InterQuest Group plc

Annual Report & Financial Statements
For the Year Ended 31 December 2017

14 March 2018

Company Registration No. 04298109

InterQuest Group plc

Annual report and financial statements 2017

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D C Bygrave

Company Secretary
D C Bygrave

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InterQuest Group plc

Highlights

The InterQuest Group is a specialist digital and technology recruitment business operating in the high growth areas supporting the digital economy.

During the year the InterQuest Group received an all cash bid from Chisbridge Limited. On 8th August Chisbridge Limited confirmed it owned 58.32% of the shares of InterQuest Group Plc and reinforced its commitment to delist the Group from the AIM market.

Financial highlights

- Group adjusted operating profit before exceptional items decreased 25% to £2.7m (2016: £3.6m). [1]
- PBT before exceptional items decreased 26% to £2.0m (2016: £2.7m).
- Statutory profit after tax of £0.5m profit (2016: £1.2m loss).
- Net fee income (NFI) increased 3% to £22.4m (2016: £21.7m). [2]
- Revenue decreased 5% to £136.0m (2016: £143.6m).
- Basic earnings per share increased to a profit of 1.5 pence (2016: 3.4 pence loss).
- Diluted earnings per share 1.5 pence (2016: 3.4 pence loss).
- Basic adjusted earnings per share 5.1 pence (2016: 7.2 pence). [3]
- Diluted adjusted earnings per share 5.1 pence (2016: 7.0 pence). [4]
- Net cash generated from operating activities declined £2.2m (2016: £2.5m).
- Net debt at year end improved by £1m to £4.6m (2016: £5.6m). [5]

Improved margins

- Gross margin improvement to 16.5% (2016: 15.1%).

Operational highlights

- Headline results aligned with market expectations following a year of significant change.
- Permanent placement fees increased by 25% to £10.4m (2016: £8.3m).
- Successful integration of the RDW acquisition.
- Improving the Group’s international net fee income mix to 20.5% (2016:10.3%).
- Expanding the Group’s New York presence.

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[1] Adjusted for share-based payment charge, amortisation and exceptional items.

Group operating profit before exceptional items reconciliation is shown in the Consolidated Statement of Comprehensive Income.

[2] NFI = Net Fee Income = Statutory Gross Profit.

[3] Adjusted for share-based payment charge, amortisation and exceptional items.

[4] Adjusted for share-based payment charge, amortisation, impairments and exceptional items.

[5] Net Debt = Cash at bank and in hand less Borrowings.

InterQuest Group plc

Highlights (continued)

Gary Ashworth, Chairman of InterQuest, said:

"The acquisition of RDW in 2016 had a positive material impact on the financial performance in 2017. The legacy businesses continued to be restructured in order to address underperformance and have the right management and personnel to focus on the niche markets that are growing in the face of the challenges brought on by Brexit.

Our recruitment process outsourcing business, InterQuest Solutions, added an additional customer to the practice during the year and continues to be a focus for designing and delivering high value resourcing solutions.

Looking forward, the Group intends to continue to invest in our high performing brands and in our staff whilst focusing on paying down debt."

Chris Eldridge, CEO of InterQuest said:

"Following a year of change, the 2017 results for the Group were slightly behind the management team's expectations. The Group has invested in new service offerings and developed its international footprint in order to focus on niche, fast growth technologies and higher margin opportunities.

During the course of the year the Group leadership team has made significant progress in refining its value proposition and simplifying its brand structure in order to meet our client's needs and offer a total talent management solution.

The Group remains focused on capitalising on the opportunity in assisting our clients wherever they are in the digital maturity lifecycle.

On behalf of the board I want express our gratitude to all of my colleagues for their energy and commitment in 2017 and their ongoing hard work and dedication."

InterQuest Group plc

Strategic Report

Our markets

The Group is focusing on the markets that are being driven by digital innovation and working with companies that are investing in technology to drive their future growth.

The digital market place is both broad and dynamic, with areas of acute staff shortage across the globe. New technologies and protocols are being developed and adopted at an increasing rate and, just as quickly, legacy technology is being scrapped with companies looking to benefit from increased speed, mobility and flexibility. The way that consumers are accessing information is driving investment with B2C companies having to address their technology estate to ensure that they offer the ease of use demanded from an increasingly aware and app based set of customers. All of this is happening against a backdrop of increased awareness of issues such as security, sustainability, inclusion, mobility and the ethical use of data, which in turn is driving innovation and change.

The technologies that these applications, platforms and operating systems rely on are reasonably well established, however, the ongoing demand for talented people to design and develop effective and innovative solutions shows little sign of abating, and, in some niche areas, is the primary risk to growth.

- 77% of CEOs in the UK stated their top area of investment over the next three years will be recruiting and investing highly in people (75% global) - *KPMG UK CEO Outlook 2017 Report*
- The average digital salary in the UK is 44% higher than the national average - *Tech nation report 2017*
- 80% of company leaders believe digitising their enterprise is a critical part of innovation, however only 43% state they have a dedicated team for this - *PwC Global Digital IQ Survey*
- UK tech businesses are growing 2X faster than non-digital businesses - *Tech nation report 2017*

The InterQuest business model

InterQuest Group's human capital management business is an award-winning specialist staffing, executive search and solutions provider.

Following a simplification of the Group's brand architecture at the end of 2017 the Group goes to market with four operating brands, InterQuest (technology talent acquisition), ECOM (digital talent acquisition), Rees Draper Wright (executive search) and InterQuest Solutions (workforce optimisation) to help organisations acquire in-demand talent and develop human capital. InterQuest Group's approach to human capital acquisition, management and optimisation enables every type of organisation to respond more effectively to the challenges and opportunities of the future.

Demand for highly skilled and experienced technology professionals continues to develop alongside new and innovative applications. The Group has structured itself to directly map our services to the in demand technology areas of Digital Change, Security, Analytics, Risk, Telecommunications, ESM, ERP and have begun to develop capability in Intelligent Automation.

The InterQuest business model (continued)

Alongside this the InterQuest Solutions business focuses on providing a range of innovative recruitment services and solutions that respond effectively to the changing demands of the recruitment outsourcing market. Focusing on clients that face significant transformation with high demand for niche skills, InterQuest Solutions has built a robust specialist workforce management proposition that delivers fast, effective results.

Review of the business in 2017

The Group has implemented a number of changes during 2017 to ensure that the business is capitalising on growth markets. However, during this restructuring Group operating profitability has decreased.

- Group operating profit before exceptional items, share based payments, amortisation and exceptional items decreased 25% to £2.7m (2016: £3.6m).
- PBT before exceptional items decreased 26% to £2.0m (2016: £2.7m).
- Statutory profit before tax was £0.7m (2016: £0.7m loss).
- Statutory profit after tax of £0.5m (2016: £1.2m loss).
- Net fee income (NFI) increased 3% to £22.4m (2016: £21.7m).
- Permanent NFI increased 25% to £10.4m (2016: £8.3m).
- Contract NFI decreased 11% to £12.0m (2016: £13.5m).

The Group's financial results were impacted during the year by the bid from Chisbridge Limited. The defence costs of the bid amounted to £0.45m.

The revenues from permanent placements increased in the year by 25% to £10.4m. However, the primary cause of the Group's reduction in revenue during 2017 was a continued decline in contractor numbers. The revenue resulting from contract recruitment decreased by 7% during the year with the most significant impact being felt in ECOM, and certain practices reported in Enterprise (Telecoms, Enterprise Service Management and IT Sales). The reduction in revenues led to an 11% decrease in contract Net Fee Income as margins came under pressure.

The Group's permanent revenue increased by 25%, which was positively affected by the acquisition of RDW in August 2016 and therefore trading for the full year in 2017.

The leadership team took further action to challenge and restructure the cost base which resulted in one off redundancy and loss of office costs of £0.4m.

Strategic Report (continued)

ECOM

On 26 November 2013, the Group acquired 100% of the share capital of ECOM Recruitment Limited ("ECOM"), the UK's leading digital technology recruitment business for a total consideration of up to £7.04m.

At 30 June 2016 the Board conducted a review of the carrying value of the intangibles and goodwill associated with the business of ECOM and as a result of that review the goodwill was impaired by £3.2m in the 2016 financial year. The carrying value of the goodwill at 31 December 2017 is £1.7m. There has been no change to the carrying value of goodwill in 2017.

The change in activity has resulted in a decline in contractor levels and a 9% decline in revenues but an increase in Net Fee Income of 3% in 2017.

Public Sector

The Group's Public Sector practice was not affected in any significant way by the uncertainty over the changes in IR35 regulations implemented by the UK government in April 2017. The number of contractors reduced during the year but the margins achieved improved in 2017 which, added to an increase in permanent placements, led to a reduction in revenue but an increase in Net Fee Income of 23%.

The business continues to grow its customer base and is delivering new products into the public sector market, including supplying niche consulting solutions.

