INTERQUEST GROUP

InterQuest Group plc

Annual Report & Financial Statements For the Year Ended 31 December 2016 14 March 2017

Company Registration No. 04298109

InterQuest Group plc

Annual report and financial statements 2016

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Officers and professional advisers

Directors

G P Ashworth
C E Eldridge
P M L Frew
D C Higgins
D C Bygrave

Company Secretary

D C Bygrave

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Bankers

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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 in the 'new digital economy'.

Financial highlights

- Group operating profit before exceptional items decreased 35% to £3.2m (2015: £4.9m). [1]
- Adjusted PBT decreased 34% to £3.3m (2015: £5.0m). [2]
- Statutory loss after tax of £1.2m loss (2015: £3.1m profit).
- Net fee income (NFI) decreased 9% to £21.7m (2015: £23.8m). [3]
- Revenue decreased 9% to £143.6m (2015: £158.6m).
- Basic earnings per share decreased to a loss of 3.4 pence (2015 earnings: 8.5 pence).
- Diluted loss per share 3.3 pence (2015: 8.2 pence)
- Diluted adjusted earnings per share decreased by 30.7% to 7.0 pence (2015: 10.1 pence).
- Net cash generated from operating activities £2.5m (2015: £5.8m).
- Net debt at year end improved by £0.4m to £5.6m (2015: £6.0m). [4]
- Second interim dividend of 1 penny per share, making it 1.5 pence for the year (2015: 3 pence per share). [5]

Improved margins

- Gross margin improvement to 15.1% (2015: 15.0%).

Operational highlights

- Headline results aligned with market expectations following a year of significant change.
- Successful acquisition and integration of the Rees Draper Wright group ("RDW") adding Executive Search capability in both the UK and US.
- 74% increase in NFI from the Group's recruitment process outsourcing business helped by a further client win.
- Permanent placement fees increased by 4%.
- Loss after tax reflecting the non cash impairment of goodwill in relation to ECOM.
- Group net debt improved significantly since the interim from £9.9m to £5.6m.

Gary Ashworth, Chairman of InterQuest, said:

"2016 has been a challenging year of transformation for the InterQuest Group.

Following a change in executive management at the beginning of the year, an operational review of activities was undertaken and the future vision for the company outlined. All of our service offerings are now clearly focused on assisting our clients overcome the challenges of digital transformation and being able to support them at each stage of that process.

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[1] Adjusted for share-based payment charge, amortisation and exceptional items. A reconciliation of EBITA before exceptional items and IFRS 2 charges to IFRS operating profit is provided in note 1 to the Financial Statements.

Group operating profit before exceptional items = a reconciliation is shown in the Consolidated Income Statement

[2] PBT = Profit before tax

[3] NFI = Net Fee Income = Statutory Gross Profit

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

[5] The dividend will be paid on 16 June 2017 to shareholders on the register on 19 May 2017. The ex-dividend date is 18 May 2017. This brings the total dividend for the year to 1.5 pence per share (2015: 3 pence per share)

InterQuest Group plc

Highlights (continued)

Financial performance in 2016 reflects the changing nature of how our clients seek to address their staffing challenges. The leadership team have taken action to address underperformance and ensure that the Group's specialist staffing brands now address markets that are growing.

During the course of the year, we have significantly developed our recruitment process outsourcing business, IQ Solutions, through designing and delivering high value resourcing solutions.

The acquisition of Rees Draper Wright (RDW) in the latter part of the year, has allowed the Group to pursue its strategy to have greater impact at the senior level, offering executive search and interim management solutions. RDW have a rich history of delivering excellence at board and senior levels in both the professional services and private sectors. The acquisition also offers an opportunity to further develop the US platform that RDW have in place and broaden the Group's geographical reach.

Looking forward the Group intends to follow a path of organic growth, continuing to invest in our staff and developing the well established brands that we have in place whilst focusing on paying down debt. We are cautiously optimistic about 2017."

Chris Eldridge, CEO of InterQuest said:

"The 2016 results for the Group reflect a year of significant change and development. The Group continues to focus on supporting our clients in identifying the talent they need to drive their businesses forwards through the use of technology.

We have addressed the areas of the Group that have underperformed during the year and developed our service offering both in the UK and in the US following the acquisition of RDW.

The Group enters 2017 with a clear vision and tactical plan to develop our specialist brands and capitalise on our ability to service our clients' recruitment needs at all stages of the digital transformation life cycle.

On behalf of the board I would like to thank all of my colleagues for their ongoing hard work and support throughout 2016."

Our markets

The demand for digital and technology skills is driven by businesses seeking to derive value or advantage by exploiting the opportunity that digital commerce offers.

The Group is seeing significant operating model change and investment across a wide variety of sectors from banking and financial services through to medical and logistics and therefore is looking to benefit from this increase in activity in the digital needs of these sectors. The retail sector along with banking and telecommunications have been early investors in digital to great effect with numerous case studies being implemented now in other industries and geographies.

Technical skills underpin growth across the economy and are vital to ensuring global competitiveness and productivity. Harnessing the potential of the digital opportunity is often constrained by a lack of relevant skills within the labour force. In the digital economy the competition for talent has intensified. As demand for both emergent and traditional technical skills has continued to outstrip supply, employers across all sectors are experiencing skill and knowledge gaps within their workforce. These talent shortages are threatening to hinder the achievement of the productivity gains expected through the use of digital technologies and the emergence of new digital revenue streams.

- The £626bn UK digital economy is forecast to account for 33% of real Gross Domestic Product (GDP) by 2018.[6]
- Jobs in the digital economy are increasing 2.8x faster than the rest of the economy.[7]
- The UK's digital economy is growing around 32% faster than the rest of the economy.[8]
- 59% of C-Level executives say their organisations don't have the in-house capabilities to respond to digital transformation.[9]
- Average salaries for technical roles are 36% higher than the national average.[10]
- 88% of C-Level Executives cite skill shortages as a negative impact on growth.[11]

The InterQuest business model

The InterQuest Group is a specialist digital and technology recruitment business with offices in the UK and US. 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's service offering includes a growing recruitment process outsourcing business and recently, following the acquisition of RDW, the ability to provide executive search and interim management solutions.

With the demand for digital and technical talent continuing to outstrip supply we will continue to focus on the provision of cutting edge skills as we help companies across the world overcome the knowledge gaps in their workforces.

The Group's vision is:

"To be the leading global digital transformation recruitment partner – a business that helps companies overcome the complexities and challenges of digitisation to exploit the potential of the digital opportunity."

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[6] Report by Accenture, 2016

[7] Tech Nation Report, 2016

[8] Tech Nation Report, 2016

[9] Report by E&Y, 2016

[10] Tech Nation Report, 2016

[11] NGA HR UK, 2016

InterQuest Group plc
Strategic report (continued)

InterQuest is a well-established provider of specialist recruitment services, clearly positioned to assist companies identify and secure the talent they need to develop or retain competitive advantage.

Review of the business in 2016

The Group has implemented a number of changes during 2016 to ensure that the business is capitalising on growth markets. However, during this restructuring Group profitability has decreased.

- Group operating profit before exceptional items decreased 35% to £3.2m (2015: £4.9m).
- Adjusted PBT decreased 34% to £3.3m (2015: £5.0m).
- Statutory loss before tax was £0.5m (2015: £4.1m profit)
- Statutory loss after tax of £1.2m loss (2015: £3.1m profit).
- Net fee income (NFI) decreased 9% to £21.7m (2015: £23.8m).
- Permanent NFI increased 4% to £8.3m (2015: £7.9m). Excluding RDW permanent NFI decreased 6% to £7.4m (2015: £7.9m)
- Contract NFI decreased 15% to £13.5m (2015: £15.9m)

The primary cause of the Group's reduction in revenue during 2016 was a reduction in contractor numbers. The revenue resulting from contract recruitment decreased by 15% during the year with the most significant impact being felt in Public Sector, ECOM and IQ Financial Markets (reported within Enterprise).

The Group's permanent revenue increased by 4%, which was positively affected by the acquisition of RDW in August 2016.

During the year the leadership team took action in addressing the cost base and reviewing the markets that the Group focuses on to ensure that we are addressing the sectors, technology skills and geographies that present significant opportunities for growth.

