InterQuest Group plc Annual Report & Accounts 2009

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InterQuest GROUP PLC

InterQuest Group plc
Annual Report & Accounts 2009

InterQuest Group 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.

Our Companies

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Financial Highlights

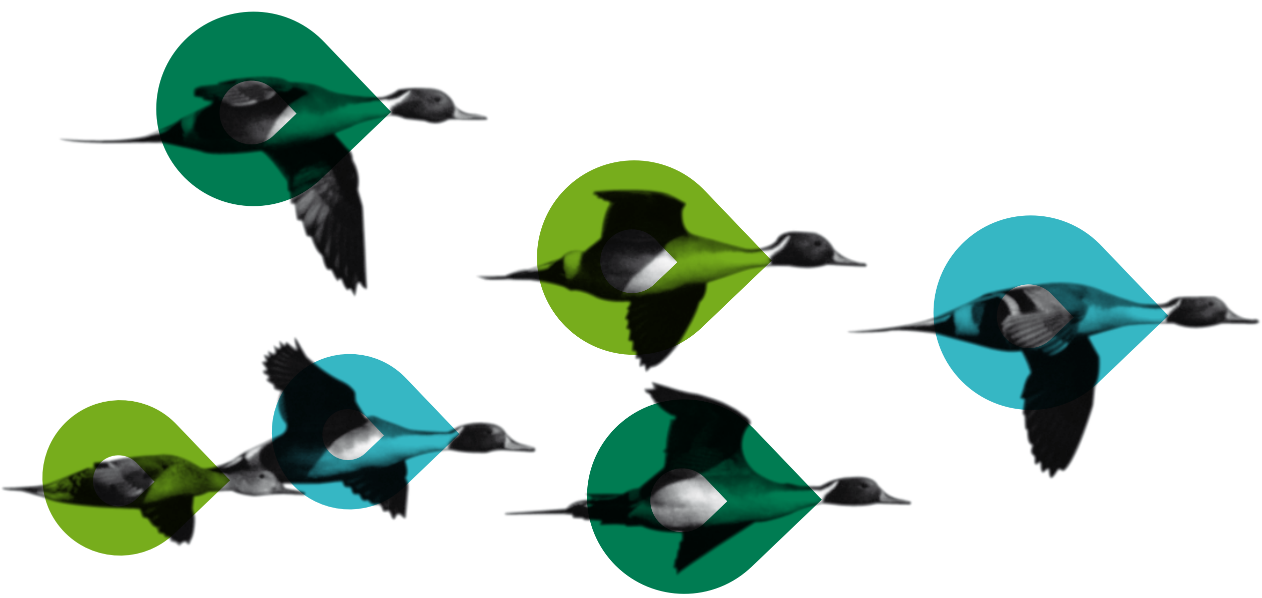
- Revenue £97.4m (2008: £105.5m) down 8%
- Gross profit £12.4m (2008: £15.3m) down 19%
- EBITA (before IFRS 2 and amortisation charges) £3.0m (2008: £5.4m) down 44%
- Profit before taxation £1.8m (2008: £3.7m) down 51%
- Basic adjusted earnings per share 7.0 pence (2008: 11.7 pence) down 40%
- Basic earnings per share 4.3 pence (2008: 9.0 pence) down 52%
- Net cash from operating activities £3.3m (2008: £4.9m)
- Net debt reduced from £5.5m at start of 2009 to £3.0m at 31 December 2009
- Final dividend of 2 pence per share paid on 19 February 2010 (2008: 1 pence per share)

Outlook

- Stronger trading in the final quarter of the year compared to earlier quarters, led by permanent recruitment which increased by 40% compared to the average of the first three quarters of 2009
- Renewed contract recruitment activity in January and February 2010 with the number of contractors working on assignment 6% higher now than at mid December

Operational Highlights

- Our business model of championing specialist niche businesses in different sectors has proven to be very resilient to the difficult market conditions of 2009
- Launch of five new businesses via the IQ Equity Division
- Launch of two specialist house brands
- Public Sector division awarded two national frameworks dealing with the NHS adding breadth to the Company's offering
- Doubling of dividend to 2 pence per share reflecting confidence in the strength of our business model



Chairman's and Chief Executive's Statement

Gary Ashworth
Executive Chairman and Chief Executive

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.

Introduction_Following several years of sustained revenue and profit growth, 2009 was a year of market contraction which impacted both our top and bottom line. The nature of our business however is that market downturns are flagged well in advance and swift measures were put in place to cut costs and ensure continued profitability and cash generation. We are pleased therefore to report a significant reduction in Group debt, from £5.5m at the start of the year to £3.0m at 31 December 2009.

Revenue (and gross profit) from permanent recruitment activities decreased significantly, by 46%, during the year, however demand for contract staff remained relatively buoyant (decreased by 8%) and now comprises 80% of the Group's overall gross profit.

During the course of the year, Sand Resources was awarded two national frameworks dealing with non medical, non clinical contract and permanent positions within the NHS which adds breadth to our offering.

Having pared our own internal staffing levels to the core in 2009, we have recently started hiring new fee-earners through our own training academy, recognising that most of our most competent performers in the business have been "home grown".

We have utilised the downturn to increase our investment in the business, building on our model of championing separately branded, specialist IT recruitment companies. At the end of 2008 we launched IQ Equity with the aim of backing teams of recruiters wanting a stake in their own IT recruitment business, providing them with training, finance and infrastructure. We are delighted to have identified five such opportunities with 2009 seeing the launch of Sapian Solutions, Korus IT Recruitment, Lighthouse Testing and Fulcrum Telecom via our IQ Equity division. Each business has been founded by an experienced recruitment specialist and we believe they have the potential to generate significant business in the years ahead.