Enterprise

The enterprise markets facing the financial services industry continued to suffer a material reduction in contractor numbers during 2017 which negatively impacted its full year results and a reduction in Net Fee Income of 5%. The effect of this was partly mitigated by the Solutions practice, (the Group's RPO and Managed Service business) where Net Fee Income increased by 5%. This was driven by increased demand from Solutions' six existing customers and the winning of a further new customer engagement in 2017.

Niche

The Group's NFI from niche practices decreased by 15% in 2017. The niche practices include Analytics, Information Security, Technology and Networks. The over reliance on long standing clients with attritional margins and the slower than anticipated development of new opportunities led to the decrease. A change in senior leadership has occurred during the year and they are focused on increasing productivity in the various practices.

InterQuest Group plc

Strategic Report (continued)

RDW

The Group acquired RDW in August 2016 and the acquisition has materially contributed to the Group's financial outcome in 2017. RDW focus their attention at senior management and board positions both in the consulting and the wider private sector. The salary levels that are achieved and the resulting fees significantly exceed the average placement value of the broader Group.

Net Fee Income attributable to the Group in RDW grew to £3.1m from £0.9m in 2016. RDW has benefitted from offering executive search services to existing InterQuest customers but has also grown its own customer base.

Operational Overview

Internationalisation

The Group expanded its office in New York investing in the existing RDW team and establishing both an Analytics and ECOM practice. The teams work in similar markets to their UK counterparts focusing primarily on the NY state geography. Demand for digital and consulting skills in New York is currently strong, being driven by a mix of start- ups and digitally mature companies who are seeking experienced talent to gain a competitive advantage.

As a result of high demand and low supply both the salaries candidates can command and the margin at which the Group works are significantly higher than the UK equivalent, making it an attractive geography for further investment.

Consolidation of London offices

During the second half of 2017 the Group relocated its four London based offices in to one new headquarters near Cannon Street. This move creates one unified head office for the Group with several practices working in one location for the first time. The opportunity for cross selling will be significantly enhanced as well as creating a client suite for the Group to host events and exhibitions.

Diversity & Inclusion

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

InterQuest has many formal and informal channels for staff to communicate internally, drawing on local, national and international initiatives to share and applaud the positive outcomes of our staff on our business and to the market through organisations our staff are involved in. In line with these ideals, during 2017, the Group also conducted two independent and anonymous staff surveys which were followed up by the senior management team in presentations to the staff.

Strategic Report (continued)

Simplification of brand architecture

The Group operating structure was reviewed during the year with the result being a simplification of the Group's 16 brands in to 4. The revised brand architecture sees the Group going to market under:

- InterQuest
- ECOM
- Rees Draper Wright
- InterQuest Solutions

The Group operations board has been changed accordingly, leading to a more streamlined management team.

Contractor numbers

The Group's contractor numbers were negatively affected by a reduction in ECOM and certain Enterprise accounts. The drop off in ECOM was as a result of increased use of online portals and a growing number of in-house recruitment teams being established in agencies. The focus has changed within the team with an increased number of consultants working with end customers. Within the Enterprise business, several of the Groups' contractors were working with large client organisations via competitor managed service programmes at low margins. As these agreements have come up for review and renewal the Group have chosen not to work with several clients on unfavourable terms resulting in a temporary reduction in overall demand.

InterQuest Solutions

The Group's workforce optimisation brand continues to manage several of the Group's larger customer recruitment needs. Over the course of 2017 a number of new products were developed and launched to meet the increasingly sophisticated demands of companies' total talent management requirements. This has led to the creation of a new programme management office improving the level of service and support that the Group can offer its current and prospective clients.

Key performance indicators

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

InterQuest Group plc

Strategic Report (continued)

Key performance indicators (continued)

	31 December 2017 £'000	31 December 2016 £'000
Financial KPIs:		
Revenue	135,972	143,610
Net fee income	22,437	21,747
Gross profit percentage	16.5%	15.1%
Group operating profit before exceptional items	2,194	3,037
Group statutory profit/(loss)	502	(1,244)
Net cash inflow from operating activities	2,200	2,506
Net debt	4,550	5,533
Non-financial KPIs:		
Recruitment staff (average number during the year)	237	249
Administration staff (average number during the year)	60	55

The primary cause of the Group's reduction in revenue during 2017 was a reduction in contractor numbers in ECOM and certain practices within Enterprise. The revenue resulting from contract recruitment decreased by 7% during the year but increased by 25% regarding permanent fee placements. This resulted in an overall reduction in revenues of 5% but an increase in Net Fee Income of 3% and a Gross Profit percentage increase from 15.1% to 16.5% overall.

Net debt was reduced through a careful management of credit terms with customers during the course of 2017. Net finance costs were £0.24m (2016: £0.31m) reflecting the lower levels of debt required during the year by the Group and improved terms for the new banking arrangements.

Tax on profits was £0.48m before exceptional items (2016: £0.56m); a detailed analysis is included at note 6.

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Strategic Report (continued)

Exceptional items

The following table summarises exceptional items in the 2017 financial statements:

	2017	**2016**
	£'000	**£'000**
Acquisition costs	-	(28)
Costs incurred in the defence of the bid by Chisbridge Limited	(446)	
Restructuring costs	(175)	-
Onerous lease provision	(208)	-
Redundancy and loss of office costs	(376)	(284)
Tax impact of exceptional items	235	57
Impairment	-	(3,152)
	(970)	(3,407)

Earnings per share and dividend

Basic earnings per share was 1.5 pence (2016 loss: 3.4 pence per share). When exceptional items, the IFRS 2 share-based payment charge, amortisation of intangibles, impairment and the tax in respect of these items are removed, the basic adjusted earnings per share was 5.1 pence representing a decrease of 30% from 7.2 pence in 2016. See note 7 for details of the calculation.

Due to the reduction in operating profits and the need for liquidity in order to fund further growth in the Group, the Board are not declaring a dividend. The total dividend for the year was nil pence per share (2016: 1.5 pence per share)

Balance sheet, cash flow and financing

The Group's net assets increased by £0.2m to £22.3m at 31 December 2017 (2016: £22.1m).

Continued delivery of operating profit before exceptional items and tight control of working capital delivered £2.2m of operating cash flow (2016: £2.5m). The Group paid £0.24m (2016: £0.31m) of net interest during the year. Net capital expenditure was £0.60m (2016: £0.28m) and dividends of £0.4m (2016: £0.9m) were paid.

Net debt decreased from £5.6m at the start of the year to £4.6m at the end of 2017 (2016: decreased from £6.0m at the start of the year to £5.6m at the end of the year). The Group continues to finance its activities through the utilisation of a trade receivables finance facility. The facility of £24m has a three month rolling notice period. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

Strategic Report (continued)

Going concern

In 2017 the Group continued to deliver profits before exceptional items. The balance sheet shows a stronger cash position and lower debt at year-end indicating availability of financial resources.

The Board has reviewed and adopted the Group's 2018 financial budget and reviewed cash flow projections to the end of March 2019 including investment and capital expenditure outflows.

After making appropriate enquiries and considering reasonable sensitivities, the Directors consider the Group has adequate financial resources and access to finance facilities which, together with internally generated cash flow will continue to provide sufficient liquidity to fund its current operations. Therefore the Group is well placed to manage its business and liquidity risks. In light of these deliberations and with due consideration of the current wider economic climate and the principal risks facing the business, the Board has concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors consider it appropriate to prepare the accounts on the going concern basis.

Recent UK and international 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 and international 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 mitigates these risks by adopting a conservative and diligent approach to compliance led by our in house legal counsel and compliance team.

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 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.

Principal business risks

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 any level. The Group operates industry leading training and development programmes for its people and has endeavoured to ensure that employees at all levels are incentivised, but the retention of staff cannot be guaranteed.

The Group continues to monitor the impact of Brexit through continuous dialogue with customers and candidates. The outcome of these discussions remains unclear because of the uncertainty caused by the lack of transparency in the negotiations between the UK government and the EU. The overall prospects for the UK markets served by the Group are affected by these discussions and therefore are a cause for uncertainty too. The Group is attempting to mitigate some of this uncertainty by developing new sales channels in its offices in New York and in Frankfurt.

InterQuest Group plc

Strategic Report (continued)

Responsibility statement

We confirm that to the best of our knowledge:

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

Cautionary statement

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

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

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.
This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to InterQuest Group plc and its subsidiary undertakings when viewed as a whole.

Signed on behalf of the Board

Chris E Eldridge

Chief Executive Officer

InterQuest Group PLC

14 March 2018

Report of the directors

The directors present their annual report on the affairs of the Group, together with the financial statements, for the year ended 31 December 2017. An indication of likely future developments in the business of the Group, statement on the going concern assumption, review of the performance of the Group and presentation of key performance indicators are included in the Strategic Report.

Results and dividends

The Group's profit for the year amounted to £0.5m (2016 loss: £1.2m). The directors do not propose to pay a dividend (2016: 1.0 pence per share).

Post balance sheet events

There are no post balance sheet events to report.

Employees

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

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on a regular basis on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal meetings and Group publications.