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 has been impaired by £3,152k which has been treated as an exceptional item in the period. The carrying value of the goodwill at 31 December 2016 is £1,711k.

During 2016 ECOM's business model was significantly challenged as the demand from agency clients decreased. This change in buying behaviour reflects the evolution of the agency market with a number of large end user clients deciding to build up a strong in house capability instead of relying on agencies to deliver their digital assets.

As a result ECOM's London business saw a 41% decrease in NFI. Action was taken to address this through changing the leadership team and refocusing the business towards end user clients while retaining the agencies that had an on-going demand. This has resulted in a pick up in contractor numbers towards the end of the year and offers a stable base from which to grow in 2017. The ECOM business in Manchester (focused both on the city's digital growth and the broader demands of northern Europe) increased NFI by 33%. This has been achieved through expanding the team and focusing on niche permanent roles in high demand skill sets.

Public Sector

IQPS, the Group's Public Sector brand, has a number of long-standing relationships across the sector and benefits from both one off recruitment mandates and large scale programs of work. During 2016 IQPS did not benefit from a significant high volume opportunity as it had in 2015 and as a result NFI decreased by 28% year on year.

The business went through a structural review at the half year and as a result is clearly focused on both gaining market share and delivering compliant niche skills to its clients. The business has identified several new products that are now being taken to market and the initial signs are promising especially developing our recruitment relationships and offering consulting solutions with a view to increasing market share and margins.

IQPS has taken an active role in assessing the implications of IR35 in the Public Sector. At this time, the impact of implementing the updated legislation is hard to predict, however, the management team are taking action mitigate any negative effects.

Enterprise

IQ Financial Markets suffered a material reduction in contractor numbers during 2016 which negatively impacted its full year results. Trading conditions in financial markets remain challenging. The management team are focusing on the pockets of high growth driven by regulatory change and broadening their focus outside of retail and investment banks.

The effect of this was mitigated by IQ Solutions, (the Group's RPO and Managed Service business) where NFI increased by 74%. This was driven by increased demand from IQ Solutions five existing customers and the winning of a further new customer engagement in 2016. IQ Solutions has seen demand grow domestically in the UK and for the first time has been engaged in the US. One of the reasons for seeking additional funding through the augmented confidential invoice discounting facility is to anticipate the cash absorptive nature of this business.

Niche

The Group's NFI from niche brands decreased by 3% in 2016. The niche brands include IQ Analytics, IQ InfoSec, IQ Technology and IQ Telecom (now IQ Networks). Progress in the niche brands has been slower than management's expectations. This is in part down to the time taken to get new sales consultants productive as well as a historic over reliance on long standing clients. Having identified these issues the respective management teams have clearly outlined an updated methodology and are focused on improving net fee income per head.

RDW

The Group acquired RDW in August 2016 and following a period of integration with the broader Group have added significant value (£0.9m of NFI in five months to 31 December 2016) and have worked closely with the other Group brands to drive cross client development in the UK and US, where a number of immediate wins have resulted. RDW focus their attention at senior management and board positions both in the consulting and private sector. The salary levels that are achieved and the resulting fees significantly exceed the average placement value of the broader Group.

The digital transformation cycle

One of the Group's primary differentiators is achieved through focusing on specialist skills. We differentiate ourselves from the competition by recruiting effectively across each of the core stages of digital transformation, providing a cohesive solution across all stages of the process:

- Creative design & development – served by ECOM among other IQ brands
- IT & infrastructure – served by niche brands such as IQ Tech and Enterprise
- Connectivity & mobility – Served by niche IQ brands such as IQ Networks
- Information & cyber security – served by niche IQ brands such as IQ InfoSec
- Analytics - served by niche IQ brands such as IQ Analytics

- Change & transformation – served by niche brand IQ Change

Strategic report (continued)

InterQuest is therefore able to support our clients' recruitment demands as they progress with their digital strategy ensuring a continuity of service that is highly valued.

Being able to offer support across all the stages of the digital transformation cycle enables the Group to benefit from cross selling opportunities and creates the opportunity to present fully managed recruitment process, outsourcing and managed service programmes.

The ability to offer a one off solution to a specific client's mandate, as well as being able to provide a market leading, large scale RPO or managed services programme domestically and in the US, marks InterQuest Group apart from its competitors.

Our Primary services

InterQuest Group offers the following services:

- Contract recruitment.
- Permanent recruitment.
- Executive Search & Interim.
- Managed Solutions (MSP and RPO).

This suite of recruitment services works well both independently and a when utilised as a combined service offering.

When looking at the blend of services the mix between permanent and contract services has changed to 62:38 in favour of contract (2015: 67:33 in favour of contract).

All four services address the needs of the digital economy and base the foundation of their offering on the relationships they build with clients and candidates alike.

Candidate attraction

Attracting candidates through advanced use of social media and creative content enables the consultants within the Group to identify candidates that are not accessible through traditional channels and adds significant value to our clients. During 2016 the Group has continued to develop this strategy and as a result has grown its social media audience to in excess of 85,000 (2015: 55,000).

The Group continues to invest in our digital presence with the on-going objective to identify technology leaders and niche technologists who do not use traditional routes to find employment. Through developing a reputation as a thought leader, producing market commentary, white papers, surveys and insight the Group's brands develop close and trusting relationships with hard to find candidates.

The Group's Marketing team won the Best Marketing Team award at the Recruiter Awards 2016 with their highly innovative approach to candidate identification and development being singled out as industry leading.

Focus points for 2017

During 2016 the Group prepared a strategic plan to improve the Group's financial performance, outlining the six focus areas for the coming year:

International expansion

The Group plans to expand its international reach through building upon the US platform that RDW has developed over the past three years. The RDW office in New York opened in 2014 and will enable further development of the ECOM and IQ Analytics brands locally. The salary and fee rates in the US are materially higher than those in the UK; the Group will both recruit locally and seek to give the opportunity for internal transfers to our staff.

Senior and executive reach

The Group will invest in the RDW executive search business. The acquisition has already resulted in several cross selling opportunities and we will look to build upon their outstanding reputation at the senior leadership level within consulting firms, digital advisories and the private sector.

Emerging specialisms

With technology developing at such a fast pace today's emergent specialism could be tomorrow's commodity. With this in mind the Group will continue to focus on the roles that are most critical to digital transformation. We will evolve in line with the market, ensuring that the Group is focused on the technical skills and leadership our clients need the most, enabling us to add the most value and achieve margins above the market average.

Recruitment solutions

The Group will further develop IQ Solutions seeking to provide outsourced solutions assisting businesses with a high dependency on niche digital and technology skills. These solutions provide our clients with an efficient and compliant method of procuring specialist skills and drive digital transformation.

Cross selling

InterQuest has a large number of existing clients that we are yet to develop in to relationships where they procure recruitment services from us across multiple stages of the digital transformation cycle. Cross selling the Group's services will positively affect how our clients resource their programmes of work whilst enabling a significant increase in the Group's share of our client's recruitment spend.

Learning and development

To be a specialist, our staff must continually work towards becoming expert recruiters in their markets. The Group is committed to continuing the progress that was made in 2016 and providing continuous learning, providing training to ensure that our management and consulting staff can differentiate themselves through their expertise and add tangible value to their 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:

	31 December 2016 £'000	31 December 2015 £'000
Financial KPIs:		
Revenue	143,610	158,613
Net fee income	21,747	23,813
Gross profit percentage	15.1%	15.0%
Group operating profit before exceptional items	3,249	4,914
Group statutory (loss)/profit	(1,244)	3,085
Net cash inflow from operating activities	2,506	5,804
Net debt	5,577	5,999
Non-financial KPIs:		
Recruitment staff (average number during the year)	249	224
Administration staff (average number during the year)	55	52

Key performance indicators (continued)

The primary cause of the Group's reduction in revenue during 2016 was a reduction in contractor numbers. The revenue resulting from contract recruitment decreased by 15% during the year with the most significant impact being felt in Public Sector, ECOM and IQ Financial Markets (reported within Enterprise). This resulted in an almost proportional reduction in Net Fee Income as the Gross Profit percentage increased from 15% to 15.1% overall. The Group statutory loss for the year includes the impairment of goodwill at ECOM of £3.2m.