As announced in our January Trading Update, we are pleased to have been able to double the dividend paid to shareholders this year, from 1 pence to 2 pence per share, demonstrating the Board's confidence in the strength of our business model.

"Dealing with non medical, non clinical contract and permanent positions within the NHS adds breadth to our offering"

Strengthened Q4 and Positive Outlook_The Group enjoyed strengthened trading in the final quarter of the year compared to earlier quarters, led by permanent recruitment which increased by 40% compared to the average in the first three quarters of 2009.

During the last four months of 2009 we saw increased demand for staff across financial markets through Genesis and SBS our City focused divisions. In addition, PeopleCo, our SAP specialist has also noted growth during this period.

In 2010, we have seen renewed contract recruitment activity in January and February with contractor numbers working on assignment 6% higher now than at mid December. We have emerged from this period with an enlarged, profitable business and the Board continues to look to the future with confidence.

I would like to thank the staff at all the InterQuest Group divisions for their skill and their continued hard work and commitment in what has been a relatively difficult year for our industry.

Gary Ashworth
Executive Chairman and Chief Executive
1 March 2010

I've been at InterQuest since 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

Finance Director's Report

Michael Joyce
Finance Director

"Doubling the dividend to 2 pence per share reflects confidence in our business model"

Profit and Loss Account_Revenue (all from continuing operations) decreased by 8% during 2009 to £97.4m (2008: £105.5m).

Gross profit decreased by £2.9m or 19% to £12.4m (2008: £15.3m). Our gross margin percentage decreased from 14.5% to 12.7% as a result of significant increased bias towards contract recruitment which accounted for 80% of our gross profit in 2009 compared to 71% in 2008. The gross margin percentage achieved on contract business slipped slightly from 10.7% to 10.5%.

Cash based EBITA (earnings before interest, tax, amortisation of intangible assets and IFRS 2 share based payment charge) decreased by 44% to £3.0m (2008: £5.4m).

The intangible asset amortisation charge remained constant at £1.0m (2008: £1.0m).

The net interest expense decreased to £0.1m (2008: £0.5m), reflecting reduced net debt as described below.

Profit before tax decreased by 51% to £1.8m (2008: £3.7m).

Tax on profits was £0.5m representing an effective tax rate of 27% (2008: 27%).

Earnings per Share and Dividend_Basic earnings per share decreased by 52% to 4.3 pence (2008: 9.0 pence). When the effect of non-cash and non-trading items, being amortisation, deferred tax credit on intangible asset amortisation and the IFRS 2 share based payment charge, are removed the basic adjusted earnings per share was 7.0 pence representing a decrease of 40% from 11.7 pence in 2008. See note 6 for details of the calculation.

A dividend of 2 pence per share (2008: 1 pence per share) has been proposed and was paid to shareholders on 19 February 2010.

Balance Sheet, Cash Flow and Financing_The Group's net assets increased by £1.2m to £19.8m at 31 December 2009 (2008: £18.6m), the majority of this increase was due to the retained profit of £1.0m for the year.

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

Continued profitability and tight control of working capital delivered £4.1m of operating cash flow (before tax and interest payments). The Group paid £0.2m of deferred consideration in cash in respect of the acquisition of Sand Resources; £0.9m of corporation tax and £0.1m of interest during the year. Net capital expenditure was £0.1m and £0.2m was invested in a controlling stake in Korus Recruitment Group Limited. As a result of these cash flows, net debt decreased from £5.5m at the start of the year to £3.0m at the end of 2009.

Michael Joyce
Finance Director
1 March 2010

Board of Directors

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Gary Ashworth

Executive Chairman and Chief Executive

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.

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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.

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Luke Johnson
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 Chairman of Risk Capital Partners and was Chairman of Channel Four Television Corporation from 2004 to early 2010.

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Paul Frew
Non-executive Director

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.

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Alan Found
Non-executive Director

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 Director's 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 2006. 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 established specialist niche businesses, operating from five United Kingdom locations, combined with a centralised finance and administration function. A further seven specialist businesses have been established in 2009.

A review of the Group's business activities, strategy, key performance indicators (sales revenue, gross profit & EBITA) and performance during the year are included in the Chairman's and Chief Executive's Statement and Finance Director's Report on pages 2 to 5.

Results and dividends

The Group's profit for the year amounted to £1.3m (2008: £2.7m). The Directors paid a final dividend of 2 pence per share on 19 February 2010 (2008: 1 pence per share).

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 continues to be challenging, although the market place is improving, and this will place demands on the Group's management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its business successfully through these challenging periods then its operations and/or financial condition may deteriorate.

The Group's future growth 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.

Going concern is considered to be a principle business risk. The policies and procedures adopted by the Board to assess going concern are set out below.

Going concern

The Board have reviewed and adopted the Group's 2010 financial budget and reviewed cash flow projections to the end of 2011 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 Directors_continued_

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 2009 £'000	31 December 2008 £'000
Revenue	97,434	105,525
GP%	12.7%	14.5%
EBITA	2,925	5,288
Net cash generated from operating activities	3,280	4,866
Net debt	3,018	5,533

Due to economic market contractions the Group's revenue and EBITA decreased from 2008 to 2009.