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 2017 and 31 December 2017 were as follows:

	Ordinary shares of 1p each	
	31 December 2017	**31 December 2016**
	£'000	**£'000**
G P Ashworth	-	12,512,032
D C Higgins	-	-
P M L Frew (appointment ended on 23 May 2017)	-	72,583
C E Eldridge	-	-
D C Bygrave	-	37,250

InterQuest Group plc

Report of the directors (continued)

Directors and their interests (continued)

The role of Chairman, held by Gary Ashworth was designated Executive on 1 October 2017. 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 24 pence to a high of 50 pence during the year with a closing price of 26 pence at 31 December 2017.

Share capital

Details of changes in the share capital of the Company during the year are shown in note 17 to the consolidated financial statements.

Substantial shareholdings

As at 31 December 2017, the directors were 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
Chisbridge Limited	22,544,070	58.32%
Vidacos Nominees Limited	3,860,000	9.99%
River & Mercantile UK Micro Cap	2,800,000	7.24%
Lion Nominees Limited	2,715,081	7.02%
Living Bridge	2,250,789	5.82%

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 on-going 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.

Report of the directors (continued)

Corporate responsibility (continued)

The Group offers a 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.

Directors' indemnities

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

Financial risk management and policies

The Group finances its operations through a mixture of retained earnings and borrowings. The borrowings all carry variable rates of interest and no interest swaps or other hedging mechanisms have been utilised. All treasury activities are undertaken primarily to finance the business and the Group does not plan to profit from such activities and does not enter into speculative treasury arrangements. The Group maintains several bank accounts denominated in foreign currencies including Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Norwegian and Danish Krone, Swiss Francs and Polish Zloty. Given the scale of the transactions denominated in the foreign currencies, the Group does not consider it necessary to enter into forward foreign exchange contracts or to enter into any form of hedging. For further information on the Group's financial risk management and policies refer to note 21.

Auditor

As required by Section 418 of the Companies Act 2006, each of the directors as at 14 March 2018 confirms that:

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

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

Directors' responsibilities statement

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Report of the directors (continued)

Directors' responsibilities statement (continued)

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

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

In preparing each of the Group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

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

By order of the board

David C Bygrave
Company Secretary
14 March 2018

InterQuest Group plc

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 Directors and one Non-Executive Director with considerable business experience particularly within the IT sector.

The Board considers David Higgins to be independent. He provides no services to the Group other than acting as Non-Executive Director and he receives a basic salary but no bonus.

Executive Chairman

Gary Ashworth holds the position of Executive Chairman. As Executive Chairman he is responsible for the operation of the Board along with investor relations.

Chief Executive Officer

Chris Eldridge holds the position of Chief Executive Officer and he is responsible for the strategic direction and day to day operation of the Group's businesses and driving them for long-term growth.

Corporate governance report (continued)

Chief Financial Officer

David Bygrave holds the position of Chief Financial Officer and he is responsible for the day to day financial management, reporting and controls of the Group.

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 David Higgins (Chairman) and Gary Ashworth. The Audit Committee meets a minimum of twice a year. The Chief Financial Officer and the external auditor attend the meetings when requested by the Committee. David Higgins is considered by the Board to have recent and relevant financial experience.

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

The Committee monitors the objectivity and independence of the audit process and matters relating to the appointment of the Company's auditor which is RSM UK Audit LLP. Both the Committee and the auditor themselves have safeguards in place to ensure that the objectivity and independence of the auditor is maintained. In addition to the annual appointment of the auditor 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 auditor 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 auditor for both audit and non-audit work are provided in note 2 to the consolidated financial statements.

Nomination Committee

The members of the Nomination Committee are Gary Ashworth (Chairman) and David Higgins.

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.

Corporate governance report (continued)

Remuneration Committee

The Remuneration Committee comprises David Higgins who considers, once a year, the remuneration policy and the individual remuneration packages of the two Executive Directors and the Executive Chairman.

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

Attendance at board and committee meetings

During 2017, the Board met formally 12 times in addition to informal meetings and attendance at the AGM and EGM. All directors attended all 12 meetings.

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

Performance evaluation

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

Assessment of risk and internal control

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

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

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

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

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

Corporate governance report (continued)

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 changes in the business but the current segregation of duties and internal controls exercised within the existing finance are considered adequate for the size of the business.

Independent auditor's report to the members of InterQuest Group plc

Opinion

We have audited the financial statements of InterQuest Group PLC ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and parent company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Independent auditor's report to the members of InterQuest Group plc (continued)

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill

Risk

The Group carries goodwill amounting to £16.5m in respect of past business acquisitions. The recoverability of the goodwill arising on these acquisitions is dependent on the cash generating units to which goodwill is allocated generating sufficient cash flows in the future. Due to the significant management judgement in forecasting the cash flows and selecting an appropriate discount rate there is a high level of estimation uncertainty which results in there being a significant risk associated with determining whether goodwill is impaired.

Refer to note 9 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

Our response

Our audit procedures included auditing the discounted cash flow model, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill had been impaired and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the revenue growth rate assumptions and the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

Independent auditor's report to the members of InterQuest Group plc (continued)

Our response (continued)

We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability and related cash flows to the actual amounts realised. We assessed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected the risks inherent in the assessment of the carrying value of goodwill.

Revenue recognition for permanent and temporary placements

Risk

The Group has reported permanent placement revenues of £10.4m (2016: £8.3m) and temporary placement revenue of £125.6m (2016: £135.3m).

For permanent placement revenue, there is a risk around the recognition of revenue as a contract may be agreed with a customer and candidate several months in advance of the start of employment. Consequently, there is a risk that that the placement is not taken up as agreed, which could result in the reversal of previously recorded revenue.

For temporary placement revenue there is a risk that where timesheets have not been received or the accounting period ends mid-way through a timesheet period, cut off errors may occur, causing the revenue and associated costs to be misstated.

Our response

We documented the revenue processes and tested key management controls around recognition and measurement of revenue and performed analytical audit procedures and substantive sampling procedures to verify that the revenue recognition criteria had been met and to verify that the transaction had actually occurred and was recorded at the correct value.

We also performed period-end cut off testing focusing on material items to check all revenue recognition criteria for the placements had been met and revenue had been recognised in the correct period. For a sample of individually material permanent placement revenue amounts accrued at the year-end we sought confirmations from management on the appropriateness of recognising this revenue.

In addition, we compared the level of actual permanent placement revenue reversals, which occur as a result of non-completion of contractual placements, to the provision recorded against accrued income to determine if the provision was appropriate

Independent auditor's report to the members of InterQuest Group plc (continued)

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole. Based on our professional judgement, we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole at £384,000. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis using Group materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of InterQuest Group plc (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 15 to 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

InterQuest Group plc

Independent auditor’s report to the members of InterQuest Group plc (continued)

Auditor’s responsibilities for the audit of the financial statements

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

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

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

DAVID CLARK (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
Date:

InterQuest Group plc

Principal accounting policies

Nature of operations and general information

The InterQuest Group is a specialist digital and technology recruitment business with offices in the UK, Germany and USA. The Group focuses on permanent and contract recruitment across a broad range of sectors, specifically in the high growth functions of digital design, cyber security, digital networks, analytics, change management and other high value niche markets. The Group operates from six offices in the United Kingdom, one office in New York, USA, one office in Frankfurt, Germany and has a centralised finance and administration function.

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

Chisbridge Limited is the Group's ultimate parent Company. It is incorporated and domiciled in the United Kingdom. The address of InterQuest Group plc's registered office is Cannon Green, 27 Bush Lane, London, EC4R 0AA. 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 for all the periods presented, unless otherwise stated.

The factors considered by the directors in exercising their judgement of the Group's ability to continue to operate in the foreseeable future are set out on page 10. On these grounds the Board considers it reasonable to continue to adopt the going concern basis for the preparation of the Financial Statements.

Developments in accounting standards/ IFRS

There were no new IFRSs or IFRIC interpretations that had to be implemented during the year that significantly affect these financial statements.

The following new standards, which are applicable to the Group, have been published but are not yet effective and have not yet been adopted by the EU:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and affects the accounting for financial assets – IFRS 9 is applicable for periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue. IFRS 15 is applicable for periods beginning on or after 1 January 2018.
- IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases – IFRS 16 is applicable for periods beginning on or after 1 January 2019.

Principal accounting policies (continued)

Developments in accounting standards/ IFRS (continued)

It is not practical to provide a reasonable estimate of the effect of IFRS 9 or IFRS 15 until a detailed review has been completed, however, IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset of most of those leases previously treated as operating leases. This will affect both non-current and current liabilities, fixed assets and the measurement and disclosure of expense associated with the leases which under the new standard will be treated as depreciation and financing expense which were previously recognised as operating expenses over the term of the lease.

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the Group or are not expected to have any material impact on the Group's net results or net assets.

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2017. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Effective control is achieved where the parent company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of the subsidiaries acquired or disposed during the year are included in the Consolidated Income Statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from the intra-group transaction are eliminated in preparing the consolidated financial statements.