At the end of 2015 and early 2016 the Group had expanded its sales workforce to meet the perceived demand in the market whilst aiming to maintain its administration headcount as static as possible. However, as the revenues in contract recruitment declined the Group took steps to reduce its cost base and the reduction in Net Fee Income resulted in a decrease in operating profit before exceptional items and also had a corresponding impact on net cash inflow.

Net debt was reduced through a careful management of credit terms with customers during the course of 2016.

Key performance indicators (continued)

Net finance costs were £0.31m (2015: £0.44m) reflecting the lower levels of debt required during the year by the Group.

Tax on profits was £0.6m before exceptional items (2015: £1.1m); a detailed analysis is included at note 6.

Exceptional items

The following table summarises exceptional items in the 2016 financial statements:

	2016 £'000	2015 £'000
Acquisition costs	(28)	(21)
Restructuring costs	-	(118)
Tax on restructuring costs	-	24
Redundancy and loss of office costs	(284)	(219)
Tax on loss of office costs	57	44
Impairment	(3,152)	-
	(3,407)	(290)

In 2016 the Group incurred exceptional costs as follows:

i) £284k in relation to redundancies and loss of office costs during the year.

ii) £28k in respect to the acquisition of controlling shares in RDW-RD Limited.

iii) £3,152k in respect to the impairment of goodwill in ECOM.

See note 3 for further details.

Earnings per share and dividend

Basic loss per share was 3.4 pence (2015 earnings: 8.5 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 profit per share was 7.2 pence representing a decrease of 31.4% from 10.5 pence in 2015. See note 7 for details of the calculation.

Due to the reduction in profitability and the need for liquidity in order to fund further growth in the Group the Board are declaring a reduced dividend of 1 penny per share and this will be paid on 16 June 2017 to shareholders on the register on 19 May 2017. The ex-dividend date is 18 May 2017. This brings the total dividend for the year to 1.5 pence per share (2015: 3 pence per share)

Balance sheet, cash flow and financing

The Group's net assets decreased by £1.3m to £22.1m at 31 December 2016 (2015: £23.4m).

Continued delivery of operating profit before exceptional items and tight control of working capital delivered £2.5m of operating cash flow (2015: £5.8m). The Group paid £0.31m (2015: £0.44m) of net interest during the year. Net capital expenditure was £0.25m (2015: £0.14m) and dividends of £0.9m (2015: £1.09m) were paid.

Net debt decreased from £6.0m at the start of the year to £5.6m at the end of 2016 (2015: decreased from £8.3m at the start of the year to £6.0m at the end of the year). The Group continues to finance its activities through the utilisation of a confidential trade receivables finance facility. The Group has given notice on its current facility after negotiating with HSBC for a facility limit of £24m which will come into effect in March 2017. The facility has a three month rolling notice period following the expiry of an initial term ending in March 2018. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

Going concern

In 2016 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 2017 financial budget and reviewed cash flow projections to the end of March 2018 including investment and capital expenditure outflows. The Group will shortly transfer its banking facilities to HSBC which provides a £24m confidential trade receivables finance facility renewable on a rolling basis with three months' notice following the expiry of an initial term ending in February 2018.

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.

Principal business risks

Recent employment legislation has increased the burden of compliance upon staffing companies and their clients. Future employment legislation could have a negative impact upon the UK recruitment market and the IT contractor market in particular. Future tax legislation or rulings could have a negative impact upon the financial status of IT contractors' personal service companies. The Group 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 those systems or services are not as scalable as anticipated or at all, or there are problems in upgrading such systems or services, the Group's business will not be adversely affected. In addition, the Group may be unable to find adequate replacement services on a timely basis or at all.

The 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.

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

13 March 2017

InterQuest Group plc

Report of the directors

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2016. An indication of likely future developments in the business of the Company, 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 loss for the year amounted to £1.2m (2015: £3.1m). The directors propose to pay a second interim dividend of 1.0 penny per share on 16 June 2017 (2015: 2.0 pence per share).

Post balance sheet events

The Group has given notice on its current facility after negotiating with HSBC with a facility limit of £24m which will come into effect in March 2017. The facility has a three month rolling notice period following the expiry of an initial term ending in March 2018. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

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 2016 and 31 December 2016 were as follows:

	Ordinary shares of 1p each	
	31 December 2016 £'000	**31 December 2015 £'000**
G P Ashworth	12,512,032	12,512,032
D C Higgins	-	-
P M L Frew	72,583	72,583
C E Eldridge	-	-
D C Bygrave	37,250	-

The role of Chairman, held by Gary Ashworth was designated Non-Executive on 24 April 2014. 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 31.00 pence to a high of 97.50 pence during the year with a closing price of 39.00 pence at 31 December 2016.

Report of the directors (continued)

Share capital

Details of changes in the share capital of the Company during the year are shown in note 16 to the consolidated financial statements.

Substantial shareholdings

As at 31 December 2016, 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
Gary Ashworth	12,512,032	33.3%
River & Mercantile UK Micro Cap	2,800,000	7.46%
Close Asset Mgt Clients	2,737,375	7.29%
Living Bridge	2,250,789	5.99%
James Mellon	2,138,181	5.70%
Hargreaves Lansdown Asset Mgt Clients	1,368,186	3.65%
Barclays Wealth Management	1,274,452	3.40%

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.

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.

Report of the directors (continued)

Financial risk management and policies

The Group finances its operations through a mixture of retained earnings and borrowings. The borrowings all carry variable rates of interest and no interest swaps or other hedging mechanisms have been utilised. All treasury activities are undertaken primarily to finance the business and the Group does not plan to profit from such activities and does not enter into speculative treasury arrangements. The Group 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 13 March 2017 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

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

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, IAS1 'Presentation of Financial Statements' requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

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

By order of the board

David C Bygrave
Company Secretary
13 March 2017

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 two Executive and three Non-Executive Directors with considerable business experience particularly within the IT sector.

The Board considers Paul Frew 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. He holds 72,583 shares and was granted an option over 40,000 shares on 1 November 2011 but has no other interests in the share capital of the Group.

Non-Executive Chairman

Gary Ashworth holds the position of Non-Executive Chairman. As Non-Executive Chairman he is responsible for the operation of the Board and investor relations. Following the resignation of Mark Braund as CEO Gary Ashworth acted as Executive Chairman between July and December 2015.

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 building them for long-term growth.

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 Paul Frew (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. Paul Frew is considered by the Board to have recent and relevant financial experience.

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

Corporate governance report (continued)

The Committee monitors the objectivity and independence of the audit process and matters relating to the appointment of the Company's auditor which is Deloitte 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 Paul Frew.

The Nomination Committee's terms of reference are to regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes. The Nomination Committee also considers future succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and expertise within the Company and on the Board.

Remuneration Committee

The Remuneration Committee comprises Paul Frew who considers, once a year, the remuneration policy and the individual remuneration packages of the two Executive Directors and the Non-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 2016, the Board met formally 12 times in addition to informal meetings and attendance at the AGM. 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.

Corporate governance report (continued)

Assessment of risk and internal control (continued)

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

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

Internal audit

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

We have audited the group financial statements of InterQuest Group PLC for the year ended 31 December 2016 which comprise the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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.

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

InterQuest Group plc

Independent auditor's report (continued)

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of InterQuest Group PLC for the year ended 31 December 2016.

John Charlton
(Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

13 March 2017

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 and US. 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 eight offices in the United Kingdom and one office in New York, USA and has a centralised finance and administration function.

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

InterQuest Group plc is the Group's ultimate parent Company. It is incorporated and domiciled in the United Kingdom. The address of InterQuest Group plc's registered office is 6-7 St Cross Street, London EC1N 8UA. 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 – IFSRS 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.

It is not practical to provide a reasonable estimate of the effect of the adoption of the above standards until a detailed review has been complete, 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.

Principal accounting policies (continued)

Basis of consolidation

The Group's financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2016. 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.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured 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 acquiree 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.

Principal accounting policies (continued)

Intangible assets

Other intangible assets

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

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

Goodwill

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

Goodwill written off to reserves prior to 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.

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 does not provide for the possibility of backouts by candidates as these are considered immaterial. In the case of RDW, revenue is recognised on the candidate's start date due to the longer notice periods and the greater uncertainty over the possibility of a candidate reversing their acceptance prior to the start date. 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".