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 2009 and 31 December 2009 were as follows:

	Ordinary shares of 1p each 31 December 2009	1 January 2009
G P Ashworth	12,542,912	12,542,912
R D Eades (resigned 30 October 2009)	1,606,000	1,622,830
A W Found	–	–
L O Johnson	3,802,033	3,802,033
M R S Joyce	366,830	366,830
P M L Frew	20,000	–

At 31 December 2009 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
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
A W Found	EMI scheme	16 October 2009	61,291	1p	16 October 2012	16 October 2019
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
M R S Joyce	EMI scheme	16 October 2009	26,000	1p	16 October 2012	16 October 2019
M R S Joyce	Unapproved scheme	16 October 2009	19,161	1p	16 October 2012	16 October 2019

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 28 pence to a high of 56 pence during the year with a closing price of 49 pence at 31 December 2009.

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 23 February 2010, 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	2,454,289	8.03%
R D Eades	1,606,000	5.25%
Waterhouse Nominees Limited	1,122,157	3.67%
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 certain senior 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 25 days (2008: 23 days) purchases outstanding in trade creditors.

Charitable donations

During the year the Group made a total of £5,850 (2008: £8,000) 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 section 489 of the Companies Act 2006.

By order of the Board

M R S Joyce
Secretary
1 March 2010

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 two Non-executive Directors with considerable business experience particularly within the IT and recruitment sectors.

The Board considers both Non-executive Directors to be independent. Neither provides any services to the Group other than acting as Non-executive Director. For transparency it is noted that Luke Johnson is a founding shareholder of the Group. Paul Frew purchased 20,000 ordinary shares in the Group at a price of 48 pence per share on 26 October 2009 but has no other interest in the share capital of the Group.

Executive Chairman and Chief Executive

Gary Ashworth holds the positions of Executive Chairman and Chief Executive. As Executive Chairman he is responsible for the operation of the Board, Investor Relations and leading the Group's acquisition strategy. As Chief Executive he is responsible for the day-to-day operations of the Group and building the Group's business for long-term growth. As such he would appear to have a dominant influence over the operation of the Board and the Group. However, since April 2009 Alan Found has assumed an Executive (formerly Non-executive) Director role and both he and the Finance Director have considerable input into, and responsibility for, the day-to-day operations of the Group together with the Chief Executive. Furthermore, the Finance Director has significant input into and responsibility for Investor's Relations and acquisition strategy.

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) and Paul Frew. Alan Found resigned from the Committee in April 2009 when he became an Executive Director. 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.

Corporate Governance Report_continued_

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.

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 Paul Frew.

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) and Luke Johnson. Alan Found resigned from the Committee in April 2009 when he became an Executive Director.

The Committee meets at least twice a year to determine the remuneration policy and the individual remuneration packages of the three Executive Directors.

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

Attendance at Board and Committee meetings

During 2009, the Board met formally twelve times in addition to informal meetings and attendance at the AGM. Gary Ashworth, Michael Joyce and Paul Frew attended all twelve meetings. Luke Johnson attended eleven meetings and Alan Found attended ten meetings. Ross Eades was a Director until 30 October 2009 and as such was eligible to attend ten meetings, of which he attended four.

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 mis-statement 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.

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

We have audited the Group financial statements of InterQuest Group plc for the year ended 31 December 2009 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- gives a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of InterQuest Group plc for the year ended 31 December 2009.

Marc Summers, BSc, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
1 March 2010

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. A further seven specialist businesses have been established in 2009, three wholly owned and four in which the Group owns a majority stake.

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 principle 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 ("IFRS") as adopted by the European Union (EU) and company law applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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

Adoption of new and revised International Accounting Standards (IAS/IFRS) and interpretations affecting current or prior periods

IAS 1 – 'Presentation of Financial Statements – Revised 2007' has introduced terminology changes, including revised titles for the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 January 2008, because the entity has applied accounting policies retrospectively. The Group presents other comprehensive income together with income statement items within a single statement of comprehensive income.

Adoption of IFRS 8 'Operating Segments' has resulted in the redesignation of the Group's reportable segments to more closely follow internal management reporting.

International Accounting Standards (IAS/IFRS) and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 3	Business Combinations – Revised 2008 (effective 1 July 2009)
IFRS 9	Financial instruments (effective 1 January 2013)
IAS 24	Related party disclosures – Revised 2009 (effective 1 January 2011)
IAS 27	Consolidated and separate Financial Statements – Revised 2008 (effective 1 July 2009)
IAS 39	Amendments to Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 1	Amendment to Additional exemptions for first time adopters (effective 1 January 2010)
IFRS 2	Amendments to Group cash settled share based payment transactions (effective 1 January 2010)
Various	Improvements to IFRSs 2009 (various effective dates 1 July 2009 – 2010)
IAS 32	Amendments to Classification of rights issues (effective 1 February 2010)
IFRIC 17	Distributions of Non-cash Assets to Owners (effective 1 July 2009)
IFRIC 18	Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective 1 July 2010)
IFRIC 14	Amendments to Prepayments of a minimum funding requirement (effective 1 January 2011)

Principal accounting policies_continued_

In January 2008, the IASB issued a revised version of IFRS 3 'Business Combinations'. The revised standard will introduce some changes to the existing accounting treatment of business combinations. For example, all transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009. Assets and liabilities arising from business combinations occurring before the date of adoption by the Group will not be restated and thus there will be no effect on the Group's reported income or net assets on adoption.

The Directors anticipate that the adoption of the remaining Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2009. 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 IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS.

Impairment of assets

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

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

An impairment loss 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.

Principal accounting policies_continued_

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.

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.

Employee benefits

Defined contribution pension scheme

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

Equity settled share-based payment

There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan 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". Payments are recognised in the period to which they relate.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

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

Long Term Incentive Plan

In December 2008, shareholders approved a share-based Long Term Incentive Plan ("LTIP"). This Plan provides EMI share option awards to Executive Directors and Senior Management 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 it's bankers in the form of a confidential trade receivables finance facility which is secured by a fixed and floating charge over the Group's assets. The borrowings under this are included within current liabilities and described as "Financial Liabilities – borrowings" on the Group's balance sheet and the facility is secured specifically against the Group's trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group's balance sheet.