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

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

Principal accounting policies (continued)

Business combinations (continued)

Where a business combination is achieved in stages, the Group's previously-held interests in the acquiree entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquired prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

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

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

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

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.

Principal accounting policies (continued)

Intangible assets (continued)

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 the 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 recognised for goodwill is not reversed in a subsequent period.

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.

Principal accounting policies (continued)

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 from permanent placements is based on a percentage of the candidate's remuneration package and is accrued on acceptance by a candidate as customers are then contractually obliged to pay for the Group's recruitment service. The Group provides for the possibility of back outs by candidates. Revenue recognised from temporary contract assignments and permanent placements, but not yet invoiced, at the reporting date, is correspondingly accrued on the balance sheet within "accrued income" as part of "trade and other receivables".

In the majority of situations the Group acts as principal in any transactions with its clients. The Group assesses whether it acts as a principal in any transactions or as an agent acting on behalf of others. The Group acts as agent under pay rolling contracts in its recruitment process outsourcing business. In situations where the Group acts as the principal in a transaction and bears the risks and rewards of the transaction, the revenue and associated costs are recorded gross in the Consolidated Statement of Comprehensive Income. Where the Group acts as an agent in its recruitment process outsourcing business only the fees associated to the services provided by the Group in the capacity of an agent are recognised as income. The gross fees charged by third party recruiters, approved by customers, and associated with the permanent or temporary staff, are excluded from revenue and only the net margin is recognised.

Property, plant and equipment

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

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

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Principal accounting policies (continued)

Onerous lease provisions

The amount provided is based on the future rental obligations, net of expected sub-lease income. In addition, estimates have been made with respect to legal and other associated exit costs as well as an evaluation of the cost of void period prior to sublet and the value of lease incentives which may be required to be paid as part of the sublet process.

Current and deferred tax

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

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

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

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

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

Financial instruments

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

Financial liability and equity instruments

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

Principal accounting policies (continued)

Financial instruments (Continued)

Trade receivables and trade payables

Trade receivables and payables are initially recognised at fair value and thereafter at amortised cost using the effective interest rate method. The carrying amount of trade receivables is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Invoice discounting facility

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

Cash and cash equivalents

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

Employee benefits

Defined contribution pension scheme

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

Equity-settled share-based payment

There is an Inland Revenue approved Enterprise Management Incentive Share Option Plan ("EMI") and an Unapproved Share Option Plan under which share options are granted to key employees.
All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2018 are recognised in the financial statements.

Principal accounting policies (continued)

Employee benefits (continued)

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

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

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

Long-Term Incentive Plan

In December 2008, shareholders approved a share-based Long-Term Incentive Plan (‘LTIP’). This Plan provides EMI share option awards to Executive Directors and Senior Management subject to certain non-market vesting conditions, including their continuing employment with the Group. Senior management incentive plans which include participants acquiring financial instruments whose value is linked to the achievement of certain performance measures and are payable in equity are treated as non-market based vesting condition equity-settled share-based payments under IFRS 2. The market condition of the share options was taken into account when the fair value of the equity instruments was determined. The expense is recognised in the income statement over the vesting period of the share options. The conditions of the options include a cumulative share price hurdle. Payments due to the Company as a result of the purchase of shares from the scheme are accounted for upon exercise.

Acquisition and working capital finance facilities

The Group has access to acquisition and working capital finance facilities provided by its bankers in the form of a trade receivables finance facility 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 statement of financial position and the facility is secured specifically against the Group’s trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group’s balance sheet.

Principal accounting policies (continued)

Foreign currency

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

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

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

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

Exceptional items

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

Critical accounting judgements and key sources of estimation uncertainty

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

Principal accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

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

The Group is required to test, at least annually, whether goodwill has suffered any impairment or if any indicators of impairment are identified. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary. Estimates and assumptions used are set out in note 9.

Revenue Recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from permanent placements where a position has been accepted by a candidate, a start date agreed, but employment has not yet commenced. A provision is made by management, based on past historical experience, for the proportion of those placements where the candidate is expected to reverse their acceptance prior to the start date. When it becomes known that a candidate has withdrawn, an adjustment is made to revenue to remove this income.

Consolidated statement of comprehensive income
For the year ended 31 December 2017

	Notes	Before Exceptional Items	Exceptional items	2017	Before Exceptional Items	Exceptional items	2016
		£'000	£'000	£'000	£'000	£'000	£'000
Group revenue	1	135,972	-	135,972	143,610	-	143,610
Cost of sales		(113,535)	-	(113,535)	(121,863)	-	(121,863)
Gross profit	1	**22,437**	**-**	**22,437**	**21,747**	**-**	**21,747**
Amortisation	2	(403)	-	(403)	(345)	-	(345)
Impairments	9	-	-	-	-	(3,152)	(3,152)
Share based payments	4	(119)	-	(119)	(212)	-	(212)
Other administrative expenses	2,3	(19,721)	(1,205)	(20,926)	(18,153)	(284)	(18,437)
Total administrative expenses	2,3	(20,243)	(1,205)	(21,448)	(18,710)	(3,436)	(22,146)
Group operating profit/(loss)	1,2,3	**2,194**	**(1,205)**	**989**	**3,037**	**(3,436)**	**(399)**
Acquisition costs	3	-	-	-	-	(28)	(28)
Finance costs	5	(241)	-	(241)	(312)	-	(312)
Profit/(loss) before taxation		**1,953**	**(1,205)**	**748**	**2,725**	**(3,464)**	**(739)**
Income tax (expense)/credit	3, 6	(481)	235	(246)	(562)	57	(505)
Profit/(loss) for the year		**1,472**	**(970)**	**502**	**2,163**	**(3,407)**	**(1,244)**

InterQuest Group plc

Consolidated statement of comprehensive income
For the year ended 31 December 2017 (continued)

	Notes	Before exceptional items £'000	Exceptional items £'000	2017 £'000	Before exceptional items £'000	Exceptional items £'000	2016 £'000
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		1,533	(970)	563	2,110	(3,407)	(1,297)
- Non controlling interests	22	(61)	-	(61)	53	-	53
Total comprehensive income /(expense) for the year		1,472	(970)	502	2,163	(3,407)	(1,244)

Profit per share from both total and continuing operations:

	Notes	2017 Pence	2016 Pence
Basic earnings/(loss) per share	7	1.5	(3.4)
Diluted earnings/(loss) per share	7	1.5	(3.4)

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

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

InterQuest Group plc

Consolidated balance sheet
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	745	480
Goodwill	9	16,548	16,548
Intangible assets	9	544	947
Total non-current assets		17,837	17,975
Current assets			
Trade and other receivables	10	23,261	25,978
Investments	11	62	48
Cash at bank and in hand	12	2,260	1,541
Total current assets		25,583	27,567
Total assets		43,420	45,542
Liabilities			
Current liabilities			
Trade and other payables	13	(13,288)	(14,828)
Invoice factoring facility	14	(6,810)	(7,094)
Current tax payable		(881)	(1,218)
Total current liabilities		(20,979)	(23,140)
Non-current liabilities			
Deferred income tax liability	15	(97)	(296)
Total non-current liabilities		(97)	(296)
Total liabilities		(21,076)	(23,436)
Net assets		22,344	22,106
Equity			
Share capital	17	385	374
Share premium account		11,338	11,338
Capital redemption reserve		12	12
Retained earnings		11,252	8,549
Share-based payment reserve		14	2,411
Share buyback reserve		(666)	(666)
Total issued share capital and reserves attributable to the owners of the parent		22,335	22,018
Non-controlling interests	22	9	88
Total equity		22,344	22,106

The financial statements of InterQuest Group plc, registered number 04298109 were approved by the Board of Directors on 14 March 2018. Signed on behalf of the Board of Directors

David C Bygrave
Director
Company Number: 04298109

InterQuest Group plc

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Share-based payment reserve	Share buyback reserve	Non-controlling interest	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2016	359	10,632	12	10,829	2,199	(666)	50	23,415
Comprehensive income								
Loss for the year	-	-	-	(1,297)	-	-	53	(1,244)
Total comprehensive income for the year	-	-	-	(1,297)	-	-	53	(1,244)
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	212	-	-	212
Issue of share capital	15	706	-	-	-	-	-	721
Deferred tax credit	-	-	-	(103)	-	-	-	(103)
Dividends	-	-	-	(895)	-	-	-	(895)
Minority interest acquired	-	-	-	15	-	-	(15)	-
Total contributions by and distributions to owners	15	706	-	(983)	212	-	(15)	(65)
Balance at 31 December 2016	374	11,338	12	8,549	2,411	(666)	88	22,106
Balance at 1 January 2017	**374**	**11,338**	**12**	**8,549**	**2,411**	**(666)**	**88**	**22,106**
Comprehensive income								
Profit for the year	-	-	-	563	-	-	(61)	502
Total comprehensive income for the year	**-**	**-**	**-**	**563**	**-**	**-**	**(61)**	**502**
Transactions with owners								
Charged to share-based payment reserve in year					119			119
Movement in share-based payment reserve	-	-	-	2,516	(2,516)	-	-	-
Issue of share capital	11	-	-	-	-	-	-	11
Dividends	-	-	-	(376)	-	-	(18)	(394)
Total contributions by and distributions to owners	11	-	-	2,140	(2,397)	-	(18)	(264)
Balance at 31 December 2017	**385**	**11,338**	**12**	**11,252**	**14**	**(666)**	**9**	**22,344**

