,475,400	£0.37
Granted during the year	810,000	£0.01	610,000	£0.88
Forfeited during the year	(112,500)	£1.03	(440,000)	£0.75
Exercised during the year	(475,000)	£0.29	(610,000)	£0.34
Outstanding at end of year	5,257,900	£0.37	5,035,400	£0.43
Exercisable during the year	5,205,400	£0.35	4,305,400	£0.31
Exercisable at the year end	4,000,400	£0.36	3,540,400	£0.29
Weighted average remaining contractual life of options outstanding at the end of the year	7.0 years		7.4 years	

The weighted average share price at the date of exercise for share options exercised during the period was £0.29 (2007: £0.34). The options outstanding at 31 December 2008 had an exercise price ranging from £0.25 to £0.88 (2007: £0.25 to £0.55). The estimated fair value of the options granted in the year was £8,000 (2007: £671,000). Fair value is the value of the options at the date of grant based on their exercise price. Expected volatility was calculated by using a suitable competitor's previous share price for the two years prior to the grant of the options.

Notes to the consolidated financial statements_continued_

15 Employee benefits_continued_

Details of the Company's share options are as follows:

EMI scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
22 January 2004	30,000	36p	22 January 2006	22 January 2014
28 May 2004	–	25p	28 May 2006	28 May 2014
23 June 2004	55,000	25p	23 June 2006	23 June 2014
5 January 2005	30,000	35p	5 January 2007	5 January 2015
5 January 2005	–	36p	5 January 2007	5 January 2015
14 June 2005	225,000	55p	14 June 2007	14 June 2017
1 July 2005	20,000	55p	1 July 2007	1 July 2017
21 November 2005	58,000	48p	21 November 2007	21 November 2017
21 November 2005	80,000	55p	21 November 2007	21 November 2017
1 March 2006	570,000	52p	1 March 2008	1 March 2018
12 June 2006	100,000	57p	12 June 2008	12 June 2018
15 June 2006	195,000	62p	15 June 2008	15 June 2018
3 July 2006	–	62p	3 July 2008	3 July 2018
21 August 2006	–	88p	21 August 2008	21 August 2018
20 December 2006	55,000	85p	20 December 2008	20 December 2018
24 May 2007	137,500	115p	24 May 2009	24 May 2019
12 July 2007	110,000	114p	12 July 2009	12 July 2019
19 July 2007	–	116.5p	19 July 2009	19 July 2019
22 October 2007	100,000	100p	22 October 2009	22 October 2019
23 December 2008	810,000	1p	1 January 2012	1 January 2022
	2,575,500			

Some share options have sales performance criteria attached to the options.

All share options are settled with equity.

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
13 January 2004	60,000	25p	13 January 2004	13 January 2014
28 August 2004	1,856,985	25p	28 August 2004	31 December 2010
28 May 2005	66,000	25p	28 April 2005	28 April 2015
20 May 2005	537,415	25p	20 May 2005	31 December 2010
21 November 2005	62,000	55p	21 November 2005	21 November 2015
19 July 2007	100,000	116.5p	19 July 2009	19 July 2019
	2,682,400			

15 Employee benefits_continued_

The inputs into the Black-Scholes valuation model for options granted during the year were as follows:

	2008 £'000	2007 £'000
Weighted average share price	£0.37	£1.10
Weighted average exercise price	£0.01	£1.10
Expected volatility	40%	50%
Expected life	1 year	1 year
Risk free rate	2.00%	5.69%

Expected volatility was calculated by using suitable comparative historical share prices for the two years prior to the date of grant of the options. The share based payment charge expense for 2008 is £110,000 (2007: £88,000).

16 Share capital

	2008 £'000	2007 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2007		
28,690,645 ordinary shares of 1p each	287	
Issue of share capital	14	
As at 31 December 2007		
30,103,076 ordinary shares of 1p each	301	
Issue of share capital	5	
As at 31 December 2008:		
30,578,076 ordinary shares of 1p each:	306	

The following shares were issued during the year:

Date	Type of issue	Number of ordinary shares	Nominal value £	Share premium £
11 February 2008	Exercise of share option	15,000	150	9,150
26 March 2008	Exercise of share option	345,000	3,450	82,800
3 June 2008	Exercise of share option	15,000	150	8,100
2 July 2008	Exercise of share option	100,000	1,000	35,000
		475,000	4,750	135,050

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.

Notes to the consolidated financial statements_continued_

16 Share capital_continued_

The Group monitors capital on the basis of debt-to-capital ratio. This is calculated as net debt divided by total equity. Net debt is calculated as total debt as shown in the balance sheet less cash and cash equivalents.

	2008 £'000	2007 £'000
Total debt	5,544	9,398
Less: Cash and cash equivalents	(11)	(135)
Net debt	5,533	9,263
Total equity	18,633	15,838
Debt to Capital ratio	0.30	0.58

17 Operating leases

	2008 £'000 Land and buildings	2007 £'000 Land and buildings
Within one year	3	20
Between one and five years	1,022	1,228
Over five years	300	341
	1,325	1,589

18 Capital commitments

The Group had no capital commitments at 31 December 2008 or 31 December 2007.