In accordance with IAS 39, 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.

Principal accounting policies_continued_

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

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.

Estimates

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". Estimates and assumptions used are set out in note 15.

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. Estimates and assumptions used are set out in note 8.

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 and assumptions used are set out in note 8.

Consolidated statement of comprehensive income

	Note	2009 £'000	2008 £'000
Revenue	1	97,434	105,525
Cost of sales		(85,042)	(90,201)
Gross profit		12,392	15,324
Amortisation	2,8	(1,011)	(1,011)
Other administrative expenses		(9,467)	(10,036)
Total administrative expenses	2	(10,478)	(11,047)
Operating profit		1,914	4,277
Finance costs	4	(127)	(551)
Profit before taxation		1,787	3,726
Income tax expense	5	(487)	(990)
Profit for the year		1,300	2,736
Other comprehensive income for the year		–	–
Total comprehensive income for the year		1,300	2,736
Profit and total comprehensive income attributable to:			
– Owners of the parent		1,350	2,736
– Minority interests		(50)	–
Total comprehensive income for the year		1,300	2,736

Earnings per share from both total and continuing operations:

	Note	Pence	Pence
Basic earnings per share	6	4.3	9.0
Diluted earnings per share	6	4.0	8.5

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 statement of financial position

	Note	2009 £'000	2008 £'000	2007 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	292	393	488
Goodwill	8	14,005	14,607	15,183
Intangible assets	8	1,870	2,881	3,892
Total non-current assets		16,167	17,881	19,563
Current assets				
Trade and other receivables	9	15,863	17,018	18,661
Cash and cash equivalents	10	145	11	135
Total current assets		16,008	17,029	18,796
Total assets		32,175	34,910	38,359
LIABILITIES				
Current liabilities				
Trade and other payables	11	(8,164)	(8,412)	(9,363)
Borrowings	12	(3,163)	(5,544)	(9,398)
Current tax payable		(688)	(730)	(833)
Deferred consideration	13	–	(717)	(664)
Total current liabilities		(12,015)	(15,403)	(20,258)
Non-current liabilities				
Deferred consideration	13	–	(200)	(1,495)
Deferred income tax liabilities	14	(330)	(674)	(768)
Total non-current liabilities		(330)	(874)	(2,263)
Total liabilities		(12,345)	(16,277)	(22,521)
Net assets		19,830	18,633	15,838
EQUITY				
Share capital	16	306	306	301
Share premium account		8,479	8,479	8,344
Retained earnings		10,505	9,461	6,916
Share based payment reserve		490	387	277
Minority interest		50	–	–
Total equity		19,830	18,633	15,838

The consolidated financial statements were approved by the Board on 1 March 2010 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 reserve £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2008	301	8,344	6,916	277	–	15,838
Comprehensive income						
Profit for the year	–	–	2,736	–	–	2,736
Total other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	2,736	–	–	2,736
Transactions with owners						
Deferred tax on employee share options	–	–	(191)	–	–	(191)
Movement in share-based payment reserve	–	–	–	110	–	110
Issue of share capital	5	135	–	–	–	140
Total contributions by and distributions to owners	5	135	(191)	110	–	59
Total transactions with owners	5	135	(191)	110	–	59
Balance at 31 December 2008	306	8,479	9,461	387	–	18,633
Balance at 1 January 2009	306	8,479	9,461	387	–	18,633
Comprehensive income						
Profit for the year	–	–	1,350	–	–	1,350
Total other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	1,350	–		1,350
Transactions with owners						
Movement in share-based payment reserve	–	–	–	103	–	103
Issue of share capital	–	–	–	–	–	–
Dividends relating to 2009	–	–	(306)	–	–	(306)
Total contributions by and distributions to owners	–	–	306	103	–	(203)
Minority interests	–	–	–	–	50	50
Balance at 31 December 2009	306	8,479	10,505	490	50	19,830

Consolidated statement of cash flows

	Note	2009 £'000	2008 £'000	2007 £'000
Cash flows from operating activities				
Profit after taxation		1,300	2,736	2,400
Adjustments for:				
Depreciation	2	183	239	160
Profit on sale of assets		–	(1)	–
Share based payment charge	2	103	110	88
Finance costs	4	127	551	535
Amortisation	2	1,011	1,011	741
Income tax expense	5	487	990	741
Decrease/(increase) in trade and other receivables		1,191	1,643	(2,186)
(Decrease)/increase in trade and other payables		(263)	(977)	856
Cash generated from operations		4,139	6,302	3,335
Income taxes paid		(859)	(1,436)	(586)
Net cash from operating activities		3,280	4,866	2,749
Cash flows from investing activities				
Purchase of property, plant and equipment	7	(74)	(171)	(356)
Acquisition of subsidiaries, net of cash acquired		(59)	(2)	(5,773)
Payment of deferred consideration	13	(200)	(610)	(622)
Proceeds from sale of equipment		–	31	–
Net cash used in investing activities		(333)	(752)	(6,751)
Cash flows from financing activities				
Proceeds from issue of share capital		–	140	312
Net (decrease)/increase in discounting facility		(2,213)	(2,999)	3,952
Repayment of hire purchase liabilities		–	–	(22)
Interest paid		(127)	(551)	(535)
Dividends paid	22	(306)	–	–
Net cash (used in)/from financing activities		(2,646)	(3,410)	3,707
Net increase/(decrease) in cash, cash equivalents and overdrafts		301	704	(295)
Cash, cash equivalents and overdrafts at beginning of year	10	(156)	(860)	(565)
Cash, cash equivalents and overdrafts at end of year	10	145	(156)	(860)

Notes to the consolidated financial statements

1 Revenue and segmental reporting

In the Group's last annual statement only one segment was identified under IAS14 "Segmental Reporting" and IFRS8 "Operating Segments" requires operating segments to be identified on the basis on internal reports that are regularly reviewed by the chief operating decision maker to allocate resources and assess performance.