InterQuest Group plc

Consolidated cash flow statement for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit/(loss) after taxation		502	(1,244)
Adjustments for:			
Depreciation	2	330	411
Impairment of intangible assets		-	3,152
Share-based payment charge	2	119	212
Finance costs	5	241	312
Amortisation	2	403	345
Income tax expense	6	445	413
Decrease in trade and other receivables		1,984	1,438
Decrease in trade and other payables		(1,540)	(1,870)
Cash generated from operations		2,484	3,169
Income taxes paid		(284)	(663)
Net cash from operating activities		2,200	2,506
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(596)	(279)
Acquisition of subsidiaries, net of cash acquired		-	(1,503)
Net cash used in investing activities		(596)	(1,782)
Cash flows from financing activities			
Proceeds from issue of share capital		11	721
Net decrease in discounting facility		(284)	(85)
Interest paid	5	(241)	(312)
Dividends paid		(376)	(923)
Net cash used in financing activities		(890)	(599)
Net increase in cash, cash equivalents and overdrafts		714	125
Effects of currency translation on cash and cash equivalents		5	235
Cash, cash equivalents and overdrafts at beginning of year	12	1,541	1,181
Cash and cash equivalents at end of year	12	2,260	1,541

InterQuest Group plc

Notes to the consolidated financial statements
For the year ended 31 December 2017

1. Revenue and segmental reporting

There were £2,217k of revenues earned from outside of the UK, mainly in the US but no material non-current assets held outside the UK. For management reporting purposes the Group is organised into the following six divisions:

1. Niche – comprising specialist recruitment practices focused on Analytics, Business Intelligence, Cyber Security, Internet of Things, Telecommunications, Risk and Compliance which provide access to talent in some of the most critical areas of demand in the modern economy;
2. ECOM Recruitment Limited – our division operating in the digital market space which the Group acquired in November 2013;
3. Enterprise – comprising our Recruitment Process Outsourcing services together with legacy client relationships with significant customers in the financial services and retail sectors;
4. Public Sector – focused on the public sector and not for profit markets;
5. RDW – an executive search recruiter acquired in August 2016 with offices in the UK and the USA;
6. Other – including central costs and the centralised sales function.

All business units provide contract and permanent recruitment services and have similar economic characteristics and are considered to meet the aggregation criteria of IFRS. Information regarding segment assets is not provided to the Board. This is because the Group considers net fee income (gross profit) and profitability for the purpose of making decisions about allocation of resources.

Reconciling items to amounts reported in the statement of comprehensive income:

2017

Division	**Niche**	**ECOM**	**Enterprise**	**Public Sector**	**RDW**	**Other**	**Total**
Brand	**InterQuest**	**ECOM**	**InterQuest/ Solutions**	**InterQuest**	**RDW**		**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	39,988	15,449	53,997	22,471	3,237	830	135,972
Gross Profit	7,565	4,481	4,227	2,548	2,939	677	22,437
Adjusted EBITA	2,280	491	2,293	1,531	1,084	(4,968)	2,711
Exceptional items							(1,205)
Share based payment charge							(119)
Amortisation of intangible assets							(403)
Effects of currency translation							5
Statutory operating profit							989
Finance costs							(241)
Profit before tax							748

InterQuest Group plc

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

1. Revenue and segmental reporting (continued)

Reconciling items to amounts reported in the statement of comprehensive income:

2016

Division	Niche	ECOM	Enterprise	Public Sector	RDW (acquisition)	Other	Total
Brand	**InterQuest**	**ECOM**	**InterQuest / Solutions**	**InterQuest**	**RDW**		**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	46,369	17,006	52,311	23,338	869	3,717	143,610
Gross Profit	8,855	4,353	4,470	2,067	866	1,136	21,747
Adjusted EBITA	2,834	549	1,667	1,103	321	(3,115)	3,359
Exceptional items							(284)
Share based payment charge							(212)
Impairments							(3,152)
Amortisation of intangible assets							(345)
Effects of currency translation							235
Statutory operating loss							(399)
Acquisition costs							(28)
Finance costs							(312)
Loss before tax							(739)

	Revenue		Gross profit	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
Permanent	10,409	8,263	10,409	8,263
Contract	125,563	135,347	12,028	13,484
	135,972	143,610	22,437	21,747

The Group does not report items below adjusted EBITA by segment in its internal management reporting.

There are no external customers who individually represent more than 10% of the entity's external revenues during the year (2016: no client represented more than 10%).

InterQuest Group plc

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2017	2016
	£'000	£'000
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	20	20
Audit of Company's subsidiaries pursuant to legislation	55	84
Total audit fees	75	104
- taxation compliance services	28	4
- all other non-audit costs	32	-
Total non-audit fees	60	4
Total auditor's remuneration	135	108
Amortisation of intangible assets (see note 9)	403	345
Depreciation (see note 8)	330	411
Exceptional items – before tax impact (see note 3)	1,205	284
Operating lease rentals – land and buildings	1,103	623
Share-based payment charge (see note 4)	119	212
Foreign currency (gains)/losses	(5)	(235)

Analysis of administrative expenses before exceptional items

	2017	2016
Staff costs	14,738	14,360
Other staff related costs	1,401	1,163
Property and premises costs	518	561
Travel and subsistence	470	357
Communications and IT	732	737
Legal and professional	594	330
Foreign exchange	(5)	(235)
Other general overhead	1,273	880
	19,721	18,153

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

3. Exceptional items

The below represent exceptional items in the 2017 financial statements:

	2017 £'000	2016 £'000
Acquisition costs	-	(28)
Costs incurred in the defence of the bid by Chisbridge Limited	(446)	-
Restructuring costs	(175)	-
Onerous lease provision	(208)	-
Redundancy and loss of office costs	(376)	(284)
Tax impact on exceptional items	235	57
Impairment	-	(3,152)
	(970)	(3,407)

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2017 £'000	2016 £'000
Wages and salaries	13,016	12,593
Social security costs	1,474	1,404
Other pension costs (see note 16)	129	151
Share-based payment charge	119	212
	14,738	14,360

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

	2017 Number	2016 Number
Recruitment consultants	237	249
Administration	60	55
	297	304

4. Directors and employees (continued)

Remuneration in respect of directors was as follows:

2017	Salary and fees	Benefits	Bonuses	Total
	£'000	£'000	£'000	£'000
Executive Directors				
C E Eldridge	249	-	63	312
D C Bygrave	154	-	53	207
G P Ashworth	132	-	33	165
Non-Executive Director				
P M L Frew *	14	-	-	14
D C Higgins	12	-	-	12
	561	-	149	710

2016	Salary and fees	Benefits	Bonuses	Total
	£'000	£'000	£'000	£'000
Executive Directors				
C E Eldridge	230	-	-	230
D C Bygrave	150	-	-	150
G P Ashworth	114	-	12	126
Non-Executive Director				
P M L Frew *	32	-	-	32
D C Higgins	12	-	-	12
	538	-	12	550

* P M L Frew resigned as a Non-Executive Director on 23 May 2017.

5. Finance costs

	2017 £'000	2016 £'000
Interest payable on borrowings	241	312

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

6. Income tax expense

	Before exceptional items £'000	Exceptional items £'000	2017 £'000	2016 £'000
Current tax				
Corporation tax on chargeable profits for the year	569	(235)	334	503
Adjustments in respect of prior periods	111	-	111	(90)
Total current tax	680	(235)	445	413
Deferred tax				
Origination and reversal of temporary difference	(239)	-	(239)	115
Adjustment in respect of prior periods	40	-	40	(23)
Total income tax expense	481	(235)	246	505

Income tax expense recognised outside of the income statement	2017 £'000	2016 £'000
Current tax on share-based payments	-	62
Deferred tax on share-based payments	-	(12)
Total tax recognised outside of income statement	-	50

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

6. Income tax expense (continued)

	2017 £'000	2016 £'000
Profit/(loss) before taxation	748	(739)
Profit/(loss) before taxation multiplied by effective rate of corporation tax in the UK of 19.25% (2016: 20%)	141	(105)
Effects of:		
Depreciation of assets not qualifying for tax relief	23	34
Net effect of tax losses in the year	(13)	-
Expenses not deductible for tax purposes	26	67
Temporary difference with respect to share-based payment charge	(63)	6
Under / (over) provisions in prior years	151	(113)
Amortisation and Impairment of intangibles	(112)	630
Effect of different tax rates on foreign subsidiaries	96	-
Other tax adjustment	(3)	(14)
Total income tax expense	246	505

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

7. 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.