19 Related party transactions

Related party	Nature of business	2008 £	2007 £	Directors involved
Vail Securities Limited	Consultancy services	19,325	15,043	G P Ashworth
Risk Capital Partners Limited	Directors fees	20,000	17,402	L O Johnson
Vail Securities Limited	Business expenses	4,172	5,207	G P Ashworth
New Generation Learning	Consultancy services	18,000	18,000	A W Found
New Generation Learning	Business expenses	4,999	4,581	A W Found
New Generation Learning	Training materials	3,500	–	A W Found

No amounts were outstanding at either year end.

Compensation paid to key senior management of the Group was as follows:

	2008 £'000	2007 £'000
Salaries and other short-term employee benefits	1,454	1,176
Share-based payments	46	64
	1,500	1,240

20 Events after the balance sheet date

There were no material events after the balance sheet date.

21 Financial risk management

Interest rate sensitivity

At 31 December 2008, the Group is exposed to changes in market interest rates through its invoice discounting and bank overdraft facilities, which are subject to variable interest rates – see note 12 for further information.

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 –1% (2007: +/–1%), 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 balance sheet date. All other variables are held constant.

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
	+3%	–1%	+1%	–1%
Net result for the year	(353)	118	(82)	82
Equity	(353)	118	(82)	82

Credit risk analysis

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

Group management considers that trade receivables are 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 or 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. Liquidity needs are monitored 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 for a 180-day and a 360-day lookout period are identified monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding in regards to long-term liquidity needs is additionally secured by an adequate amount of committed invoice discounting facilities.

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

	2008 £'000	2007 £'000
Loans and receivables	16,669	18,414
Total financial assets	16,669	18,414

Notes to the consolidated financial statements_continued_

21 Financial risk management_continued_

These financial assets are included in the balance sheet within the following headings:

	2008 £'000	2007 £'000
Current assets		
Trade receivables	15,247	15,995
Prepayments and accrued income	1,411	2,284
Cash and cash equivalents	11	135
	16,669	18,414

	2008 £'000	2007 £'000
Financial liabilities measured at amortised cost	13,012	17,216
	13,012	17,216

	2008 £'000	2007 £'000
Current liabilities		
Borrowings	5,544	9,398
Trade payables	5,884	5,559
Accruals and deferred income	1,584	2,259
	13,012	17,216

Report of the independent auditors to the members of InterQuest Group plc

We have audited the parent company financial statements of InterQuest Group plc for the year ended 31 December 2008 which comprise the principal accounting policies, the company balance sheet and notes 1 to 15 to the company financial statements. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the consolidated financial statements of InterQuest Group plc for the year ended 31 December 2008.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's and Chief Executive's Statement and Finance Director's Report that is cross referred from the principal activities and business review section of the Report of the Directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Report of the independent auditors to the members of InterQuest Group plc_continued_

Basis of audit opinion

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

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
4 March 2009

Principal accounting policies

Basis of preparation
The Company financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the Company have been applied consistently and remain unchanged from the previous year.

Fixed assets
Fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment. 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	20% straight line
Motor vehicles	25% reducing balance

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

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Leased assets
Where the Company enters into a lease which entails substantially all of the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rental payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding and the capital element which reduces the outstanding obligation for future instalments.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Financial instruments
The Company's policy is to manage exposure to interest rate fluctuations on its borrowings by the use of floating and short-term deposits. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Employee benefits
Defined contribution pension scheme
The Company contributes to defined contribution pension plans of some employees at rates agreed between the Company and the employees. The assets of each scheme are held separately from those of the Company. Contributions are recognised as they become payable.

Principal accounting policies_continued_

Equity settled share-based payment

There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan 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 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment 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 Company's income statement with a corresponding credit to "share based payment reserve".

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.

The share based payment charge is recognised in the subsidiary entity in which the employees receiving the share options provides services.

Deferred consideration

Where deferred consideration is payable in cash, the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. Where a business combination agreement provides for an adjustment to the cost that is contingent on future events, contingent consideration is included in the cost of an acquisition if the adjustment is probable (that is, more likely than not) and can be measured reliably.

Company balance sheet

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	1	79	53
Investments	2	23,743	24,371
		23,822	24,424
CURRENT ASSETS			
Debtors	3	4,106	3,999
		4,106	3,999
Creditors: amounts falling due within one year	4	(11,036)	(11,506)
Net current liabilities		(6,930)	(7,507)
Total assets less current liabilities and net assets		16,892	16,917
Creditors: amounts falling due after more than one year	5	(200)	(1,495)
		16,692	15,422
CAPITAL AND RESERVES			
Called up share capital	7	306	301
Share premium account	8	8,479	8,344
Profit and loss account	8	7,630	6,500
Share based payment reserve	8	277	277
		16,692	15,422

These parent company UK GAAP financial statements were approved by the Board on 5 March 2009 and were signed on its behalf by:

M R S Joyce
Finance Director

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

Notes to the Company financial statements

1 Tangible fixed assets

	Property, plant and equipment £'000	Total £'000
Cost		
As at 1 January 2008	104	104
Additions	91	91
As at 31 December 2008	**195**	**195**
Depreciation		
As at 1 January 2008	51	51
Provided in the year	65	65
As at 31 December 2008	**116**	**116**
Net book value at 31 December 2008	**79**	**79**
Net book value at 31 December 2007	53	53

2 Investments

	Total £'000
Cost	
As at 1 January 2008	24,371
Revisions to deferred consideration	(632)
Additions	4
At 31 December 2008	**23,743**

Details of material investments in which the Company holds 100% of the nominal value of any class of share capital are as follows:

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of Business
InterQuest Group (UK) Limited	UK	Ordinary shares	IT recruitment
e-CRM People Limited	UK	Ordinary shares	IT recruitment
Intelect Recruitment Plc	UK	Ordinary shares	IT recruitment
Peopleco Worldwide Limited	UK	Ordinary shares	IT recruitment
Sand Resources Limited	UK	Ordinary shares	IT recruitment
FJB (Contracts) Limited	UK	Ordinary shares	Non trading
Maxridge Limited	UK	Ordinary shares	Non trading
Osiris Connections Limited	UK	Ordinary shares	Non trading
Genesis Computer Resources Limited	UK	Ordinary shares	Non trading
SBS (UK) Limited	UK	Ordinary shares	Non trading
Insight Computer Recruitment Limited	UK	Ordinary shares	Non trading
InterQuest (UK) Limited	UK	Ordinary shares	Non trading
Test Match Solutions Limited	UK	Ordinary shares	Non-trading
Sand Limited	UK	Ordinary shares	Non-trading

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company do not differ from the proportion of the ordinary shares held.

3 Debtors

	2008 £'000	2007 £'000
Amounts owed by Group undertakings	3,953	3,777
Prepayments and accrued income	130	91
Other debtors	11	51
Deferred tax asset	12	80
	4,106	3,999

4 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	76	35
Amounts owed to Group undertakings	9,898	10,388
Corporation tax	27	68
Bank overdraft	188	161
Accruals and deferred income	127	190
Other creditors	3	–
Deferred consideration	717	664
	11,036	11,506

The trade debtor finance facilities are secured by fixed and floating charges over the Company's assets and had a maximum facility of £14,000,000 at the year end. Interest is charged at 1.0% over the prevailing bank base rate.

The bank overdraft is unsecured and interest is charged at 1.25% over the prevailing bank base rate.

A debenture dated 12 June 2006 was executed to secure all the Company's liabilities to National Westminster Bank plc. A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the Company, InterQuest Group (UK) Ltd, FJB (Contracts) Limited, PeopleCo Worldwide Limited and Sand Resources Limited.

5 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Deferred consideration	200	1,495
	200	1,495

6 Deferred taxation asset

	2008 £'000
Asset at 1 January 2008	80
Asset de-recognised in the year	(68)
Asset at 31 December 2008	12

The deferred taxation asset has been recognised in respect of the following items:

	2008 £'000	2007 £'000
Other timing differences	(68)	23
	(68)	23

Notes to the Company financial statements_continued_

7 Share capital

	2008 £'000	2007 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
30,578,076 ordinary shares of 1p each	306	301

8 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000	Share based payment reserve £'000
As at 1 January 2008	8,344	6,500	277
Issue of shares	135	–	–
Profit for the year	–	1,130	–
As at 31 December 2008	8,479	7,630	277

9 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the year	1,130	1,587
Issue of shares		
Share proceeds from share options exercised in the year	140	310
Share proceeds from acquisitions made during the year	–	665
Share based payment reserve	–	88
Net increase in shareholder's funds	1,270	2,650
Shareholders' funds at 1 January 2008	15,422	12,772
Shareholders' funds at 31 December 2008	16,692	15,422

10 Capital commitments

The Company had no capital commitments at 31 December 2008 or 31 December 2007.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

12 Operating leases

	2008 £'000 Land and buildings	2007 £'000 Land and buildings
Within one year	–	–
Between one and five years	493	688
	493	688

13 Transactions with Directors and other related companies

Related party	Nature of business	2008 £	2007 £	Directors involved
Vail Securities Limited	Consultancy services	19,325	15,043	G P Ashworth
Risk Capital Partners Limited	Directors fees	20,000	17,402	L O Johnson
Vail Securities Limited	Business expenses	4,172	5,207	G P Ashworth
New Generation Learning	Consultancy services	18,000	18,000	A W Found
New Generation Learning	Business expenses	4,999	4,581	A W Found
New Generation Learning	Training materials	3,500	–	A W Found

No amounts were outstanding at either year end.

14 Post balance sheet events

The Company had no material post balance sheet events.

15 Profit attributable to the Company

The profit for the financial year of the Company was £1.1m (2007: £1.59m). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the Company.

Notes

Company details

Company registration number
04298109

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16–18 Kirby Street
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G P Ashworth
R D Eades
A W Found
P M L Frew
L O Johnson
M R S Joyce

Secretary
M R S Joyce

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