Principal accounting policies (continued)

Revenue (continued)

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 payrolling 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

Motor vehicles, 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.

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.

Principal accounting policies (continued)

Current and deferred tax (continued)

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

Financial instruments

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

Financial liability and equity instruments

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

Trade receivables and trade payables

Trade receivables and payables are initially recognised at fair value and thereafter at amortised cost using the effective interest rate method. The carrying amount of trade receivables is reduced through the use of 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.

Bank borrowings

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

Cash and cash equivalents

Cash and cash equivalents comprise cash 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 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 2017 are recognised in the financial statements.

Principal accounting policies (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.

Equity-settled share-based payment (continued)

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 confidential trade receivables finance facility which is secured by a fixed and floating charge over the Group's assets. The borrowings under this are included within current liabilities and described as "Financial Liabilities - borrowings" on the Group's 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.

In accordance with IAS 39, discounted trade receivables have been separately presented within trade receivables at the year-end as management consider that the risks and rewards that are associated with those trade receivables remain with the Group.

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.

Principal accounting policies (continued)

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' because they are material or 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, 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.

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.

Intangible assets: considered a key source of estimation uncertainty

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. Estimates and assumptions used are set out in note 9. Further detail on the recognition of new intangible assets is set out in note 18.

Principal accounting policies (continued)

Contingent assets and liabilities: considered a key source of estimation uncertainty

Following appropriate due diligence and legal advice the directors will assess the probability of success in any given legal case to determine if an asset, a contingent asset, a liability or a contingent liability is required.

InterQuest Group plc

Consolidated income statement
For the year ended 31 December 2016

	Notes	Before exceptional items £'000	Exceptional items £'000	2016 £'000	Before exceptional items £'000	Exceptional items £'000	2015 £'000
Group revenue	1	143,610	-	143,610	158,613	-	158,613
Cost of sales		(121,863)	-	(121,863)	(134,800)	-	(134,800)
Gross profit	1	21,747	-	21,747	23,813	-	23,813
Amortisation	2	(345)	-	(345)	(345)	-	(345)
Impairments	9	-	(3,152)	(3,152)	-	-	-
Other administrative expenses	2,3	(18,154)	(284)	(18,438)	(18,554)	(337)	(18,891)
Total administrative expenses	2,3	(18,499)	(3,436)	(21,935)	(18,899)	(337)	(19,236)
Continued operations		2,928	(3,436)	(508)	4,914	(337)	4,577
Acquisitions		321	-	321	-	-	-
Group operating profit/(loss)	2,3	3,249	(3,436)	(187)	4,914	(337)	4,577
Acquisition costs	3	-	(28)	(28)	-	(21)	(21)
Finance costs	5	(312)	-	(312)	(444)	-	(444)
Profit/(loss) before taxation		2,937	(3,464)	(527)	4,470	(358)	4,112
Share based payment charge		(212)	-	(212)	-	-	-
Income tax (expense)/credit	3, 6	(562)	57	(505)	(1,095)	68	(1,027)
Profit/(loss) for the year		2,163	(3,407)	(1,244)	3,375	(290)	3,085

InterQuest Group plc

Statement of comprehensive income
For the year ended 31 December 2016

	Notes	Before exceptional items £'000	Exceptional items £'000	2016 £'000	Before exceptional items £'000	Exceptional items £'000	2015 £'000
Profit/(loss) and total comprehensive income attributable to:							
- Owners of the parent		2,110	(3,407)	(1,297)	3,310	(290)	3,020
- Non controlling interests	22	53	-	53	65	-	65
Total comprehensive income /(expense) for the year		2,163	(3,407)	(1,244)	3,375	(290)	3,085

Profit per share from both total and continuing operations:

	Notes	2016 Pence	2015 Pence
Basic (loss)/earnings per share	7	(3.4)	8.5
Diluted (loss)/earnings per share	7	(3.3)	8.2

Except for the acquisition of RDW 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 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	480	611
Goodwill	9	16,596	18,867
Intangible assets	9	947	1,000
Total non-current assets		18,023	20,478
Current assets			
Trade and other receivables	10	25,978	27,417
Cash at bank and in hand	11	1,541	1,181
Total current assets		27,519	28,598
Total assets		45,542	49,076
Liabilities			
Current liabilities			
Trade and other payables	12	(14,828)	(16,698)
Borrowings	13	(7,094)	(7,180)
Current tax payable		(1,218)	(1,571)
Total current liabilities		(23,140)	(25,449)
Non-current liabilities			
Deferred income tax liability	14	(296)	(212)
Total non-current liabilities		(296)	(212)
Total liabilities		(23,436)	(25,661)
Net assets		22,106	23,415
Equity			
Share capital	16	374	359
Share premium account		11,338	10,632
Capital redemption reserve		12	12
Retained earnings		8,549	10,829
Share-based payment reserve		2,411	2,199
Share buyback reserve		(666)	(666)
Total issued share capital and reserves attributable to the owners of the parent		22,018	23,365
Non-controlling interests	24	88	50
Total equity		22,106	23,415

The financial statements of InterQuest Group plc, registered number 04298109 were approved by the Board of Directors on 13 March 2017. Signed on behalf of the Board of Directors

David C Bygrave
Director

InterQuest Group plc

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Share buy back reserve £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2015	344	10,468	12	10,322	2,006	(666)	288	22,774
Comprehensive income								
Profit for the year	-	-	-	3,020	-	-	65	3,085
Total comprehensive income for the year	-	-	-	3,020	-	-	65	3,085
Transactions with owners								
Movement in share-based payment reserve	-	-	-	-	193	-	-	193
Issue of share capital	15	164	-	-	-	-	-	179
Current tax credit on share based payments	-	-	-	(191)	-	-	-	(191)
Deferred tax credit	-	-	-	39	-	-	-	39
Dividends relating to 2015	-	-	-	(1,089)	-	-	-	(1,089)
Elimination of reserves on acquisition of IQ Telecoms NCI	-	-	-	-	-	-	(307)	(307)
Elimination of reserves on acquisition of Korus Group NCI	-	-	-	-	-	-	4	4
Adjustment to IQ Telecom NCI	-	-	-	(1,013)	-	-	-	(1,013)
Adjustment to Korus Group NCI	-	-	-	(259)	-	-	-	(259)
Total contributions by and distributions to owners	15	164	-	(2,513)	193	-	(303)	(2,444)
Balance at 31 December 2015	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 relating to 2016	-	-	-	(895)	-	-	-	(895)
RDW step acquisition MI 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

InterQuest Group plc

Consolidated cash flow statement
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss)/profit after taxation		(1,245)	3,085
Adjustments for:			
Depreciation	2	411	441
Impairment of intangible assets		3,152	-
Disposal of assets	8	-	(10)
Share-based payment charge	2	212	193
Finance costs	5	312	444
Amortisation	2	345	345
Income tax expense	6	505	1,027
Decrease/(increase) in trade and other receivables		1,439	(1,052)
(Decrease)/increase in trade and other payables		(1,870)	2,019
Cash generated from operations		3,261	6,492
Income taxes paid		(755)	(688)
Net cash from operating activities		2,506	5,804
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(279)	(138)
Acquisition of subsidiaries, net of cash acquired and goodwill adjustments	18, 19	(1,503)	(1,560)
Loan notes repaid		-	(443)
Net cash used in investing activities		(1,782)	(2,141)
Cash flows from financing activities			
Proceeds from issue of share capital		721	179
Proceeds from sale of shares in subsidiary		-	25
Net decrease in discounting facility		(86)	(2,432)
Interest paid	5	(312)	(444)
Dividends paid	21	(923)	(1,089)
Net cash used in financing activities		(600)	(3,761)
Net increase/(decrease) in cash, cash equivalents and overdrafts		124	(98)
Effects of currency translation on cash and cash equivalents		235	-
Cash, cash equivalents and overdrafts at beginning of year	11	1,181	1,279
Cash and cash equivalents at end of year	11	1,541	1,181

InterQuest Group plc

Notes to the consolidated financial statements
For the year ended 31 December 2016

1. Revenue and segmental reporting

There were no material revenues earned or 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 Group's chief operating decision maker. This is because the Group considers net fee income (gross profit) and profitability for the purpose of making decisions about allocation of resources.