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

	2017 £'000	2016 £'000
Profit/(loss) for the year attributable to the owners of the Company	563	(1,297)
Adjustments to basic earnings		
Intangible assets amortisation	403	345
Deferred tax credit on intangible asset amortisation	(81)	(69)
Share-based payment charge	119	212
Tax credit on share-based payment charge	(23)	(42)
Impairment of goodwill	-	3,152
Deferred tax credit on impairment of goodwill	-	(630)
Fees related to acquisition of RDW	-	28
Exceptional items	1,205	282
Tax impact of exceptional items	(235)	(57)
Adjusted earnings attributable to the owners of the Company	1,951	1,924

	2017	2016
Weighted average number of ordinary shares for the purposes of basic earnings per share	38,052,399	36,401,381
Weighted average number of share options in issue	593,432	980,155
Weighted average number of ordinary shares for the purposes of diluted earnings per share	38,645,831	37,381,536

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

7. Earnings / (loss) per share (continued)

	2017 Pence	2016 Pence
Profit / (loss) per share		
Basic earnings per share	1.5	(3.4)
Diluted earnings per share	1.5	(3.4)
Adjusted earnings per share		
Basic earnings per share	5.1	7.2
Diluted earnings per share	5.1	7.0

8. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost			
At 1 January 2016	725	2,755	3,480
Additions	83	196	279
At 31 December 2016	808	2,951	3,759
At 1 January 2017	808	2,951	3,759
Additions	419	177	596
At 31 December 2017	**1,227**	**3,128**	**4,355**
Depreciation			
At 1 January 2016	538	2,331	2,869
Provided in the year	67	344	411
At 31 December 2016	605	2,675	3,280
At 1 January 2017	605	2,675	3,280
Provided in the year	119	211	330
At 31 December 2017	**724**	**2,886**	**3,610**
Net book value			
At 1 January 2016	187	424	611
At 31 December 2016	204	276	480
At 31 December 2017	**503**	**242**	**745**

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

9. Goodwill and intangible assets

	Goodwill	Customer relationships	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	21,545	8,131	29,676
Additions from business combinations	833	292	1,125
At 31 December 2016 and 2017	**22,378**	**8,423**	**30,801**
Amortisation and accumulated impairment losses			
At 1 January 2016	2,678	7,131	9,809
Impairment in the year	3,152	-	3,152
Amortisation in the year	-	345	345
At 31 December 2016	5,830	7,476	13,306
Amortisation in the year	-	403	403
At 31 December 2017	**5,830**	**7,879**	**13,709**
Net book value			
At 1 January 2016	18,867	1,000	19,867
At 31 December 2016	16,548	947	17,495
At 31 December 2017	**16,548**	**544**	**17,092**

9. Goodwill and intangible assets (continued)

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the originally acquired business units and the brand structure identified in note 1 as follows:

	2017 £'000 Closing	2016 £'000 Closing
InterQuest Group (UK) Limited – Enterprise	5,053	5,053
PeopleCo Worldwide Limited – Enterprise	3,093	3,093
Sand Resources Limited - Public	2,239	2,239
Intelect Recruitment plc – Niche	1,894	1,894
e-CRM People Limited - Niche	1,611	1,611
Korus Recruitment Group and ECOM Recruitment Limited - ECOM	1,826	1,826
RDW-RD Limited - RDW	832	832
	16,548	16,548

Whilst the trade in certain businesses above have been transferred to the main operating company, the businesses continue to trade and generate cash flows that are largely independent of those from other assets or groups of assets. The value of the intangible is shown above as originating from these companies though the value of the business has been transferred and operates as a distinct CGU or number of CGUs within another operating subsidiary. At the end of 2017 the CGU categorised as Korus was amalgamated into the ECOM CGU.

9. Goodwill and intangible assets (continued)

The recoverable amount of goodwill and intangible assets associated with each CGU is determined based on value-in-use calculations. The key assumptions used for value-in-use calculations as at 31 December 2017 are that the CGUs will trade in accordance with the 2018 budget, which has a higher financial result than that reported for 2017, followed by 2% growth in sales and 2% growth in costs (from 2018 levels) in subsequent years until 31 December 2022 across all CGUs based on management's experience of the IT recruitment market place and latest industry forecasts. The cash flows are based on a five year life plus a terminal value based on perpetual growth of 2% and a pre-tax discount rate of 13.8%.

The discount rate represents the Group's weighted average cost of capital, based on the risk-free rate with an additional premium added to reflect market risk and the size of the Group. This is consistent across all CGUs as management do not consider the risk differential to be significant. The Board believes that the growth rates used in the value-in-use calculations are appropriate, have applied sensitivities to the calculations and are satisfied that the current recoverable amount of goodwill and intangible assets are appropriate. Current trading activity in 2018 and performance against budget supports the growth rates used in the calculations.

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

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

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in projected Net Fee Income in 2018 by between 8% and 24% across the CGUs would result in the carrying value of goodwill being reduced to its recoverable amount.

10. Trade and other receivables

	2017 £'000	2016 £'000
Gross trade receivables	17,195	18,992
Provisions	(587)	(724)
Net trade receivables	16,608	18,268
Prepayments and accrued income	6,436	6,930
Other current assets	217	780
	23,261	25,978

Included within gross trade receivables is £6.8m (2016: £7.1m) in respect of invoice factored 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:

	2017 £'000	2016 £'000
Not more than 30 days	11,119	13,161
More than 30 days but less than 60 days	4,974	3,390
More than 60 days but less than 90 days	1,002	1,698
More than 90 days	100	743
	17,195	18,992

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

	2017 £'000	2016 £'000
Provision for receivables impairment at 1 January	724	710
Amounts released in the year	(153)	-
New provision in the year	16	14
Provision for receivables impairment at 31 December	587	724

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

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

10. Trade and other receivables (continued)

Transfer of financial assets

During the year, the Group factored trade receivables with an aggregate carrying amount of £163m (2016: £182m) to a bank for cash proceeds of the same amount. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing within Financial Liabilities (see note 14).

11. Investments

	2017 £'000	2016 £'000
Short term investments	62	48

Short term investments are stated at their open market value at the year end. The cost value of the investments at the year-end was £50k (2016: £53k).

12. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	2,260	1,541

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

13. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	9,136	7,973
Other tax and social security	1,340	876
Other payables	204	194
Accruals and deferred income	2,608	5,785
	13,288	14,828

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

14. Financial liabilities - borrowings

	2017 £'000	2016 £'000
Less than one year		
Invoice factoring facility	6,810	7,094

The Group has access to a working capital finance facility provided by its bankers. These facilities comprise a trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The trade receivables finance facility is secured specifically against the Group's trade receivables. Trade receivables which have been factored are included with trade receivables within current assets in the Group's statement of financial position. A debenture dated March 2017 was executed to secure all the Company's liabilities to HSBC Bank plc. A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the Company, InterQuest Group (UK) Ltd, Korus Recruitment Group Limited, and RDW Limited. The facility allows drawdown to a maximum of £24m and is renewable on an annual basis.

The net debt of the group was as follows:-

	2017 £'000	2016 £'000
Total debt	6,810	7,094
Less: Cash and cash equivalents	(2,260)	(1,541)
Net debt	4,550	5,553

15. Deferred income tax assets and liabilities

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

	Depreciation charged in excess / (arrears) of capital allowances	Deferred tax credit/(charge) on employee share options	Other timing differences	Intangible asset temporary difference	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	(29)	192	3	(378)	(212)
Charged to income statement in 2016	6	(116)	(4)	44	(70)
Charged to equity in 2016	-	(14)	-	-	(14)
Balance at 31 December 2016	**(23)**	**62**	**(1)**	**(334)**	**(296)**
Balance at 1 January 2017	(23)	62	(1)	(334)	(296)
Credited to income statement in 2017	9	-	-	190	199
Charged to equity in 2017	-	(52)	-	52	-
Balance at 31 December 2017	**(14)**	**10**	**(1)**	**(92)**	**(97)**

These assets have been recognised on the basis that the Directors are of the opinion, based on recent and forecast trading, that sufficient suitable taxable profits will be generated in future accounting periods, such that it is considered probable that these assets will be recovered. Of these amounts none have an expiry date.

At the balance sheet date, the Group has unused tax losses of £0.15m (2016: £0.4m) available for offset against future profits. Deferred tax has not been recognised on these amounts as there is uncertainty over their future use. Of these amounts none have an expiry date.