For management reporting purposes the Group is organised by individual specialist business units. The activities of the largest of these business units, Sand Resources, are public sector focused and for this reason this business unit is considered to be a separate reportable segment. The remainder of the ongoing specialist business units are predominately private sector focused, have similar economic characteristics and are considered to meet the aggregation criteria of IFRS 8 and form our second reportable segment. In addition, our IQ Equity division was founded in 2009 to provide start up capital and infrastructure to new specialist IT recruitment businesses and forms our third reportable segment. All segments provide contract and permanent recruitment services.

2009	Private £'000	Public £'000	IQ Equity £'000	Total £'000
Revenue	61,843	35,069	522	97,434
Gross profit	8,731	3,529	132	12,392
EBITA per management accounts	1,596	1,791	(359)	3,028
Reconciling items to amounts reported in the statement of comprehensive income:				
– share-based payment charge				(103)
– amortisation				(1,011)
IFRS operating profit				1,914
Interest				(127)
Profit before tax				1,787

2008	Private £'000	Public £'000	IQ Equity £'000	Total £'000
Revenue	74,855	30,670	–	10,525
Gross profit	12,271	3,053	–	15,324
EBITA per management accounts	3,894	1,504	–	5,398
Reconciling items to amounts reported in the statement of comprehensive income:				
– share-based payment charge				(110)
– amortisation				(1,011)
IFRS operating profit				4,277
Interest				(551)
Profit before tax				3,726

	Revenue		Gross profit	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Permanent	2,440	4,485	2,440	4,485
Contract	94,994	101,040	9,952	10,839
	97,434	105,525	12,392	15,324

The information reviewed or otherwise regularly provided to the chief operating decision maker does not include net assets. The cost to develop this information would be excessive in comparison to the value that would be derived.

There are no external customers that represent more than 10% of the Group's total revenues in the current or prior year.

Notes to the consolidated financial statements_continued_

2 Administrative expenses

Administrative expenses include the following:

	2009 £'000	2008 £'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	43	45
– other services pursuant to legislation	3	3
– taxation services	15	24
Amortisation of intangible assets	1,011	1,011
Depreciation	183	239
Operating lease rentals – land and buildings	410	421
Share based payment charge	103	110

3 Directors and employees

Staff costs during the year were as follows:

	2009 £'000	2008 £'000
Wages and salaries	5,813	6,852
Social security costs	668	750
Other pension costs	33	26
	6,514	7,628

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

	2009 Number	2008 Number
Recruitment consultants	115	135
Administration	23	32
	138	167

Remuneration in respect of Directors was as follows:

	2009 £'000	2008 £'000
Emoluments	522	405
Share based payment	–	1
	522	406

During the year, no Directors (2008: nil) participated in pension schemes.

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

	2009 £'000	2008 £'000
Emoluments	209	161
Share based payment	–	1
	209	162

4 Finance costs

	2009 £'000	2008 £'000
Interest payable on borrowings	127	551
	127	551

5 Income tax expense

	2009 £'000	2008 £'000
Current tax		
Corporation tax on profits for the period	870	1,323
Adjustments in respect of prior periods	(39)	(48)
Total current tax	831	1,275
Deferred tax		
Tax losses carried forward	(41)	–
Accelerated capital allowance	24	5
Charge on share based payments	(44)	80
Other temporary differences	–	(9)
Intangible asset temporary differences	(283)	(283)
Effect of change in tax rates	–	(78)
Total deferred tax	(344)	(285)
Total income tax expense	487	990

	2009 £'000	2008 £'000
Profit before taxation	1,787	3,726
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2008: 28%)	500	1,043
Effects of:		
Expenses not deductible for tax purposes	30	30
Other tax adjustments	(3)	(66)
Over provisions in prior years	(38)	(48)
Profits chargeable at lower rates	(2)	31
Total income tax expense	487	990

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.

	2009 £'000	2008 £'000
Profit for the period		
Basic earnings	1,300	2,736
Adjustments to basic earnings		
Intangible assets amortisation	1,011	1,011
Deferred tax credit on intangible asset amortisation	(283)	(283)
Share based payment charge	103	110
Adjusted earnings	2,131	3,574

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	30,578,076	30,438,663
Weighted average number of share options in issue	1,618,493	1,864,483
Weighted average number of ordinary shares for the purposes of diluted earnings per share	32,196,569	32,303,146

	Pence	Pence
Earnings per share		
Basic earnings per share	4.3	9.0
Diluted earnings per share	4.0	8.5
Adjusted earnings per share		
Basic earnings per share	7.0	11.7
Diluted earnings per share	6.6	11.1

7 Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2008	46	1,007	40	1,093
Additions	–	171	–	171
Disposal	–	–	(40)	(40)
At 31 December 2008	46	1,178	–	1,224
At 1 January 2009	**46**	**1,178**	**–**	**1,224**
Additions	–	74	–	74
Business combinations	–	8	–	8
At 31 December 2009	**46**	**1,260**	**–**	**1,306**
Depreciation				
At 1 January 2008	46	547	12	605
Provided in the year	–	238	1	239
Disposal	–	–	(13)	(13)
At 31 December 2008	46	785	–	831
At 1 January 2009	**46**	**785**	**–**	**831**
Provided in the year	–	183	–	183
At 31 December 2009	**46**	**968**	**–**	**1,014**
NBV at 1 January 2008	–	460	28	488
NBV at 31 December 2008	–	393	–	393
NBV at 31 December 2009	**–**	**292**	**–**	**292**