2016	Niche £'000	ECOM £'000	Enterprise £'000	Public Sector £'000	RDW (acquisition) £'000	Other £'000	Total £'000
Revenue	46,369	17,006	52,311	23,338	869	3,717	143,610
Gross profit	8,855	4,353	4,470	2,076	866	1,261	21,747
EBITA	2,834	549	1,667	1,013	321	(3,026)	3,358

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

- exceptional items	(284)
- impairments	(3,152)
- amortisation of intangible assets	(345)
Statutory operating loss	(423)
Acquisition costs	(28)
Share-based payment charge	(212)
Finance costs	(312)
Effects of currency translation	235
Loss before tax	(740)

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

1. Revenue and segmental reporting (continued)

2015	Niche £'000	ECOM £'000	Enterprise £'000	Public Sector £'000	Business Change £'000	Other £'000	Total £'000
Revenue	43,613	17,609	49,601	31,360	12,961	3,469	158,613
Gross profit	9,132	4,037	3,633	3,215	2,884	912	23,813
EBITA	3,760	874	1,646	1,700	707	(3,235)	5,452

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

- share-based payment charge	(193)
- exceptional items	(337)
- amortisation of intangible assets	(345)
Statutory operating profit	4,577
Acquisition costs	(21)
Finance costs	(444)
Profit before tax	4,112

	Revenue 2016 £'000	Revenue 2015 £'000	Gross profit 2016 £'000	Gross profit 2015 £'000
Permanent	8,263	7,939	8,263	7,939
Contract	135,346	150,674	13,483	15,874
	143,610	158,613	21,746	23,813

The Group does not report items below 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 (2015: no client represented more than 10%).

Reconciliation of adjusted profit before tax	2016 £'000	2015 £'000
EBITA per management accounts	3,358	5,452
Acquisition costs	(28)	(21)
Finance costs	(312)	(444)
Effects of currency translation	235	-
Adjusted profit before tax	3,253	4,987

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

2. Administrative expenses

Administrative expenses include the following:

	2016 £'000	2015 £'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	84	70
Total audit fees	104	90
- other services pursuant to legislation	4	4
Total non-audit fees	4	4
Total auditor's remuneration	108	94
Amortisation of intangible assets (see note 9)	345	345
Depreciation (see note 8)	411	441
Exceptional items (see note 3)	284	358
Operating lease rentals – land and buildings	623	500
Share-based payment charge (see note 4)	212	193
Foreign currency (gains)/losses	(235)	94

3. Exceptional items

The below represent exceptional items in the 2016 financial statements:

	2016 £'000	2015 £'000
Acquisition costs	(28)	(21)
Restructuring costs	-	(118)
Tax on restructuring costs	-	24
Redundancy and loss of office costs	(284)	(219)
Tax on loss of office costs	57	44
Impairment	(3,152)	-
	(3,407)	(290)

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

3. Exceptional items (continued)

In 2016 the Group incurred exceptional costs in three areas:

i) £28k in respect of the acquisition of the Rees Draper Wright group of companies in two tranches;
ii) £3,152k in respect of the impairment of goodwill in ECOM; and
iii) £284k in relation of redundancies during the year.

4. Directors and employees

Staff costs including Directors during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	12,593	13,463
Social security costs	1,404	1,515
Other pension costs (see note 15)	151	144
Share-based payment charge	212	193
	14,360	15,315

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

	2016 Number	2015 Number
Recruitment consultants	249	224
Administration	55	52
	304	276

Remuneration in respect of directors was as follows:

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

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

4. Directors and employees (continued)

2015	Salary and fees £'000	Benefits £'000	Bonuses £'000	Total £'000	Compensation for loss of office £'000	Pensions £'000	Total £'000
Executive Directors							
M A Braund	276	3	-	279	30	10	319
M R S Joyce	172	2	-	174	-	-	174
C E Eldridge	10	-	-	10	-	-	10
D C Bygrave	13	-	-	13	-	-	13
Non-Executive Director							
G P Ashworth	110	2	-	112	-	-	112
P M L Frew	30	-	-	30	-	-	30
D C Higgins	9	-	-	9	-	-	9
	620	7	-	627	30	10	667

D C Higgins became a non-executive director on 7 April 2015.
C E Eldridge and D C Bygrave became executive directors on 31 December 2015.

5. Finance costs

	2016 £'000	2015 £'000
Interest payable on borrowings	312	444

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

6. Income tax expense

	Before exceptional items £'000	Exceptional items £'000	2016 £'000	2015 £'000
Current tax				
Corporation tax on chargeable profits for the year	560	(57)	503	907
Adjustments in respect of prior periods	(90)	-	(90)	(50)
Total current tax	470	(57)	413	857
Deferred tax				
Origination and reversal of temporary difference	115	-	115	(37)
Adjustment in respect of prior periods	(23)	-	(23)	207
Total income tax expense	562	(57)	505	1,027

Income tax expense recognised outside of the income statement	2016 £'000	2015 £'000
Current tax charge on share-based payments	62	191
Deferred tax credit on share-based payments	(12)	(39)
Total tax recognised outside of income statement	50	152

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

6. Income tax expense (continued)

	Before exceptional items £'000	Exceptional items £'000	2016 £'000	2015 £'000
Profit/(loss) before taxation	2,725	(3,464)	(739)	4,112
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	587	(693)	(105)	833
Effects of:				
Depreciation of assets not qualifying for tax relief	34	-	34	24
Net effect of tax losses in the year	-	-	-	1
Expenses not deductible for tax purposes	61	6	67	39
Temporary difference with respect to share-based payment charge	6	-	6	(4)
Under / (over) provisions in prior years	(113)	-	(113)	157
Impairment of goodwill	-	630	630	
Effect of change in tax rates	-	-	-	(23)
Other tax adjustment	(14)	-	(14)	-
Total income tax expense	562	(57)	505	1,027

Finance Act 2014 reduced the main rate of UK corporation tax to 21.0% effective from 1 April 2014 and 20.0% effective from 1 April 2015 and 2016. These changes have been substantively enacted at the balance sheet date and are therefore reflected in these financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2016 (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.

	2016 £'000	2015 £'000
(Loss)/profit for the year attributable to the owners of the Company	(1,282)	3,020
Adjustments to basic earnings		
Intangible assets amortisation	345	345
Deferred tax credit on intangible asset amortisation	(69)	(69)
Share-based payment charge	212	193
Tax credit on share-based payment charge	(42)	(39)
Restructuring items	-	118
Tax on restructuring items	-	(24)
Impairment of goodwill	3,152	-
Deferred tax credit on impairment of goodwill	(630)	-
Fees related to acquisition of ECOM Recruitment Limited	-	21
Fees related to acquisition of RDW-RD Limited	28	-
Redundancy and loss of office costs	284	219
Tax on loss of office costs	(57)	(44)
Adjusted earnings attributable to the owners of the Company	1,941	3,740

	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share	36,401,381	35,635,968
Weighted average number of share options in issue	980,155	1,359,421
Weighted average number of ordinary shares for the purposes of diluted earnings per share	37,381,536	36,995,389

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

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

	2016 Pence	2015 Pence
Profit / (loss) per share		
Basic earnings per share	(3.4)	8.5
Diluted earnings per share	(3.3)	8.2
Adjusted earnings per share		
Basic earnings per share	7.2	10.5
Diluted earnings per share	7.0	10.1

8. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2015	717	2,626	27	3,370
Additions	9	129	-	138
Disposals	-	-	(27)	(27)
At 31 December 2015	726	2,755	-	3,481
At 1 January 2016	726	2,755	-	3,481
Additions	83	94	-	177
Disposals	-	102	-	102
At 31 December 2016	**809**	**2,951**	**-**	**3,760**
Depreciation				
At 1 January 2015	372	2,047	10	2,429
Provided in the year	166	285	3	454
Depreciation on disposals	-	-	(13)	(13)
At 31 December 2015	538	2,332	-	2,870
At 1 January 2016	538	2,332	-	2,870
Provided in the year	67	343	-	410
At 31 December 2016	**605**	**2,675**	**-**	**3,281**
Net book value				
At 1 January 2015	345	579	17	941
At 31 December 2015	188	423	-	611
At 31 December 2016	204	276	-	480

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

9. Goodwill and intangible assets

	Goodwill £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2015	21,545	8,131	29,676
Additions from business combinations	-	-	-
At 31 December 2015	21,545	8,131	29,676
Additions from business combinations	881	292	1,173
At 31 December 2016	22,426	8,423	30,849
Amortisation and accumulated impairment losses			
At 1 January 2015	2,678	6,786	9,464
Provided in the year	-	345	345
At 31 December 2015	2,678	7,131	9,809
Provided in the year	-	345	345
Impairment losses for the year	3,152	-	-
At 31 December 2016	5,830	7,476	13,306
Net book value			
At 1 January 2015	18,867	1,345	20,212
At 31 December 2015	**18,867**	**1,000**	**19,867**
At 31 December 2016	**16,596**	**947**	**17,543**

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 has been impaired by £3,152k which has been treated as an exceptional item in the period. The reason for the impairment was a change in buying behaviour reflecting the evolution of the agency market with a number of large end user clients deciding to no longer rely on agencies to deliver their digital assets, deciding to build up a strong in house capability. The carrying value of the goodwill at 31 December 2016 is £1,711k.