15. Deferred income tax assets and liabilities (continued)

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

	2017 £'000	2016 £'000
Asset at 1 January	(296)	(212)
Charge to income statement (note 6)	199	(70)
Charge to equity	-	(14)
Liability at 31 December	(97)	(296)

16. Employee benefits

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

	2017 £'000	2016 £'000
Defined contributions	129	151

Equity-settled share-based payments:

	Options	2017 Weighted average exercise price	Options	2016 Weighted average exercise price
Outstanding at beginning of the year	1,040,988		1,514,321	
Granted during the year	248,408		152,500	
Forfeited during the year	(212,569)		-	
Exercised during the year	(1,051,660)		(625,833)	
Outstanding at end of year	25,167	£0.01	1,040,988	£0.06
Exercisable during the year	1,289,396	£0.09	1,666,821	£0.24
Exercisable at the year end	25,167	£0.01	1,040,988	£0.20
Weighted average remaining contractual life of options outstanding at the end of the year	8.4 years		6.7 years	

16. Employee benefits (continued)

The options outstanding at 31 December 2017 had an exercise price of £0.01 (2016: £0.01 to £1.15). The exercise price of the options is set at the time that the share options are awarded and do not reflect market value at the time the options are exercised. The estimated fair value of the options granted in the year was £74,138 (2016: £138,013).

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. The weighted average share price during the year was £0.36 (2016: £0.83).

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
12 March 2014	1,000	1p	31 January 2017	31 January 2027
	1,000			

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

The form of settlement for share options is at the discretion of the Company, however, the expectation is that they are settled with equity.

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

16. Employee benefits (continued)

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
13 May 2016	24,167	1p	1 September 2018	13 May 2026
	24,167			

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

	2017 £'000	2016 £'000
Weighted average share price	£0.36	£0.83
Weighted average exercise price	£0.01	£0.01
Expected volatility	31%	31%
Expected life	8.4 Years	1 year
Risk free rate	0.4	0.4

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 in respect of the EMI scheme for 2017 is £119K (2016: £212k).

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

17. Share capital and reserves

	2017 £'000	2016 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2016:		
37,606,069 ordinary shares of 1p each	374	
Issue of share capital	11	
	385	
As at 31 December 2016:		
37,606,069 ordinary shares of 1p each	374	
As at 31 December 2017:		
38,657,729 ordinary shares of 1p each	385	

During the year the total allotted and fully paid up shares in issue increased by 1,051,660 shares.

Details of ordinary share capital issued during the year are as follows:

	Directors	Employees	Total
Issues:			
Issued in April 2017	-	85,431	85,431
Issued in May 2017	-	121,649	121,649
Issued in June 2017	-	243,000	243,000
Issued in July 2017	-	601,580	601,580
	-	1,051,660	1,051,660

The Group's objectives when managing capital are:

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

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

17. Share capital and reserves (continued)

The nature and purpose of each reserve is as follows:-

i) Share premium account represents the premium paid for shares in excess of their nominal value.
ii) Capital redemption reserve represents shares which were purchased and reduced the share capital of the company.
iii) Retained earnings represents cumulative net profits less distributions to shareholders.
iv) Share-based payment reserve represents equity-settled share based employee remuneration until such share options are exercised.
v) Share buyback reserve represents shares which were purchased and subsequently cancelled.

18. Operating leases

The future aggregated minimum lease payments under non-cancellable operating leases are:

	Land and Buildings	
	2017	**2016**
	£'000	**£'000**
Less than one year	907	692
Between one and five years	3,044	844
Greater than five years	2,626	-
Total	6,577	1,536

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

19. Related party transactions

The Group has taken advantage of the exemptions contained within IAS 24 - Related Party Disclosures from the requirement to disclose transactions between group companies as those have been eliminated on consolidation. Transactions between the Group and non-Group companies but considered related parties are disclosed below. Provision of services between related parties were made at open market value.

Related party	Nature of business	2017 £'000	2016 £'000	Directors involved
Shillingridge Limited	Business expenses	47,543	-	G P Ashworth
Chisbridge Limited	Business services	175,000	-	G P Ashworth
				CE Eldridge and DC Bygrave
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Explosive Titles	Digital Media Services	4,525	48,900	P M L Frew
EG360 Consulting	Consultancy	51,645	23,110	D C Higgins

As at 31 December 2017 there was an amount due to Chisbridge Limited of £175,000 (2016: Nil).

Details of dividends paid during the year to Directors are as follows:

2017

Dividends declared	Date paid	Gary Ashworth £	David Bygrave £	Paul Frew £
1 pence per share	16 June 2017	128,179	373	726
		128,179	373	726

2016

Dividends declared	Date paid	Gary Ashworth £	David Bygrave £	Paul Frew £
2.0 pence per share	13 May 2016	250,240	745	1,452
0.5 pence per share	16 November 2016	62,560	186	363
		312,800	931	1,815

Notes to the consolidated financial statements
For the year ended 31 December 2017 (continued)

19. Related party transactions (continued)

Transactions between InterQuest Group Plc and subsidiaries not 100% owned during the year were as follows:

	Korus Recruitment Group £'000
Central recharges	244

Amounts due to InterQuest Group Plc at 31 December 2016 from subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £'000
	2

Amounts due to InterQuest Group Plc at 31 December 2017 to subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £'000
	246

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

	2017 £'000	2016 £'000
Salaries and other short-term employee benefits	1,542	1,481
Share-based payments	42	178
	1,584	1,659

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

20. Events after the balance sheet date

There are no events to report after the balance sheet date.

21. Financial risk management

Interest rate sensitivity

At 31 December 2017, the Group is exposed to changes in market interest rates through its invoice factoring facilities, which are now subject to variable interest rates of 1.05% over the Bank of England base rate. 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% (2016: +3% and -0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	+3% 2017 £'000	**-0.5% 2017 £'000**	**+3% 2016 £'000**	**-0.5% 2016 £'000**
Net result for the year	(495)	82	(493)	82
Equity	(495)	82	(493)	82

Credit risk analysis

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

Group management considers that trade receivables not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 10 for further information on impairment of financial assets that are past due.

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

Liquidity risk analysis

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

21. Financial risk management (continued)

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 trade receivables financing facilities.

Foreign exchange risk analysis

The main functional currency of the Group is British Pounds but the Group does have bank accounts and transacts in Euros, US, Canadian, Singapore and Australian dollars, Swedish Krona, Norwegian and Danish Krone, Swiss Francs and Polish Zloty. The Group manages foreign currency risk by contracting with customers and contractors in the same currency wherever possible and does not consider the Group to have material transactional exposures in foreign currencies. There are no material net foreign exchange exposures to monetary assets and monetary liabilities. The Group has translation exposure in accounting for overseas operations but because they are not significant the Group does not have a policy to hedge against this exposure.

Analysis of the Group's contractual maturities of liabilities is set out in note 14.

	2017 £'000	2016 £'000
Loans and receivables	25,304	26,739
Total financial assets	25,304	26,739

	2017 £'000	2016 £'000
Current assets		
Trade receivables	16,608	18,268
Accrued income	6,436	6,930
Cash and cash equivalents	2,260	1,541
	25,304	26,739

	2017 £'000	2016 £'000
Financial liabilities measured at amortised cost	20,098	21,922

	2017 £'000	2016 £'000
Current liabilities		
Invoice factoring facility	6,810	7,094
Trade payables	9,136	7,973
Other payables	1,544	1,070
Accruals	2,608	5,785
	20,098	21,922

21. Financial risk management (continued)

	2017 £'000	2016 £'000
Dividends paid during the year of 1 pence per share (2016: 2.5 pence per share)	376	923

Dividends declared before the financial statements were authorised for issue but not recognised as a distribution to owners in 2017 amount to £ Nil (2016: £0.38m).

22. Non-controlling interests

	£'000
Balance at 1 January 2016	50
Share of profit for the year	53
RDW-RD Ltd step up acquisition minority interest acquired	(15)
Balance at 31 December 2016	88
Share of profit	(61)
Minority Interest Dividend	(18)
Balance at 31 December 2017	9

The Group holds 76% of the nominal value of the share capital of Korus Recruitment Group Limited. The above non-controlling interest represents the portion of retained earnings not held by the Group at the year end.

23. Non-GAAP performance measures

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

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

Adjusted performance measures exclude share based payment charges, amortisation and exceptional items. Exceptional items include inter alia gains or losses on the disposal of businesses, acquisition costs, investments and property, plant and equipment, costs of restructuring and reorganisation of existing businesses or asset impairment.

Reconciliation between reported and adjusted operating profit is available on the face of the Consolidated Income Statement and in Note 1. A reconciliation between reported and adjusted earnings per share is included in note 7.

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

Parent Company principal accounting policies
Year ended 31 December 2017

Basis of preparation

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

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared using the historical cost convention adjusted for the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards and law. In the year UK GAAP changed and the Company has adopted and transitioned to Financial Reporting Standard 101 Reduced disclosure framework ("FRS 101") and restated the prior year balance sheet and associated disclosures accordingly.

The financial statements have been prepared on a going concern basis in accordance with the rationale set out in the Report of the Directors'.

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

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

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. This transition is not considered to have had a material effect on the financial statements. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Principal Accounting Policies to the consolidated financial statements on page 27 to 36 except as noted below.