8 Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost at 1 January 2008	15,183	5,055	20,238
Revision to deferred consideration	(632)	–	(632)
Fair value adjustment	56	–	56
Accumulated at 1 January 2008	–	(1,163)	(1,163)
Amortisation for year		(1,011)	(1,011)
Net book amount at 31 December 2008	14,607	2,881	17,488
Net book amount at 1 January 2009	14,607	2,881	17,488
Revision to deferred consideration	(717)	–	(717)
Additions from business combinations	115	–	115
Amortisation	–	(1,011)	(1,011)
Net book amount at 31 December 2009	**14,005**	**1,870**	**15,875**
Cost at 31 December 2009	14,005	5,055	19,060
Accumulated amortisation	–	(3,185)	(3,185)
Net book amount at 31 December 2009	**14,005**	**1,870**	**15,875**

There is no deferred consideration outstanding at 31 December 2009 on any acquisitions made by the Group.

Notes to the consolidated financial statements_continued_

8 Goodwill and intangible assets_continued_

On 5 August 2009 the Group acquired a 50.1% controlling interest in Korus Recruitment Group Limited ("Korus"). Korus commenced trading on 1 January 2009 and is the parent company for a Group of start-up, specialist IT recruitment companies.

Analysis of the acquisition of Korus Recruitment Group Limited:

	Book and Provisional Fair Value £'000
Korus Recruitment Group Limited	
Property, plant and equipment	8
Trade and other receivables	36
Cash and cash equivalents	157
Trade and other payables	(2)
Total net assets	199
Total net assets acquired	100
Goodwill arising on acquisition	115
	215

	£'000
Korus Recruitment Group Limited	
Discharged by:	
Consideration in cash	200
Costs associated with the acquisition	15
	215

Since acquisition Korus has made an EBITA loss of £130,077. Management do not consider there are any other intangible assets on acquisition as Korus is a recently incorporated entity.

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

	2009 £'000	2008 £'000	2007 £'000
InterQuest Group (UK) Limited	5,053	5,053	5,053
PeopleCo Worldwide Limited	3,093	3,093	3,093
Sand Resources Limited	2,239	2,239	2,242
Intelect Recruitment plc	1,894	2,094	2,197
e-CRM People Limited	1,611	2,128	2,598
Korus Recruitment Group Limited	115	–	–
	14,005	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 2009 are that the CGU's will trade in accordance with the 2010 budget, which has a higher financial result than that reported for 2009, followed by range of 0% to 10% growth in sales and 5% growth in costs (from 2010 levels) in subsequent years until 31 December 2014, following which a long-term growth rate of 2% has been used. An expected gross margin for each CGU ranging between 9% and 13% have been used in the forecasts. The resulting projected cash flows have been discounted at 9.7% to calculate their net present value at 31 December 2009.

8 Goodwill and intangible assets_continued_

The Board believes that the growth rates used in the value-in-use calculations are appropriate. The growth rate assumptions used between 2010 and 2014 are based on the results for 2009 which are comparatively low compared to 2008 results. Current trading activity in 2010 supports the growth rates used in our calculations.

Each CGU has been considered on an individual basis and these assumptions used 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 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 because each CGU share similar attributes and it is appropriate to use similar assumptions.

9 Trade and other receivables

	2009 £'000	2008 £'000	2007 £'000
Gross trade receivables	13,787	15,274	16,020
Provisions	(20)	(27)	(25)
Net trade receivables	13,767	15,247	15,995
Prepayments and accrued income	2,017	1,711	2,586
Other current assets	79	60	80
	15,863	17,018	18,661

Included within gross trade receivables is £3,344,000 (2008: £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.

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

	2009 £'000	2008 £'000	2007 £'000
Not more than 30 days	1,457	4,206	4,630
More than 30 days but less than 60 days	3,029	2,196	3,269
More than 60 days but less than 90 days	716	416	606
More than 90 days	160	104	49
	5,362	6,922	8,554

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

	2009 £'000	2008 £'000	2007 £'000
Provision for receivables impairment at 1 January	27	25	30
Unused amounts reversed	(7)	–	(5)
New provision in the year	–	2	–
Provision for receivables impairment at 31 December	20	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.

Notes to the consolidated financial statements_continued_

10 Cash and cash equivalents

	2009 £'000	2008 £'000	2007 £'000
Cash and cash equivalents	145	11	135

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

	2009 £'000	2008 £'000	2007 £'000
Cash and cash equivalents	145	11	135
Bank overdrafts (Note 12)	–	(167)	(995)
	145	(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

	2009 £'000	2008 £'000	2007 £'000
Trade payables	5,578	5,884	5,559
Other tax and social security	488	514	1,308
Other payables	380	331	237
Accruals and deferred income	1,718	1,683	2,259
	8,164	8,412	9,363

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

12 Financial liabilities – borrowings

	2009 £'000	2008 £'000	2007 £'000
Less than one year			
Bank overdrafts	–	167	995
Invoice discounting facility	3,163	5,377	8,376
Obligations under finance leases	–	–	27
	3,163	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

	2009 £'000	2008 £'000	2007 £'000
Deferred consideration at 1 January	917	2,159	1,137
Business combination – Sand	–	–	195
Business combination – Intelect and e-CRM	–	–	1,668
Settlement in cash	(200)	(610)	(841)
Revised deferred consideration adjustment	(717)	(632)	–
Deferred consideration at 31 December 2009	–	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