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

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 as follows:

	2016 £'000 Opening	2016 £'000 Impairment	2016 £'000 Acquisition	2016 £'000 Closing	2015 £'000 Closing
InterQuest Group (UK) Limited	5,053	-	-	5,053	5,053
PeopleCo Worldwide Limited	3,093	-	-	3,093	3,093
Sand Resources Limited	2,239	-	-	2,239	2,239
Intelect Recruitment plc	1,894	-	-	1,894	1,894
e-CRM People Limited	1,611	-	-	1,611	1,611
Korus Recruitment Group Limited	115	-	-	115	115
ECOM Recruitment Limited	4,862	(3,151)	-	1,711	4,862
RDW-RD Limited	-	-	832	832	-
	18,867	(3,151)	832	16,548	18,867

Whilst the trade in certain businesses above have been transferred to the main operating company, the businesses continue to trade and generate cashflows 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. Following a review of the operations and management reorganisation the separate CGU previously categorised as Business Change was amalgamated into the niche CGU as it no longer was considered a separate operating segment generating cashflows that could be separately identifiable from other assets or groups of assets within the niche segment.

The CGUs align by EBITA with the segments disclosed in Note 1 above as follows:

	Niche £'000	ECOM £'000	Enterprise £'000	Public Sector £'000	RDW £'000	Other £'000	Total £'000
InterQuest Group (UK) Limited	-	-	517	-	-	-	517
PeopleCo Worldwide Limited	318	-	416	-	-	-	734
Sand Resources Limited	-	-	-	497	-	-	497
Intelect Recruitment plc	276	-	-	-	-	-	276
e-CRM People Limited	555	-	-	-		-	555
Korus Recruitment Group Limited	-	-	-	-	-	98	98
ECOM Recruitment Limited	-	307	-	-	-	-	307
RDW-RD Limited	-	-	-	-	104	-	104
CGUs not acquired	436	-	-	69	-	(234)	271
	1,585	307	933	566	104	(136)	3,358

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 2016 are that the CGU's will trade in accordance with the 2017 budget, which has a higher financial result than that reported for 2016, followed by 2% growth in sales and 2% growth in costs (from 2017 levels) in subsequent years until 31 December 2020 across all CGU's 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 13.86%.

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 CGU's as management do not consider the risk differential to be significant as all CGU's are principally involved in recruitment activities in the UK. 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 2017 and performance against budget supports the growth rates used in our calculations.

Each CGU has been considered on an individual basis and these assumptions used fall within historic variations experienced by the Group and are considered as reasonable estimations. The discount rate is pre-tax and reflects specific risks relating to the relevant CGU's.

The assessment for value in use for 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.

Review of the carrying value of goodwill in ECOM

The financial performance of ECOM has deteriorated in the last financial year reporting EBITA of £0.5m (2015: £0.9m). During 2016 ECOM's business model was significantly challenged as the demand from agency clients decreased. This change in buying behaviour reflects the evolution of the agency market with a number of large end user clients deciding to no longer rely on agencies to deliver their digital assets, deciding to build up a strong in house capability. Action was taken to address this through changing the leadership team and refocusing the business towards end user clients while retaining the agencies that had an on-going demand. This has resulted in a pick up in contractor numbers towards the end of the year and offers a stable base and the Directors remain confident in the long-term prospects of the business.

The Directors recognise that there are risks and uncertainties in its ECOM CGU if the performance of the business does not improve as expected over the long term in line with management's forecasts. Factors that could cause the deterioration in future cash flows of the business compared to the forecasts include:

- the inability to recruit and retain sales consultants at appropriate remuneration rates
- the inability to win new and retain existing contracts at appropriate margins; and
- a further change in the buying behaviour in the division's agency and end user clients

The value of goodwill attributed to ECOM is £1.7m (2015: £4.9m) and is calculated at its value in use using the pre-tax discount rate of 13.86%. The goodwill impairment in relation to ECOM Recruitment Limited amounting to £3.2 million was derived from the detailed forecast using a compound annual growth rate of 2%. The current headroom based on managements' forecast is £0.9m above the current goodwill carrying value of £1.7m. NFI at ECOM would have to reduce by 5% every year on management's forecast during 2017 and in every subsequent year in order for the recoverable amount of goodwill to be equal to its carrying amount. Alternatively, the pre-tax discount rate would need to increase from 13.86% to 23% in order for the recoverable amount of goodwill to be equal to its carrying amount.

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

10. Trade and other receivables

	2016 £'000	2015 £'000
Gross trade receivables	18,992	22,214
Provisions	(724)	(726)
Net trade receivables	18,268	21,488
Prepayments and accrued income	6,930	5,122
Other current assets	780	807
	25,978	27,417

Included within gross trade receivables is £7.1m (2015: £7.2m) 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:

	2016 £'000	2015 £'000
Not more than 30 days	13,161	9,892
More than 30 days but less than 60 days	3,390	9,109
More than 60 days but less than 90 days	1,698	1,824
More than 90 days	743	1,389
	18,992	22,214

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

	2016 £'000	2015 £'000
Provision for receivables impairment at 1 January	726	710
Amounts released in the year	(2)	-
New provision in the year	-	16
Provision for receivables impairment at 31 December	724	726

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 £182m (2015: £179m) 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 bank loans (see note 13).

11. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	1,541	1,181

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

12. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	7,973	9,829
Other tax and social security	876	2,404
Other payables	194	40
Accruals and deferred income	5,785	4,425
	14,828	16,698

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

13. Financial liabilities - borrowings

	2016 £'000	2015 £'000
Less than one year		
Invoice discounting facility	7,094	7,180

The Group has access to a working capital finance facility provided by its bankers. These facilities comprise a confidential trade receivables finance facility and an overdraft which are secured by a fixed and floating charge over the Group's assets. The confidential trade receivables finance facility is secured specifically against the Group's trade receivables. Trade receivables which have been discounted are included with trade receivables within current assets in the Group's statement of financial position. A debenture dated 12 June 2006 was executed to secure all the Company's liabilities to National Westminster Bank plc. A cross corporate guarantee and indemnity is in place on the invoice discounting facility between the Company, InterQuest Group (UK) Ltd, IQ Telecom Limited (formerly Fulcrum Telecom Limited), Korus Recruitment Group Limited, Mint Recruitment Solutions Limited and ECOM Recruitment Limited. The facility allows drawdown to a maximum of £20m and is renewable on a six month rolling basis.

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

14. Deferred income tax assets and liabilities

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

	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 2015	(51)	456	13	(269)	149
Charged to income statement in 2015	22	(73)	(10)	(109)	(170)
Charged to equity in 2015	-	(191)	-	-	(191)
Balance at 31 December 2015	**(29)**	**192**	**3**	**(378)**	**(212)**
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)**

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 £0.4m (2015: £0.4m) available for offset against future profits. Deferred tax has not been recognised on these amounts as there is not a suitable taxable profit forecast against which they will be reversed. Of these amounts none have an expiry date.