Investments

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

InterQuest Group Plc

Parent Company balance sheet as at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investments	1	28,275	28,711
Fixed Assets	2	330	-
		28,605	28,711
Current assets			
Receivables	3	382	13,501
Cash at bank and in hand	4	7	-
		389	13,501
Current liabilities			
Payables: amounts falling due within one year	5	(11,541)	(29,292)
Net current liabilities		(11,152)	(15,791)
Net assets		17,453	12,920
Equity			
Called up share capital	6	385	374
Share premium account		11,338	11,338
Capital redemption reserve		12	12
Profit and loss account		6,370	836
Share-based payment reserve		14	1,026
Share buyback reserve		(666)	(666)
		17,453	12,920

InterQuest Group plc reported a profit for the year of £4.9m (2016: £0.2m).
The nature and purpose of each reserve is as follows:-

i) Share premium account represents the premium paid for shares in excess of their nominal value.
ii) Capital redemption reserve represents shares which were purchased and reduced the share capital of the company.
iii) Profit and loss account represents cumulative net profits less distributions to shareholders.
iv) Share-based payment reserve represents equity-settled share based employee remuneration until such share options are exercised.
v) Share buyback reserve represents shares which were purchased and subsequently cancelled.

These parent company financial statements were approved by the board on 14 March 2018 and were signed on its behalf by:

David C Bygrave
Finance Director

Company registration number: 04298109

InterQuest Group Plc

Parent Company statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Share buy back reserve £'000	Total equity £'000
Balance at 1 January 2016	359	10,632	12	1,523	1,028	(666)	12,888
Comprehensive income							
Profit for the year	-	-	-	227	-	-	227
Total comprehensive income for the year	-	-	-	227	-	-	227
Transactions with owners							
Movement in share-based payment reserve	-	-	-	-	(2)	-	(2)
Issue of share capital	15	706	-	-	-	-	721
Dividends payments	-	-	-	(914)	-	-	(914)
Total contributions by and distributions to owners	15	706	-	(687)	(2)	-	32
Balance at 31 December 2016	374	11,338	12	836	1,026	(666)	12,920
Balance at 1 January 2017	374	11,338	12	836	1,026	(666)	12,920
Comprehensive income							
Profit for the year	-	-	-	4,898	-	-	4,898
Total comprehensive income for the year	-	-	-	4,898	-	-	4,898
Transactions with owners							
Movement in share-based payment reserve	-	-	-	1,012	(1,012)	-	-
Issue of share capital	11	-	-	-	-	-	11
Dividends payments	-	-	-	(376)	-	-	(376)
Total contributions by and distributions to owners	11	-	-	5,534	(1,012)	-	4,533
Balance at 31 December 2017	385	11,338	12	6,370	14	(666)	17,453

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

Notes to the parent company financial statements for the year ended 31 December 2017 (continued)

1. Investments

	Total
	£'000
Net book value	
As at 1 January 2017	28,711
Return of capital on winding up of dormant subsidiaries	(436)
Net Book Value as at 31 December 2017	**28,275**

The Company holds 100% of the nominal value of any class of share capital in the following:

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of business
InterQuest Group (UK) Limited	UK	Ordinary shares	IT recruitment
Contract Connections Limited	UK	Ordinary shares	Non trading
InterQuest Europe B.V.	Netherlands	Ordinary shares	Non trading
InterQuest Group Inc.	USA	Ordinary shares	Non trading
InterQuest Holdings Limited	UK	Ordinary shares	Non trading
e-CRM People Limited	UK	Ordinary shares	Non trading
PeopleCo Worldwide Limited	UK	Ordinary shares	Non trading
Sand Resources Limited	UK	Ordinary shares	Non trading
Mint Recruitment Solutions Limited	UK	Ordinary shares	IT recruitment
Genesis Computer Resources Limited	UK	Ordinary shares	Non trading
InterQuest Financial Markets Limited	UK	Ordinary shares	Non trading
InterQuest (UK) Limited	UK	Ordinary shares	Non trading
Sand Limited	UK	Ordinary shares	Non trading
Goldcrest Payroll Solutions Limited	UK	Ordinary shares	Non trading
ECOM Recruitment Limited	UK	Ordinary shares	Non trading
IQ Telecom Limited	UK	Ordinary shares	IT recruitment
RDW-RD Limited	UK	Ordinary shares	Intermediate holding Company
Rees Draper Wright Limited	UK	Ordinary shares	IT recruitment
Rees Draper Wright Inc.	USA	Ordinary shares	IT recruitment

The registered office of each of the above companies is Castle Chambers, 87a High Street, Berkhamsted, HP4 2DF.

The trading businesses of PeopleCo Worldwide Limited, Sand Resources Limited and e-CRM People were transferred into the main trading company, InterQuest Group (UK) Limited, on 4 January 2011 and the companies are now dormant. The trading business of ECOM Recruitment Limited was transferred to InterQuest Group (UK) Limited on 1 October 2016 and the Company is now dormant.

Notes to the parent company financial statements for the year ended 31 December 2017 (continued)

1. Investments (continued)

The Company also holds 76% of the nominal value of the share capital of Korus Recruitment Group Limited (06759653), a company incorporated in the UK. Korus Recruitment Group Limited owns 100% of the share capital of Korus Recruitment (South) Limited, Korus IT Recruitment (NW) Limited and Korus IT Recruitment (London) Limited which are all incorporated in the UK.

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.

The following companies are taking an exemption from an audit of the financial statements as per S479A of the Companies Act; InterQuest Group (UK) Limited (03990043), Korus Recruitment Group Limited (06759509), Korus IT Recruitment (South) Limited (06759653), Korus IT Recruitment (NW) Limited (06759618), Korus IT Recruitment (London) Limited (06920731), IQ Telecom Limited (07153224), ECOM Recruitment Limited (03884327), RDW-RD Limited (08012032), Rees Draper Wright Limited (04296868), e-CRM People Limited (03929076), PeopleCo Worldwide Limited (03540529), Sand Resources Limited (03709982), Genesis Computer Resources Limited (03000342), InterQuest (UK) Limited (03052229), InterQuest Financial Markets Limited (04381183), Sand Limited (04017052), Goldcrest Payroll Solutions Limited (07111397).

The financial year end date of ECOM Recruitment Limited and Contract Connections Limited are 31 March and 31 May respectively. These were the reporting dates established when these companies were incorporated.

InterQuest Group plc

Notes to the parent company financial statements for the year ended 31 December 2017 (continued)

2. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Total £'000
Cost			
At 1 January 2017	-	-	-
Additions	282	56	338
At 31 December 2017	**282**	**56**	**338**
Depreciation			
At 1 January 2017	-	-	-
Provided in the year	6	2	8
At 31 December 2017	**6**	**2**	**8**
Net book value			
At 31 December 2016	-	-	-
At 31 December 2017	**276**	**54**	**330**

3. Receivables: amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	82	-
Amounts owed by group undertakings	267	13,501
Prepayments and accrued income	33	-
	382	13,501

4. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank	7	-

Notes to the parent company financial statements for the year ended 31 December 2017 (continued)

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

	2017 £'000	2016 £'000
Trade payables	5	-
Amounts owed to group undertakings	11,499	29,292
Prepayments and accrued income	37	-
	11,541	29,292

6. Share capital

	2017 £'000	2016 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2017:		
37,606,069 ordinary shares of 1p each	374	
Issue of share capital	11	
	385	
As at 31 December 2016:		
37,606,069 ordinary shares of 1p each	374	
As at 31 December 2017:		
38,657,729 ordinary shares of 1p each	385	

During the year the total allotted and fully paid up shares in issue increased by £10,517.

7. Capital commitments

The Company had no capital commitments at 31 December 2017 or 31 December 2016.

8. Contingent liabilities

There were no contingent liabilities at 31 December 2017 or 31 December 2016.

9. Operating leases

The future aggregated minimum lease payments under non-cancellable operating leases are:

	Land and buildings	
	2017	2016
	£'000	£'000
Less than one year	608	96
Between one and five years	2,603	52
Greater than five years	2,626	-
	5,837	148

10. Transactions with directors and other related companies

Related party	Nature of business	2017 £'000	2016 £'000	Directors involved
Shillingridge Limited	Business expenses	47,543	-	G P Ashworth
Chisbridge Limited	Business services	175,000	-	G P Ashworth CE Eldridge and DC Bygrave
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Explosive Titles	Digital Media Services	4,525	48,900	P M L Frew
EG360 Consulting	Consultancy	51,645	23,110	D C Higgins

As at 31 December 2017 there was an amount due to Chisbridge Limited of £175,000 (2016: Nil).

Details of dividends paid during the year to Directors are shown in note 19 to the consolidated financial statements.

Transactions between the Parent and subsidiaries not 100% owned during the year are set out in note 19 to the consolidated financial statements.

11. Post balance sheet events

There are no post balance sheet events to report.

12. Profit attributable to the Company and cash flow statement

Details of the proposed final dividend are provided in note 21 to the consolidated accounts. Details of share-based payments are disclosed in note 16 to the consolidated accounts.