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	108	–	149
Tax losses carried forward	41	–	–
Deferred tax on employee share options	45	–	45
Intangible asset temporary differences	–	(524)	(524)
Asset/(liability) at 31 December 2009	194	(524)	(330)

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

	2009 £'000	2008 £'000	2007 £'000
Liability at 1 January	674	768	243
Income statement charge (note 5)	(344)	(285)	(133)
Tax charged direct to equity	–	191	10
Acquisition of subsidiaries	–	–	648
Liability at 31 December 2009	330	674	768

Notes to the consolidated financial statements_continued_

15 Employee benefits

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

	2009 £'000	2008 £'000	2007 £'000
Defined contributions	32	26	37

Equity settled share based payments:

	Options	2009 weighted average exercise price	Options	2008 weighted average exercise price	Options	2007 weighted average exercise price
Outstanding at beginning of the year	5,257,900	£0.32	5,035,400	£0.43	5,475,400	£0.37
Granted during the year	466,452	£0.01	810,000	£0.01	610,000	£0.88
Forfeited during the year	(795,852)	£0.29	(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	4,928,500	£0.34	5,257,900	£0.37	5,035,400	£0.43
Exercisable during the year	5,642,900	£0.41	5,205,400	£0.35	4,305,400	£0.31
Exercisable at the year end	3,928,500	£0.43	4,000,400	£0.36	3,540,400	£0.29
Weighted average remaining contractual life of options outstanding at the end of the year	6.3 years		7.0 years		7.4 years	

The options outstanding at 31 December 2009 had an exercise price ranging from £0.25 to £0.85 (2008: £0.25 to £0.88, 2007: £0.25 to £0.55). The estimated fair value of the options granted in the year was £5,000 (2008: £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.

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	–	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	215,000	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	70,000	55p	21 November 2007	21 November 2017
1 March 2006	425,000	52p	1 March 2008	1 March 2018
12 June 2006	100,000	57p	12 June 2008	12 June 2018
15 June 2006	165,000	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	45,000	85p	20 December 2008	20 December 2018
24 May 2007	97,500	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 2017
23 December 2008	533,548	1p	1 January 2012	1 January 2018
16 October 2009	466,452	1p	16 October 2012	16 October 2019
	2,465,500			

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	497,261	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
	2,642,246			

Notes to the consolidated financial statements_continued_

15 Employee benefits_continued_

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

	2009 £'000	2008 £'000	2007 £'000
Weighted average share price	£0.53	£0.37	£1.10
Weighted average exercise price	£0.01	£0.01	£1.10
Expected volatility	32%	40%	50%
Expected life	1 year	1 year	1 year
Risk free rate	0.5%	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 2009 is £103,000 (2008: £110,000).

16 Share capital

	2009 £'000	2008 £'000	2007 £'000
Authorised:			
80,000,000 ordinary shares of 1p each	800	800	800
Allotted, called up and fully paid:			
As at 1 January 2008:			
30,103,076 ordinary shares of 1p each	301		
Issue of share capital	5		
	306		
As at 31 December 2008:			
30,578,076 ordinary shares of 1p each	306		
As at 31 December 2009:			
30,578,076 ordinary shares of 1p each:	306		

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by providing recruitment services commensurately with the level of risk.

The Group 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.

	2009 £'000	2008 £'000	2007 £'000
Total debt	3,163	5,544	9,398
Less: Cash and cash equivalents	(145)	(11)	(135)
Net debt	3,018	5,533	9,263
Total equity	19,780	18,633	15,838
Debt to Capital ratio	0.15	0.30	0.58

17 Operating leases

	2009 £'000 Land and buildings	2008 £'000 Land and buildings	2007 £'000 Land and buildings
Within one year	–	3	20
Between one and five years	752	1,022	1,228
Over five years	659	300	341
	1,411	1,325	1,589

18 Capital commitments

The Group had no capital commitments at 31 December 2009 or 31 December 2008 or 31 December 2007.

19 Related party transactions

Related party	Nature of business	2009 £	2008 £	2007 £	Directors involved
Vail Securities Limited	Consultancy services	–	19,325	15,043	G P Ashworth
Risk Capital Partners Limited	Directors fees	15,000	20,000	17,402	L O Johnson
Vail Securities Limited	Business expenses	29,337	4,172	5,207	G P Ashworth
New Generation Learning	Consultancy services	4,500	18,000	18,000	A W Found
New Generation Learning	Business expenses	1,548	4,999	4,581	A W Found
New Generation Learning	Training materials	3,500	3,500	–	A W Found

No amounts were outstanding at 31 December 2009 or 31 December 2008 or 31 December 2007.

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

	2009 £'000	2008 £'000	2007 £'000
Salaries and other short-term employee benefits	1,528	1,454	1,176
Share-based payments	–	46	64
	1,528	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 2009, 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 Group does not hedge the exposure to variations in interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +3% and –0.5% (2008: +3% and –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.

	2009 £'000 +3%	2009 £'000 –0.5%	2008 £'000 +3%	2008 £'000 –1%	2007 £'000 +1%	2007 £'000 –1%
Net result for the year	(160)	53	(353)	118	(82)	82
Equity	(160)	53	(353)	118	(82)	82

Notes to the consolidated financial statements_continued_

21 Financial risk management_continued_

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.