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

	2016 £'000	2015 £'000
Asset at 1 January	(212)	149
Charge to income statement (note 6)	(70)	(170)
Charge to equity	(14)	(191)
Liability at 31 December	(296)	(212)

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

15. Employee benefits

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

	2016 £'000	2015 £'000
Defined contributions	151	144

Equity-settled share-based payments:

	Options	2016 Weighted average exercise price	Options	2015 Weighted average exercise price
Outstanding at beginning of the year	1,493,488	£0.06	2,725,321	£0.18
Granted during the year	152,500	£0.01	5,000	£0.01
Forfeited during the year	-		(264,500)	
Exercised during the year	(625,833)		(972,333)	
Outstanding at end of year	1,020,155	£0.06	1,493,488	£0.06
Exercisable during the year	1,645,988	£0.24	2,730,321	£0.15
Exercisable at the year end	1,645,988	£0.20	2,730,321	£0.12
Weighted average remaining contractual life of options outstanding at the end of the year	6.7 years		3.6 years	

15. Employee benefits (continued)

The options outstanding at 31 December 2016 had an exercise price ranging from £0.01 to £1.15 (2015: £0.01 to £1.17). 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 £138,013 (2015: £4,377). 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 £0.10 (2015: £0.06).

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
15 June 2006	22,500	62p	15 June 2008	15 June 2016
24 May 2007	45,000	115p	24 May 2009	24 May 2017
12 July 2007	15,000	114p	12 July 2009	12 July 2017
22 October 2007	20,000	100p	22 October 2009	22 October 2017
16 October 2009	140,000	1p	16 October 2012	16 October 2019
28 June 2013	303,488	1p	1 January 2016	1 January 2026
12 March 2014	294,500	1p	31 January 2017	31 January 2027
2 June 2015	3,000	1p	30 September 2016	30 September 2026
	843,488			

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.

15. Employee benefits (continued)

Unapproved scheme

Date granted	Number of options granted and still outstanding	Exercise price	Date from which exercisable	Expiry date
1 November 2011	40,000	1p	1 November 2011	1 November 2021
13 May 2016	80,000	1p	1 September 2016	13 May 2026
13 May 2016	24,167	1p	1 September 2016	13 May 2026
13 May 2016	24,167	1p	1 September 2016	13 May 2026
13 May 2016	24,166	1p	1 September 2016	13 May 2026
	192,500			

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

	2016 £'000	2015 £'000
Weighted average share price	£0.83	£0.89
Weighted average exercise price	£0.01	£0.01
Expected volatility	31%	31%
Expected life	1 year	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 2016 is £212K (2015: £193k).

During 2012, the Group implemented long-term incentive plans for certain directors of the Company. The fair value charge through the Income Statement in 2016 was £nil (2015: nil).

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

16. Share capital

	2016 £'000	2015 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2016:		
35,946,765 ordinary shares of 1p each	359	
Issue of share capital	15	
	374	
As at 31 December 2015:		
35,946,765 ordinary shares of 1p each	359	
As at 31 December 2016:		
37,526,569 ordinary shares of 1p each	374	

During the year the total allotted and fully paid up shares in issue increased by £15,873. The total premium received in relation to these shares included £163,502 from employees.

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

	Directors	Employees	Total
Issues:			
Issued in January 2016	-	180,000	180,00
Issued in April 2016	-	196,000	196,000
Issued in May 2016	-	152,500	152,500
Issued in July 2016	-	39,971	39,971
Issued in August 2016	-	728,000	728,000
Issued in October 2016	-	285,333	285,333
	-	1,581,804	1,581,804

The Group's objectives when managing capital are:

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

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

16. Share capital (continued)

	2016 £'000	2015 £'000
Total debt	7,094	7,180
Less: Cash and cash equivalents	(1,541)	(1,181)
Net debt	5,553	5,999

17. Operating leases

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

	Land and buildings	
	2016 £'000	2015 £'000
Less than one year	692	280
Between one and five years	844	476
Total	1,536	756

18. Acquisition of RDW-RD Limited

On 3 August 2016, the Group acquired 78 per cent of the issued share capital of RDW-RD Limited, a boutique executive search firm for blue chip clients, with the right to acquire the remainder of the shares in RDW. The remaining share capital was purchased on 20 October 2016.

The wholly owned subsidiaries of RDW, Rees Draper Wright Limited and Rees Draper Wright Inc operate from offices in London and New York. The acquisition will broaden the services of the Group into executive search at senior levels of corporate management and assist the Group in its international growth plans.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Identified assets £'000	Fair value adjustments upon acquisition £'000	Total £'000
Customer relationships intangible asset upon acquisition	-	292	292
Investments	49	-	49
Financial assets	1,667	-	1,667
Property, plant and equipment	16	-	16
Financial liabilities	(656)	-	(656)
Total identifiable assets			1,368
Goodwill			832
Total consideration			2,200

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

18. Acquisition of RDW-RD Limited (continued)

Satisfied by:	
Cash	1,500
Equity instruments (933,333 ordinary shares of InterQuest Group Plc)	700
Total consideration transferred	2,200

Net cash outflow arising on acquisition:

Consideration	2,200
Less: cash and cash equivalent balances acquired	(669)
Less: legal costs	(28)
	1,503

The fair value of the financial assets includes trade and other debtors with a fair value and gross contractual value of £1.0 million. The best estimate at acquisition date of the contractual cash flows to be collected was £1.0 million.

The goodwill of £0.8 million arising from the acquisition consists of expertise in the senior executive search market in Europe and the USA and access to customer relationships to provide growth in future revenues. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the 933,333 ordinary shares issued as part of the consideration paid for RDW-RD Limited (£0.7 million) was determined on the basis of the market price of the shares in the Group in the period leading up to the acquisition.

Acquisition-related costs (included in administrative expenses) amount to £0.28 million.

The RDW group of companies contributed £0.9 million revenue and £0.3 million to the Group's EBITA for the period between the date of acquisition and the balance sheet date. Had the RDW group of companies occurred at the beginning of the year the Group's revenue would have been £144.9 million and the adjusted EBITA would have been £3.8 million for the year.

The Group has considered the requirement of IFRS 3 with respect to business combinations achieved in stages and have concluded that, given the short period of time between the two transactions, the impact is immaterial and as a result no such disclosures have been presented.

Notes to the consolidated financial statements
For the year ended 31 December 2016 (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	2016 £'000	2015 £'000	Directors involved
Shillingridge Limited	Business expenses	-	14,809	G P Ashworth
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Explosive Titles	Digital Media Services	48,900	30,358	P M L Frew
EG360 Consulting	Consultancy	23,110	-	D C Higgins
Lyn Braund	Media Services	-	5,400	M A Braund*
Deirdre O'Shaughnessy	Employment remuneration	-	14,982	M R S Joyce*

* Former Directors

No amounts were outstanding at 31 December 2016 or 31 December 2015.

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

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
		312,810	931	1,815

2015

Dividends declared	Date paid	Gary Ashworth £	Mark Braund £	Paul Frew £
2.0 pence per share	17 April 2015	250,240	20,212	1,452
1.0 pence per share	23 October 2015	125,120	4,006	726
		375,360	24,218	2,178

Notes to the consolidated financial statements
For the year ended 31 December 2016 (continued)

19. Related party transactions (continued)

Transactions between the Parent and subsidiaries not 100% owned during the year were as follows:

	Korus Recruitment Group £'000
Central recharges	18

Amounts due to the Parent at 31 December 2016 from subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £'000
	16

Amounts due from the Parent at 31 December 2015 to subsidiaries not 100% owned were as follows:

	Korus Recruitment Group £'000
	255

The Company has taken advantage of the exemption in IAS 24 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group.

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

	2016 £'000	2015 £'000
Salaries and other short-term employee benefits	1,481	2,279
Share-based payments	283	(68)
	1,764	2,211

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

The Group has given notice on its current facility after negotiating with HSBC with a facility limit of £24m which will come into effect in March 2017. The facility has a three month rolling notice period following the expiry of an initial term ending in March 2018. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

21. Financial risk management

Interest rate sensitivity

At 31 December 2016, the Group is exposed to changes in market interest rates through its invoice factoring facilities, which are now subject to variable interest rates of 1.10% 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% (2015: +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% 2016 £'000	-0.5% 2016 £'000	+3% 2015 £'000	-0.5% 2015 £'000
Net result for the year	(493)	82	(620)	103
Equity	(493)	82	(620)	103

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of trade 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 or financial assets that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

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

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding 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.

21. Financial risk management (continued)

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 13.