	2009 £'000	2008 £'000	2007 £'000
Loans and receivables	15,929	16,669	18,414
Total financial assets	15,929	16,669	18,414

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

	2009 £'000	2008 £'000	2007 £'000
Current assets			
Trade receivables	13,767	15,247	15,995
Prepayments and accrued income	2,017	1,411	2,284
Cash and cash equivalents	145	11	135
	15,929	16,669	18,414

	2009 £'000	2008 £'000	2007 £'000
Financial liabilities measured at amortised cost	10,459	13,012	17,216
	10,459	13,012	17,216

21 Financial risk management_continued_

	2009 £'000	2008 £'000	2007 £'000
Current liabilities			
Borrowings	3,163	5,544	9,398
Trade payables	5,578	5,884	5,559
Accruals and deferred income	1,718	1,584	2,259
	10,459	13,012	17,216

22 Dividends paid

	2009 £'000	2008 £'000	2007 £'000
Final dividend for the year ended 31 December 2008 of 1 pence per share	306	–	–

The Directors paid a final dividend of 2 pence per share on 19 February 2010 (2008: 1 pence per share).

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 2009 which comprise the parent company balance sheet, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's Responsibilities (set out on page 8), the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of InterQuest Group plc for the year ended 31 December 2009.

Marc Summers BSc, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
1 March 2010

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.

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.

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".

Principal accounting policies_continued_

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	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	1	59	79
Investments	2	23,241	23,743
		23,300	23,822
CURRENT ASSETS			
Debtors	3	4,140	4,106
		4,140	4,106
Creditors: amounts falling due within one year	4	(10,733)	(11,036)
Net current liabilities		(6,593)	(6,930)
Total assets less current liabilities and net assets		16,707	16,892
Creditors: amounts falling due after more than one year	5	–	(200)
		16,707	16,692
CAPITAL AND RESERVES			
Called up share capital	7	306	306
Share premium account	8	8,479	8,479
Profit and loss account	8	7,591	7,630
Share based payment reserve	8	331	277
		16,707	16,692

These parent company UK GAAP financial statements were approved by the Board on 1 March 2010 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.

Company registration number 04298109

Notes to the Company financial statements

1 Tangible fixed assets

	Property, plant and equipment £'000	Total £'000
Cost		
As at 1 January 2009	195	195
Additions	32	32
As at 31 December 2009	**227**	**227**
Depreciation		
As at 1 January 2009	116	116
Provided in the year	52	52
As at 31 December 2009	**168**	**168**
Net book value at 31 December 2009	**59**	**59**
Net book value at 31 December 2008	79	79

2 Investments

	Total £'000
Cost	
As at 1 January 2009	23,743
Revisions to deferred consideration	(717)
Additions	215
At 31 December 2009	**23,241**

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

The Company also holds 50.1% of the nominal value of the share capital of Korus Recruitment Group Limited and 60% of the nominal value of the share capital of Lighthouse Testing Limited.

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

	2009 £'000	2008 £'000
Amounts owed by Group undertakings	4,059	3,953
Prepayments and accrued income	73	130
Other debtors	3	11
Deferred tax asset	5	12
	4,140	4,106

4 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	95	76
Amounts owed to Group undertakings	9,931	9,898
Corporation tax	150	27
Bank overdraft	378	188
Accruals and deferred income	–	127
Other creditors	179	3
Deferred consideration	–	717
	10,733	11,036

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 2.0% 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

	2009 £'000	2008 £'000
Deferred consideration	–	200
	–	200

6 Deferred taxation asset

	£'000
Asset at 1 January 2009	12
Asset de-recognised in the year	(7)
Asset at 31 December 2009	5

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

	2009 £'000	2008 £'000
Other timing differences	5	12
	5	12

Notes to the Company financial statements_continued_

7 Share capital

	2009 £'000	2008 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
30,578,076 shares ordinary shares of 1p each	306	306

8 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000	Share based payment reserve £'000
As at 1 January 2009	8,479	7,630	277
Profit for the year	–	267	54
Dividends paid	–	(306)	–
As at 31 December 2009	8,479	7,591	331

9 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	267	1,130
Issue of shares		
Share proceeds from share options exercised in the year	–	140
Share based payment reserve	54	–
Dividends paid	(306)	–
Net (decrease)/increase in shareholder's funds	15	1,270
Shareholders' funds at 1 January 2009	16,692	15,422
Shareholders' funds at 31 December 2009	16,707	16,692

10 Capital commitments

The Company had no capital commitments at 31 December 2009 or 31 December 2008.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2009 or 31 December 2008.

12 Operating leases

	2009 £'000 Land and buildings	2008 £'000 Land and buildings
Within one year	–	–
Between one and five years	493	493
	493	493

13 Transactions with Directors and other related companies

Related party	Nature of business	2009 £	2008 £	Directors involved
Vail Securities Limited	Consultancy services	–	19,325	G P Ashworth
Risk Capital Partners Limited	Directors fees	15,000	20,000	L O Johnson
Vail Securities Limited	Business expenses	29,337	4,172	G P Ashworth
New Generation Learning	Consultancy services	4,500	18,000	A W Found
New Generation Learning	Business expenses	1,548	4,999	A W Found
New Generation Learning	Training materials	3,500	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 £0.3m (2008: £1.1m). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

16 Dividends paid

	2009 £'000	2008 £'000	2007 £'000
Final dividend for the year ended 31 December 2008 of 1 pence per share	306	–	–

The Directors paid a final dividend of 2 pence per share on 19 February 2010 (2008: 1 pence per share).

Notes

Notes

Company details

Company registration number:
04298109

Registered office:
16–18 Kirby Street
London
EC1N 8TS

Directors:
G P Ashworth
A W Found
P M L Frew
L O Johnson
M R S Joyce

Secretary:
M R S Joyce

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