	2016 £'000	2015 £'000
Loans and receivables	26,739	27,791
Total financial assets	26,739	27,791

	2016 £'000	2015 £'000
Current assets		
Trade receivables	18,268	21,488
Accrued income	6,930	5,122
Cash and cash equivalents	1,541	1,181
	26,739	27,791

	2016 £'000	2015 £'000
Financial liabilities measured at amortised cost	21,922	21,759

	2016 £'000	2015 £'000
Current liabilities		
Borrowings	7,094	7,180
Trade payables	7,973	9,829
Other payables	1,071	2,444
Accruals	5,785	4,425
	21,922	23,878

	2016 £'000	2015 £'000
Dividends paid during the year of 2.5 pence per share (2015: 3 pence per share)	923	1,089

The directors proposed a second interim of 1.0 penny per share to be paid on 16 June 2017 (2015: 2.0 pence per share). This has not been included as a liability in these financial statements.

Dividends declared before the financial statements were authorised for issue but not recognised as a distribution to owners in 2016 amount to £0.38 (2015: £0.72m).

22. Non-controlling interests

	£'000
Balance at 1 January 2015	288
Share of profit for the year	65
Elimination of reserves on acquisition of Korus Group NCI	4
Elimination of reserves on acquisition of IQ Telecom NCI	(307)
Balance at 31 December 2015	50
Share of profit for the year	53
RDW-RD Ltd step up acquisition minority interest acquired	(15)
Balance at 31 December 2016	88

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 charge, 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 cashflow and operating profit are derived from the information that is presented in the financial statements.

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

We have audited the parent company financial statements of InterQuest Group PLC for the year ended 31 December 2016 which comprise the Principle accounting policies, Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

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

Independent auditor’s report (continued)

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of InterQuest Group PLC for the year ended 31 December 2016.

John Charlton
(Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

13 March 2017

InterQuest Group plc

Principal accounting policies
Year ended 31 December 2016

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; and,
- Disclosures in respect of the compensation of Key Management Personnel.

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; and
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets.

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 21 to 27 except as noted below.

Investments

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

Parent company balance sheet
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investments	1	28,711	31,811
		28,711	31,811
Current assets			
Receivables	2	13,501	7,976
Cash at bank and in hand	3	-	2
Total Assets			
		13,501	7,978
Current liabilities			
Payables: amounts falling due within one year	4	(29,292)	(26,901)
Net current liabilities		(15,791)	(18,923)
Net assets		12,920	12,888
Equity			
Called up share capital	5	374	359
Share premium account		11,338	10,632
Capital redemption reserve		12	12
Profit and loss account		836	1,523
Share-based payment reserve		1,026	1,028
Share buyback reserve		(666)	(666)
		12,920	12,888

InterQuest Group plc reported a loss for the year of £5.3m (2015: £1.2m loss). Share-based payment reserves represents equity-settled share based employee remuneration until such share options are exercised. Share buyback reserve represents shares which were purchased and subsequently cancelled.

These parent company financial statements were approved by the board on 13 March 2017 and were signed on its behalf by:

David C Bygrave
Finance Director

InterQuest Group plc

Parent statement of changes in equity

	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 2015	344	10,468	12	1,694	1,052	(666)	12,904
Comprehensive income							
Loss for the year	-	-	-	(1,182)	-	-	(1,182)
Total comprehensive loss for the year	-	-	-	(1,182)	-	-	(1,182)
Transactions with owners							
Movement in share-based payment reserve	-	-	-	-	(24)	-	(24)
Issue of share capital	15	164	-	-	-	-	179
Dividends received	-	-	-	2,100	-	-	2,100
Dividends payment	-	-	-	(1,089)	-	-	(1,089)
Total contributions by and distributions to owners	15	164	-	1,011	(24)	-	1,166
Balance at 31 December 2015	359	10,632	12	1,523	1,028	(666)	12,888
Comprehensive loss							
Profit for the year	-	-	-	227	-	-	227
Total comprehensive loss 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)	-	(167)
Balance at 31 December 2016	374	11,338	12	836	1,026	(666)	12,920

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

Company registration number: 04298109

Notes to the parent company financial statements for the year ended 31 December 2016 (continued)

1. Investments

	Total £'000
Net book value	
As at 1 January 2016	31,811
RDW-RD Ltd acquisitions in 2016	2,200
Goodwill impairment 2016	(5,300)
Net Book Value as at 31 December 2016	28,711

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 has been impaired by £5,300k in the financial statements of the parent company. The reason for the impairment was a change in buying behaviour reflecting the evolution of the agency market with a number of large end user clients deciding to no longer rely on agencies to deliver their digital assets, deciding to build up a strong in house capability. The carrying value of the goodwill at 31 December 2016 is £1,711k.

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

Name of subsidiary undertaking	Country of incorporation	Holding	Nature of business
InterQuest Group (UK) Limited	UK	Ordinary shares	IT recruitment
Contract Connections Limited	UK	Ordinary shares	Non trading
Contract Connections B.V.	Netherlands	Ordinary shares	Non trading
InterQuest Asia Pte	Singapore	Ordinary shares	IT recruitment
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 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. The transfers do not have any impact on the CGU as the businesses continue to trade and generate cashflows that are largely independent of those from other assets or groups of assets.

Notes to the parent company financial statements for the year ended 31 December 2016 (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) and Rees Draper Wright Limited (04296868).

The following companies are taking an exemption from preparing and filing financial statements as per S394 and 448A of the Companies Act; 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.

The Group's subsidiary in Singapore was restructured in 2013 and ceased trading in 2015.

2. Receivables: amounts falling due within one year

	2016 **£'000**	**2015** **£'000**
Amounts owed by Group undertakings	13,501	7,976

3. Cash and cash equivalents

	2016 **£'000**	**2015** **£'000**
Cash at bank	-	2

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

	2016 **£'000**	**2015** **£'000**
Amounts owed to Group undertakings	29,292	26,901

Notes to the parent company financial statements for the year ended 31 December 2016 (continued)

5. Share capital

	2016 £'000	2015 £'000
Authorised:		
80,000,000 ordinary shares of 1p each	800	800
Allotted, called up and fully paid:		
As at 1 January 2016:		
35,946,765 ordinary shares of 1p each	359	
Issue of share capital	15	
	374	
As at 31 December 2015:		
35,946,765 ordinary shares of 1p each	359	
As at 31 December 2016:		
37,526,569 ordinary shares of 1p each	374	

During the year the total allotted and fully paid up shares in issue increased by £15,873. The total premium received in relation to these shares included £163,502 from employees.

6. Capital commitments

The Company had no capital commitments at 31 December 2016 or 31 December 2015.

7. Contingent liabilities

There were no contingent liabilities at 31 December 2016 or 31 December 2015.

8. Operating leases

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

	Land and buildings 2016 £'000	Land and buildings 2015 £'000
Less than one year	96	96
Between one and five years	52	149
	148	245

Notes to the parent company financial statements for the year ended 31 December 2016 (continued)

9. Transactions with directors and other related companies

Related party	Nature of business	2016 £'000	2015 £'000	Directors involved
Shillingridge Limited	Business expenses	-	14,809	G P Ashworth
Clare Ashworth	Employment remuneration	6,000	6,000	G P Ashworth
Explosive Titles	Website Development	48,900	30,358	P M L Frew
EG360 Consulting	Consultancy	23,110	-	D C Higgins
Lyn Braund	Media Services	-	5,400	M A Braund*
Deirdre O'Shaughnessy	Employment remuneration	-	14,982	M R S Joyce*

* Former Directors

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

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

10. Post balance sheet events

The Group has given notice on its current facility after negotiating with HSBC with a facility limit of £24m which will come into effect in March 2017. The facility has a three month rolling notice period following the expiry of an initial term ending in March 2018. The Group cannot utilise invoices if they remain unpaid 120 days from the end of the month in which they were issued.

11. Profit attributable to the Company and cash flow statement

The Company has elected not to present its own profit and loss account or cash flow statement as permitted by Section 408 of the Companies Act 2006. InterQuest Group plc reported a profit for the year of £0.2m (2015: £1.2m loss).
Details of the proposed final dividend are provided in note 21 to the consolidated accounts. Details of share-based payments are disclosed in note 15 to the consolidated accounts.